

# SECURITIES AND EXCHANGE COMMISSION

## FORM 20-F

Annual and transition report of foreign private issuers pursuant to sections 13 or 15(d)

Filing Date: **2021-07-23** | Period of Report: **2020-12-31**  
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### FILER

#### **Empower Clinics Inc.**

CIK: **1109504** | IRS No.: **000000000** | State of Incorporation: **Z4** | Fiscal Year End: **1231**  
Type: **20-F** | Act: **34** | File No.: **000-30087** | Film No.: **211110326**  
SIC: **1382** Oil & gas field exploration services

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 20-F**

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) or 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

**For the fiscal year ended December 31, 2020**

OR

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

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

**Commission file number 000-30087**

**EMPOWER CLINICS INC. (formerly ADIRA ENERGY LTD.)**  
(Exact name of Registrant specified in its charter)

**CANADA**

(Jurisdiction of incorporation or organization)

**Suite 505, 1771 Robson Street  
Vancouver, BC  
Canada V6G 1C9**

(Address of principal executive offices)

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(Name, Telephone, Email and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class

**None**

Securities registered or to be registered pursuant to Section 12(g) of the Act:

**COMMON SHARES**

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**



The number of outstanding shares of the Company's only class of capital or common stock as at December 31, 2020 was **283,811,903 common shares**.

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

If this is an annual report or a transition report, indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes  No

Indicate by check mark whether Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether Registrant has submitted electronically, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes  No

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

Large accelerated filer  Accelerated filer   
Non-accelerated filer  Emerging growth company

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

Indicate by check mark which basis of accounting the Registrant has used to prepare the financial statements included in this filing:

U.S. GAAP  International Financial Reporting Standards as issued  
by the International Accounting Standards Board  Other

If "other" has been checked in response to the previous question, indicate by check mark which financial statement item the Registrant has elected to follow:

Item 17  Item 18

If this is an annual report, indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by checkmark whether the Registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

YES  NO

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## GENERAL

This Form 20-F is being filed as an annual report under the Exchange Act.

In this Form 20-F, references to:

“**Adira**” means Adira Energy Ltd., a Canadian federal corporation (formerly AMG Oil Ltd.);

“**BCBCA**” means the Business Corporations Act (British Columbia);

“**CBCA**” means the Canadian Business Corporations Act;

“**CBD**” means Cannabidiol, a non-psychoactive constituent of cannabis which contains less than 0.3% THC content;

“**Empower**” means Empower Clinics Inc., a corporation incorporated pursuant to the BCBCA;

“**IFRS**” means generally accepted accounting principles approved by the IASB;

“**IASB**” means the International Accounting Standards Board;

“**EHC CA**” means Empower Healthcare Corp., previously S.M.A.A.R.T Holdings Inc., a corporation incorporated pursuant to the BCBCA;

“**SMAART US**” means S.M.A.A.R.T Holdings Inc., a wholly owned subsidiary of EHC CA incorporated pursuant to the laws of Nevada;

“**EHC US**” means Empower Healthcare Corp., a wholly owned subsidiary of EHC CA incorporated pursuant to the laws of Oregon;

“**THC**” means tetrahydrocannabinol, a chemical responsible for most of marijuana's psychological effects;

“**Transaction**” means EHC CA completing the acquisition with Adira, pursuant to which EHC CA amalgamated with 1149770 B.C. Ltd., a wholly-owned subsidiary of Adira, to form Empower Healthcare Corporation, resulting in the indirect acquisition by EHC CA of all of the issued and outstanding securities of Adira

“**We**”, “**us**”, “**our**”, and the “**Company**” means Empower, a Company currently listed for trading on the Canadian Securities Exchange and Frankfurt Stock Exchange

Empower and its subsidiaries have historically used U.S. dollar as their reporting currency. All references in this document to “dollars” or “\$” are to United States dollars and all references to “CDN\$” are to Canadian dollars, unless otherwise indicated.

Except as noted, the information set forth in this Form 20-F is as of December 31, 2020 and all information included in this document should only be considered correct as of such date.

## NOTE REGARDING FORWARD LOOKING STATEMENTS

Much of the information included in this Form 20-F includes or is based upon estimates, projections or other “forward looking statements”. Such forward looking statements include any projections or estimates made by us and our management in connection with our business operations. These statements relate to future events or our future financial performance. Generally, any statements contained herein that are not statements of historical facts may be forward-looking statements. In some cases you can identify forward-looking statements by terminology such as “may”, “should”, “expects”, “plans”, “anticipates”, “believes”, “estimates”, “predicts”, “potential” or “continue or the negative of those terms or other comparable terminology. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding the direction of our business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions or other future performance suggested herein. Such estimates, projections or other forward looking statements involve various risks and uncertainties and other factors, including the risks in the section titled “Risk Factors”, below, that may cause our actual results, levels of activities, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. We caution the reader that important factors in some cases have affected and, in the future, could materially affect actual results and cause actual results to differ materially from the results expressed in any such estimates, projections or other forward looking statements. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform those statements to actual results.

In particular, without limiting the generality of the foregoing disclosure, the statements contained in Item 4.B. – “Business Overview”, Item 5 – “Operating and Financial Review and Prospects” and Item 11 – “Quantitative and Qualitative Disclosures About Market Risk” are inherently subject to a variety of risks and uncertainties that could cause actual results, performance or achievements to differ significantly.



## PART I

### ITEM 1 IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

### ITEM 2 OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

### ITEM 3 KEY INFORMATION

#### A. Selected Financial Data

The selected historical information presented in the table below for the years ended December 31, 2020, and 2019 are derived from the audited consolidated financial statements of Empower for such periods, and have been prepared in accordance with IFRS as issued by the IASB. The selected financial information presented below should be read in conjunction with the audited consolidated financial statements and the notes thereto of Empower, and with the information appearing under each of Item 4 – “Information on the Company” and Item 5 – “Operating and Financial Review and Prospects” of this Form 20-F. All financial data presented in this Form 20-F are qualified in their entirety by reference to the consolidated financial statements and their notes.

U.S. dollars in thousands, except share and per share data

	Year Ended December 31,	
	2020	2019
	\$	\$
<b>Balance Sheet Data</b>		
Cash and cash equivalents	4,889,824	179,153
Total Assets	9,230,219	1,555,719
Total Liabilities	14,720,620	5,070,632
Total Shareholders' Deficit	(5,490,401)	(3,514,913)
<b>Operating Data</b>		
Revenues	3,209,196	2,031,581
<b>Expenses</b>		
Direct clinics expenses	1,193,560	826,276
Operating expenses	3,947,408	2,933,619
Legal and professional fees	1,394,571	1,015,743
Depreciation and amortization expense	381,492	327,059
Share-based payments	323,799	608,944
Loss from operations	(4,031,634)	(3,680,060)
Other (gains) expenses	13,034,677	621,603
Loss before income taxes	(17,066,311)	(4,301,663)
Deferred tax recovery	–	–
Net loss and comprehensive loss	(17,066,311)	(4,301,663)
Basic and diluted net loss per share	(0.09)	(0.04)
Weighted average number of common shares used in computing basic and diluted net loss per share	182,331,616	117,289,366

Empower has never declared or paid any cash or other dividends.

## **B. Capitalization and Indebtedness**

Not applicable.

## **C. Reasons for the Offer and Use of Proceeds**

Not applicable.

## **D. Risk Factors**

An investment in our securities is highly speculative and involves a high degree of risk. Our Company may face a variety of risks that may affect our operations or financial results and many of those risks are driven by factors that we cannot control or predict. Before investing in our company's securities, investors should carefully consider the following risks. The risks and uncertainties described below are not the only risks and uncertainties that we face or that an investment in our securities entails. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations. Any of the following risks could materially and adversely affect our business, financial condition, prospects and results of operations. In that case, investors may lose all or a part of their investment. The risks discussed below also include forward-looking statements and the out actual results may differ substantially from those discussed in these forward-looking statements. See "Note Regarding Forward Looking Statements" and "Operating and Financial Review and Prospects".

### **Risks Associated with the Company**

*Our independent auditors have referred to circumstances which might result in doubt about our ability to continue as a going concern, which may hinder our ability to obtain future financing.*

At December 31, 2020, the Company had a working capital deficiency of \$1,746,818 (December 31, 2019 - \$4,185,359), has not yet achieved profitable operations, has accumulated deficit of \$30,078,630 (December 31, 2019 - \$13,012,319). The Company has limited revenues and the ability of the Company to ensure continuing operations is dependent on the Company's ability to raise sufficient funds to finance development activities and expand sales. 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 accounting principles applicable to a going concern.

### **Regulatory Risks.**

The Company operates in a new industry which is highly regulated and is evolving rapidly. Sometimes new risks emerge and management may not be able to predict all of them, or be able to predict how they may cause actual results to be different from those contained in any forward-looking statements. Failure to comply with the requirements of the State licensing agencies within which the Company operates would have a material adverse impact on the business, financial condition and operating results of the Company.

The Company will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions of our operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

The industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond the Company's control and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes, could reduce the Company's earnings and could make future capital investments or the Company's operations uneconomic. The industry is also subject to numerous legal challenges, which may significantly affect the financial condition of market participants and which cannot be reliably predicted.

### ***Change in Laws, Regulations and Guidelines.***

The Company operates in an industry that is not recognized as a legal industry by the US Federal government.

The Company operates a growing network of physician-staffed medical cannabis clinics with a primary focus on enabling patients to improve and protect their health. These clinics operate in those states where the medicinal use of cannabis produces is permitted.

The Company's operations are subject to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of medical cannabis and also including laws and regulations relating to health and safety, privacy and the conduct of operations. While to the knowledge of the Company's management, the Company is currently in compliance with all such laws, changes to such laws, regulations and guidelines due to matters beyond the control of the Company may cause adverse effects to the Company's operations and the financial condition of the Company.

The industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond the Company's control and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes, could reduce the Company's earnings and could make future capital investments or the Company's operations uneconomic.

### ***Market Risks.***

The Company's securities will trade on public markets and the trading value thereof is determined by the evaluations, perceptions and sentiments of both individual investors and the investment community taken as a whole. Such evaluations, perceptions and sentiments are subject to change, both in short term time horizons and longer term time horizons. An adverse change in investor evaluations, perceptions and sentiments could have a material adverse outcome on the Company and its securities.

### ***Price Risks.***

Cannabis is a developing market, likely subject to volatile and possibly declining prices year over year, as a result of increased competition. Because medical cannabis products are a newly commercialized and regulated industry, historical price data is either not available or not predictive of future price levels. There may be downward pressure on the average prices for medical cannabis products and that price volatility might not be favorable to the Company. Pricing will depend on the number of patients who gain physician approval to purchase medical cannabis. An adverse change in the cannabis prices, or in investors' beliefs about trends in those prices, could have a material adverse outcome on the Company and its securities.

### ***Financing Risks.***

The Company will be dependent on raising capital through a combination of debt and/or equity offerings. There can be no assurance that the capital markets will remain favorable in the future, and/or that the Company will be able to raise the financing needed to continue its business at favorable terms, or at all. Restrictions on the Company's ability to finance could have a material adverse outcome on the Company and its securities.

### ***Key Personnel Risks.***

The Company's efforts are dependent to a large degree on the skills and experience of certain of its key personnel, including the board of directors. The Company does not maintain "key man" insurance policies on these individuals. Should the availability of these persons' skills and experience be in any way reduced or curtailed, this could have a material adverse outcome on the Company and its securities.

### ***Competition.***

There is potential that the Company will face intense competition from other companies, some of which can be expected to have more financial resources, industry, manufacturing and marketing experience than the Company. Additionally, there is potential that the industry will undergo consolidation, creating larger companies that may have increased geographic scope and other economies of scale. Increased competition by larger, better-financed competitors with geographic or other structural advantages could materially and adversely affect the business, financial condition and results of operations of the Company.

To remain competitive, the Company will require a continued level of investment in research and development, marketing, sales and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Company.

### ***History of Net Losses; Accumulated Deficit; Lack of Revenue from Operations.***

The Company has incurred net losses to date. The Company may continue to incur losses. There is no certainty that the Company will operate profitably or provide a return on investment in the future.

### ***Uninsurable risks.***

The Company may become subject to liability for events, against which it cannot insure or against which it may elect not to insure. Such events could result in substantial damage to property and personal injury. The payment of any such liabilities may have a material, adverse effect on the Company's financial position.

### ***Financial Instruments & Other Instruments.***

The Company's financial instruments consist of cash, accounts payable and accrued liabilities and due to related parties, convertible debt and loans payable. Cash is classified as fair value through profit or loss and recorded at fair value. Accounts payable and accrued liabilities, due to related parties and shareholder's loan are classified as other current liabilities. The fair value of cash, accounts payable and accrued liabilities, and due to related parties are equal to their carrying value due to their short-term maturity. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The fair value of arms-length financial instruments approximates their carrying value due to the relatively short-term to maturity.

### **Risks Associated with Our Business**

#### ***Our future success will be dependent on additional states legalizing medical marijuana.***

Our future success will depend on the continued development of the medical marijuana market, and on our ability to penetrate that market. According to the Marijuana Policy Project, a pro-legalization group, medical marijuana is legal in 29 states and Washington, D.C., Puerto Rico and Guam. However, continued development of the medical marijuana market is dependent upon continued legislative authorization of marijuana at the state level for medical purposes and, in certain states, including Oregon, based on the specifics of the legislation passed in that state, on local governments authorizing a sufficient number of dispensaries. Any number of factors could slow or halt the progress. Further, progress, while encouraging, is not assured and the process normally encounters set-backs before achieving success. While there may be ample public support for legislative proposal, key support must be created in the legislative committee or a bill may never advance to a vote. Numerous factors impact the legislative process. Any one of these factors could slow or halt the progress and adoption of marijuana for medical purposes, which would limit the market for our products and negatively impact our business and revenues.

### *The alternative medicine industry faces strong opposition.*

It is believed by many that well-funded, significant businesses may have a strong economic opposition to the medical marijuana industry as currently formed. We believe that the pharmaceutical industry clearly does not want to cede control of any compound that could become a strong selling drug. For example, medical marijuana will likely adversely impact the existing market for Marinol, the current “marijuana pill” sold by mainstream pharmaceutical companies. Further, the medical marijuana industry could face a material threat from the pharmaceutical industry should marijuana displace other drugs or simply encroach upon the pharmaceutical industry’s market share for compounds such as marijuana and its component parts. The pharmaceutical industry is well funded with a strong and experienced lobby that eclipses the funding of the medical marijuana movement. Any inroads the pharmaceutical industry makes in halting or rolling back the medical marijuana movement could have a detrimental impact on the market for our products and thus on our business, operations and financial condition.

### *Marijuana remains illegal under U.S. federal law.*

Marijuana remains illegal under U.S. federal law. It is a Schedule-I controlled substance. Even in those jurisdictions in which the use of medical marijuana has been legalized at the state level, its prescription is a violation of federal law. The United States Supreme Court has ruled in *United States v. Oakland Cannabis Buyers’ Coop.* and *Gonzales v. Raich* that it is the federal government that has the right to regulate and criminalize cannabis, even for medical purposes. Therefore, federal law criminalizing the use of marijuana trumps state laws that legalize its use for medicinal purposes.

According to the Marijuana Policy Project, a pro-legalization group, medical marijuana is legal in 29 states and Washington, D.C., Puerto Rico and Guam. In addition, eight states and the District of Columbia have legalized recreational cannabis use. In 2013, the U.S. Department of Justice issued a memorandum (commonly referred to as the “**Cole Memorandum**”) to the U.S. Attorneys offices (federal prosecutors) directing that federal prosecution of individuals and businesses that rigorously comply with state regulatory provisions in states that have strictly-regulated legalized medical or recreational cannabis programs be given low priority. This federal policy was reinforced by the passage of a federal omnibus spending bill in 2014 (the “**2014 Spending Bill**”) that included the so-called Rohrabacher–Farr amendment which prohibits the use of federal funds to interfere in the implementation of state laws legalizing cannabis and state medical marijuana laws. The Department of Justice, which encompasses the Drug Enforcement Agency, was subject to the 2014 Spending Bill.

The Rohrabacher–Farr amendment remained in the federal omnibus spending bill for the 2016 fiscal year that was signed into law by President Obama on December 18, 2015. In September 2016, the amendment was included in a short-term spending bill passed by Congress and signed into law, which allowed it to remain in effect through December 9, 2016 when it was again renewed pursuant to a further short-term spending bill until April 28, 2017.

The 2014 Spending Bill has been cited as evidence of the development of bi-partisan support in the U.S. Congress for legalizing the use of cannabis. However, it remains unclear whether the federal government will eventually repeal the federal prohibition on cannabis, and there is no assurance that the Rohrabacher–Farr amendment will be extended past April 28, 2017. Political and regulatory risks also exist due to the recent election of Donald Trump to the U.S. Presidency, and the appointment of Sen. Jeff Sessions to the post of Attorney General with effect from February 9, 2017. Mr. Trump’s positions regarding marijuana are remain unclear. However, Sen. Sessions has been a consistent opponent of marijuana legalization efforts throughout his political career, and has publicly commented that the Justice Department will commit to enforcing federal laws on marijuana in an “appropriate way”. It remains unclear what stance the Department of Justice under the new administration might take toward legalization efforts in U.S. states, but federal enforcement of the Controlled Substances Act and other applicable laws is possible.

### *We may have difficulty accessing the service of U.S. banks.*

As discussed above, the use of marijuana is illegal under federal law. Therefore, there is a compelling argument that U.S. banks would not be able to accept for deposit funds from the drug trade and therefore would not be able to do business with our Company. On February 14, 2014 the U.S. Department of the Treasury Financial Crimes Enforcement Network (“**FinCEN**”) released guidance to banks “clarifying Bank Secrecy Act expectations for financial institutions seeking to provide services to marijuana-related businesses.” Under these guidelines, financial institutions must submit a “suspicious activity report” (“**SAR**”) as required by federal money laundering laws. These marijuana related SARs are divided into three categories: marijuana limited, marijuana priority, and marijuana terminated, based on the financial institution’s belief that the marijuana business follows state law, is operating out of compliance with state law, or where the banking relationship has been terminated. In the United States, a bill has been tabled in Congress to grant banks and other financial institutions immunity from federal criminal prosecution for servicing marijuana-related businesses if the underlying marijuana business follows state law. This bill has not been passed and there can be no assurance with that it will be passed in its current form or at all.

In addition, U.S. Rep. Jared Polis (D-CO) has recently re-introduced proposed legislation in Congress that contemplates, among other things, the removal of marijuana from the Controlled Substance Act schedules and regulate it like alcohol.

While these are positive developments in this regard, there can be no assurance this legislation will be successful, that even with the FinCEN guidance that banks will decide to do business with medical marijuana retailers, or that in the absence of actual legislation state and federal banking regulators will not strictly enforce current prohibitions on banks handling funds generated from an activity that is illegal under federal law. If, in the future, we are unable to open accounts and otherwise use the service of U.S. banks, our ability to carry on business in the United States may become untenable.

***Our Company is organized under the laws of Canada.***

Our Company is a Canadian corporation governed by the *Canada Business Corporations Act* and as such, its corporate structure, the rights and obligations of shareholders and its corporate bodies may be different from those of the home countries of international investors. Furthermore, non-Canadian residents may find it more difficult and costly to exercise shareholder rights. International investors may also find it costly and difficult to effect service of process and enforce their civil liabilities against us or some of our directors, controlling persons and officers.

**Risks Associated with our Common Shares**

***The market price of the common shares of our corporation may be volatile***

The market price of our common shares may experience significant volatility. Numerous factors, including many over which we have no control, may have a significant impact on the market price of our common shares including, among other things: regulatory developments in target markets affecting us, our customers or our competitors; actual or anticipated fluctuations in our quarterly operating results; changes in financial estimates or other material comments by securities analysts relating to us, our competitors or the industry in general; announcements by other companies in the industry relating to their operations, strategic initiatives, financial condition or financial performance or to the industry in general; announcements of acquisitions or consolidations involving industry competitors or industry suppliers; addition or departure of our executive officers; and sales or perceived sales of additional common shares of Empower. In addition, the stock market in recent years has experienced extreme price and trading volume fluctuations that often have been unrelated or disproportionate to the operating performance of individual companies. These broad market fluctuations may adversely affect the price of the common shares of Empower regardless of our operating performance. There can be no assurance that an active market for the common shares will be established or persist and the share price may decline.

***The value of securities issued by us might be affected by matters not related to our operating performance.***

The value of securities issued by us may be affected by matters not related to our operating performance or underlying value for reasons that include the following: general economic conditions in Canada, the US and globally; industry conditions, including fluctuations in the price of cannabis flower; governmental regulation of the cannabis industry; fluctuation in foreign exchange or interest rates; stock market volatility and market valuations; competition for, among other things, capital, acquisition of skilled personnel; the need to obtain required approvals from regulatory authorities; worldwide supplies and prices of and demand for cannabis flower and derivatives; political conditions and developments in Canada, the US, and globally; revenue and operating results failing to meet expectations in any particular period; investor perception of the cannabis industry; limited trading volume of our common shares; change in governmental regulations; announcements relating to our business or the business of our competitors; our liquidity; and our ability to raise additional funds.

In the past, companies that have experienced volatility in their value have been the subject of securities class action litigation. We might become involved in securities class action litigation in the future. Such litigation often results in substantial costs and diversion of management's attention and resources and could have a material adverse effect on our business, financial condition and results of operation.

***An investment in our Company will likely be diluted.***

We may issue a substantial number of our common shares without investor approval to raise additional financing and we may consolidate the current outstanding common shares. Any such issuance or consolidation of our securities in the future could reduce an investor's ownership percentage and voting rights in us and further dilute the value of your investment.

*We do not expect to pay dividends for the foreseeable future.*

We do not intend to declare dividends for the foreseeable future, as we anticipate that we will reinvest any future earnings in the development and growth of our business. Therefore, investors will not receive any funds unless they sell their common shares, and shareholders may be unable to sell their common shares on favorable terms or at all. We cannot assure you of a positive return on investment or that you will not lose the entire amount of your investment in our common shares. Prospective investors seeking or needing dividend income or liquidity should not purchase our common shares.

#### **ITEM 4 INFORMATION ON THE COMPANY**

We are a Canadian corporation existing under the CBCA which conducts business as a medical cannabis clinic company with operations in the United States of America, as more particularly described below in Item 4B – “Business Overview”.

##### **A. History and Development of the Company**

###### **Name**

Our legal and commercial name is Empower Clinics Inc.

###### **Principal Office**

Our principal office is located at Suite 505, 1771 Robson Street Vancouver, BC V6G 1C9.

###### **Incorporation**

We are a Canadian corporation existing under the CBCA.

Our common shares are registered under Section 12(g) of the Exchange Act. Our current trading symbol on the OTC Bulletin Board (the “**OTCQB**”) is “EPWCF” and our current trading symbol on the Canadian Securities Exchange (the “**CSE**”) is “CBDT”. Our current trading symbol on the Frankfurt Stock Exchange is “8EC.F 8EC.MU, 8EC.SG”.

##### **Important Events in the Development of the Company’s Business**

###### *Reverse Take-over*

Empower was originally incorporated as a Nevada corporation on February 20, 1997 under the name “Trans New Zealand Oil Company”. Its name was changed to “AMG Oil Ltd.” on July 27, 1998 and to Adira on December 17, 2009. On November 25, 2008, the Company’s shareholders approved the change of its jurisdiction of incorporation from the State of Nevada to a federally incorporated Canadian company pursuant to a continuation under the Canada Business Corporations Act, which was completed on November 27, 2008. On April 23, 2018, the Company completed the acquisition of EHC CA, which represented a reverse takeover of the Company by EHC CA, with EHC CA as the accounting acquirer and the Company as the accounting acquiree. In connection with the reverse takeover, the Company changed its name to Empower, and consolidated its common shares on the basis of one new common share for each 6.726254 old common shares. Prior to the acquisition of EHC CA, the Company was engaged in oil and gas exploration activities and following such acquisition the Company became engaged in its current business, being the operation of medical cannabis certification clinics and developer of hemp-based CBD products in the United States.

###### *Acquisitions*

Effective April 30, 2019, the Company acquired 100% of the membership interest of Sun Valley Certification Clinics Holdings, LLC (“**Sun Valley**”), an Arizona Limited Liability Company (the “**Sun Valley Acquisition**”). Through its subsidiaries, Sun Valley operates a network of professional medical cannabis and pain management practices, with five clinics in Arizona, one clinic in Las Vegas, a tele-medicine platform serving California, and a fully developed franchise business model for the domestic cannabis industry. Subsidiaries include the following:

- 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

(each, a “Subsidiary” and, collectively the “Subsidiaries”)

Effective October 5, 2020, the Company acquired 100% of the membership interest in Kai Medical Laboratories LLC. (“**Kai Medical**”). Kai Medical operates a high-complexity CLIA and COLA accredited laboratory that provides reliable and accurate testing solutions to hospitals, medical clinics, pharmacies, and employer groups. KAI has taken an active role in COVID-19 testing, battling the pandemic through RT-PCR testing and serology testing with the capacity to process 4,000 RT-PCR test specimens per day. While the RT-PCR test identifies if a patient has an active virus, the serology or antibody test detects if a patient has previously been exposed to the virus. Both of these test results are vital to managing outbreaks and the potential spread of coronavirus.

On December 31, 2020, the Company acquired Lawrence Park Health and Wellness Clinic Inc., and 1100900 Canada Inc. dba Atkinson (collectively “**LP&A**”). LP&A operate multidisciplinary health clinics in the Greater Toronto Area, Ontario. As leading experts in musculoskeletal health LP&A’s many practitioners provide a variety of para-medical services that will form an integral component of the development of the Company’s growth strategy by opening healthcare centers in key markets comprised of primary care and para-medical services further supported by virtual care and telemedicine services.

### **Capital Expenditures and Divestitures**

During the year ended December 31, 2020, cash used for capital expenditures of property and equipment was \$142,350 (2019 - \$3,828), and net cash used for capital expenditures in the acquisition of Kai Medical and LP&A was \$167,644 (2019 – \$787,318 for the acquisition of Sun Valley).

### **Takeover Offers**

We are not aware of any indication of any public takeover offers by third parties in respect of our common shares during our last and current financial years.

## **B. Business Overview**

### **(a) Summary of Operations**

On June 12, 2015 EHC CA, through its wholly owned subsidiary EHC US, purchased all of the assets of Presto Quality Care Corporation (“**Presto**”), an Oregon company that had owned and operated the business currently carried on by EHC CA. The consideration for the purchase was the assumption by EHC CA of a note payable by Presto to Bayview Equities Ltd. in the amount of \$550,000 plus accrued interest of \$35,893.

Summary of clinics:

- The Portland clinic was opened in 2003
- The Grants Pass clinic was opened in 2009
- The Spokane, Washington clinic was opened in January 2010
- The Riverside California clinic was opened in 2009 and was recently closed
- The Bend, Oregon clinic was opened in 2011 and was recently closed
- The Chicago, Illinois clinic was opened in September 2018 and was recently closed
- In addition, the travelling clinics started operating in various locations from 2003 onwards and were designed to service the small markets that could not sustain a full-time clinic. All the clinics were start-ups and run by local advocates for the medicinal benefits of Cannabis. Local offices were sourced and clinics were held for between one to three days a week, eventually being held for six days a week in Portland. The initial marketing was mainly word of mouth. The clinics were staffed by doctors or registered nurses.



- The Lawrence Park clinic operates in Toronto, Ontario (acquired on December 31, 2020)
- The Atkinson clinic operates in Thornhill, Ontario (acquired on December 31, 2021)

On April 30, 2019, the Company acquired 100% of the membership interest of Sun Valley, an Arizona Limited Liability Company. Through its Subsidiaries, Sun Valley operates a network of professional medical cannabis and pain management practices, with five clinics in Arizona, one clinic in Las Vegas, a tele-medicine platform serving California, and a fully developed franchise business model for the domestic cannabis industry.

Operations at Sun Valley Health based in Phoenix, AZ saw a reduction in patient volume in late Q3 2020 and Q4 2020 due to significant regulatory changes in the state of Arizona that saw the state fully legalize cannabis in November 2020. This resulted in the elimination of the need to have medical cannabis certification card to legally purchase cannabis products from dispensaries in the state. As a result, the Company determined it was appropriate to close two of the clinic locations in Q4 2020 and reduce headcount and operating expenses. Subsequent to December 31, 2020, the Company closed one of the two remaining clinic locations, resulting in one remaining clinic location.

On October 5, 2020, the Company acquired 100% of the membership interest in Kai Medical Laboratories LLC. (“Kai Medical”). Kai Medical operates a high-complexity CLIA and COLA accredited laboratory that provides reliable and accurate testing solutions to hospitals, medical clinics, pharmacies, and employer groups. KAI has taken an active role in COVID-19 testing, battling the pandemic through RT-PCR testing and serology testing with the capacity to process 4,000 RT-PCR test specimens per day. While the RT-PCR test identifies if a patient has an active virus, the serology or antibody test detects if a patient has previously been exposed to the virus. Both of these test results are vital to managing outbreaks and the potential spread of coronavirus.

Empower is creating a network of physicians and practitioners who integrate to serve patient needs, in-clinic, through telemedicine, and with decentralized mobile delivery. A simplified, streamlined care model bringing key attributes of the healthcare supply chain together, always focused on patient experience. The Company provides COVID-19 testing services to consumers and businesses as part of a four-phased nationwide testing initiative in the United States. Empower recently acquired Kai Medical Laboratory, LLC as a wholly owned subsidiary with largescale testing capability.

#### **(b) Effects of Government Regulations**

See Item 3D - “Risk Factors”.

#### **(c) Corporate Office**

Our executive offices located at Suite 505, 1771 Robson Street Vancouver, BC V6G 1C9.

#### **(d) Special Skill and Knowledge**

Steven McAuley, our Chairman and CEO has significant experience in managing and growing public companies.

#### **(e) Foreign Operations**

During the fiscal years ended December 31, 2020, and 2019, all of our operating activities were in the United States of America. On December 31, 2020, we acquired LP&A, however, there are no operating results included in the financial statements for the year ended December 31, 2020.

#### **(f) Competitive Conditions**

There is potential that the Company will face intense competition from other companies, some of which can be expected to have more financial resources, industry, manufacturing and marketing experience than the Company. Additionally, there is potential that the industry will undergo consolidation, creating larger companies that may have increased geographic scope and other economies of scale. Increased competition by larger, better-financed competitors with geographic or other structural advantages could materially and adversely affect the business, financial condition and results of operations of the Company.

To remain competitive, the Company will require a continued level of investment in research and development, marketing, sales and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Company.

**(g) Dependence on Customers and Suppliers**

The Company has over 165,000 patients and as such, we are not dependent upon a concentration of customers. The Company is not exposed to concentration of suppliers.

**C. Organizational Structure**

The following table sets out the current organizational structure of the Company and its significant subsidiaries:

<b>Name of Subsidiary</b>	<b>Status</b>	<b>Jurisdiction of Incorporation</b>
Empower Healthcare Corporation (previously S.M.A.A.R.T Holdings Inc.)	Active	British Columbia, Canada
S.M.A.A.R.T. Holdings Inc.	Inactive	Oregon, USA
Empower Healthcare Corporation	Active	Oregon, USA
SMAART Inc.	Inactive	Oregon, USA
The Hemp & Cannabis Company	Inactive	Oregon, USA
THCF Access Points, Inc.	Inactive	Oregon, USA
The Hemp & Cannabis Company	Inactive	Washington, USA
THCF Access Points, Inc.	Inactive	Washington, USA
CanMed Solutions Inc.	Inactive	Oregon, USA
Kai Medical Laboratory LLC	Active	Dallas, Texas
11000900 Canada Inc.	Active	Ontario, Canada
Lawrence Park Health and Wellness Clinic Inc.	Active	Ontario, Canada
Sun Valley Certification Clinics Holdings, LLC	Inactive	Arizona, USA
Sun Valley Alternative Health Centers, LLC	Active	Arizona, USA
Sun Valley Alternative Health Centers West, LLC	Inactive	Arizona, USA
Sun Valley Alternative Health Centers NV, LLC	Inactive	Nevada, USA
Sun Valley Alternative Health Centers Tucson, LLC	Inactive	Arizona, USA
Sun Valley Alternative Health Centers Mesa, LLC	Active	Arizona, USA
Sun Valley Certification Clinics Franchising, LLC	Inactive	Arizona, USA

Consideration in the Sun Valley Acquisition on April 30, 2019 consisted of cash, common shares of the Company and a promissory note having an aggregate value of \$3,054,593 as summarized below:

1. A cash payment of \$775,000, of which \$150,000 was held back by the Company, half of which is to be released six months from the date of Closing and the other half of which is to be release twelve months from the date of Closing;
2. Issuance of 22,058,823 common shares of the Company at a deemed price of \$0.135 (CDN\$0.175) per Share, representing the average daily closing price of the common shares on the CSE for the 10-day trading period ended April 26, 2019. Pursuant to an escrow agreement dated April 30, 2019, 14,705,882 of the common shares will be held in escrow by Odyssey Trust Company, and will vest in quarterly installments over 36 months from the date of the Closing;
3. A cash payment of \$12,318 and issuance of 350,602 common shares at a deemed price of \$0.13 (CDN\$0.175) per Share, representing the average daily closing price of the common shares on the CSE for the 10-day trading period ended April 26, 2019 to a minority shareholder of one of the Subsidiaries in order to acquire their minority interest therein; and
4. A promissory note of US\$125,000 bearing interest at a rate of 4% per annum and due July 31, 2019, to a minority shareholder of one of the Subsidiaries in order to acquire their minority interest therein.

Consideration in the Kai Medical Acquisition on October 5, 2020 consisted of 500,000 stock options and 500,000 warrants with a fair value of \$10,025 and \$10,025, respectively. The Company acquired cash of \$9,826.

Consideration in the acquisition of 11000900 Canada Inc. and Lawrence Park Health and Wellness Clinic Inc. on December 31, 2020 had aggregate fair value of \$1,766,933, consisting of cash 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.

#### **D. Property and Equipment**

Property and equipment is comprised of furniture and fixtures and leasehold improvements at the Company's clinics as well as testing instruments utilized by Kai Medical. The Company's leases, all of which support clinic operations, are summarized below:

- Portland, Oregon – Shared space which is currently on a month-to-month lease
- Phoenix, Arizona – 2,830 square feet which was on a five-year lease term and expired on February 28, 2021. This clinic is now closed.
- Mesa, Arizona – 1,325 square feet which is currently on a five-year lease term set to expire on March 31, 2022. The Company terminated this lease and closed the clinic in February 2021.
- Surprise, Arizona – 745 square feet which is currently on a five-year lease term expiring September 30, 2022.
- Tucson, Arizona – 1,400 square feet which was on a five-year lease term set to expire on August 31, 2022. The Company terminated this lease and closed the clinic in February 2021.
- Toronto, Ontario – 1,274 square feet which is currently on a 13-month lease expiring on January 31, 2022.
- Dallas, Texas – 15,750 square feet which is currently on a lease expiring June 30, 2022.
- Dallas, Texas – 1,360 square feet which is currently on a month-to-month lease.

We currently do not have exposure to any environmental protection requirements and policies.

### **ITEM 5 OPERATING AND FINANCIAL REVIEW AND PROSPECTS**

The following is a discussion and analysis of our activities, consolidated results of operations and financial condition as of and for the year ended December 31, 2020. It should be read in conjunction with our audited consolidated financial statements and related notes for the year ended December 31, 2020. Our financial statements have been prepared in accordance with IFRS as issued by the IASB.

#### **A. Operating Results**

##### **Results of Operations**

*Consolidated results of operations for the year ended December 31, 2020 compared to the year ended December 31, 2019.*

##### Total Revenues

Clinic services revenues were \$3,154,301, compared to \$1,949,549 during fiscal 2019 as the Company pivoted its medical clinics to performing COVID-19 testing from April 2020 through to the end of the year, which offset decreased revenues from patient visits to Sun Valley Health clinics. Revenues for fiscal 2018 were \$1,091,386 as the Company received 7,607 patients spending on average \$143, noting that clinics revenues for 2018 were driven primarily by patients seeking medical cannabis licenses.

Product revenues were \$54,895, compared to \$82,032 during fiscal 2019 and \$nil during fiscal 2018 as the Company had expanded into CBD product sales and the sale of premium wellness products in the prior year. Product revenues declined as a direct result of the impact of the COVID-19 pandemic.

#### Earnings from clinic operations

Cost of clinic services were \$1,157,428, compared to \$793,374 during fiscal 2019 and \$417,047 during fiscal 2018. These costs represent physician and clinic support staff expenses that are required to operate the clinics and provide patient consulting services. These expenses increased due to the increase in revenues. The Company continues to monitor and improve its operational controls to align labor cost with direct patient consultations. The Company employs a diverse mix of physicians and practitioners.

Cost of product revenues (changes in finished goods inventory) was \$36,132, compared to \$32,902 during fiscal 2019 and \$nil during fiscal 2018, as the Company had expanded into CBD product sales and the sale of premium wellness products during fiscal 2019, and during fiscal 2020 expanded laboratory testing services with the acquisition of Kai on October 5, 2020, which resulted in higher run rate cost of goods sold.

#### Operating expenses

Operating expenses were \$3,947,408, compared to \$2,933,619 during fiscal 2019 and \$2,517,681 during fiscal 2018. The increase over the years is primarily related to additional advertising and promotion expenses of \$1,031,297 due to the launching capital markets and investor relations marketing programs in order to increase visibility and awareness to the investment community and prospective shareholders and to more effectively communicate developments of the Company, partially offset by savings in salaries and benefits as well as reductions in rent as the Company closed various offices as part of its cost-cutting initiatives.

#### Legal and professional fees

Legal and professional fees were \$1,394,570, compared to \$1,015,743 during fiscal 2019 and \$ 1,450,141 during fiscal 2018. The increase is primarily related to the acquisitions of Kai and LP&A in Q4 2020. The decrease from fiscal 2018 to fiscal 2019 was the result of the Company's public listing transaction occurring during fiscal 2018 which resulted in higher fees during that year.

#### Depreciation and amortization expense

Depreciation and amortization expense were \$381,492, compared to \$374,210 during fiscal 2019 and \$123,473 during fiscal 2018. The balance increased due to the acquisition of Sun Valley in May 2019 which carried additional leases and the depreciation on the right-of-use asset.

#### Share-based payments

Share-based payments were \$323,799, compared to \$608,944 during fiscal 2019 and \$892,417 during fiscal 2018. The share-based payments expense is the fair value of share options recognized as an expense during the period based on the fair valued determined by the Black-Scholes option pricing model valuation.

#### Change in fair value of warrant liability

The Company recorded a loss on the change in the fair value of the warrant liability of \$11,886,796 compared to a gain of \$2,065,781 during fiscal 2019 and a gain of \$1,598,425 during fiscal 2018. The share purchase warrants are required to be revalued at every quarter end and the current year loss resulted from the significant increase in the Company's share price during fiscal 2020, which is a key variable in determining the fair value of the warrant liability per the Black-Scholes valuation model.

### Gain on change in fair value of conversion feature

During fiscal 2019, the Company recorded a gain on the change in the fair value of the conversion feature of \$587,229, compared to \$890,136 during fiscal 2018. The conversion feature relates to the convertible debentures outstanding during the period and is required to be revalued at every quarter end and the gain resulted from the decrease in the Company's share price during fiscal 2019, which is a key variable in determining the fair value of the conversion feature. As all the convertible debentures were converted to common shares during fiscal 2020, the revaluation of the conversion option during fiscal 2020 was significantly reduced.

### **Inflation**

During the years ended December 31, 2020 and 2019, inflation has not had a material impact on our operations.

### **Foreign Exchange Risk**

We have limited exposure to financial risk related to the fluctuation of foreign exchange rates. We operate in the U.S., most of our monetary assets are held in U.S. dollars and most of our expenditures are made in U.S. dollars. However, we also have expenditures in CDN\$. We have not hedged our exposure to currency fluctuations.

## **B. Liquidity and Capital Resources**

### **Liquidity**

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations associated with its financial liabilities and other contractual obligations. The Company's strategy for managing liquidity is based on achieving positive cash flows from operations to internally fund operating and capital requirements.

Factors that may affect the Company's liquidity are continuously monitored. These factors include the number of patient visits, average patient spend per visit, operating costs, capital costs, income tax refunds, foreign currency fluctuations, seasonality, market immaturity and a highly fluid environment related to state and federal law passage and regulations.

In the event that the Company is adversely affected by any of these factors and, as a result, the operating cash flows are not sufficient to meet the Company's working capital requirements there is no guarantee that the Company would be able to raise additional capital on acceptable terms to fund a potential cash shortfall. Consequently, the Company is subject to liquidity risk.

The Company will need to procure additional financing in order to fund its ongoing operation. The Company intends to obtain such financing through equity financing, and there can be no assurance that the Company can raise the required capital it needs to build and expand as expected, nor that the capital markets will fund the business of the Company. Without this additional financing, the Company may be unable to achieve positive cash flow and earnings as quickly as anticipated, these uncertainties cast a significant doubt about the Company's ability to continue as a going concern.

At December 31, 2020, the Company had cash of \$4,889,824 and working capital of \$1,746,818. Subsequent to year end, the Company received cash of \$5,864,336 from the exercise of warrants and stock options.

### ***Year ended December 31, 2020 compared to year ended December 31, 2019:***

- Cash used by operating activities was \$1,749,818, compared to \$2,273,188 during fiscal 2019 and \$2,835,710 during fiscal 2018. Significant drivers of the change over the prior year relate to additional operating expenses incurred as a result of the growth of the Company, partially offset by increased revenues generated from COVID-19 testing.
- Cash used in investing activities was \$309,994, compared to \$791,146 during fiscal 2019 and \$100,227 during fiscal 2018 as a result of cash spend on the acquisition of Kai and LP&A as well as intangible assets during fiscal 2020, compared to the cash spend related to the acquisition of Sun Valley during fiscal 2019.

- Cash provided by financing activities was \$6,770,483 compared to \$3,085,819 during fiscal 2019 and \$3,093,604 during fiscal 2018. Cash provided by financing activities during fiscal 2020 related to cash proceeds from the issuance of common shares and cash proceeds from the exercise of warrants, partially offset by cash spend on lease payments and repayments of notes payable and loans payable, whereas cash provided by financial activities during fiscal 2019 related to cash proceeds from the issuance of common shares, advance of convertible debentures, advance of notes payable and cash acquired in the acquisition of Sun Valley which was partially offset by lease payments and share issue costs. Cash provided by financing activities during fiscal 2018 was primarily related to cash proceeds from the issuance of common shares and advance of convertible debentures.

## Capital Resources

The capital of the Company consists of consolidated equity, notes payable, convertible debentures, secured loan payable, and convertible note payable, net of cash.

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

The board of directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management policies on an annual basis. The Company's board of directors identifies and evaluates the Company's financial risks and is charged with the responsibility of establishing controls and procedures to ensure financial risks are mitigated.

The Company's objectives when managing capital are to pursue and complete the identification and evaluation of assets, properties or businesses with a view to acquisition. The Company does not have any externally imposed capital requirements to which it is subject.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new common shares or adjust the amount of cash.

The Company's investment policy is to invest excess cash in investment instruments at high credit, quality financial institutions with terms to maturity selected with regards to the expected time of expenditures from continuing operations.

## Critical Accounting Policies and Estimates

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make 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.

The 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. Management has made the following critical judgements and estimates:



### *Critical judgements in applying accounting policies*

Critical judgements made by management in applying the Company's accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognized in the Company's consolidated financial statements are as follows:

#### 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.

#### 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.

#### 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.

#### 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.

#### Revenue recognition

##### *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.

##### *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.

#### 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.

#### 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.

### ***Key sources of estimation uncertainty***

Significant assumptions about the future and other major sources of estimation uncertainty at the end of the reporting period that may result in a material adjustment to the carrying amounts of the Company's assets and liabilities are as follows:

#### 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 current and 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 patient visits, 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.

#### 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 earnings or loss from operations 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.

## 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.

## Warrant liability and conversion feature

Warrant liability and conversion feature 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 to the consolidated statement of loss and comprehensive loss over the life of the instruments. 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.

## Leases as a result of adopting IFRS 16

### *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, does the Company obtain substantially all of the economic benefits and who has the right to direct the use of that asset.

### *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.

### *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.

## **C. Research and Development, Patents and Licenses**

Not applicable.

## **D. Trend Information**

We are not aware of any trends that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

## **E. Off-Balance Sheet Arrangements**

The Company has not entered into any material off-balance sheet arrangements such as guarantee contracts, contingent interests in assets transferred to unconsolidated entities, derivative financial obligations or arrangements with respect to any obligations under a variable interest equity arrangement.

## F. Tabular Disclosure of Contractual Obligations

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
<b>Maturity analysis of financial liabilities</b>				
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	-
<b>Total financial liabilities and commitments</b>	<b>\$ 6,980,229</b>	<b>\$ 5,584,824</b>	<b>\$ 398,872</b>	<b>\$ 996,533</b>

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.

## G. Safe Harbor

Not applicable.

## ITEM 6 DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

### A. Directors and Senior Management

The size of Empower's Board of Directors (the "Board") is currently set at three. All of Empower's directors are elected annually by the shareholders and hold office until the next annual general meeting or until their successors are duly elected and qualified, unless their office is earlier vacated in accordance with the CBCA and Empower's articles of incorporation.

The following table sets forth information relating to the directors and senior management of the Company as at the date of this Form 20-F:

Name <sup>(1)</sup>	Position
Steven McAuley <sup>(2)</sup>	Director, Chairman and Chief Executive Officer
Andrejs Bunkse <sup>(2)(3)</sup>	Director
Dustin Klein <sup>(2)</sup>	Director, Senior Vice President of Business Development
Kyle Appleby	Chief Financial Officer
Yoshi Tyler	Director, President of Kai Medical

Notes:

- (1) Neither age nor date of birth of directors or senior managers is required to be reported in our home country (Canada) nor otherwise publicly disclosed.
- (2) Member of Audit Committee.
- (3) "Independent" for purposes of National Instrument 52-110– Audit Committees ("NI 52-110").

The following is biographical information on our directors and officers who are acting in the capacity of director or officer as of the date hereof:

### **Steven McAuley – Chairman and Chief Executive Officer**

Mr. McAuley is our Chairman and CEO. He is also the Chairman and CEO of Empower. in Vancouver, B.C. Canada, a position he has held since January 4, 2019. From January 2013 through January 2019, Mr. McAuley was the Founder & CEO of Privatis Technology Corporation in Vancouver, B.C. Canada. He is the former SVP, Financial Services for Penske Automotive Group NYSE: PAG, CEO of Xpel Technologies TSXV: DAP and former CEO, United Kingdom, GE Capital Fleet Services.

### **Kyle Appleby – Chief Financial Officer**

Mr. Appleby has been our Chief Financial Officer since October 2020. Mr. Appleby is the owner of CFO Advantage Inc., a CFO service provide for reporting issuers since 2009. Mr. Appleby has acted as CFO for various reporting issuers.

### **Dustin Klein – Director and Senior Vice President of Business Development**

Mr. Klein has been a member of the Board of Directors of Empower since May 2019. Mr. Klein is currently the co-founder of Sun Valley Science, LLC, a position he has held since its formation in May 2018. Between September 2013 and May 2019, Mr. Klein was a co-founder of our Affiliates Sun Valley Health Centers, LLC, Sun Valley Health Centers West, LLC, Sun Valley Health Centers Mesa, LLC, Sun Valley Health Centers NV, LLC and Sun Valley Health Centers Tucson, LLC which operate Sun Valley Health Businesses in the metropolitan Phoenix, Arizona, Tucson, Arizona and Las Vegas, Nevada area until April 2019. From September 2012 through July 2013, Mr. Klein was the Manager of Johns 4x4 in Boulder, Colorado. From January 2012 through August 2012, Mr. Klein was a Regional Account Manager for Solar City in Denver Colorado. From January 1, 2011 through December 31, 2011, Mr. Klein was the owner of Gutshot Entertainment in Denver, Colorado.

### **Andrejs Bunkse – Director**

Mr. Bunkse has been a member of the Board of Directors of Empower since June 2019. Mr. Bunkse is currently Of Counsel to Nimbus Legal PLLC in Scottsdale Arizona, a position he has held since May 2018. Mr. Bunkse is the founder of Rain Legal (Law Offices of Andrejs K. Bunkse), a position he has held since April 2018. Mr. Bunkse has been the President of Endurance Strategies Group in Phoenix, Arizona since May 2013.

### **Yoshi Tyler – Director**

Ms. Tyler has been a member of the Board of Directors since April 2021. Ms. Tyler is the President of Kai Medical Laboratory, LLC, a position she has held since January 2017. With a professional and entrepreneurial background in healthcare, Ms. Tyler has more than 13 years of experience providing leadership at Pfizer, Inc., a Fortune 500 pharmaceutical company. This experience has provided her with in-depth knowledge and industry insights to found and lead Kai Medical Laboratory towards unprecedented growth.

### **Cease trade orders, bankruptcies, penalties or sanctions**

For the purposes of this section, “order” means a cease trade order; an order similar to a cease trade order; or an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days.

On May 3, 2021, the Company was granted a management cease trade order (“**MCTO**”) by the British Columbia Securities Commission. The MCTO does not affect the ability of shareholders who are not insiders of the Company to trade their securities.

The MCTO restricted the following individuals from buying or selling securities of Empower:

- Steven McAuley – Chairman and Chief Executive Officer
- Kyle Appleby – Chief Financial Officer
- Dustin Klein – Director and Senior Vice President of Business Development
- Andrejs Bunkse – Director
- Yoshi Tyler – Director

The MCTO was issued in connection with the delay by the Company in filing its annual financial statements for the year ended December 31, 2020, and the related management's discussion and analysis and certificates of its CEO and CFO (collectively, the "**Required Filings**") with Canadian securities regulators until after the April 30, 2021 filing deadline. The delay in filing was primarily due to the impact of COVID-19 on the audit and associated required travel, of the Company's recently acquired subsidiaries in both the US and Canada. The Required Filings were filed on July 2, 2021 and the MCTO was lifted on July 14, 2021

On May 7, 2019, the Company's trading was suspended by Canadian securities regulators due to a delay in filing the Required Filings with Canadian securities regulators until after the April 30, 2019 filing deadline. The delay was the result of material deficiencies in the Company's disclosure controls and procedures as outlined Item 15 of this 20-F. The Required Filings were filed on June 6, 2019, at which point the Company's trading resumed.

Other than as disclosed above, to the best of our knowledge, no director or executive officer of Empower is, as at the date hereof, or has been, within the 10 years before the date hereof, a director, chief executive officer or chief financial officer of any corporation (including Empower) that:

- (a) was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or
- (b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

To the best of our knowledge, no director or executive officer of Empower or a shareholder holding a sufficient number of securities of Empower to affect materially the control of Empower:

- (a) is, as at the date hereof, or has been within the 10 years before the date hereof, a director or executive officer of any corporation (including Empower) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) as, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

To the best of our knowledge, no director or executive officer of the Company, or a shareholder holding a sufficient number of the Company's securities to affect materially the control the Company, has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

### **Conflicts of Interest**

Our directors and officers are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosures by directors of conflicts of interest and we will rely upon such laws in respect of any directors and officers' conflicts of interest or in respect of any breaches of duty by any of its directors or officers. All such conflicts will be disclosed by such directors or officers in accordance with the CBCA and they will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law.

## Promoters

None noted.

## B. Compensation

During the year ended December 31, 2020, we paid aggregate remuneration to our directors and officers as a group who served in the capacity of director or executive officer during such year \$296,815 (2019 - \$1,301,945).

### Executive Compensation

#### *Compensation Discussion and Analysis*

In assessing the compensation of our Company's executive officers, we do not have in place any formal objectives, criteria or analysis; instead, we rely mainly on Board discussion. Currently, any material commitments, inclusive of remuneration, are required to be pre-approved by the Board.

Our executive compensation program has three principal components: base salary, incentive bonus plan and stock options. Base salaries for all our employees are established for each position through comparative salary surveys of similar type and size companies. Both individual and corporate performances are also taken into account. Incentive bonuses, in the form of cash payments, are designed to add a variable component of compensation based on corporate and individual performances for executive officers and employees. No bonuses were paid to executive officers or employees during the most recently completed financial year.

We have no other forms of compensation, although payments may be made from time to time to individuals or companies they control for the provision of consulting services. Such consulting services are paid for at competitive industry rates for work of a similar nature by reputable arm's length services providers.

As at December 31, 2019 we had a compensatory plan, contract or arrangement where Mr. Craig Snyder is entitled to receive up to two years salary as a severance payment depending on the date of termination. His final severance was paid in 2019.

We have no additional compensatory plans, contracts or arrangements where an executive officer is entitled to receive in excess of \$100,000 in the event of termination, resignation or retirement, a change of control of Empower or a change in responsibilities following a change in control, other than as described in this Form 20-F.

#### *Summary Compensation Table*

The following table provides a summary of compensation that we paid to our senior management during the year ended December 31, 2020:

Names and Principal Position	Year	Salary (\$)	Non-Equity Incentive Plan Compensation(\$)					All Other Compensation(\$)	Total Compensation(\$)
			Share-Based Awards(\$)	Option-Based Awards(\$)	Annual incentive plans	Long-term incentive plans	Pension Value(\$)		
Steven McAuley, President, CEO and Director <sup>(1)</sup>	2020	142,499	Nil	Nil	Nil	Nil	Nil	14,556	157,055
Kyle Appleby, CFO <sup>(2)</sup>	2020	6,709	Nil	Nil	Nil	Nil	Nil	Nil	6,709
Dustin Klein, SVP Business Development, Director <sup>(3)</sup>	2020	50,000	Nil	Nil	Nil	Nil	Nil	Nil	50,000
Andrejs Bunkse, Director <sup>(4)</sup>	2020	7,500	Nil	11,353	Nil	Nil	Nil	Nil	7,500



- (1) *Appointed CEO and Director on January 4, 2019.*
- (2) *Appointed on September 28, 2020*
- (3) *Appointed on April 30, 2019*
- (4) *Appointed on May 26, 2019*

### *Option Based Awards*

Stock options are granted to provide an incentive to our directors, officers, employees and consultants to achieve our longer-term objectives; to give suitable recognition to the ability and industry of such persons who contribute materially to our success; and to attract and retain persons of experience and ability, by providing them with the opportunity to acquire an increased proprietary interest in Empower. We award stock options to our executive officers based upon the recommendation of the Board, which recommendation is based upon the Compensation Committee's review of a proposal from the President and CEO. Previous grants of incentive stock options are taken into account when considering new grants.

We have a stock option plan for the granting of incentive stock options to the officers, employees, consultants and directors. See Item 6E - "Share Ownership – Equity Compensation Plans" for more information.

### **Director Compensation**

We have no arrangements, standard or otherwise, pursuant to which Directors are compensated by for their services in their capacity as Directors, or for committee participation, involvement in special assignments or for services as consultant or expert during the most recently completed financial year or subsequently, up to and including the date of this Form 20-F, except for the consulting fees described in Item 7.B – "Related Party Transactions" of this Form 20-F.

### **Long-Term Incentive Plan Awards**

We did not make any long-term incentive plan awards during the years ended December 31, 2020 and 2019.

### **Pension, Retirement or Similar Benefits**

We do not provide for pension, retirement, or similar benefits.

### **Employment Agreements**

As of the date of this Annual Report, we have the following agreements with officers of the Company:

#### *Steven McAuley*

Effective January 4, 2019, the Company entered into an employment agreement with Mr. Steven McAuley which includes an annual base salary of \$225,000, a variable annual incentive program to be determined by the Board of Directors, a bonus incentive program to be based on the satisfaction of certain milestones, including the successful completion of financing rounds following which the annual base salary will be increased by an amount equal to 2% of the total amount raised, the grant of 7,000,000 stock options with a five year term and in lieu of a signing bonus, the issuance of 2,000,000 fully vested common shares and 5,000,000 common shares which will be subject to a three year vesting period from the date of grant, with 11.11% vesting each three months from the date of grant.

In 2020, Mr. Steven McAuley deferred his salary in order to support the working capital constraints that the Company was facing.

### **C. Board Practices**

Our Directors have served in their respective capacities since their election or appointment and will serve until our next annual general meeting or until a successor is duly elected and qualified, unless their office is earlier vacated in accordance with the CBCA and our articles of incorporation. Our officers serve at the discretion of the Board.

The Board is responsible for, among other things, identifying suitable candidates to be recommended for election to the Board by shareholders or appointment by the Directors, subject to the limits in Empower's articles and the CBCA. One of the objectives of the Board with respect to the nomination is to maintain the composition of the Directors in a way that provides the best mix of skills and experience to guide our long-term strategy and ongoing business operations.





The Board conducts an annual review and assessment of the performance of the Chairman and Chief Executive Officer and our other senior executive officers.

The Board also reviews and monitors our executive development programs and the long-range plans and personnel policies for recruiting, developing and motivating our executives. The Board has reviewed and approved the qualifications of each of the Board nominees standing for election.

The Board's review of the performance of our company and the Chief Executive Officer as measured against objectives established in the prior year by the Board and the CEO. The evaluation is to be used by the Board in its deliberations concerning the CEO's annual compensation. The evaluation of performance against objectives forms part of the determination of the entire compensation of senior employees. The Board is also responsible for reviewing the compensation of the Directors on an annual basis, taking into account such matters as time commitment, responsibility and compensation provided by comparable organizations. The compensation committee will make an annual review of such matters and make a recommendation to the Board.

The Board is responsible for making an annual assessment of the overall performance of the Directors as a group and to reporting its findings to the full Board. The assessment examines the effectiveness of the Directors as a whole and specifically reviews areas that the Directors and/or management believe could be improved to ensure the continued effectiveness of the Directors in the execution of their responsibilities.

### **Term of Office**

All directors have a term of office expiring at our next annual general meeting, unless a director's office is earlier vacated in accordance with our Articles or the provisions of the CBCA. All officers serve at the discretion of the Board.

### **Audit Committee**

We have a standing Audit Committee that assists the directors of the Company in overseeing all material aspects of reporting, control and audit functions, except those specifically related to the responsibilities of another standing committee of the Board. The role of the Audit Committee includes a particular focus on the qualitative aspects of financial reporting to shareholders and on our processes for the management of business/financial risk and for compliance with significant applicable legal, ethical, and regulatory requirements. The Audit Committee is responsible for, among other things, the making recommendations to our Board with respect to the appointment and remuneration of our independent accountant.

As of the date hereof, our Audit Committee is comprised of Steven McAuley, Andrejs Bunkse, and Dustin Klein.

We have procedures for the review and pre-approval of any services performed by our auditors. The procedures require that all proposed engagements of the auditors for audit and non-audit services be submitted to the Audit Committee for approval prior to the beginning of any such services. The Audit Committee considers such requests, and, if acceptable to a majority of the Audit Committee members, pre-approves such audit and non-audit services by a resolution authorizing management to engage the auditors for such audit and non-audit services. During such deliberations, the Audit Committee assesses, among other factors, whether the services requested would be considered "prohibited services" as contemplated by the regulations of the SEC, and whether the services requested and the fees related to such services could impair the independence of the auditors.

Pursuant to section 6.1 of NI 52-110, as adopted by the Canadian Securities Administrators (the "CSA"), the Company is exempt from the requirements of Parts 3 and 5 of NI 52-110 for the year ended December 31, 2020, by virtue of the Company being a "venture issuer" (as defined in NI 52-110).

Part 3 of NI 52-110 prescribes certain requirements for the composition of audit committees of non-exempt companies that are reporting issuers under Canadian provincial securities legislation. Part 3 of NI 52-110 requires, among other things that an audit committee be comprised of at three directors, each of whom, is, subject to certain exceptions, independent and financially literate in accordance with the standards set forth in NI 52-110.

Part 5 of NI 52-110 requires an annual information form that is filed by a non-exempt reporting issuer under National Instrument 51-102 – *Continuous Disclosure Obligations*, as adopted the CSA, to include certain disclosure about the issuer's audit committee, including, among other things: the text of the audit committee's charter; the name of each audit committee member and whether or not the member is independent and financially literate; whether a recommendation of the audit committee to nominate or compensate an external auditor was not adopted by the issuer's board of directors, and the reasons for the board's decision; a description of any policies and procedures adopted by the audit committee for the engagement of non-audit services; and disclosure of the fees billed by the issuer's external auditor in each of the last two fiscal years for audit, tax and other services.



## D. Employees

As of December 31, 2020 we employed 58 employees across the entire operation.

## E. Share Ownership

### Common Shares

The shareholdings of our officers and directors are set forth below as of July 16, 2021.

Holder name	No. of Common Shares held	Percentage of holding		Percentage of holding on a fully diluted basis <sup>(1)</sup>	
		% in capital	% in voting	% in capital	% in voting
Steven McAuley <sup>(2)</sup>	17,484,000	5.24%	5.24%	-	-
Andrejs Bunkse <sup>(3)</sup>	-	-	-	-	-
Dustin Klein <sup>(4)</sup>	6,740,196	2.02%	2.02%	-	-
Kyle Appleby <sup>(5)</sup>	-	-	-	-	-
Yoshi Tyler <sup>(6)</sup>	-	-	-	-	-

Notes:

- (1) “Fully diluted basis” means with the exercise of all warrants and options.
- (2) Steven McAuley is an interested party in the Company by virtue of him serving as Chairman of the Board of Directors, a director and as the Company’s Chief Executive Officer.
- (3) Andrejs Bunkse is an interested party in the Company by virtue of him serving as a director.
- (4) Dustin Klein is an interested party in the Company by virtue of him serving as a director and as the Company’s Senior Vice President of business development.
- (5) Kyle Appleby is an interested party in the Company by virtue of him serving as the Company’s Chief Financial Officer.
- (6) Yoshi Tyler is an interested party in the Company by virtue of her serving as a director and the President of Kai Medical.

## Options

Share option transactions and the number of share options outstanding during the three months ended March 31, 2021 and years ended December 31, 2020, and 2019 are summarized as follows:

	Number of share options	Weighted average exercise price
Outstanding, December 31, 2018	7,600,000	CDN \$0.25
Granted	7,700,000	CDN \$0.14
Cancelled	(4,850,000)	CDN \$0.27
Outstanding, December 31, 2019	10,450,000	CDN \$0.16
Granted	6,967,761	CDN \$0.05
Exercised	(7,583,333)	CDN \$0.14
Outstanding, December 31, 2020	9,834,428	CDN \$0.08
Granted	1,761,364	CDN \$0.40
Cancelled	(1,936,667)	CDN \$0.06
Exercised	(3,339,666)	CDN \$0.07
<b>Outstanding, March 31, 2021</b>	<b>6,319,459</b>	<b>CDN \$0.18</b>



Of the share options outstanding, 4,744,459 were exercisable as of March 31, 2021. Ms. Yoshi Tyler holds 775,000 share options and Mr. Andrejs Bunkse holds 1,100,000 share options that are exercisable into common shares. No other share options are held by interested parties.

## Warrants

There were no share purchase warrants, exercisable into common shares of Empower, held by our officers and directors as of March 31, 2021 or the date of herein.

## Equity Compensation Plans

The following table summarizes our compensation plans under which equity securities are authorized for issuance as at March 31, 2021:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans <sup>(1)</sup> (excluding securities reflected in the second column)
Equity compensation plans approved by securityholders	19,804,364	CDN\$0.15	26,845,794
Equity compensation plans not approved by securityholders	N/A	N/A	N/A
Total:	19,804,364	CDN\$0.17	26,845,794

Notes:

- (1) The number of securities remaining available for future issuance under our 10% rolling stock option plan as at the end of our most recently completed financial year is calculated on the basis of 10% of our issued and outstanding common shares as at such date (being 10% of 333,402,526 = 33,340,253 less share options of 6,494,459 = 26,845,794). Note that the Company does not have a maximum number of warrants that can be issued.

The Company has an incentive share option plan (“the Stock Option Plan”) in place under which it is authorized to grant share options to executive officers, directors, employees and consultants.

The purpose of the Stock Option Plan continues to be to allow us grant options to our directors, officers, employees and consultants, as additional compensation, and as an opportunity to participate in our success. The granting of such options is intended to align the interests of such persons with that of the shareholders. Options will be exercisable over periods of up to five years as determined by the Board and are required to have an exercise price no less than the fair market value of Empower’s common shares, at the time of grant. Pursuant to the Stock Option Plan, the Board may, from time to time, authorize the issue of stock options to our directors, officers, employees and consultants or employees of companies providing management or consulting services to us.

The maximum number of common shares which may be issued pursuant to options previously granted and those granted under the Stock Option Plan will be a maximum of 10% of the issued and outstanding common shares at the time of the grant. In addition, the number of common shares which may be reserved for issuance to any one individual may not exceed 5% of the issued common shares on a yearly basis or 2% if the optionee is engaged in investor relations activities or is a consultant. The Stock Option Plan contains no vesting requirements, but permits the Board to specify a vesting schedule in its discretion.

## ITEM 7 MAJOR SHAREHOLDER AND RELATED PARTY TRANSACTIONS

### A. Major Shareholders

#### Major Shareholders

We are a publicly-held corporation, with our common shares held by residents of the United States, Canada and other countries. To the best of our knowledge, as of the date of this 20-F, no person, corporation or other entity beneficially owns, directly or indirectly, or controls more than 5% of our common shares, except as follows:

Name	Number of Common Shares Owned <sup>(1)(2)</sup>	Percentage <sup>(3)</sup>
Steven McAuley	17,484,000	5.24%

Notes:

- (1) Under Rule 13d-3, a beneficial owner of a security includes any person who, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise has or shares: (i) voting power, which includes the power to vote, or to direct the voting of common shares; and (ii) investment power, which includes the power to dispose or direct the disposition of common shares. Certain common shares may be deemed to be beneficially owned by more than one person (if, for example, persons share the power to vote or the power to dispose of the common shares). In addition, common shares are deemed to be beneficially owned by a person if the person has the right to acquire the common shares (for example, upon exercise of an option) within 60 days of the date as of which the information is provided. In computing the percentage ownership of any person, the amount of common shares outstanding is deemed to include the amount of common shares beneficially owned by such person (and only such person) by reason of these acquisition rights. As a result, the percentage of outstanding common shares of any person as shown in this table does not necessarily reflect the person's actual ownership or voting power with respect to the number of common shares actually outstanding on the date hereof.
- (2) Each of our common shares entitles the holder thereof to one vote.
- (3) Based on 291,520,720 common shares of Empower issued and outstanding as of the date of this filing.
- (4) CDS & Co. (the registration name for The Canadian Depository of Securities Limited, which acts as nominee for many Canadian brokerage firms).

#### Geographic Breakdown of Shareholders

As of July 21, 2021, our shareholder register indicates that our common shares are held as follows:

Location	Number of Common Shares	Percentage of Total Common Shares	Number of Registered Shareholders of Record
United States	9,563,777	2.87%	42
Canada	323,209,870	96.94%	26
Other	628,879	0.19%	5
Total	333,402,526	100.00%	68

Common shares registered in intermediaries were assumed to be held by residents of the same country in which the clearing house was located.

#### Transfer Agent

Our securities are recorded in registered form on the books of our transfer agent, Olympia Trust Company Suite 1900, 925 West Georgia Street Vancouver, BC V6C 3L2. However, the majority of such shares are registered in the name of intermediaries such as brokerage houses and clearing houses (on behalf of their respective brokerage clients). We do not have knowledge or access to the identities of the beneficial owners of such common shares registered through intermediaries.





## Control

To the best of our knowledge, we are not directly or indirectly owned or controlled by any other corporation, by any foreign government or by any other natural or legal person, severally or jointly.

## Insider Reports under the British Columbia Securities Act

Since the Company is a reporting issuer under the Securities Acts of British Columbia, Alberta and Ontario, certain “insiders” of the Company (including its directors, certain executive officers, and persons who directly or indirectly beneficially own, control or direct more than 10% of its common shares) are generally required to file insider reports of changes in their ownership of Empower’s common shares five days following the trade under National Instrument 55-104 – Insider Reporting Requirements and Exemptions, as adopted by the Canadian Securities Administrators. All insider reports must be filed electronically five days following the date of the trade at [www.sedi.ca](http://www.sedi.ca). The public is able to access these reports at [www.sedi.ca](http://www.sedi.ca).

## B. Related Party Transactions

None of our directors or senior officers, no associate or affiliate of the foregoing persons, and no insider has or had any material interest, direct or indirect, in any transactions, or in any proposed transaction, which in either such case has materially affected or will materially affect us or our predecessors during the year ended December 31, 2019.

(a) Compensation of key management personnel:

For the purpose of related party disclosure in accordance with IASB 24, directors, the CEO, CFO, COO and executive vice president are considered key management personnel.

	Year ended December 31,	
	2020	2019
	U.S. dollars in thousands	
Salaries and benefits	\$ 341,601	\$ 734,655
Directors fees	7,500	11,250
Share-based compensation	12,159	556,040
	<u>\$ 361,260</u>	<u>\$ 1,301,945</u>

## C. Interests of Experts and Counsel

Not applicable.

## ITEM 8 FINANCIAL INFORMATION

### A. Consolidated Statements and Other Financial Information

#### Financial Statements

The financial statements required as part of this Annual Report on Form 20-F are filed under Item 18 of this Annual Report.

#### Legal Proceedings

As at the date of this Annual Report on Form 20-F, Empower is not involved in any legal, arbitration or governmental proceedings and, to Empower’s knowledge, no material legal, arbitration or governmental proceedings involving Empower are pending or contemplated against Empower.

#### Dividends

We have not paid any dividends on our common shares since incorporation. Our management anticipates that we will retain all future earnings and other cash resources for the future operation and development of our business. We do not intend to declare or pay any cash dividends in the foreseeable future. Payment of any future dividends will be at the Board’s discretion, subject to applicable law, after taking into account many factors including our operating results, financial condition and current and anticipated cash needs.



## **B. Significant Changes**

We have not experienced any significant changes since the date of the financial statements included with this Form 20-F except as disclosed in this Form 20-F.

## **ITEM 9 THE OFFER AND LISTING**

### **Cease Trades**

On May 3, 2021, the Company was granted a management cease trade order (“**MCTO**”) by the British Columbia Securities Commission. The MCTO does not affect the ability of shareholders who are not insiders of the Company to trade their securities. The MCTO was issued in connection with the delay by the Company in filing its annual financial statements for the year ended December 31, 2020, and the related management’s discussion and analysis and certificates of its CEO and CFO (collectively, the “**Required Filings**”) with Canadian securities regulators until after the April 30, 2021 filing deadline. The delay in filing was primarily due to the impact of COVID-19 on the audit and associated required travel, of the Company's recently acquired subsidiaries in both the US and Canada. The Required Filings were filed on July 2, 2021 and the MCTO was lifted on July 14, 2021.

### **Common Shares**

Our authorized capital consists of an unlimited number of common shares without par value, of which 283,811,903 common shares were issued and outstanding as of December 31, 2020. All common shares are initially issued in registered form. There are no restrictions on the transferability of our common shares imposed by our constituting documents.

The common shares entitle their holders to: (i) vote at all meetings of our shareholders except meetings at which only holders of specified classes of shares are entitled to vote, having one vote per common share, (ii) receive dividends at the discretion of the Board; and (iii) receive our remaining property on liquidation, dissolution or winding up.

### **Trading Markets**

Our current trading symbol on the CSE is “CBDT”. We also trade on the OTCQB with the trading symbol “EPWCF” and on the Frankfurt Stock Exchange with the trading symbol “8EC”.

As disclosed elsewhere in this annual report, on April 23, 2018, the Company completed its previously disclosed reverse takeover transaction of Adira. As a result, the Company has limited history of high and low share price progression.

### **Escrowed Securities**

As at December 31, 2020 10,986,306 common shares were subject to escrow.

## **ITEM 10 ADDITIONAL INFORMATION**

### **A. Share Capital**

Not applicable.

### **B. Memorandum and Articles of Incorporation**

We were incorporated under the laws of the Province of British Columbia on April 28, 2015. We changed our name from S.M.A.A.R.T. Holdings Inc., to Empower concurrent with the Transaction.

### **C. Material Contracts**

We currently are not party to any material contracts.

## D. Exchange Controls

There are no governmental laws, decrees or regulations in Canada relating to restrictions on the export or import of capital, or affecting remittance of interest, dividends or other payments to non-resident holders of our common shares. However, the Investment Canada Act (Canada) will prohibit implementation, or if necessary, require divestiture of an investment deemed “reviewable” under the Investment Canada Act by an investor that is not a “Canadian” as defined in the Investment Canada Act, unless after review the Minister responsible for the Investment Canada Act is satisfied that the “reviewable” investment is likely to be of net benefit to Canada.

The following discussion summarizes the principal features of the Investment Canada Act for a non-Canadian who proposes to acquire common shares of the Company. The discussion is general only; it is not a substitute for independent legal advice from an investor's own adviser; and, except where expressly noted, it does not anticipate statutory or regulatory amendments.

The Investment Canada Act is a federal statute of broad application regulating the establishment and acquisition of Canadian businesses by non-Canadians, including individuals, governments or agencies thereof, corporations, partnerships, trusts or joint ventures. Investments by non-Canadians to acquire control over existing Canadian businesses or to establish new ones are either reviewable or notifiable under the Investment Canada Act. If an investment by a non-Canadian to acquire control over an existing Canadian business is reviewable under the Investment Canada Act, the Investment Canada Act generally prohibits implementation of the investment unless, after review, the Minister of Industry is satisfied that the investment is likely to be of net benefit to Canada.

An investment in the Company's common shares by a non-Canadian, who is not a resident of a World Trade Organization (“WTO”) member, would be reviewable under the Investment Canada Act (Canada) if it was an investment to acquire control of the Company and the value of the assets of the Company was CAN \$5 million or more. An investment in common shares of the Company by a resident of a WTO member would be reviewable only if it was an investment to acquire control of the Company and the enterprise value of the assets of the Company was equal to or greater than a specified amount, which is published by the Minister after its determination for any particular year. This amount is currently CAN \$1 billion (unless the WTO member is party to one of a list of certain free trade agreements, in which case the amount is currently CAN \$1.5 billion); beginning January 1, 2019, both thresholds will be adjusted annually by a GDP (Gross Domestic Product) based index.

A non-Canadian would be deemed to acquire control of the Company for the purposes of the Investment Canada Act if the non-Canadian acquired a majority of the outstanding common shares (or less than a majority but controlled the Company in fact through the ownership of one-third or more of the outstanding common shares) unless it could be established that, on the acquisition, the Company is not controlled in fact by the acquirer through the ownership of such common shares. Certain transactions in relation to the Company's common shares would be exempt from review under the Investment Canada Act, including, among others, the following:

- (a) the acquisition of voting shares or other voting interests by any person in the ordinary course of that person's business as a trader or dealer in securities;
- (b) the acquisition of control of the Company in connection with the realization of security granted for a loan or other financial assistance and not for any purpose related to the provisions of the Investment Canada Act (Canada), if the acquisition is subject to approval under the Bank Act (Canada), the Cooperative Credit Associations Act (Canada), the Insurance Companies Act (Canada) or the Trust and Loan Companies Act (Canada); and
- (c) the acquisition of control of the Company by reason of an amalgamation, merger, consolidation or corporate reorganization following which the ultimate direct or indirect control of the Company, through the ownership of voting interests, remains unchanged.

## E. Taxation

### Material Canadian Federal Income Tax Consequences for United States Residents

The following summarizes the material Canadian federal income tax considerations generally applicable to the holding and disposition of our shares by a holder (in this summary, a “U.S. Holder”) who, (a) for the purposes of the *Income Tax Act* (Canada) (the “Tax Act”) and at all relevant times, (i) is not resident in Canada, (ii) deals at arm’s length with, and is not affiliated with, us, (iii) holds our shares as capital property and does not use or hold, and is not deemed to use or hold, our shares in the course of carrying on, or otherwise in connection with, a business in Canada, and (b) for the purposes of the Canada-United States Income Tax Convention (1980) (the “Treaty”) and at all relevant times, is a resident solely of the United States, has never been a resident of Canada, is a “qualifying person” who is fully entitled to the benefit of the Treaty and has not held or used (and does not hold or use) our shares in connection with a permanent establishment or fixed base in Canada. This summary does not apply to traders or dealers in securities, limited liability companies, tax-exempt entities, insurers, authorized foreign bank, financial institutions (including those to which the mark-to-market provisions of the Tax Act apply), special financial institutions, or any other holder to which special circumstances may apply.

This summary is based on the current provisions of the Tax Act, all regulations thereunder, the Treaty, all proposed amendments to the Tax Act, the regulations and the Treaty publicly announced by the Government of Canada prior to the date hereof, and our understanding of the current published administrative practices of the Canada Revenue Agency. It has been assumed that all currently proposed amendments will be enacted as proposed and that there will be no other relevant change in any governing law or administrative practice, although no assurances can be given in this respect.

The summary does not take into account Canadian provincial, U.S. federal (which follows further below), state or other foreign income tax law or practice. **The tax consequences to any particular U.S. Holder will vary according to the status of that holder as an individual, trust, corporation, partnership or other entity, the jurisdictions in which that holder is subject to taxation, and generally according to that holder’s particular circumstances. Accordingly, this summary is not, and is not to be construed as, Canadian tax advice to any particular U.S. Holder. All U.S. Holders are advised to consult with their own tax advisors regarding their particular circumstances. The discussion below is qualified accordingly.**

#### *Dividends*

Dividends paid or credited or deemed to be paid or credited to a U.S. Holder by us will be subject to Canadian withholding tax. The Tax Act requires a 25% withholding unless reduced under an applicable tax treaty. Under the Treaty, provided that a holder can demonstrate that it is a qualifying U.S. Holder, the rate of withholding tax on dividends paid to a U.S. Holder is generally limited to 15% of the gross amount of the dividend (or 5% if the U.S. Holder is a qualified company and beneficially owns at least 10% of our voting shares). We will be required to withhold the applicable withholding tax from any dividend and remit it to the Canadian government for the U.S. Holder’s account.

#### *Disposition*

For purposes of the following discussion, we have assumed that our shares will remain listed on the TSXV. A U.S. Holder is not subject to tax under the Tax Act in respect of a capital gain realized on the disposition of our shares in the open market unless the shares are “taxable Canadian property” to the holder thereof and the U.S. Holder is not entitled to relief under the Treaty. Our shares will be taxable Canadian property to a U.S. Holder (a) if, at any time during the 60-month period preceding the disposition: (i) the U.S. Holder, alone or together with persons with whom the U.S. Holder did not deal at arm’s length, owned 25% or more of our issued shares of any class or series, and (ii) more than 50% of the fair market value of the shares was derived, directly or indirectly, from one or any combination of real property situated in Canada, timber resource properties, Canadian resource properties, or an option in respect of, or an interest in, or for civil law a right in, any of the foregoing, or (b) in other specific circumstances, including where shares were acquired for other securities in a tax-deferred transaction for Canadian tax purposes. If our shares constitute taxable Canadian property to the holder, the holder will (unless relieved under the Treaty) be subject to Canadian income tax on any gain. The taxpayer’s capital gain or loss from a disposition of the share is the amount, if any, by which the proceeds of disposition exceed (or are exceeded by) the aggregate of the adjusted cost base of the share and reasonable expenses of disposition. One-half of a capital gain (“**taxable capital gain**”) from the disposition of taxable Canadian property (other than treaty protected properties) is included in computing the income of a U.S. Holder and one-half of a capital loss (“**allowable capital loss**”) is deductible from taxable capital gains from dispositions of taxable Canadian property realized in the same year. Unused allowable capital losses from previous taxation years generally may be carried back three taxation years or forward indefinitely and applied to reduce net taxable capital gains realized in those years by a U.S. Holder from the disposition of a taxable Canadian property.

A U.S. Holder whose shares constitute taxable Canadian property should consult with the holder's own tax advisors regarding any possible relief (if any) from Canadian tax under the Treaty based on applicable circumstances at the relevant time.

## **United States Tax Consequences**

### ***United States Federal Income Tax Consequences***

The following is a general summary of certain material U.S. federal income tax considerations applicable to a U.S. Holder (as defined below) arising from and relating to the acquisition, ownership, and disposition of our common shares.

This summary is for general information purposes only and does not purport to be a complete analysis or listing of all potential U.S. federal income tax considerations that may apply to a U.S. Holder arising from and relating to the acquisition, ownership, and disposition of our common shares. In addition, this summary does not take into account the individual facts and circumstances of any particular U.S. Holder that may affect the U.S. federal income tax consequences to such U.S. Holder, including without limitation specific tax consequences to a U.S. Holder under an applicable tax treaty. Accordingly, this summary is not intended to be, and should not be construed as, legal or U.S. federal income tax advice with respect to any U.S. Holder. This summary does not address the U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local, and foreign tax consequences to U.S. Holders of the acquisition, ownership, and disposition of our common shares. Except as specifically set forth below, this summary does not discuss applicable tax reporting requirements. Each U.S. Holder should consult its own tax advisor regarding the U.S. federal, U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local, and foreign tax consequences relating to the acquisition, ownership, and disposition of our common shares.

No legal opinion from U.S. legal counsel or ruling from the Internal Revenue Service (the "IRS") has been requested, or will be obtained, regarding the U.S. federal income tax consequences of the acquisition, ownership, and disposition of our common shares. This summary is not binding on the IRS, and the IRS is not precluded from taking a position that is different from, and contrary to, the positions taken in this summary. In addition, because the authorities on which this summary is based are subject to various interpretations, the IRS and the U.S. courts could disagree with one or more of the conclusions described in this summary.

### **Scope of this Summary**

#### Authorities

This summary is based on the Internal Revenue Code of 1986, as amended (the "Code"), Treasury Regulations (whether final, temporary, or proposed), published rulings of the IRS, published administrative positions of the IRS, the Convention Between Canada and the United States of America with Respect to Taxes on Income and on Capital, signed September 26, 1980, as amended (the "Canada-U.S. Tax Convention"), and U.S. court decisions that are applicable and, in each case, as in effect and available, as of the date of this document. Any of the authorities on which this summary is based could be changed in a material and adverse manner at any time, and any such change could be applied on a retroactive or prospective basis which could affect the U.S. federal income tax considerations described in this summary. This summary does not discuss the potential effects, whether adverse or beneficial, of any proposed legislation that, if enacted, could be applied on a retroactive or prospective basis.

#### U.S. Holders

For purposes of this summary, the term "U.S. Holder" means a beneficial owner of our common shares that is for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the U.S.;
- a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) organized under the laws of the U.S., any state thereof or the District of Columbia;
  - an estate whose income is subject to U.S. federal income taxation regardless of its source; or
- a trust that (1) is subject to the primary supervision of a court within the U.S. and the control of one or more U.S. persons for all substantial decisions or (2) has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

## Non-U.S. Holders

For purposes of this summary, a “non-U.S. Holder” is a beneficial owner of our common shares that is not a U.S. Holder. This summary does not address the U.S. federal income tax consequences to non-U.S. Holders arising from and relating to the acquisition, ownership, and disposition of our common shares. Accordingly, a non-U.S. Holder should consult its own tax advisor regarding the U.S. federal, U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local, and foreign tax consequences (including the potential application of and operation of any income tax treaties) relating to the acquisition, ownership, and disposition of our common shares.

## U.S. Holders Subject to Special U.S. Federal Income Tax Rules Not Addressed

This summary does not address the U.S. federal income tax considerations applicable to U.S. Holders that are subject to special provisions under the Code, including, but not limited to, the following: (a) U.S. Holders that are tax-exempt organizations, qualified retirement plans, individual retirement accounts, or other tax-deferred accounts; (b) U.S. Holders that are financial institutions, underwriters, insurance companies, real estate investment trusts, or regulated investment companies; (c) U.S. Holders that are broker-dealers, dealers, or traders in securities or currencies that elect to apply a mark-to-market accounting method; (d) U.S. Holders that have a “functional currency” other than the U.S. dollar; (e) U.S. Holders that own our common shares as part of a straddle, hedging transaction, conversion transaction, constructive sale, or other arrangement involving more than one position; (f) U.S. Holders that acquired our common shares in connection with the exercise of employee stock options or otherwise as compensation for services; (g) U.S. Holders that hold our common shares other than as a capital asset within the meaning of Section 1221 of the Code (generally, property held for investment purposes); or (h) U.S. Holders that own or have owned (directly, indirectly, or by attribution) 10% or more of the total combined voting power of the outstanding shares of the Company. This summary also does not address the U.S. federal income tax considerations applicable to U.S. Holders who are: (a) U.S. expatriates or former long-term residents of the U.S.; (b) persons that have been, are, or will be a resident or deemed to be a resident in Canada for purposes of the Tax Act; (c) persons that use or hold, will use or hold, or that are or will be deemed to use or hold our common shares in connection with carrying on a business in Canada; (d) persons whose our common shares constitute “taxable Canadian property” under the Tax Act; or (e) persons that have a permanent establishment in Canada for the purposes of the Canada-U.S. Tax Convention. U.S. Holders that are subject to special provisions under the Code, including, but not limited to, U.S. Holders described immediately above, should consult their own tax advisor regarding the U.S. federal, U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local, and foreign tax consequences relating to the acquisition, ownership and disposition of our common shares.

If an entity or arrangement that is classified as a partnership (or other “pass-through” entity) for U.S. federal income tax purposes holds our common shares, the U.S. federal income tax consequences to such entity and the partners (or other owners) of such entity generally will depend on the activities of the entity and the status of such partners (or owners). This summary does not address the tax consequences to any such owner. Partners (or other owners) of entities or arrangements that are classified as partnerships or as “pass-through” entities for U.S. federal income tax purposes should consult their own tax advisors regarding the U.S. federal income tax consequences arising from and relating to the acquisition, ownership, and disposition of our common shares.

## **Ownership and Disposition of our common shares**

The following discussion is subject to the rules described below under the heading “Passive Foreign Investment Company Rules.”

### Taxation of Distributions

A U.S. Holder that receives a distribution, including a constructive distribution, with respect to our common share will be required to include the amount of such distribution in gross income as a dividend (without reduction for any foreign income tax withheld from such distribution) to the extent of the current or accumulated “earnings and profits” of we, as computed for U.S. federal income tax purposes. To the extent that a distribution exceeds the current and accumulated “earnings and profits” of we, such distribution will be treated first as a tax-free return of capital to the extent of a U.S. Holder's tax basis in our common shares and thereafter as gain from the sale or exchange of such our common shares (see “Sale or Other Taxable Disposition of Common Shares” below). However, we may not maintain the calculations of earnings and profits in accordance with U.S. federal income tax principles, and each U.S. Holder should therefore assume that any distribution by us with respect to our common shares will constitute ordinary dividend income. Dividends received on our common shares generally will not constitute qualified dividend income eligible for the “dividends received deduction”. Subject to applicable limitations and provided that we are eligible for the benefits of the Canada-U.S. Tax Convention, dividends paid by us to non-corporate U.S. Holders, including individuals, generally will be eligible for the preferential tax rates applicable to long-term capital gains for dividends, provided certain holding period and other conditions are satisfied, including that we are not classified as a PFIC (as defined below) in the tax year of distribution or in the preceding tax year. The dividend rules are complex, and each U.S. Holder should consult its own tax advisor regarding the application of such rules.





## Sale or Other Taxable Disposition of Common Shares

A U.S. Holder will recognize gain or loss on the sale or other taxable disposition of our common shares in an amount equal to the difference, if any, between (a) the amount of cash plus the fair market value of any property received and (b) such U.S. Holder's tax basis in such our common shares sold or otherwise disposed of. Any such gain or loss generally will be capital gain or loss, which will be long-term capital gain or loss if, at the time of the sale or other disposition, such our common shares are held for more than one year.

Preferential tax rates apply to long-term capital gains of a U.S. Holder that is an individual, estate, or trust. There are currently no preferential tax rates for long-term capital gains of a U.S. Holder that is a corporation. Deductions for capital losses are subject to significant limitations under the Code.

## **Passive Foreign Investment Company Rules**

If we were to constitute a PFIC for any year during a U.S. Holder's holding period, then certain potentially adverse rules would affect the U.S. federal income tax consequences to a U.S. Holder resulting from the acquisition, ownership and disposition of our common shares. We do not believe that we were a PFIC during our tax year ended December 31, 2018. PFIC classification is fundamentally factual in nature, generally cannot be determined until the close of the tax year in question, and is determined annually. Additionally, the analysis depends, in part, on the application of complex U.S. federal income tax rules, which are subject to differing interpretations. Consequently, there can be no assurances regarding our PFIC status for any tax year during which U.S. Holders hold our common shares.

In addition, in any year in which we are classified as a PFIC, such holder may be required to file an annual report with the IRS containing such information as Treasury Regulations and/or other IRS guidance may require. In addition to penalties, a failure to satisfy such reporting requirements may result in an extension of the time period during which the IRS can assess a tax. U.S. Holders should consult their own tax advisors regarding the requirements of filing such information returns under these rules, including the requirement to file a revised IRS Form 8621.

We generally will be a PFIC under Section 1297 of the Code if, for a tax year, (a) 75% or more of our gross income for such tax year is passive income (the "income test") or (b) 50% or more of the value of our assets either produce passive income or are held for the production of passive income (the "asset test"), based on the quarterly average of the fair market value of such assets. "Gross income" generally includes all sales revenues less the cost of goods sold, plus income from investments and from incidental or outside operations or sources, and "passive income" generally includes, for example, dividends, interest, certain rents and royalties, certain gains from the sale of stock and securities, and certain gains from commodities transactions. Active business gains arising from the sale of commodities generally are excluded from passive income if substantially all (85% or more) of a foreign corporation's commodities are stock in trade or inventory, depreciable property used in a trade or business or supplies regularly used or consumed in a trade or business and certain other requirements are satisfied.

In addition, for purposes of the PFIC income test and asset test described above, if we own, directly or indirectly, 25% or more of the total value of the outstanding shares of another corporation, we will be treated as if we (a) held a proportionate share of the assets of such other corporation and (b) received directly a proportionate share of the income of such other corporation. In addition, for purposes of the PFIC income test and asset test described above, "passive income" does not include any interest, dividends, rents, or royalties that are received or accrued by us from a "related person" (as defined in Section 954(d)(3) of the Code), to the extent such items are properly allocable to the income of such related person that is not passive income.

Under certain attribution rules, if we are a PFIC, U.S. Holders will be deemed to own their proportionate share of any subsidiary of ours which is also a PFIC (a "Subsidiary PFIC"), and will be subject to U.S. federal income tax on (i) a distribution on the shares of a Subsidiary PFIC or (ii) a disposition of shares of a Subsidiary PFIC, both as if the holder directly held the shares of such Subsidiary PFIC.

If we are a PFIC in any tax year in which a U.S. Holder held our common shares, such holder generally would be subject to special rules with respect to "excess distributions" made by us on our common shares and with respect to gain from the disposition of our common shares. An "excess distribution" generally is defined as the excess of distributions with respect to our common shares received by a U.S. Holder in any tax year over 125% of the average annual distributions such U.S. Holder has received from us during the shorter of the three preceding tax years, or such U.S. Holder's holding period for our common shares. Generally, a U.S. Holder would be required to allocate any excess distribution or gain from the disposition of our common shares ratably over its holding period for our common shares. Such amounts allocated to the year of the disposition or excess distribution would be taxed as ordinary income, and amounts allocated to prior tax years would be taxed as ordinary income at the highest tax rate in effect for each such year and an interest charge at a rate applicable to underpayments of tax would apply.

While there are U.S. federal income tax elections that sometimes can be made to mitigate these adverse tax consequences (including, without limitation, the “QEF Election” under Section 1295 of the Code and the “Mark-to-Market Election” under Section 1296 of the Code), such elections are available in limited circumstances and must be made in a timely manner.

U.S. Holders should be aware that, for each tax year, if any, that we are a PFIC, we can provide no assurances that we will satisfy the record keeping requirements of a PFIC, or that we will make available to U.S. Holders the information such U.S. Holders require to make a QEF Election with respect to us or any Subsidiary PFIC. U.S. Holders are urged to consult their own tax advisors regarding the potential application of the PFIC rules to the ownership and disposition of our common shares, and the availability of certain U.S. tax elections under the PFIC rules.

## **Additional Considerations**

### Additional Tax on Passive Income

Individuals, estates and certain trusts whose income exceeds certain thresholds will be required to pay a 3.8% Medicare surtax on “net investment income” including, among other things, dividends and net gain from disposition of property (other than property held in certain trades or businesses). U.S. Holders should consult with their own tax advisors regarding the effect, if any, of this tax on their ownership and disposition of our common shares.

### Receipt of Foreign Currency

The amount of any distribution paid to a U.S. Holder in foreign currency, or on the sale, exchange or other taxable disposition of our common shares, generally will be equal to the U.S. dollar value of such foreign currency based on the exchange rate applicable on the date of receipt (regardless of whether such foreign currency is converted into U.S. dollars at that time). A U.S. Holder will have a basis in the foreign currency equal to its U.S. dollar value on the date of receipt. Any U.S. Holder who converts or otherwise disposes of the foreign currency after the date of receipt may have a foreign currency exchange gain or loss that would be treated as ordinary income or loss, and generally will be U.S. source income or loss for foreign tax credit purposes. Each U.S. Holder should consult its own U.S. tax advisor regarding the U.S. federal income tax consequences of receiving, owning, and disposing of foreign currency.

### Foreign Tax Credit

Subject to the PFIC rules discussed above, a U.S. Holder that pays (whether directly or through withholding) Canadian income tax with respect to dividends paid on our common shares generally will be entitled, at the election of such U.S. Holder, to receive either a deduction or a credit for such Canadian income tax. Generally, a credit will reduce a U.S. Holder’s U.S. federal income tax liability on a dollar-for-dollar basis, whereas a deduction will reduce a U.S. Holder’s income subject to U.S. federal income tax. This election is made on a year-by-year basis and applies to all foreign taxes paid (whether directly or through withholding) by a U.S. Holder during a year.

Complex limitations apply to the foreign tax credit, including the general limitation that the credit cannot exceed the proportionate share of a U.S. Holder’s U.S. federal income tax liability that such U.S. Holder’s “foreign source” taxable income bears to such U.S. Holder’s worldwide taxable income. In applying this limitation, a U.S. Holder’s various items of income and deduction must be classified, under complex rules, as either “foreign source” or “U.S. source.” Generally, dividends paid by a foreign corporation should be treated as foreign source for this purpose, and gains recognized on the sale of stock of a foreign corporation by a U.S. Holder should be treated as U.S. source for this purpose, except as otherwise provided in an applicable income tax treaty, and if an election is properly made under the Code. However, the amount of a distribution with respect to our common shares that is treated as a “dividend” may be lower for U.S. federal income tax purposes than it is for Canadian federal income tax purposes, resulting in a reduced foreign tax credit allowance to a U.S. Holder. In addition, this limitation is calculated separately with respect to specific categories of income. The foreign tax credit rules are complex, and each U.S. Holder should consult its own U.S. tax advisor regarding the foreign tax credit rules.

### Backup Withholding and Information Reporting

Under U.S. federal income tax law and Treasury Regulations, certain categories of U.S. Holders must file information returns with respect to their investment in, or involvement in, a foreign corporation. For example, U.S. return disclosure obligations (and related penalties) are imposed on individuals who are U.S. Holders that hold certain specified foreign financial assets in excess certain threshold amounts. The definition of specified foreign financial assets includes not only financial accounts maintained in foreign financial institutions, but also, unless held in accounts maintained by a financial institution, any stock or security issued by a non-U.S. person, any financial instrument or contract held for investment that has an issuer or counterparty other than a U.S. person and any interest in a foreign entity. U. S. Holders may be subject to these reporting requirements unless our common shares are held in an account at certain financial institutions. Penalties for failure to file certain of these information returns are substantial. U.S. Holders should consult with their own tax advisors regarding the requirements of filing information returns, including the requirement to file an IRS Form 8938.



Payments made within the U.S. or by a U.S. payor or U.S. middleman, of dividends on, and proceeds arising from the sale or other taxable disposition of, our common shares will generally be subject to information reporting and backup withholding tax, at the rate of 28%, if a U.S. Holder (a) fails to furnish such U.S. Holder's correct U.S. taxpayer identification number (generally on Form W-9), (b) furnishes an incorrect U.S. taxpayer identification number, (c) is notified by the IRS that such U.S. Holder has previously failed to properly report items subject to backup withholding tax, or (d) fails to certify, under penalty of perjury, that such U.S. Holder has furnished its correct U.S. taxpayer identification number and that the IRS has not notified such U.S. Holder that it is subject to backup withholding tax. However, certain exempt persons generally are excluded from these information reporting and backup withholding rules. Backup withholding is not an additional tax. Any amounts withheld under the U.S. backup withholding tax rules will be allowed as a credit against a U.S. Holder's U.S. federal income tax liability, if any, or will be refunded, if such U.S. Holder furnishes required information to the IRS in a timely manner. Each U.S. Holder should consult its own tax advisor regarding the information reporting and backup withholding rules.

#### **F. Dividends and Paying Agents**

Not applicable.

#### **G. Statement by Experts**

Not applicable.

#### **H. Documents on Display**

Exhibits attached to this Form 20-F are also available for viewing at our offices, Suite 505, 1771 Robson Street Vancouver, BC V6G 1C9; or you may request them by calling our office at 1-888-367-6937. Copies of our financial statements and other continuous disclosure documents required under securities rules are available for viewing on the internet at [www.sedar.com](http://www.sedar.com).

#### **I. Subsidiary Information**

See Item 4.C – “Organizational Structure” of this Annual Report on Form 20-F.

### **ITEM 11 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We are not subject to any material market risks.

#### **A. Transaction Risk and Currency Risk Management**

Our operations do not employ complex financial instruments or derivatives, and given that we keep our excess funds in high-grade short-term instruments, we do not have significant or unusual financial market risks. In the event we experience substantial growth in the future, our business and results of operations may be materially affected by changes in interest rates on new debt financings, the granting of credit options to our customers, and certain other credit risks associated with our operations.

#### **B. Interest Rate Risk and Equity Price Risk**

We are equity financed and do not have material amounts of debt which could be subject to significant interest rate change risks. We have raised equity funding through the sale of securities denominated in CDN\$, and will likely raise additional equity funding denominated in CDN\$ in the future.

#### **C. Exchange Rate Sensitivity**

We are exposed to financial risk related to the fluctuation of foreign exchange rates. Most of our monetary assets are held in US dollars and most of our expenditures are made in US dollars. However, we also have some monetary assets and expenditures in CDN\$. A significant change in the currency rates between the CDN\$ relative to the US dollar could have an effect on our future results of operations, financial position or cash flows, depending on our currency management techniques. We have not hedged our exposure to currency fluctuations.

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

	As at December 31,	
	2020	2019
CDN\$ net monetary liabilities	<u>\$ 4,195,664</u>	<u>\$ 2,434,448</u>
	<u>\$ 4,195,664</u>	<u>\$ 2,434,448</u>

The effect on loss before income tax 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 assets and liabilities of the Company is estimated to be an increase/decrease of \$534,108 (2018 - \$316,186) assuming that all other variables remained constant.

## ITEM 12 DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

## PART II

### ITEM 13 DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

### ITEM 14 MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

None.

### ITEM 15 CONTROLS AND PROCEDURES

#### *Disclosure Controls and Procedures*

Disclosure controls and procedures are defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (“**Exchange Act**”) to mean controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms and includes, without limitation, controls and procedures designed to ensure that such information is accumulated and communicated to the issuer’s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

As required under the Exchange Act, we have carried out an evaluation of the effectiveness of the design and operation of our company’s disclosure controls and procedures as of the end of the period covered by this annual report on Form 20-F, being December 31, 2020. This evaluation was carried out by our Mr. Steven McAuley, our Chief Executive Officer, and Kyle Appleby, our Chief Financial Officer. Based upon that evaluation, our executives concluded that our disclosure controls and procedures were not effective as at December 31, 2020.

Material weaknesses identified include:

- No formal server network to maintain Company documents
- Reconciliations for material accounts were not completed in a timely manner
- Monthly and quarterly consolidation were not maintained
- No segregation of duties in performing reconciliations and financial reporting
- Limited access to the accounting system for key management personnel

#### *Management’s Annual Report on Internal Control Over Financial Reporting*

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. The Exchange Act in Rule 13a-15(f) and 15d-15(f) defines this as a process designed by, or under the supervision of, the company’s principal executive and principal financial officers and effected by the Board, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company’s assets that may have a material effect on the financial statements.

Under the supervision and with the participation of Mr. Steven McAuley, who serves as our Chief Executive Officer and Mr. Kyle Appleby who serves as our Chief Financial Officer, our management assessed the effectiveness of our internal control over financial reporting as at December 31, 2020. In making this assessment, our management used the criteria, established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based upon this assessment, our management concluded that our internal control over financial reporting was ineffective as at December 31, 2020.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness of internal control over financial reporting to future periods are subject to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

This Annual Report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report is not subject to attestation by the Company's registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this Annual Report.

### ***Changes in Internal Control over Financial Reporting***

During the period ended December 31, 2020, there were changes which created ineffective internal controls over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

### **ITEM 16A AUDIT COMMITTEE FINANCIAL EXPERTS**

As disclosed above, as of the date hereof, our Audit Committee is comprised of Steven McAuley (chair), Andrejs Bunkse and Dustin Klein.

### **ITEM 16B CODE OF ETHICS**

We have adopted a Code of Business Conduct that applies to all of our employees and officers, including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. The Code of Business Conduct meets the requirements for a "code of ethics" within the meaning of that term in Item 16B of Form 20-F. A copy of our Code of Business Conduct will be provided to any person without charge, upon request. All requests for a copy of our code of ethics should be directed in writing to the attention of Steven McAuley, c/o Empower Clinics Inc., Suite 505, 1771 Robson Street Vancouver, BC V6G 1C9, or by email at: s.mcauley@empowerclinics.com.

During the most recently completed fiscal year, the Company has neither: (a) amended its Code of Ethics; nor (b) granted any waiver (including any implicit waiver) from any provision of its Code of Ethics.

### **ITEM 16C PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The following table sets forth information regarding the amount billed to us by our principal independent auditors, MNP LLP for the fiscal year ended December 31, 2020 and 2019:

	<b>Year Ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Audit Fees:	\$ 305,000	\$ 90,900
Audit Related Fees:	113,500	57,770
Tax Fees:	nil	nil
<b>Total:</b>	<b>\$ 418,500</b>	<b>\$ 148,670</b>

### **Audit Fees**

This category includes the aggregate fees billed by our independent auditor for the audit of our consolidated annual financial statements, reviews of interim financial statements and attestation services that are provided in connection with statutory and regulatory filings or engagements.

### **Audit Related Fees**

This category includes the aggregate fees billed in each of the last two fiscal years for assurance and related services by the independent auditors that are reasonably related to the performance of the audits or reviews of the financial statements and are not reported above under "Audit Fees," and generally consist of fees for other engagements under professional auditing standards, accounting and reporting consultations.

### **Tax Fees**

This category includes the aggregate fees billed in each of the last two fiscal years for professional services rendered by the independent auditors for tax compliance, tax planning and tax advice.

### **Policy on Pre-Approval by Audit Committee of Services Performed by Independent Auditors**

The policy of our Audit Committee is to pre-approve all audit and permissible non-audit services to be performed by our independent auditors during the fiscal year.

### **ITEM 16D EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES**

Not applicable.

### **ITEM 16E PURCHASE OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS**

In the year ended December 31, 2020, the Company did not purchase any of its issued and outstanding common shares pursuant to any repurchase program or otherwise.

### **ITEM 16F CHANGES TO REGISTRANT'S CERTIFYING ACCOUNTANT**

Not applicable.

### **ITEM 16G CORPORATE GOVERNANCE**

Not applicable.



## PART III

### ITEM 17 FINANCIAL STATEMENTS

Not applicable.

### ITEM 18 FINANCIAL STATEMENTS

*Financial Statements Filed as Part of this Annual Report*

- Report of Independent Registered Public Accounting Firm dated June 30, 2021;
- Consolidated statement of financial position for the fiscal years ended December 31, 2020 and 2019;
- Consolidated statements of comprehensive profit and loss for the fiscal years ended December 31, 2020 and 2019;
- Consolidated statements of changes in (deficit) equity for the fiscal years ended December 31, 2020 and 2019;
- Consolidated statements of cash flows for the fiscal years ended December 31, 2020 and 2019; and
- Notes to consolidated financial statements

**EMPOWER CLINICS INC.  
(formerly ADIRA ENERGY LTD.)**

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
DECEMBER 31, 2020, 2019, 2018**

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EMPOWER  
CLINICS

## **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 valuers 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.

<p><b><i>Measurement of Purchase Consideration Payable</i></b></p> <p>Refer to Note 7 in the consolidated financial statements.</p> <p>On December 16, 2020, the Company acquired 100% interest in the businesses of Lawrence Park &amp; Atkinson for consideration of \$1,771,409.</p> <p>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.</p>	<p>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:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• 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</li> <li>• We also performed sensitivity analyses on probability assumptions within the valuation model.</li> </ul>
<p><b><i>Impairment of goodwill and Intangible assets</i></b></p> <p>Refer to Note 12 to the consolidated financial statements.</p> <p>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 &amp; 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.</p> <p>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.</p> <p>For these reasons we determined goodwill and intangible asset impairment assessments to be a critical audit matter.</p>	<p>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:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• 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;</li> <li>• 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;</li> <li>• 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;</li> <li>• 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</li> <li>• We applied sensitivities to calculations prepared by management to assess the impact on the impairment assessment of reasonable possible changes to assumptions.</li> </ul>

**Chartered Professional Accountants  
Licensed Public Accountants**

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

Ottawa, Canada





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

	Notes	December 31, 2020 \$	December 31, 2019 \$
<b>ASSETS</b>			
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
<b>Total current assets</b>		<b>5,254,119</b>	<b>263,865</b>
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
<b>Total assets</b>		<b>9,230,219</b>	<b>1,555,719</b>
<b>LIABILITIES</b>			
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
<b>Total current liabilities</b>		<b>7,000,937</b>	<b>4,449,224</b>
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
<b>Total liabilities</b>		<b>14,720,620</b>	<b>5,070,632</b>
<b>SHAREHOLDERS' DEFICIENCY</b>			
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)
<b>Total shareholders' deficiency</b>		<b>(5,490,401)</b>	<b>(3,514,913)</b>
<b>Total liabilities and shareholders' deficiency</b>		<b>9,230,219</b>	<b>1,555,719</b>

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 \$
<b>Revenues</b>				
Clinic services		3,154,301	1,949,549	1,091,386
Product revenues		54,895	82,032	-
Total revenues		<u>3,209,196</u>	<u>2,031,581</u>	<u>1,091,386</u>
<b>Direct clinic expenses excluding depreciation and amortization</b>				
Cost of clinic services		1,157,428	793,374	417,047
Cost of product revenues		36,132	32,902	-
Total direct clinic expenses		<u>1,193,560</u>	<u>826,276</u>	<u>417,047</u>
		<u>2,015,636</u>	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		<u>(4,489,427)</u>	<u>(6,151,214)</u>	<u>(4,373,573)</u>
<b>Other expenses (income)</b>				
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
		<u>12,576,884</u>	<u>(1,849,551)</u>	<u>(583,655)</u>
<b>Net loss and comprehensive loss for the year</b>		<u>(17,066,311)</u>	<u>(4,301,663)</u>	<u>(3,789,918)</u>
<b>Loss per share</b>				
Basic		(0.09)	(0.04)	(0.06)
Diluted		(0.09)	(0.04)	(0.06)
<b>Weighted average number of shares outstanding</b>				
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 \$
<b>Operating activities</b>				
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	-	-
<b>Net cash used in operating activities</b>		<b>(1,749,818)</b>	<b>(2,273,188)</b>	<b>(2,835,710)</b>
<b>Investing activities</b>				
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)	-
<b>Net cash used in investing activities</b>		<b>(309,994)</b>	<b>(791,146)</b>	<b>(100,227)</b>
<b>Financing activities</b>				
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
<b>Net cash provided by financing activities</b>		<b>6,770,483</b>	<b>3,085,819</b>	<b>3,093,605</b>
<b>Increase in cash</b>		<b>4,710,671</b>	<b>21,485</b>	<b>157,668</b>
<b>Cash, beginning of year</b>		<b>179,153</b>	<b>157,668</b>	<b>-</b>
<b>Cash, end of year</b>		<b>4,889,824</b>	<b>179,153</b>	<b>157,668</b>

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 \$
<b>Balance, December 31, 2017</b>		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)
<b>Balance, December 31, 2018</b>		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)
<b>Adjusted balance, January 1, 2019</b>		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)
<b>Balance, December 31, 2019</b>		<b>137,697,430</b>	<b>7,827,310</b>	<b>22,050</b>	<b>146,685</b>	<b>1,501,361</b>	<b>-</b>	<b>(13,012,319)</b>	<b>(3,514,913)</b>

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)
<b>Balance, December 31, 2020</b>		<b>283,811,903</b>	<b>22,969,566</b>	<b>(745,531)</b>	<b>60,287</b>	<b>80,638</b>	<b>2,223,269</b>	<b>(30,078,630)</b>	<b>(5,490,401)</b>

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

## **EMPOWER CLINICS INC.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2020, 2019 and 2018

(in United States dollars, except where noted)

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#### **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 been 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.





**EMPOWER CLINICS INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2020, 2019 and 2018

(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:

<b>Name of subsidiary</b>	<b>Country of Incorporation</b>	<b>Percentage Ownership</b>	<b>Functional Currency</b>	<b>Principal Activity</b>
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. <sup>(1)</sup>	USA	100%	USD	Holding company
THCF Access Point <sup>(1)</sup>	USA	100%	USD	Holding company
Empower Healthcare Assets Inc. <sup>(2)</sup>	USA	100%	USD	Holding company
Sun Valley Health Holdings, LLC <sup>(3)</sup>	USA	100%	USD	Holding company
Sun Valley Health Franchising, LLC <sup>(3)</sup>	USA	100%	USD	Clinic operations
Sun Valley Health, LLC <sup>(3)</sup>	USA	100%	USD	Clinic operations
Sun Valley Health West, LLC <sup>(3)</sup>	USA	100%	USD	Clinic operations
Sun Valley Health Tucson, LLC <sup>(3)</sup>	USA	100%	USD	Clinic operations
Sun Valley Health Mesa, LLC <sup>(3)</sup>	USA	100%	USD	Clinic operations
Sun Valley Alternative Health Centres NV, LLC <sup>(3)</sup>	USA	100%	USD	Clinic operations
Kai Medical Laboratory, LLC <sup>(4)</sup>	USA	100%	USD	Clinic operations
Lawrence Park Health and Wellness Clinic Inc. <sup>(5)</sup>	Canada	100%	CAD	Clinic operations
11000900 Canada Inc. <sup>(5)</sup>	Canada	100%	CAD	Clinic operations

<sup>(1)</sup>These companies were inactive during the years ended December 31, 2020 and 2019

<sup>(2)</sup>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:

##### *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.

##### *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.

##### *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.

##### *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.

##### *Revenue recognition*

##### *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.



*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.

*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.

*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.

*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.

*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.

*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.



### ***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.

#### *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.

#### *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.

### ***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).





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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



**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 liability 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.

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**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**

Classification of financial assets

*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.

## EMPOWER CLINICS INC.

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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 FVTPL.

#### 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.

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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.

**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.

<b>Consideration</b>	<b>\$</b>
Consideration – shares	614,415
Legal and professional fees relating to the Transaction	365,871
Net liabilities acquired	328,522
<b>Listing fee</b>	<b>1,308,808</b>
<hr/>	
<b>Fair value of the net assets (liabilities) of Adira</b>	
Cash	13,000
Accounts payable and accrued liabilities	(341,522)
	<b>(328,522)</b>

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.

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The following table summarizes the final purchase price allocation:

<b>Assets Acquired</b>	<b>\$</b>
Cash and cash equivalents	94,090
Accounts receivable	366
<b>Total current assets</b>	<b>94,456</b>
Security deposits	19,753
Property and equipment	124,811
Right-of-use assets	431,544
Patient list	171,243
Brands	184,996
	<b>1,026,803</b>
<b>Liabilities Assumed</b>	
Accounts payable and accrued liabilities	35,281
Lease liability	150,342
<b>Total current liabilities</b>	<b>185,623</b>
Lease liability	281,202
<b>Net assets at fair value, as at April 30, 2019</b>	<b>559,978</b>
<b>Consideration</b>	
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
<b>Total Consideration</b>	<b>3,054,593</b>
<b>Goodwill</b>	<b>2,494,615</b>

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.

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The following table summarizes the final purchase price allocation:

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

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:

	<b>Lease 1</b>	<b>Lease 2</b>	<b>Lease 3</b>	<b>Lease 4</b>
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%
<b>Fair value on acquisition</b>	<b>\$ 60,145</b>	<b>\$ 14,039</b>	<b>\$ 122,536</b>	<b>\$ 97,949</b>

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.

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**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:

	<b>Milestone 1</b>	<b>Milestone 2</b>	<b>Milestone 3</b>
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%
<b>Fair value per option</b>	<b>C\$0.2056</b>	<b>C\$0.2173</b>	<b>C\$0.2273</b>
Probability	90%	50%	25%
<b>Fair value per option tranche <sup>(1)</sup></b>	<b>\$181,634 (C\$231,256)</b>	<b>\$106,679 (C\$135,824)</b>	<b>\$55,797 (C\$71,041)</b>

(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.

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The following table summarizes the final purchase price allocation:

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

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 determined using a discounted cash flow analysis with 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:

<b>December 31, 2020 \$</b>	<b>December 31, 2019 \$</b>

Trade receivables, net	245,891	24,482
GST receivable	18,975	-
	<u>264,866</u>	<u>24,482</u>

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.

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**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 \$
<b>Cost</b>					
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)
<b>Balance, December 31, 2020</b>	<b>788,490</b>	<b>154,275</b>	<b>177,858</b>	<b>928,149</b>	<b>2,048,772</b>
<b>Accumulated amortization</b>					
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

<b>Balance, December 31, 2020</b>	<b><u>(311,960)</u></b>	<b><u>(42,955)</u></b>	<b><u>(74,805)</u></b>	<b><u>(29,005)</u></b>	<b><u>(458,725)</u></b>
<b>Carrying amount</b>					
Balance, December 31, 2019	<u>709,888</u>	<u>29,601</u>	<u>57,934</u>	<u>-</u>	<u>797,423</u>
<b>Balance, December 31, 2020</b>	<b><u>476,530</u></b>	<b><u>111,320</u></b>	<b><u>103,053</u></b>	<b><u>899,144</u></b>	<b><u>1,590,047</u></b>



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

The Company also derecognized the associated lease liability of \$76,626 and recorded a gain of \$5,549 representing the excess of the right-of-use asset above the lease liability which is included as impairment loss on 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:

	<b>Patient records</b>	<b>Brands, trademarks, licenses and domain names</b>	<b>Management software</b>	<b>Software</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Cost</b>					
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)
<b>Balance, December 31, 2020</b>	<b>378,763</b>	<b>376,699</b>	<b>51,100</b>	<b>-</b>	<b>806,562</b>
<b>Accumulated amortization</b>					
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)
<b>Balance, December 31, 2020</b>	<b>(352,855)</b>	<b>(98,700)</b>	<b>(51,100)</b>	<b>-</b>	<b>(502,655)</b>
<b>Carrying amount</b>					

Balance, December 31, 2019	89,645	164,995	-	-	254,640
<b>Balance, December 31, 2020</b>	<b>25,908</b>	<b>277,999</b>	<b>-</b>	<b>-</b>	<b>303,907</b>

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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).

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)
<b>Balance, December 31, 2020</b>	<b>2,082,146</b>

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
	<b>3,442,725</b>	<b>1,874,990</b>

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.

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**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	-	-	-



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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	<b>312,846</b>	102,178	241,521
Balance, end of period	<u>-</u>	<u>427,320</u>	<u>274,466</u>

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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.



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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**

	<b>Empower clinics</b>	<b>Sun Valley clinics</b>	<b>CBD extraction facility</b>	<b>Kai Medical</b>	<b>Lawrence Park &amp; Atkinson</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
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)
<b>Balance, December 31, 2020</b>	<b>3,059</b>	<b>174,680</b>	<b>-</b>	<b>273,052</b>	<b>45,595</b>	<b>496,386</b>
Less: current portion of lease liability	3,059	108,645	-	87,452	41,982	241,138
<b>Lease liability</b>	<b>-</b>	<b>66,035</b>	<b>-</b>	<b>185,600</b>	<b>3,613</b>	<b>255,248</b>

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.

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**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.

	<b>Exercise Price (C\$)</b>	<b>Warrants #</b>	<b>Warrant Liability \$</b>
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	\$ C0.18	34,615,104	2,084,768
Exercised	\$ C0.19	(422,678)	(18,847)
Expired	\$ C0.36	(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	\$ C0.12	69,400,524	1,061,738
Exercised	\$ C0.13	(49,800,176)	(5,341,149)
Expired	\$ C0.39	(11,642,185)	-
Loss on change in fair value of warrant liability			11,886,796
<b>As at December 31, 2020</b>		<b>54,215,452</b>	<b>7,713,697</b>
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:

<b>Expiry date</b>	<b>Number of warrants</b>	<b>Weighted average exercise price (\$)</b>	<b>Weighted average remaining life (in years)</b>
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
	<b>54,215,452</b>	<b>0.14</b>	<b>1.39</b>

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)).

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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 (C\$0.16) 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.



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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.



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- 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%.





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- 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.

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- 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.

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- 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.

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- 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:

<b>Issue date</b>	<b>Number of warrants exercise and shares issued</b>	<b>Weighted average exercise price (\$C)</b>	<b>Weighted average exercise price</b>	<b>Cash received</b>	<b>Warrant liability transferred to share capital</b>	<b>Share capital</b>
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
<b>Total</b>	<b><u>50,290,026</u></b>	<b><u>0.13</u></b>	<b><u>0.1056</u></b>	<b><u>5,313,064</u></b>	<b><u>5,376,697</u></b>	<b><u>10,689,762</u></b>

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**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
<b>Outstanding, December 31, 2020</b>	<b>9,834,428</b>	<b>0.08</b>
<b>Exercisable, December 31, 2020</b>	<b>9,084,428</b>	<b>0.08</b>

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
<b>Total</b>			<b>9,834,428</b>	<b>9,084,428</b>

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:

	2020	Years ended December 31,	
		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	<b>0.0%</b>	0.0%	0.0%
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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.

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**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
<b>Outstanding, December 31, 2020</b>	<b>2,303,900</b>	<b>0.13</b>

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
	<b>2,303,900</b>	<b>0.13</b>	<b>1.54</b>

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:

	2020	Years ended December 31,	
		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	<b>471,000</b>	165,000	-
Other	<b>469,358</b>	277,249	54,282
	<b><u>3,947,408</u></b>	<u>2,933,619</u>	<u>2,517,681</u>

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**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
<b>Income tax recovery</b>	-	-	-

**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
<b>Deferred tax assets, net</b>	<b>22,102,850</b>	<b>15,290,830</b>

**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.

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**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 <sup>(1)</sup>	20(b),26	-	(477,180)	-
Shares returned to treasury <sup>(2)</sup>	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 <sup>(3)</sup>	20(b)	547,641	122,932	-
Shares issued to agents	20(b)	-	20,255	-
Vesting of escrow shares <sup>(4)</sup>	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
		<b>3,525,742</b>	<b>4,073,703</b>	<b>3,253,609</b>

(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.

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:

	<b>December 31, 2020 \$</b>	December 31, 2019 \$
Canadian dollar net monetary liabilities	<b>2,434,448</b>	<b>2,434,448</b>

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.



**EMPOWER CLINICS INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2020, 2019 and 2018

(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	-
	<u>361,260</u>	<u>1,301,945</u>	<u>1,956,165</u>

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.



**EMPOWER CLINICS INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2020, 2019 and 2018

(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	<b>(5,490,401)</b>	(3,514,913)
Notes payable	<b>708,361</b>	969,891
Convertible debentures payable	-	427,320
Convertible notes payable	<b>200,530</b>	192,717
Current portion of loans payable	<b>992,070</b>	761,711
Loans payable	<b>1,140,157</b>	-
	<b>(2,449,283)</b>	(1,163,274)
Less: Cash	<b>(4,889,824)</b>	(179,153)
	<b>(7,339,107)</b>	(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.

## 28. COMMITMENTS AND CONTINGENCIES

### Commitments

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

	<b>Total</b>	<b>Within 1</b>	<b>2 - 5</b>	<b>Greater</b>
	<b>\$</b>	<b>year</b>	<b>years</b>	<b>than 5</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>years</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Maturity analysis of financial liabilities</b>				
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	-
<b>Total financial liabilities</b>	<b>6,980,229</b>	<b>5,584,824</b>	<b>398,872</b>	<b>996,533</b>

### 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.

## ITEM 19 EXHIBITS

The following exhibits are included in this Form 20-F:

<b>Exhibit Number</b>	<b>Description</b>
1.1	<a href="#">Articles of Conversion (1)</a>
1.2	<a href="#">Articles of Continuance (1)</a>
1.3	<a href="#">By-Laws (1)</a>
1.4	<a href="#">Certificate and Articles of Amendment (3)</a>
4.1	<a href="#">2009 Stock Option Plan (2)</a>
8.1	<a href="#">List of Subsidiaries (5)</a>
12.1	<a href="#">Certificate of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (5)</a>
12.2	<a href="#">Certificate of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (5)</a>
13.1	<a href="#">Certificate of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (5)</a>
13.2	<a href="#">Certificate of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (5)</a>

- (1) Incorporated by reference from our current report on Form 8-K filed with the SEC on December 2, 2008.
- (2) Incorporated by reference from our Form 20-F shell company report filed with the SEC on September 4, 2009.
  - (3) Incorporated by reference from our Form 20-F report filed with the SEC on January 22, 2010.
  - (4) Incorporated by reference from our Form 20-F report filed with the SEC on February 3, 2011.
- (5) Filed as an exhibit hereto.

## SIGNATURES

The Registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Form 20-F on its behalf.

### **EMPOWER CLINICS INC.**

Per: */s/ Steven McAuley*

Name: Steven McAuley

Title: Chairman and Chief Executive Officer

Date: July 21, 2021

The following table sets forth a list of our wholly owned subsidiaries.

<b>Name of Subsidiary</b>	<b>Jurisdiction of Incorporation</b>
Empower Healthcare Corporation (previously S.M.A.A.R.T Holdings Inc.)	British Columbia, Canada
S.M.A.A.R.T. Holdings Inc.	Oregon, USA
Empower Healthcare Corporation	Oregon, USA
SMAART Inc.	Oregon, USA
The Hemp & Cannabis Company	Oregon, USA
THCF Access Points, Inc.	Oregon, USA
The Hemp & Cannabis Company	Washington, USA
THCF Access Points, Inc.	Washington, USA
CanMed Solutions Inc.	Oregon, USA
Kai Medical Laboratory LLC	Dallas, Texas
11000900 Canada Inc.	Ontario, Canada
Lawrence Park Health and Wellness Clinic Inc.	Ontario, Canada
Sun Valley Certification Clinics Holdings, LLC	Arizona, USA
Sun Valley Alternative Health Centers, LLC	Arizona, USA
Sun Valley Alternative Health Centers West, LLC	Arizona, USA
Sun Valley Alternative Health Centers NV, LLC	Nevada, USA
Sun Valley Alternative Health Centers Tucson, LLC	Arizona, USA
Sun Valley Alternative Health Centers Mesa, LLC	Arizona, USA
Sun Valley Certification Clinics Franchising, LLC	Arizona, USA

**CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Steven McAuley, certify that:

1. I have reviewed this annual report on Form 20-F of EMPOWER CLINICS INC. (formerly ADIRA ENERGY LTD.) (the "Company") for the fiscal year ended December 31, 2020;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
5. The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: July 21, 2021

/s/ Steven McAuley  
Steven McAuley  
Chief Executive Officer  
(principal executive officer)





**CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Kyle Appleby, certify that:

1. I have reviewed this annual report on Form 20-F of EMPOWER CLINICS INC. (formerly ADIRA ENERGY LTD.) (the "Company") for the fiscal year ended December 31, 2020;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
5. The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: July 21, 2021

/s/ Kyle Appleby  
\_\_\_\_\_  
Kyle Appleby  
Chief Financial Officer



**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of EMPOWER CLINICS INC. (formerly ADIRA ENERGY LTD.) (the "Company") on Form 20-F for the year ended December 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Steven McAuley, Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (i) The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
- (ii) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 21, 2021

/s/ Steven McAuley

Steven McAuley  
*Chief Executive Officer*  
(principal executive officer)

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**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of EMPOWER CLINICS INC. (formerly ADIRA ENERGY LTD.) (the "Company") on Form 20-F for the year ended December 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Kyle Appleby, Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (i) The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
- (ii) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 21, 2021

/s/ Kyle Appleby

Kyle Appleby  
Chief Financial Officer  
(principal financial officer)

**Cover** **12 Months Ended**  
**Dec. 31, 2020**  
**shares**

**Cover [Abstract]**

<u>Document Type</u>	20-F
<u>Amendment Flag</u>	false
<u>Document Period End Date</u>	Dec. 31, 2020
<u>Document Fiscal Period Focus</u>	FY
<u>Document Fiscal Year Focus</u>	2020
<u>Current Fiscal Year End Date</u>	--12-31
<u>Entity File Number</u>	000-30087
<u>Entity Registrant Name</u>	Empower Clinics Inc.
<u>Entity Central Index Key</u>	0001109504
<u>Entity Incorporation, State or Country Code</u>	Z4
<u>Entity Well-known Seasoned Issuer</u>	No
<u>Entity Voluntary Filers</u>	No
<u>Entity Current Reporting Status</u>	Yes
<u>Entity Interactive Data Current</u>	Yes
<u>Entity Filer Category</u>	Non-accelerated Filer
<u>Entity Emerging Growth Company</u>	false
<u>Entity Shell Company</u>	false
<u>Entity Common Stock, Shares Outstanding</u>	283,811,903

<b>Balance Sheets - USD (\$)</b>	<b>Dec. 31, 2020</b>	<b>Dec. 31, 2019</b>
<b><u>Current</u></b>		
<u>Cash</u>	\$ 4,889,824	\$ 179,153
<u>Accounts receivable</u>	264,866	24,482
<u>Prepaid expenses</u>	81,748	38,382
<u>Inventory</u>	17,681	21,848
<u>Total current assets</u>	5,254,119	263,865
<u>Promissory note</u>	0	122,573
<u>Property and equipment</u>	1,590,047	797,423
<u>Intangible assets</u>	303,907	254,640
<u>Goodwill</u>	2,082,146	117,218
<u>Total assets</u>	9,230,219	1,555,719
<b><u>Current</u></b>		
<u>Accounts payable and accrued liabilities</u>	3,442,725	1,874,990
<u>Current portion of loans payable</u>	992,070	761,711
<u>Current portion of notes payable</u>	708,361	969,891
<u>Convertible debentures payable</u>	0	427,320
<u>Convertible notes payable</u>	200,530	192,717
<u>Current portion of lease liability</u>	241,138	219,800
<u>Current portion of warrant liability</u>	1,416,113	0
<u>Conversion feature</u>	0	2,795
<u>Total current liabilities</u>	7,000,937	4,449,224
<u>Loans payable</u>	1,140,157	0
<u>Lease liability</u>	255,248	515,096
<u>Deferred revenue</u>	26,694	0
<u>Warrant liability</u>	6,297,584	106,312
<u>Total liabilities</u>	14,720,620	5,070,632
<b><u>EQUITY</u></b>		
<u>Issued capital</u>	22,969,566	7,827,310
<u>Share subscriptions receivable</u>	(745,531)	0
<u>Shares to be issued</u>	60,287	22,050
<u>Contributed surplus</u>	2,223,269	1,501,361
<u>Warrant reserve</u>	80,638	146,685
<u>Deficit</u>	(30,078,630)	(13,012,319)
<u>Total shareholders' deficit</u>	(5,490,401)	(3,514,913)
<u>Total liabilities and shareholders' deficit</u>	\$ 9,230,219	\$ 1,555,719

**Statements of Operations -  
USD (\$)**

**12 Months Ended  
Dec. 31, 2020 Dec. 31, 2019 Dec. 31, 2018**

**Revenues**

<u>Clinic services</u>	\$ 3,154,301	\$ 1,949,549	\$ 1,091,386
<u>Product revenues</u>	54,895	82,032	0
<u>Total revenues</u>	3,209,196	2,031,581	1,091,386

**Direct clinic expenses**

<u>Cost of clinic services</u>	1,157,428	793,374	417,047
<u>Cost of product revenues</u>	36,132	32,902	0
<u>Total direct clinic expenses</u>	1,193,560	826,276	417,047

**Earnings from clinic operations**

<u>Operating expenses</u>	3,947,408	2,933,619	2,517,681
<u>Legal and professional fees</u>	1,394,571	1,015,743	1,450,141

**Depreciation and amortization expense**

<u>Impairment of intangible assets</u>	340,575	93,757	64,200
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**Impairment of goodwill**

<u>Share-based payments</u>	323,799	608,944	892,417
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**Loss from operations**

	(4,489,427)	(6,151,214)	(4,373,573)
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**Other expenses (income)**

<u>Listing fee</u>	0	0	1,308,808
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**Accretion expense**

<u>Interest expense</u>	327,301	114,515	241,521
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<u>Issuance costs allocated to warrants counted for as liabilities</u>	212,110	240,539	126,375
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<u>Interest income</u>	44,947	129,965	0
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<u>Gain on debt settlement or accounts payable</u>	(7,573)	(4,977)	0
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<u>Gain on termination of leases</u>	0	(15,130)	0
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<u>Loss (gain) on change in fair value of warrant liability</u>	(14,049)	(76,717)	0
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<u>Gain on change in fair value of conversion feature</u>	11,886,796	(2,065,781)	(1,598,425)
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<u>Impairment of promissory note</u>	(2,795)	(587,229)	(890,136)
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<u>Impairment of assets held for sale</u>	130,147	0	0
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<u>Restructuring expense, net</u>	0	0	57,072
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<u>Other expense (income), net</u>	0	88,808	110,424
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<u>Other expenses (income)</u>	0	130,104	60,706
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<u>Net loss and comprehensive loss for the year</u>	12,576,884	(1,849,551)	(583,655)
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	\$ (17,066,311)	\$ (4,301,663)	\$ (3,789,918)
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**Loss per share**

<u>Basic</u>	\$ (.09)	\$ (.04)	\$ (.06)
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<u>Diluted</u>	\$ (0.09)	\$ (0.04)	\$ (0.06)
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**Weighted average number of shares outstanding**

<u>Basic</u>	182,331,616	117,289,366	66,670,041
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<u>Diluted</u>	182,331,616	117,289,366	66,670,041
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**Statements of Cash Flows -  
USD (\$)**

**12 Months Ended  
Dec. 31, 2020 Dec. 31, 2019 Dec. 31, 2018**

**Operating activities**

Net loss and comprehensive loss \$ (17,066,311) \$ (4,301,663) \$ (3,789,918)

**Items not involving cash:**

<u>Depreciation and amortization expense</u>	381,492	327,059	123,474
<u>Share-based payments</u>	323,799	608,944	892,417
<u>Non-cash listing fee</u>	0	0	942,937
<u>Accretion expense</u>	327,301	114,515	241,521
<u>Interest expense</u>	168,459	240,539	125,904
<u>Loss on disposal of property and equipment</u>	0	196,352	0
<u>Gain on termination of leases</u>	(14,049)	(76,717)	0
<u>(Gain) loss on change in fair value of warrant liability</u>	11,886,796	(2,065,781)	(1,598,425)
<u>Gain on change in fair value of conversion feature</u>	(2,795)	(587,229)	(890,136)
<u>Gain on debt settlement</u>	0	(15,130)	0
<u>Shares issued for compensation</u>	0	304,721	477,180
<u>Shares issued for restructuring</u>	0	0	216,873
<u>Shares issued for services</u>	547,641	208,153	560,980
<u>Vesting of escrow shares</u>	193,025	0	0
<u>Impairment of intangible assets</u>	340,575	93,757	64,200
<u>Impairment of goodwill</u>	117,218	2,377,397	0
<u>Impairment of assets held for sale</u>	0	0	57,072
<u>Foreign exchange</u>	35,826	0	0
<u>Other</u>	(2,900)	0	0
<b><u>Total</u></b>	<b>(2,735,825)</b>	<b>(2,575,083)</b>	<b>(2,575,921)</b>

**Changes in working capital:**

<u>Accounts receivable</u>	(239,070)	(24,116)	847
<u>Prepaid expenses</u>	(31,263)	10,846	(5,463)
<u>Inventory</u>	4,167	(21,848)	0
<u>Accounts payable and accrued liabilities</u>	1,225,479	337,013	(255,173)
<u>Deferred revenue</u>	26,694	0	0
<b><u>Net cash used in operating activities</u></b>	<b>(1,749,818)</b>	<b>(2,273,188)</b>	<b>(2,835,710)</b>

**Investing activities**

<u>Investment in Kai Medical laboratory LLC, net</u>	9,826	0	0
<u>Investment in LP&amp;A, net</u>	(177,470)	0	0
<u>Purchase of property and equipment</u>	(3,495)	0	0
<u>Purchase of intangible assets</u>	(138,855)	(3,828)	(100,227)
<u>Investment in Sun Valley, net</u>	0	(787,318)	0
<b><u>Net cash used in investing activities</u></b>	<b>(309,994)</b>	<b>(791,146)</b>	<b>(100,227)</b>

**Financing activities**

<u>Shares issued on private placement, net</u>	1,879,632	1,876,938	2,092,295
<u>Proceeds from stock options exercised</u>	58,662	0	0
<u>Proceeds from exercise of warrants</u>	5,313,064	61,287	0

<u>Advance of loans payable</u>	31,417	0	(7,148)
<u>Repayment of loans payable</u>	(44,379)	0	0
<u>Repayment of notes payable</u>	(197,862)	0	0
<u>Interest paid</u>	(43,651)	0	0
<u>Lease payments</u>	(226,400)	(203,712)	0
<u>Repayment to related parties</u>	0	(12,575)	(3,595)
<u>Proceeds from issuance of notes payable</u>	0	321,935	0
<u>Cash acquired in acquisition</u>	0	94,090	0
<u>Cash acquired in the Transaction</u>	0	0	13,000
<u>Proceeds from share subscriptions</u>	0	0	61,167
<u>Proceeds from issuance of convertible debenture</u>	0	753,491	442,437
<u>Proceeds on sale of assets held for sale</u>	0	5,472	0
<u>Proceeds from issuance of convertible notes payable</u>	0	188,893	495,449
<u>Net cash provided by financing activities</u>	6,770,483	3,085,819	3,093,605
<u>Increase (decrease) in cash</u>	4,710,671	21,485	157,668
<u>Cash, beginning of year</u>	179,153	157,668	0
<u>Cash, end of year</u>	\$ 4,889,824	\$ 179,153	\$ 157,668

Shareholders Equity - USD (\$)	Issued Capital	Shares to be Issued	Warrant Reserves	Contributed Surplus	Equity Component of Convertible Debentures	Deficit	Total
<u>Beginning balance, shares at Dec. 31, 2017</u>	48,337,225						
<u>Beginning balance, amount at Dec. 31, 2017</u>	\$ 550,744	\$ 0	\$ 0	\$ 0	\$ 222,417	\$ (5,580,023)	\$ (4,806,862)
<u>Shares issued - Transaction consideration, shares</u>	2,544,075						
<u>Shares issued - Transaction consideration, amount</u>	\$ 614,415						614,415
<u>Shares issued for cash, shares</u>	8,756,376						
<u>Shares issued for cash, amount</u>	\$ 2,092,295		80,280				2,172,575
<u>Shares issued on conversion of convertible debentures, shares</u>	11,796,046						
<u>Shares issued on conversion of convertible debentures, amount</u>	\$ 1,010,363				(222,417)		787,946
<u>Shares issued on conversion of notes payable, shares</u>	785,949						
<u>Shares issued on conversion of notes payable, amount</u>	\$ 157,079						157,079
<u>Shares issued to former CEO, shares</u>	2,000,000						
<u>Shares issued to former CEO, amount</u>	\$ 477,180						477,180
<u>Shares issued for restructuring, shares</u>	1,204,851						
<u>Shares issued for restructuring, amount</u>	\$ 216,873						216,873
<u>Shares issued for services, shares</u>	2,423,076						
<u>Shares issued for services, amount</u>	\$ 282,075						282,075
<u>Vesting of escrow shares</u>							0
<u>Share-based payments</u>				892,417			892,417
<u>Net loss and comprehensive loss for the year</u>						(3,789,918)	(3,789,918)
<u>Ending balance, shares at Dec. 31, 2018</u>	77,847,598						
<u>Ending balance, amount at Dec. 31, 2018</u>	\$ 5,401,024	0	80,280	892,417	0	(9,369,941)	(2,996,220)
<u>Adjustment on application of IFRS 16</u>						(9,951)	(9,951)

<u>Adjusted beginning balance, shares</u>	77,847,598						
<u>Adjusted beginning balance, amount</u>	\$ 5,401,024	\$ 0	80,280	\$ 892,417	0	(9,379,892)	(3,006,171)
<u>Shares issued for Sun Valley acquisition, shares</u>	22,409,425						
<u>Shares issued for Sun Valley acquisition, amount</u>	\$ 2,143,566						\$ 2,143,566
<u>Shares issued on private placement, shares</u>	24,452,500	52,487		66,405			118,892
<u>Shares issued on conversion of notes payable, shares</u>	2,500,000						
<u>Shares issued on conversion of notes payable, amount</u>	\$ 7,254						\$ 7,254
<u>Shares issued for conversion of debentures, shares</u>	3,991,524						
<u>Shares issued for conversion of debentures, amount</u>	\$ 55,997						55,997
<u>Shares issued for compensation, shares</u>	7,400,000						
<u>Shares issued for compensation, amount</u>	\$ 304,721						304,721
<u>Shares issued for services, shares</u>	1,500,000						
<u>Shares issued for services, amount</u>	\$ 257,041						257,041
<u>Shares for debt settlement, shares</u>	1,686,861						
<u>Shares for debt settlement, amount</u>	\$ 208,153						208,153
<u>Vesting of escrow shares</u>							0
<u>Shares cancelled, shares</u>	(4,657,553)						
<u>Shares cancelled, amount</u>	\$ (669,236)					669,236	
<u>Shares cancelled and to be reissued</u>	\$ (15,239)	\$ 15,239					0
<u>Shares issued for exercise of warrants, shares</u>	431,075						
<u>Shares issued for exercise of warrants, amount</u>	\$ 61,287						61,287
<u>Shares issued to agents, shares</u>	136,000						
<u>Shares issued to agents, amount</u>	\$ 20,255						20,255
<u>Shares to be issued for note payable</u>		6,811					6,811
<u>Share-based payments</u>				\$ 608,944			608,944
<u>Net loss and comprehensive loss for the year</u>						(4,301,663)	(4,301,663)

<u>Ending balance, shares at Dec. 31, 2019</u>	137,697,430					
<u>Ending balance, amount at Dec. 31, 2019</u>	\$ 7,827,310	22,050	146,685	1,501,361	0	(13,012,319)(3,514,913)
<u>Shares issued on private placement, shares</u>	55,309,465					
<u>Shares issued on private placement, amount</u>	\$ 921,138			49,782		970,920
<u>Shares issued for conversion of debentures, shares</u>	11,659,984					
<u>Shares issued for conversion of debentures, amount</u>	\$ 621,353					621,353
<u>Shares issued to former CEO, shares</u>	651,875					
<u>Shares issued to former CEO, amount</u>	\$ 15,239		(15,239)			0
<u>Shares issued for services, shares</u>	9,500,000					
<u>Shares issued for services, amount</u>	\$ 487,354		60,287			547,641
<u>Shares for debt settlement, shares</u>	5,841,586					
<u>Shares for debt settlement, amount</u>	\$ 219,150					219,150
<u>Vesting of escrow shares</u>	\$ 193,025					193,025
<u>Obligation to issue shares, shares</u>	150,000					
<u>Obligation to issue shares, amount</u>	\$ 6,811		(6,811)			0
<u>Exercise of options, shares</u>	7,583,333					
<u>Exercise of options, amount</u>	\$ 840,499	(745,531)			(36,306)	58,662
<u>Shares issued for exercise of warrants, shares</u>	50,290,026					
<u>Shares issued for exercise of warrants, amount</u>	\$ 10,689,762			(35,549)		10,654,213
<u>Lawrence Park &amp; Atkinson acquisition, shares</u>	5,128,204					
<u>Lawrence Park &amp; Atkinson acquisition, amount</u>	\$ 1,147,925					
<u>Kai Medical acquisition</u>					10,025	10,025
<u>Reclassification of expired warrants</u>			(80,280)	80,280		0
<u>Share-based payments</u>					323,799	323,799
<u>Net loss and comprehensive loss for the year</u>						(17,066,311)(17,066,311)
<u>Ending balance, shares at Dec. 31, 2020</u>	283,811,903					

<u>Ending balance, amount at</u>	\$	\$	\$ 60,287	\$ 80,638	\$ 2,223,269	\$	\$
<u>Dec. 31, 2020</u>	22,969,566	(745,531)				(30,078,630)	(5,490,401)

**NOTE 1: NATURE OF  
OPERATIONS AND  
GOING CONCERN**

**12 Months Ended**

**Dec. 31, 2020**

**Note 1 Nature Of Operations  
And Going Concern**

**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 been 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.

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.

**NOTE 2: BASIS OF PREPARATION**

**12 Months Ended  
Dec. 31, 2020**

**Note 2 Basis Of Preparation**  
**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:

<b>Name of subsidiary</b>	<b>Country of Incorporation</b>	<b>Percentage Ownership</b>	<b>Functional Currency</b>	<b>Principal Activity</b>
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)

**NOTE 3: SIGNIFICANT  
ACCOUNTING POLICIES**

**12 Months Ended  
Dec. 31, 2020**

**Disclosure of voluntary  
change in accounting policy  
[abstract]**

**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:

***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.

***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.

***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.

***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.

***Revenue recognition***

***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.

***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.

### ***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.

### ***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.

### ***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.

### ***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.

## ***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.

## ***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.

### ***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.

### ***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.

### ***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 liability 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**

Classification of financial assets

*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 FVTPL.

**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.



**NOTE 5: ACQUISITION  
OF SUN VALLEY**

**12 Months Ended  
Dec. 31, 2020**

**Disclosure of detailed  
information about business  
combination [abstract]  
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.

The following table summarizes the final purchase price allocation:

<b>Assets Acquired</b>	<b>\$</b>
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
<b>Liabilities Assumed</b>	
Accounts payable and accrued liabilities	35,281
Lease liability	150,342
Total current liabilities	185,623
Lease liability	281,202
<b>Net assets at fair value, as at April 30, 2019</b>	<b>559,978</b>

**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
<b>Total Consideration</b>	<b><u>3,054,593</u></b>

<b>Goodwill</b>	<b><u>2,494,615</u></b>
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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.

**NOTE 6: ACQUISITION  
OF KAI MEDICAL**

**12 Months Ended  
Dec. 31, 2020**

[Disclosure of detailed  
information about business  
combination \[abstract\]  
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.

The following table summarizes the final purchase price allocation:

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

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:

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

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.

**NOTE 7: ACQUISITION  
OF LAWRENCE PARK &  
ATKINSON**

**12 Months Ended**

**Dec. 31, 2020**

[Disclosure of detailed  
information about business  
combination \[abstract\]](#)

[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:

	<b>Milestone 1</b>	<b>Milestone 2</b>	<b>Milestone 3</b>
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%
<b>Fair value per option</b>	<b>C\$0.2056</b>	<b>C\$0.2173</b>	<b>C\$0.2273</b>
Probability	90%	50%	25%
<b>Fair value per option tranche (1)</b>	<b>\$181,634 (C\$231,256)</b>	<b>\$106,679 (C\$135,824)</b>	<b>\$55,797 (C\$71,041)</b>

(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.

The following table summarizes the final purchase price allocation:

<b>Assets Acquired</b>	<b>\$</b>
Cash and cash equivalents	38,521



Deposit	4,103
Intangible assets	58,907
Right-of-use assets	39,271
	<u>140,802</u>

**Liabilities Assumed**

Accounts payable and accrued liabilities	54,396
Lease liability	45,595
Loans payable	45,287
	<u>(4,476)</u>

**Consideration**

Cash consideration	215,991
Cash consideration - withheld	58,907
Stock options	344,110
Share consideration	1,147,925
	<u>1,766,933</u>

<b>Goodwill</b>	<u><b>1,771,409</b></u>
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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 determined using a discounted cash flow analysis with 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.

**NOTE 8: ACCOUNTS  
RECEIVABLE**

**12 Months Ended  
Dec. 31, 2020**

[Trade and other receivables  
\[abstract\]](#)

[ACCOUNTS RECEIVABLE](#)

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

	<b>December 31, 2020</b>	December 31, 2019
	\$	\$
Trade receivables, net	<b>245,891</b>	24,482
GST receivable	<b>18,975</b>	-
	<b><u>264,866</u></b>	<u>24,482</u>

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.

**NOTE 9: ASSETS HELD  
FOR SALE**

**12 Months Ended  
Dec. 31, 2020**

**Note 8 Assets Held For Sale**  
**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.

**NOTE 10: PROMISSORY  
NOTE**

**12 Months Ended  
Dec. 31, 2020**

**Trade and other receivables**  
**[abstract]**

**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.

**NOTE 11: PROPERTY AND EQUIPMENT**

**12 Months Ended  
Dec. 31, 2020**

[Disclosure of detailed information about property, plant and equipment \[abstract\]](#)

[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 \$
<b>Cost</b>					
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)
<b>Balance, December 31, 2020</b>	<b>788,490</b>	<b>154,275</b>	<b>177,858</b>	<b>928,149</b>	<b>2,048,772</b>
<b>Accumulated amortization</b>					
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
<b>Balance, December 31, 2020</b>	<b>(311,960)</b>	<b>(42,955)</b>	<b>(74,805)</b>	<b>(29,005)</b>	<b>(458,725)</b>
<b>Carrying amount</b>					
Balance, December 31, 2019	709,888	29,601	57,934	-	797,423
<b>Balance, December 31, 2020</b>	<b>476,530</b>	<b>111,320</b>	<b>103,053</b>	<b>899,144</b>	<b>1,590,047</b>

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

The Company also derecognized the associated lease liability of \$76,626 and recorded a gain of \$5,549 representing the excess of the right-of-use asset above the lease liability which is included as impairment loss on 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.

**NOTE 12: INTANGIBLE  
ASSETS AND GOODWILL**

**12 Months Ended  
Dec. 31, 2020**

[Disclosure of detailed  
information about intangible  
assets \[abstract\]](#)  
[INTANGIBLE ASSETS](#)

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
	\$	\$	\$	\$	\$
<b>Cost</b>					
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)
<b>Balance, December 31, 2020</b>	<b>378,763</b>	<b>376,699</b>	<b>51,100</b>	<b>-</b>	<b>806,562</b>
<b>Accumulated amortization</b>					
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)
<b>Balance, December 31, 2020</b>	<b>(352,855)</b>	<b>(98,700)</b>	<b>(51,100)</b>	<b>-</b>	<b>(502,655)</b>
<b>Carrying amount</b>					
Balance, December 31, 2019	89,645	164,995	-	-	254,640
<b>Balance, December 31, 2020</b>	<b>25,908</b>	<b>277,999</b>	<b>-</b>	<b>-</b>	<b>303,907</b>

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).

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)

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.



**NOTE 13: ACCOUNTS  
PAYABLE AND ACCRUED  
LIABILITIES**

**12 Months Ended**

**Dec. 31, 2020**

**Note 9 Accounts Payable  
And Accrued Liabilities**

**ACCOUNTS PAYABLE AND  
ACCRUED LIABILITIES**

	<b>December 31, 2020</b>	December 31, 2019
	<b>\$</b>	<b>\$</b>
Trade payables and accrued liabilities	<b>1,920,840</b>	1,337,253
Payroll liabilities	<b>1,521,885</b>	537,737
	<b><u>3,442,725</u></b>	<u>1,874,990</u>

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.

**NOTE 14: NOTES  
PAYABLE**

**12 Months Ended  
Dec. 31, 2020**

**Note 14 Notes Payable**  
**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).

**NOTE 15: CONVERTIBLE  
NOTES PAYABLE**

**12 Months Ended  
Dec. 31, 2020**

**Note 15 Convertible Notes  
Payable**

**CONVERTIBLE NOTES  
PAYABLE**

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

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.

**NOTE 16: LOANS  
PAYABLE**

**12 Months Ended  
Dec. 31, 2020**

**Trade and other non-current  
payables [abstract]  
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.

**NOTE 17: CONVERTIBLE  
DEBENTURES**

**12 Months Ended  
Dec. 31, 2020**

**Note 17 Convertible  
Debentures**

**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

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	Expected 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.

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.

**NOTE 18: LEASE  
LIABILITY**

**12 Months Ended  
Dec. 31, 2020**

[Lease liabilities \[abstract\]](#)

**LEASE LIABILITY**

	<b>Empower clinics</b>	<b>Sun Valley clinics</b>	<b>CBD extraction facility</b>	<b>Kai Medical</b>	<b>Lawrence Park &amp; Atkinson</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
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)
<b>Balance, December 31, 2020</b>	<b>3,059</b>	<b>174,680</b>	<b>-</b>	<b>273,052</b>	<b>45,595</b>	<b>496,386</b>
Less: current portion of lease liability	3,059	108,645	-	87,452	41,982	241,138
<b>Lease liability</b>	<b>-</b>	<b>66,035</b>	<b>-</b>	<b>185,600</b>	<b>3,613</b>	<b>255,248</b>

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.



**NOTE 19: WARRANT  
LIABILITY**

**12 Months Ended  
Dec. 31, 2020**

**Disclosure of financial  
liabilities [abstract]**

**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.

	<b>Exercise Price (C\$)</b>	<b>Warrants #</b>	<b>Warrant Liability \$</b>
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	\$ C0.18	34,615,104	2,084,768
Exercised	\$ C0.19	(422,678)	(18,847)
Expired	\$ C0.36	(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	\$ C0.12	69,400,524	1,061,738
Exercised	\$ C0.13	(49,800,176)	(5,341,149)
Expired	\$ C0.39	(11,642,185)	-
Loss on change in fair value of warrant liability			11,886,796
<b>As at December 31, 2020</b>		<b>54,215,452</b>	<b>7,713,697</b>
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:

<b>Expiry date</b>	<b>Number of warrants</b>	<b>Weighted average exercise price (\$C)</b>	<b>Weighted average remaining life (in years)</b>
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
	<b>54,215,452</b>	<b>0.14</b>	<b>1.39</b>

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 (C\$0.16) 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.

## NOTE 20: EQUITY

**12 Months Ended  
Dec. 31, 2020**

### Disclosure of classes of share capital [abstract]

#### 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.

- 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
<b>Total</b>	<b>50,290,026</b>	<b>0.13</b>	<b>0.1056</b>	<b>5,313,064</b>	<b>5,376,697</b>	<b>10,689,762</b>

#### 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
<b>Outstanding, December 31, 2020</b>	<b>9,834,428</b>	<b>0.08</b>
<b>Exercisable, December 31, 2020</b>	<b>9,084,428</b>	<b>0.08</b>

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
<b>Total</b>			<b>9,834,428</b>	<b>9,084,428</b>

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,	
	<b>2020</b>	2019	2018
Risk-free interest rate	<b>0.20%-1.57%</b>	1.34%	2.19%-2.37%
Expected life	<b>1 - 5 years</b>	3 - 5 years	5 years
Expected volatility	<b>100%</b>	100.0%	100.0%
Forfeiture rate	<b>0.0%</b>	0.0%	0.0%
Dividend rate	<b>0.0%</b>	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.

#### 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
<b>Outstanding, December 31, 2020</b>	<b>2,303,900</b>	<b>0.13</b>

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

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:

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

**NOTE 21: OPERATING  
EXPENSES**

**12 Months Ended  
Dec. 31, 2020**

**Note 21 Operating Expenses**  
**OPERATING EXPENSES**

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

**NOTE 22:  
RESTRUCTURING  
EXPENSE**

**12 Months Ended  
Dec. 31, 2020**

**Note 22 Restructuring**

**Expense**

**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.

**NOTE 23: INCOME TAXES****12 Months Ended  
Dec. 31, 2020****Note 17 Income Taxes**  
**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
<b>Income tax recovery</b>	<b>-</b>	<b>-</b>	<b>-</b>

**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
<b>Deferred tax assets, net</b>	<b>22,102,850</b>	<b>15,290,830</b>

**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.



**NOTE 24:  
SUPPLEMENTAL  
DISCLOSURE WITH  
RESPECT TO CASH  
FLOWS**

**12 Months Ended**

**Dec. 31, 2020**

**Note 18 Supplemental  
Disclosure With Respect To  
Cash Flows**

**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.

**NOTE 25: FINANCIAL  
INSTRUMENTS AND RISK  
MANAGEMENT**

**12 Months Ended**

**Dec. 31, 2020**

**Note 19 Financial  
Instruments And Risk  
Management**

**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.

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:

	<b>December 31, 2020</b>	December 31, 2019
	<b>\$</b>	<b>\$</b>
Canadian dollar net monetary liabilities	<b><u>2,434,448</u></b>	<u>2,434,448</u>

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.

*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.

**NOTE 26: RELATED  
PARTY TRANSACTIONS**

**12 Months Ended  
Dec. 31, 2020**

**Disclosure of transactions  
between related parties**

**[abstract]**

**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	-
	<u>361,260</u>	<u>1,301,945</u>	<u>1,956,165</u>

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.

**NOTE 27: MANAGEMENT  
OF CAPITAL**

**12 Months Ended  
Dec. 31, 2020**

**Note 21 Management Of  
Capital**

**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	<b>(5,490,401)</b>	(3,514,913)
Notes payable	<b>708,361</b>	969,891
Convertible debentures payable	-	427,320
Convertible notes payable	<b>200,530</b>	192,717
Current portion of loans payable	<b>992,070</b>	761,711
Loans payable	<b>1,140,157</b>	-
	<b>(2,449,283)</b>	(1,163,274)
Less: Cash	<b>(4,889,824)</b>	(179,153)
	<b>(7,339,107)</b>	(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.

**NOTE 28:  
COMMITMENTS AND  
CONTINGENCIES**

**12 Months Ended  
Dec. 31, 2020**

**Note 22 Commitments And  
Contingencies**

**COMMITMENTS AND  
CONTINGENCIES**

**Commitments**

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

	<b>Total</b>	<b>Within 1 year</b>	<b>2 - 5 years</b>	<b>Greater than 5 years</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Maturity analysis of financial liabilities</b>				
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	-
<b>Total financial liabilities</b>	<b>6,980,229</b>	<b>5,584,824</b>	<b>398,872</b>	<b>996,533</b>

**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.

**NOTE 29: EVENTS AFTER  
THE REPORTING  
PERIOD**

**12 Months Ended**

**Dec. 31, 2020**

**Disclosure of non-adjusting  
events after reporting period  
[abstract]**

**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.



**NOTE 3: SIGNIFICANT  
ACCOUNTING POLICIES  
(Policies)**

**12 Months Ended**

**Dec. 31, 2020**

**Disclosure of voluntary  
change in accounting policy  
[abstract]**

**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:

***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.

***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.

***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.

***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.

***Revenue recognition***

***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.

***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.

***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.

#### ***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.

#### ***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.

#### ***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.

#### ***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.

#### ***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.

##### ***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.

##### ***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.

### ***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.

### 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.

### Cash

Cash consists of cash at banks and on hand.

### 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.

### 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.

## 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.

## 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

## 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.

## 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.

## 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.

## 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 liability 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.

## 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.

## 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.

## 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.

## 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.

## Financial assets

### Classification of financial assets

#### *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 FVTPL.

## 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.

## [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.

## [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.

#### 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.

#### 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.

#### 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.



**NOTE 2: BASIS OF  
PREPARATION (Tables)**

**12 Months Ended  
Dec. 31, 2020**

**Note 2 Basis Of Preparation**

**List of subsidiaries**

<b>Name of subsidiary</b>	<b>Country of Incorporation</b>	<b>Percentage Ownership</b>	<b>Functional Currency</b>	<b>Principal Activity</b>
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

**NOTE 3: SIGNIFICANT  
ACCOUNTING POLICIES  
(Tables)**

**12 Months Ended  
Dec. 31, 2020**

**Disclosure of voluntary change in accounting policy [abstract]**

**Schedule of estimated useful life**

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

**NOTE 4: REVERSE  
TAKEOVER (Tables)**

**12 Months Ended  
Dec. 31, 2020**

**Note 4 Reverse Takeover**  
**Reverse Takeover**

<hr/>	
<b>Consideration</b>	<b>\$</b>
Consideration – shares	614,415
Legal and professional fees relating to the Transaction	365,871
Net liabilities acquired	<u>328,522</u>
<b>Listing fee</b>	<b><u>1,308,808</u></b>
<hr/>	
<b>Fair value of the net assets (liabilities) of Adira</b>	
Cash	13,000
Accounts payable and accrued liabilities	<u>(341,522)</u>
	<b><u>(328,522)</u></b>

**NOTE 5: ACQUISITION  
OF SUN VALLEY (Tables)**

**12 Months Ended  
Dec. 31, 2020**

[Disclosure of detailed information about business combination  
\[abstract\]](#)

[Historical financial information](#)

<b>Assets Acquired</b>	<b>\$</b>
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
<b>Liabilities Assumed</b>	
Accounts payable and accrued liabilities	35,281
Lease liability	150,342
Total current liabilities	185,623
Lease liability	281,202
<b>Net assets at fair value, as at April 30, 2019</b>	<b>559,978</b>
<b>Consideration</b>	
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
<b>Total Consideration</b>	<b>3,054,593</b>
<b>Goodwill</b>	<b>2,494,615</b>

**NOTE 6: ACQUISITION  
OF KAI MEDICAL (Tables)**

**12 Months Ended  
Dec. 31, 2020**

[Disclosure of detailed information about business combination \[abstract\]](#)

[Final purchase price allocation](#)

<b>Assets Acquired</b>	<b>\$</b>
Cash	9,826
Accounts receivable	1,314
Prepaid	8,002
Property and equipment	1,422,819
Intangible asset	245,000
	<b>1,686,961</b>

<b>Liabilities Assumed</b>	
Accounts payable and accrued liabilities	406,528
Loan payable	1,139,577
Lease liability	294,669
Disaster loan	59,846
PPP loan	77,028
<b>Net assets at fair value, as at October 5, 2020</b>	<b>(290,687)</b>

<b>Consideration</b>	
Fair value of 500,000 stock options issued	10,025
Fair value of 500,000 warrants issued	10,025
<b>Total Consideration</b>	<b>20,050</b>

**Goodwill** **310,737**

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

[Lease liability assumptions](#)

**NOTE 7: ACQUISITION  
OF LAWRENCE PARK &  
ATKINSON (Tables)**

**12 Months Ended  
Dec. 31, 2020**

[Disclosure of detailed information about business combination \[abstract\]](#)

[Fair value of stock options assumptions](#)

[Final purchase price allocation](#)

	<b>Milestone 1</b>	<b>Milestone 2</b>	<b>Milestone 3</b>
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%
<b>Fair value per option</b>	<b>C\$0.2056</b>	<b>C\$0.2173</b>	<b>C\$0.2273</b>
Probability	90%	50%	25%
<b>Fair value per option tranche (1)</b>	<b>\$181,634 (C\$231,256)</b>	<b>\$106,679 (C\$135,824)</b>	<b>\$55,797 (C\$71,041)</b>
<b>Assets Acquired</b>			<b>\$</b>
Cash and cash equivalents			38,521
Deposit			4,103
Intangible assets			58,907
Right-of-use assets			39,271
			<b>140,802</b>
<b>Liabilities Assumed</b>			
Accounts payable and accrued liabilities			54,396
Lease liability			45,595
Loans payable			45,287
<b>Net assets at fair value, as at December 31, 2020</b>			<b>(4,476)</b>
<b>Consideration</b>			
Cash consideration			215,991
Cash consideration - withheld			58,907
Stock options			344,110
Share consideration			1,147,925
<b>Total Consideration</b>			<b>1,766,933</b>
<b>Goodwill</b>			<b>1,771,409</b>

**NOTE 8: ACCOUNTS  
RECEIVABLE (Tables)**

**12 Months Ended  
Dec. 31, 2020**

[Trade and other receivables  
\[abstract\]](#)

[Accounts receivable](#)

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

	<b>December 31, 2020</b>	December 31, 2019
	\$	\$
Trade receivables, net	<b>245,891</b>	24,482
GST receivable	<b>18,975</b>	-
	<b><u>264,866</u></b>	<u>24,482</u>

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.

**NOTE 11: PROPERTY AND  
EQUIPMENT (Tables)**

**12 Months Ended  
Dec. 31, 2020**

[Disclosure of detailed information about property,  
plant and equipment \[abstract\]](#)

[Property and equipment](#)

	Right-of- use assets	Furniture and equipment	Leasehold improvements	Testing equipment	Total
	\$	\$	\$	\$	\$
<b>Cost</b>					
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	<u>(324,972)</u>	<u>(28,360)</u>	<u>(118,466)</u>	<u>-</u>	<u>(471,798)</u>
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	<u>(402,533)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(402,533)</u>
<b>Balance, December 31, 2020</b>	<b><u>788,490</u></b>	<b><u>154,275</u></b>	<b><u>177,858</u></b>	<b><u>928,149</u></b>	<b><u>2,048,772</u></b>
<b>Accumulated amortization</b>					
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
<b>Balance, December 31, 2020</b>	<b><u>(311,960)</u></b>	<b><u>(42,955)</u></b>	<b><u>(74,805)</u></b>	<b><u>(29,005)</u></b>	<b><u>(458,725)</u></b>
<b>Carrying amount</b>					
Balance, December 31, 2019	709,888	29,601	57,934	-	797,423
<b>Balance, December 31, 2020</b>	<b><u>476,530</u></b>	<b><u>111,320</u></b>	<b><u>103,053</u></b>	<b><u>899,144</u></b>	<b><u>1,590,047</u></b>



**NOTE 12: INTANGIBLE  
ASSETS AND GOODWILL  
(Tables)**

**12 Months Ended  
Dec. 31, 2020**

[Disclosure of detailed information about intangible assets \[abstract\]](#)

[Disclosure of detailed information about intangible assets](#)

	Patient records	Brands, trademarks, licenses and domain names	Management software	Software	Total
	\$	\$	\$	\$	\$
<b>Cost</b>					
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)
<b>Balance, December 31, 2020</b>	<b>378,763</b>	<b>376,699</b>	<b>51,100</b>	<b>-</b>	<b>806,562</b>
<b>Accumulated amortization</b>					
Balance, December 31, 2018		(220,476)	(98,700)	(51,100)	-
Amortization		(79,459)	-	-	-
Balance, December 31, 2019		(299,935)	(98,700)	(51,100)	-
Amortization		(52,920)	-	-	-
<b>Balance, December 31, 2020</b>		<b>(352,855)</b>	<b>(98,700)</b>	<b>(51,100)</b>	<b>-</b>
<b>Carrying amount</b>					
Balance, December 31, 2019		89,645	164,995	-	-
<b>Balance, December 31, 2020</b>		<b>25,908</b>	<b>277,999</b>	<b>-</b>	<b>-</b>
					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)
<b>Balance, December 31, 2020</b>					<b>2,082,146</b>

[Goodwill](#)

**NOTE 13: ACCOUNTS  
PAYABLE AND ACCRUED  
LIABILITIES (Tables)**

**12 Months Ended  
Dec. 31, 2020**

**Note 9 Accounts Payable And Accrued Liabilities**

Disclosure of detailed information about accounts payable and accrued liabilities

	<b>December 31, 2020</b>	December 31, 2019
	\$	\$
Trade payables and accrued liabilities	<b>1,920,840</b>	1,337,253
Payroll liabilities	<b>1,521,885</b>	537,737
	<b><u>3,442,725</u></b>	<u>1,874,990</u>

**NOTE 14: NOTES  
PAYABLE (Tables)**

**12 Months Ended  
Dec. 31, 2020**

**Note 14 Notes Payable**

**Disclosure of detailed information about notes payable**

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

**NOTE 15: CONVERTIBLE  
NOTES PAYABLE (Tables)**

**12 Months Ended  
Dec. 31, 2020**

**Note 15 Convertible Notes Payable**

Convertible notes payable

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

**NOTE 16: LOANS  
PAYABLE (Tables)**

**12 Months Ended  
Dec. 31, 2020**

**Trade and other non-current payables [abstract]**

**Disclosure of detailed information about secured loan payable**

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

**NOTE 17: CONVERTIBLE  
DEBENTURES (Tables)**

**12 Months Ended  
Dec. 31, 2020**

**Note 17 Convertible Debentures**

Disclosure of detailed information about 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

Conversion feature

	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

Fair value of the conversion feature

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

**NOTE 18: LEASE  
LIABILITY (Tables)**

**12 Months Ended  
Dec. 31, 2020**

[Lease liabilities \[abstract\]](#)

[Lease liability](#)

	<b>Empower clinics</b>	<b>Sun Valley clinics</b>	<b>CBD extraction facility</b>	<b>Kai Medical</b>	<b>Lawrence Park &amp; Atkinson</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
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)
<b>Balance, December 31, 2020</b>	<b>3,059</b>	<b>174,680</b>	<b>-</b>	<b>273,052</b>	<b>45,595</b>	<b>496,386</b>
Less: current portion of lease liability	3,059	108,645	-	87,452	41,982	241,138
<b>Lease liability</b>	<b>-</b>	<b>66,035</b>	<b>-</b>	<b>185,600</b>	<b>3,613</b>	<b>255,248</b>

**NOTE 19: WARRANT  
LIABILITY (Tables)**

**12 Months Ended  
Dec. 31, 2020**

[Disclosure of financial liabilities  
\[abstract\]](#)

[Schedule of warrant liability](#)

	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	\$ C0.18	34,615,104	2,084,768
Exercised	\$ C0.19	(422,678)	(18,847)
Expired	\$ C0.36	(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	\$ C0.12	69,400,524	1,061,738
Exercised	\$ C0.13	(49,800,176)	(5,341,149)
Expired	\$ C0.39	(11,642,185)	-
Loss on change in fair value of warrant liability			11,886,796
<b>As at December 31, 2020</b>		<b>54,215,452</b>	<b>7,713,697</b>
Less: Current portion of warrant liability		-	1,416,113
Non-current portion of warrant liability		-	6,297,584

[Warrants outstanding and exercisable](#)

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





NOTE 20: EQUITY (Tables)

12 Months Ended  
Dec. 31, 2020

[Disclosure of classes of share capital \[abstract\]](#)

[Common shares issued as a result of warrant exercises](#)

<u>Issue date</u>	<u>Number of warrants exercise and shares issued</u>	<u>Weighted average exercise price (\$C)</u>	<u>Weighted average exercise price</u>	<u>Cash received</u>	<u>Warrant liability transferred to share capital</u>	<u>Share capital</u>
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
<b>Total</b>	<b>50,290,026</b>	<b>0.13</b>	<b>0.1056</b>	<b>5,313,064</b>	<b>5,376,697</b>	<b>10,689,762</b>

[Share option transactions](#)

	<u>Number of share options</u>	<u>Weighted average exercise price (\$C)</u>
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
<b>Outstanding, December 31, 2020</b>	<b>9,834,428</b>	<b>0.08</b>
<b>Exercisable, December 31, 2020</b>	<b>9,084,428</b>	<b>0.08</b>

[Share options outstanding and exercisable](#)

<u>Exercise price (\$C)</u>	<u>Weighted average exercise price (\$C)</u>	<u>Weighted average life of options (years)</u>	<u>Number of options outstanding</u>	<u>Number of options exercisable</u>
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
<b>Total</b>			<b>9,834,428</b>	<b>9,084,428</b>

[Disclosure of detailed information about share options assumptions](#)

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

[Agent purchase warrant transactions](#)

	Number of agent share purchase warrants	Weighted average exercise price (\$)
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
<b>Outstanding, December 31, 2020</b>	<b>2,303,900</b>	<b>0.13</b>

[Disclosure of detailed information about share purchase warrants](#)

Expiry date	Number of warrants	Weighted average exercise price (\$)	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
	<b>2,303,900</b>	<b>0.13</b>	<b>1.54</b>

[Disclosure of detailed information about fair value of share purchase warrants](#)

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

**NOTE 21: OPERATING  
EXPENSES (Tables)**

**12 Months Ended  
Dec. 31, 2020**

**Note 21 Operating Expenses**

**Operating expenses**

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

**NOTE 23: INCOME TAXES**  
**(Tables)**

**12 Months Ended**  
**Dec. 31, 2020**

**Note 17 Income Taxes**

[Disclosure of detailed information about income tax](#)

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

[Disclosure of deferred taxes](#)

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

**NOTE 24:  
SUPPLEMENTAL  
DISCLOSURE WITH  
RESPECT TO CASH  
FLOWS (Tables)**

**Note 18 Supplemental Disclosure With  
Respect To Cash Flows**

Disclosure of detailed information about  
non-cash transactions

**12 Months Ended**

**Dec. 31, 2020**

		Years ended December 31,		
	Note	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)	<b>49,782</b>	66,405	-
Shares issued for services(3)	20(b)	<b>547,641</b>	122,932	-
Shares issued to agents	20(b)	-	20,255	-
Vesting of escrow shares(4)	17	<b>193,025</b>	-	-
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
		<u><b>3,525,742</b></u>	<u>4,073,703</u>	<u>3,253,609</u>

**NOTE 25: FINANCIAL  
INSTRUMENTS AND RISK  
MANAGEMENT (Tables)**

**12 Months Ended**

**Dec. 31, 2020**

**Note 19 Financial Instruments And Risk Management**

**Summary of assets and liabilities held in foreign currencies**

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
	<b>\$</b>	<b>\$</b>
Canadian dollar net monetary liabilities	<b><u>2,434,448</u></b>	<b><u>2,434,448</u></b>



**NOTE 26: RELATED  
PARTY TRANSACTIONS  
(Tables)**

**12 Months Ended  
Dec. 31, 2020**

**Disclosure of transactions between related parties [abstract]**

**Disclosure of information about key management personnel**

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

**NOTE 27: MANAGEMENT  
OF CAPITAL (Tables)**

**12 Months Ended  
Dec. 31, 2020**

**Note 21 Management Of Capital**

Disclosure of detailed information about capital

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

**NOTE 28:  
COMMITMENTS AND  
CONTINGENCIES (Tables)**

**12 Months Ended  
Dec. 31, 2020**

**Note 22 Commitments And Contingencies**

Disclosure of detailed information about  
commitments

	<b>Total</b>	<b>Within 1 year</b>	<b>2 - 5 years</b>	<b>Greater than 5 years</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Maturity analysis of financial liabilities</b>				
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	-
<b>Total financial liabilities</b>	<b>6,980,229</b>	<b>5,584,824</b>	<b>398,872</b>	<b>996,533</b>

**NOTE 1: NATURE OF  
OPERATIONS AND  
GOING CONCERN (Details  
Narrative) - USD (\$)**

**Dec. 31, 2020 Dec. 31, 2019**

**Note 1 Nature Of Operations And Going Concern**

Working capital deficiency

\$ (1,746,818) \$ (4,185,359)

Retained earnings

\$ (30,078,630) \$ (13,012,319)

**NOTE 2: BASIS OF  
PREPARATION (Details)**

**12 Months Ended  
Dec. 31, 2020**

S.M.A.A.R.T. Holdings Inc.

**Disclosure of subsidiaries [line items]**

Country of incorporation

USA

Percentage ownership

100.00%

Functional currency

USD

Principal activity

Holding company

Empower Healthcare Corp.

**Disclosure of subsidiaries [line items]**

Country of incorporation

Canada

Percentage ownership

100.00%

Functional currency

USD

Principal activity

Holding company

Empower Healthcare Corp.

**Disclosure of subsidiaries [line items]**

Country of incorporation

USA

Percentage ownership

100.00%

Functional currency

USD

Principal activity

Clinic operations

SMAART Inc.

**Disclosure of subsidiaries [line items]**

Country of incorporation

USA

Percentage ownership

100.00%

Functional currency

USD

Principal activity

Holding company

The Hemp and Cannabis Co.

**Disclosure of subsidiaries [line items]**

Country of incorporation

USA

Percentage ownership

100.00%

Functional currency

USD

Principal activity

Holding company

THCF Access Point

**Disclosure of subsidiaries [line items]**

Country of incorporation

USA

Percentage ownership

100.00%

Functional currency

USD

Principal activity

Holding company

Empower Healthcare Assets Inc.

**Disclosure of subsidiaries [line items]**

Country of incorporation

USA

Percentage ownership

100.00%

Functional currency

USD

<a href="#">Principal activity</a>	Holding company
<a href="#">Sun Valley Health Holdings LLC</a>	
<b><a href="#">Disclosure of subsidiaries [line items]</a></b>	
<a href="#">Country of incorporation</a>	USA
<a href="#">Percentage ownership</a>	100.00%
<a href="#">Functional currency</a>	USD
<a href="#">Principal activity</a>	Holding company
<a href="#">Sun Valley Health Franchising LLC</a>	
<b><a href="#">Disclosure of subsidiaries [line items]</a></b>	
<a href="#">Country of incorporation</a>	USA
<a href="#">Percentage ownership</a>	100.00%
<a href="#">Functional currency</a>	USD
<a href="#">Principal activity</a>	Clinic operations
<a href="#">Sun Valley Health LLC</a>	
<b><a href="#">Disclosure of subsidiaries [line items]</a></b>	
<a href="#">Country of incorporation</a>	USA
<a href="#">Percentage ownership</a>	100.00%
<a href="#">Functional currency</a>	USD
<a href="#">Principal activity</a>	Clinic operations
<a href="#">Sun Valley Health West LLC</a>	
<b><a href="#">Disclosure of subsidiaries [line items]</a></b>	
<a href="#">Country of incorporation</a>	USA
<a href="#">Percentage ownership</a>	100.00%
<a href="#">Functional currency</a>	USD
<a href="#">Principal activity</a>	Clinic operations
<a href="#">Sun Valley Health Tucson LLC</a>	
<b><a href="#">Disclosure of subsidiaries [line items]</a></b>	
<a href="#">Country of incorporation</a>	USA
<a href="#">Percentage ownership</a>	100.00%
<a href="#">Functional currency</a>	USD
<a href="#">Principal activity</a>	Clinic operations
<a href="#">Sun Valley Health Mesa LLC</a>	
<b><a href="#">Disclosure of subsidiaries [line items]</a></b>	
<a href="#">Country of incorporation</a>	USA
<a href="#">Percentage ownership</a>	100.00%
<a href="#">Functional currency</a>	USD
<a href="#">Principal activity</a>	Clinic operations
<a href="#">Sun Valley Alternative Health Centres NV, LLC</a>	
<b><a href="#">Disclosure of subsidiaries [line items]</a></b>	
<a href="#">Country of incorporation</a>	USA
<a href="#">Percentage ownership</a>	100.00%
<a href="#">Functional currency</a>	USD
<a href="#">Principal activity</a>	Clinic operations
<a href="#">Kai Medical Laboratory, LLC</a>	

**Disclosure of subsidiaries [line items]**

Country of incorporation USA  
Percentage ownership 100.00%  
Functional currency USD  
Principal activity Clinic operations  
Lawrence Park Health and Wellness Clinic Inc.

**Disclosure of subsidiaries [line items]**

Country of incorporation Canada  
Percentage ownership 100.00%  
Functional currency CAD  
Principal activity Clinic operations  
11000900 Canada Inc.

**Disclosure of subsidiaries [line items]**

Country of incorporation Canada  
Percentage ownership 100.00%  
Functional currency CAD  
Principal activity Clinic operations

**NOTE 3: SIGNIFICANT  
ACCOUNTING POLICIES  
(Details)**

**12 Months Ended  
Dec. 31, 2020**

Furniture and Equipment

[DisclosureOfEstimatedUsefulLifeLineItems \[Line Items\]](#)

Estimated useful lives 3-5 years

Leasehold Improvements

[DisclosureOfEstimatedUsefulLifeLineItems \[Line Items\]](#)

Estimated useful lives 5 years

Right of Use

[DisclosureOfEstimatedUsefulLifeLineItems \[Line Items\]](#)

Estimated useful lives Term of the lease

Medical Lab Equipment

[DisclosureOfEstimatedUsefulLifeLineItems \[Line Items\]](#)

Estimated useful lives 12 years



**NOTE 4: REVERSE  
TAKEOVER (Details) - USD  
(\$)**

**12 Months Ended**

**Dec. 31, 2020 Dec. 31, 2019 Dec. 31, 2018**

**DisclosureOfTransactionLineItems [Line Items]**

<u>Legal and professional fees relating to the Transaction</u>	\$ 1,394,571	\$ 1,015,743	\$ 1,450,141
<u>Listing fee</u>	0	0	\$ (1,308,808)

**Fair value of the net assets (liabilities) of Adira**

<u>Cash</u>	4,889,824	\$ 179,153	
-------------	-----------	------------	--

Adira

**DisclosureOfTransactionLineItems [Line Items]**

<u>Consideration - shares</u>	614,415		
<u>Legal and professional fees relating to the Transaction</u>	365,871		
<u>Net liabilities acquired</u>	328,522		
<u>Listing fee</u>	1,308,808		

**Fair value of the net assets (liabilities) of Adira**

<u>Cash</u>	13,000		
<u>Accounts payable and accrued liabilities</u>	(341,522)		
<u>Fair value of the net assets</u>	\$ (328,522)		

**NOTE 5: ACQUISITION  
OF SUN VALLEY (Details) -  
Sun Valley**

**Dec. 31, 2020  
USD (\$)**

**Assets Acquired**

<u>Cash and cash equivalents</u>	\$ 94,090
<u>Accounts receivable</u>	366
<u>Total current assets</u>	94,456
<u>Security deposits</u>	19,753
<u>Property and equipment</u>	124,811
<u>Right-of-use assets</u>	431,544
<u>Patient list</u>	171,243
<u>Brands</u>	184,996
<u>Net assets acquired</u>	1,026,803

**Liabilities Assumed**

<u>Accounts payable and accrued liabilities</u>	35,281
<u>Lease liabilities</u>	150,342
<u>Total current liabilities</u>	185,623
<u>Lease liabilities</u>	281,202
<u>Net assets at fair value, as at April 30, 2019</u>	559,978

**Consideration**

<u>Fair value of 7,703,543 common shares issued</u>	1,001,458
<u>Fair value of 14,705,882 escrow shares issued</u>	1,142,108
<u>Cash</u>	787,318
<u>Promissory note</u>	123,709
<u>Total consideration</u>	3,054,593
<u>Goodwill</u>	\$ 2,494,615

**NOTE 5: ACQUISITION**      **12 Months Ended**  
**OF SUN VALLEY (Details**      **Dec. 31, 2019**  
**Narrative) - Sun Valley**      **USD (\$)**

Statement Line Items [Line Items]

<u>Revenues</u>	\$ 1,526,383
<u>Net loss and comprehensive loss</u>	\$ (503,235)

**NOTE 6: ACQUISITION  
OF KAI MEDICAL (Details)  
- Kai Medical**

**Dec. 31, 2020  
USD (\$)**

**Assets Acquired**

<u>Cash</u>	\$ 9,826
<u>Accounts receivable</u>	1,314
<u>Prepaid</u>	8,002
<u>Property and equipment</u>	1,422,819
<u>Intangible asset</u>	245,000
<u>Net assets acquired</u>	1,686,961

**Liabilities Assumed**

<u>Accounts payable and accrued liabilities</u>	406,528
<u>Loan payable</u>	1,139,577
<u>Lease liabilities</u>	294,669
<u>Disaster loan</u>	59,846
<u>PPP loan</u>	77,028
<u>Net assets at fair value, as at October 5, 2020</u>	(290,687)

**Consideration**

<u>Fair value of 500,000 stock options issued</u>	10,025
<u>Fair value of 500,000 warrants issued</u>	10,025
<u>Total consideration</u>	20,050
<u>Goodwill</u>	\$ 310,737

**NOTE 6: ACQUISITION**      **12 Months Ended**  
**OF KAI MEDICAL (Details**      **Dec. 31, 2020**  
**1) - Kai Medical**                      **USD (\$)**

Lease 1

**Statement Line Items [Line Items]**

<u>Remaining term (months)</u>	20 months
<u>Incremental borrowing rate</u>	5.50%
<u>Fair value on acquisition</u>	\$ 60,145

Lease 1 | Minimum

**Statement Line Items [Line Items]**

<u>Monthly payments</u>	3,050
-------------------------	-------

Lease 1 | Maximum

**Statement Line Items [Line Items]**

<u>Monthly payments</u>	\$ 3,250
-------------------------	----------

Lease 2

**Statement Line Items [Line Items]**

<u>Remaining term (months)</u>	5 months
<u>Monthly payments</u>	\$ 2,850
<u>Incremental borrowing rate</u>	5.50%
<u>Fair value on acquisition</u>	\$ 14,039

Lease 3

**Statement Line Items [Line Items]**

<u>Remaining term (months)</u>	55 months
<u>Monthly payments</u>	\$ 2,554
<u>Incremental borrowing rate</u>	5.50%
<u>Fair value on acquisition</u>	\$ 122,536

Lease 4

**Statement Line Items [Line Items]**

<u>Remaining term (months)</u>	55 months
<u>Monthly payments</u>	\$ 2,041
<u>Incremental borrowing rate</u>	5.50%
<u>Fair value on acquisition</u>	\$ 97,949

**NOTE 7: ACQUISITION  
OF LAWRENCE PARK &  
ATKINSON (Details) - 12  
months ended Dec. 31, 2020 -  
Lawrence Park & Atkinson**

**USD (\$)      \$ / shares**

Milestone 1

Statement Line Items [Line Items]

<u>Milestone date</u>	June 30, 2022	
<u>Years to maturity</u>	4 years	
<u>Risk-free rate</u>	0.19%	
<u>Exercise price</u>		\$ .2850
<u>Share price</u>		0.2850
<u>Volatility</u>	108.10%	
<u>Fair value per option</u>		.2056
<u>Probability</u>	90.00%	
<u>Fair value per option tranche   \$</u>	[1] \$ 181,634	

Milestone 2

Statement Line Items [Line Items]

<u>Milestone date</u>	December 31, 2023	
<u>Years to maturity</u>	4 years 9 months	
<u>Risk-free rate</u>	0.25%	
<u>Exercise price</u>		.2850
<u>Share price</u>		0.2850
<u>Volatility</u>	108.10%	
<u>Fair value per option</u>		.2173
<u>Probability</u>	50.00%	
<u>Fair value per option tranche   \$</u>	[2] \$ 106,679	

Milestone 3

Statement Line Items [Line Items]

<u>Milestone date</u>	June 30, 2025	
<u>Years to maturity</u>	5 years 6 months	
<u>Risk-free rate</u>	0.48%	
<u>Exercise price</u>		.2850
<u>Share price</u>		0.2850
<u>Volatility</u>	108.10%	
<u>Fair value per option</u>		\$ .2273
<u>Probability</u>	25.00%	
<u>Fair value per option tranche   \$</u>	[3] \$ 55,797	

[1] C\$231,256

[2] C\$135,824

[3] C\$71,041

**NOTE 7: ACQUISITION  
OF LAWRENCE PARK &  
ATKINSON (Details 1) -  
Lawrence Park & Atkinson**

**Dec. 31, 2020  
USD (\$)**

**Assets Acquired**

<u>Cash and equivalents</u>	\$ 38,521
<u>Deposits</u>	4,103
<u>Intangible asset</u>	58,907
<u>Right-of-use-assets</u>	39,271
<u>Net assets acquired</u>	140,802

**Liabilities Assumed**

<u>Accounts payable and accrued liabilities</u>	54,396
<u>Lease liabilities</u>	45,595
<u>Loan payable</u>	45,287
<u>Net assets at fair value, as at October 5, 2020</u>	(4,476)

**Consideration**

<u>Cash consideration</u>	215,991
<u>Cash consideration - withheld</u>	58,907
<u>Stock options</u>	344,110
<u>Share consideration</u>	1,147,925
<u>Total consideration</u>	1,766,933
<u>Goodwill</u>	\$ 1,771,409

**NOTE 8: ACCOUNTS  
RECEIVABLE (Details) -  
USD (\$)**

**Dec. 31, 2020 Dec. 31, 2019**

**Trade and other receivables [abstract]**

<u>Trade receivables, net</u>	\$ 245,891	\$ 24,482
<u>GST receivable</u>	18,975	0
<u>Accounts receivable</u>	\$ 264,866	\$ 24,482



<b>NOTE 9: ASSETS HELD FOR SALE (Details Narrative)</b>	<b>12 Months Ended Dec. 31, 2019 USD (\$)</b>
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[Statement Line Items \[Line Items\]](#)

<a href="#"><u>Proceeds from sale</u></a>	\$ 127,972
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[Promissory Note](#)

[Statement Line Items \[Line Items\]](#)

<a href="#"><u>Proceeds from sale</u></a>	122,500
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[Cash](#)

[Statement Line Items \[Line Items\]](#)

<a href="#"><u>Proceeds from sale</u></a>	\$ 5,472
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**NOTE 10: PROMISSORY  
NOTE (Details Narrative) -  
USD (\$)**

**12 Months Ended**

**Dec. 31, 2020 Dec. 31, 2019 Dec. 31, 2018**

**Trade and other receivables [abstract]**

Interest income

\$ (7,573)      \$ (4,977)      \$ 0

**NOTE 11: PROPERTY AND  
EQUIPMENT (Details) -  
USD (\$)**

**12 Months Ended**  
**Dec. 31,    Dec. 31,    Dec. 31,**  
**2020        2019        2018**

**Disclosure of detailed information about property, plant and equipment [line items]**

<u>Property and equipment, beginning</u>	\$ 797,423		
<u>Amortization</u>	(381,492)	\$ (327,059)	\$ (123,474)
<u>Property and equipment, ending</u>	1,590,047	797,423	
<u>Cost</u>			

**Disclosure of detailed information about property, plant and equipment [line items]**

<u>Property and equipment, beginning</u>	985,721	146,825	
<u>Adoption of IFRS 16</u>		324,972	
<u>Acquisition of Sun Valley</u>		556,355	
<u>Acquisition of Kai Medical</u>	1,422,818		
<u>Acquisition of LP&amp;A</u>	39,271		
<u>Additions</u>	3,495	429,367	
<u>Impairment</u>		(471,798)	
<u>Disposals</u>	(402,533)		
<u>Property and equipment, ending</u>	2,048,772	985,721	146,825
<u>Cost   Right-of-use assets</u>			

**Disclosure of detailed information about property, plant and equipment [line items]**

<u>Property and equipment, beginning</u>	857,083	0	
<u>Adoption of IFRS 16</u>		324,972	
<u>Acquisition of Sun Valley</u>		431,544	
<u>Acquisition of Kai Medical</u>	294,669		
<u>Acquisition of LP&amp;A</u>	39,271		
<u>Additions</u>	0	425,539	
<u>Impairment</u>		(324,972)	
<u>Disposals</u>	(402,533)		
<u>Property and equipment, ending</u>	788,490	857,083	0
<u>Cost   Furniture and equipment</u>			

**Disclosure of detailed information about property, plant and equipment [line items]**

<u>Property and equipment, beginning</u>	36,780	28,360	
<u>Adoption of IFRS 16</u>		0	
<u>Acquisition of Sun Valley</u>		32,952	
<u>Acquisition of Kai Medical</u>	114,000		
<u>Acquisition of LP&amp;A</u>	0		
<u>Additions</u>	3,495	3,828	
<u>Impairment</u>		(28,360)	
<u>Disposals</u>	0		
<u>Property and equipment, ending</u>	154,275	36,780	28,360

Cost | Leasehold Improvements

**Disclosure of detailed information about property, plant and equipment [line items]**

<u>Property and equipment, beginning</u>	91,858	118,465	
<u>Adoption of IFRS 16</u>		0	
<u>Acquisition of Sun Valley</u>		91,859	
<u>Acquisition of Kai Medical</u>	86,000		
<u>Acquisition of LP&amp;A</u>	0		
<u>Additions</u>	0	0	
<u>Impairment</u>		(118,466)	
<u>Disposals</u>	0		
<u>Property and equipment, ending</u>	177,858	91,858	118,465

Cost | Testing equipment

**Disclosure of detailed information about property, plant and equipment [line items]**

<u>Property and equipment, beginning</u>	0	0	
<u>Adoption of IFRS 16</u>		0	
<u>Acquisition of Sun Valley</u>		0	
<u>Acquisition of Kai Medical</u>	928,149		
<u>Acquisition of LP&amp;A</u>	0		
<u>Additions</u>	0	0	
<u>Impairment</u>		0	
<u>Disposals</u>	0		
<u>Property and equipment, ending</u>	928,149	0	0

Accumulated Amortization

**Disclosure of detailed information about property, plant and equipment [line items]**

<u>Property and equipment, beginning</u>	(188,298)	(19,765)	
<u>Adoption of IFRS 16</u>		(196,479)	
<u>Amortization</u>	(328,572)	(247,600)	
<u>Write off</u>		(275,546)	
<u>Disposals</u>	58,145		
<u>Property and equipment, ending</u>	(458,725)	(188,298)	(19,765)

Accumulated Amortization | Right-of-use assets

**Disclosure of detailed information about property, plant and equipment [line items]**

<u>Property and equipment, beginning</u>	(147,195)	0	
<u>Adoption of IFRS 16</u>		(196,479)	
<u>Amortization</u>	(222,910)	(196,563)	
<u>Write off</u>		(245,847)	
<u>Disposals</u>	58,145		
<u>Property and equipment, ending</u>	(311,960)	(147,195)	0

Accumulated Amortization | Furniture and equipment

**Disclosure of detailed information about property, plant and equipment [line items]**

<u>Property and equipment, beginning</u>	(7,179)	(19,765)	
<u>Adoption of IFRS 16</u>		0	
<u>Amortization</u>	(35,776)	(13,164)	
<u>Write off</u>		(25,750)	
<u>Disposals</u>	0		
<u>Property and equipment, ending</u>	(42,955)	(7,179)	(19,765)
<b><u>Disclosure of detailed information about property, plant and equipment [line items]</u></b>			
<u>Property and equipment, beginning</u>	(33,924)	0	
<u>Adoption of IFRS 16</u>		0	
<u>Amortization</u>	(40,881)	(37,873)	
<u>Write off</u>		(3,949)	
<u>Disposals</u>	0		
<u>Property and equipment, ending</u>	(74,805)	(33,924)	0
<u>Accumulated Amortization   Testing equipment</u>			
<b><u>Disclosure of detailed information about property, plant and equipment [line items]</u></b>			
<u>Property and equipment, beginning</u>	0	0	
<u>Adoption of IFRS 16</u>		0	
<u>Amortization</u>	(29,005)	0	
<u>Write off</u>		0	
<u>Disposals</u>	0		
<u>Property and equipment, ending</u>	(29,005)	0	\$ 0
<u>Carrying Amount</u>			
<b><u>Disclosure of detailed information about property, plant and equipment [line items]</u></b>			
<u>Property and equipment, beginning</u>	797,423		
<u>Property and equipment, ending</u>	1,590,047	797,423	
<u>Carrying Amount   Right-of-use assets</u>			
<b><u>Disclosure of detailed information about property, plant and equipment [line items]</u></b>			
<u>Property and equipment, beginning</u>	709,888		
<u>Property and equipment, ending</u>	476,530	709,888	
<u>Carrying Amount   Furniture and equipment</u>			
<b><u>Disclosure of detailed information about property, plant and equipment [line items]</u></b>			
<u>Property and equipment, beginning</u>	29,601		
<u>Property and equipment, ending</u>	111,320	29,601	
<u>Carrying Amount   Leasehold Improvements</u>			
<b><u>Disclosure of detailed information about property, plant and equipment [line items]</u></b>			
<u>Property and equipment, beginning</u>	57,934		
<u>Property and equipment, ending</u>	103,053	57,934	
<u>Carrying Amount   Testing equipment</u>			

**Disclosure of detailed information about property, plant and equipment [line items]**

Property and equipment, beginning

0

Property and equipment, ending

\$ 899,144 \$ 0

**NOTE 12: INTANGIBLE  
ASSETS (Details) - USD (\$)**

**12 Months Ended  
Dec. 31, 2020 Dec. 31, 2019**

**Disclosure of detailed information about intangible assets [line items]**

<u>Intangible assets, beginning</u>	\$ 254,640	
<u>Intangible assets, ending</u>	303,907	\$ 254,640

Cost

**Disclosure of detailed information about intangible assets [line items]**

<u>Intangible assets, beginning</u>	704,375	441,893
<u>Additions</u>	138,855	356,239
<u>Acquisition of Kai Medical</u>	245,000	
<u>Acquisition of LP&amp;A</u>	58,907	
<u>Impairment</u>	(340,575)	(93,757)
<u>Intangible assets, ending</u>	806,562	704,375

Cost | Patient Records

**Disclosure of detailed information about intangible assets [line items]**

<u>Intangible assets, beginning</u>	389,580	292,093
<u>Additions</u>	0	171,243
<u>Acquisition of Kai Medical</u>	0	
<u>Acquisition of LP&amp;A</u>	58,907	
<u>Impairment</u>	(69,724)	(73,756)
<u>Intangible assets, ending</u>	378,763	389,580

Cost | Brands, trademarks, licenses and domain names

**Disclosure of detailed information about intangible assets [line items]**

<u>Intangible assets, beginning</u>	263,695	98,700
<u>Additions</u>	0	184,996
<u>Acquisition of Kai Medical</u>	245,000	
<u>Acquisition of LP&amp;A</u>	0	
<u>Impairment</u>	(131,996)	(20,001)
<u>Intangible assets, ending</u>	376,699	263,695

Cost | Management Software

**Disclosure of detailed information about intangible assets [line items]**

<u>Intangible assets, beginning</u>	51,100	51,100
<u>Additions</u>	0	0
<u>Acquisition of Kai Medical</u>	0	
<u>Acquisition of LP&amp;A</u>	0	
<u>Impairment</u>	0	0
<u>Intangible assets, ending</u>	51,100	51,100

Cost | Software

**Disclosure of detailed information about intangible assets [line items]**

<u>Intangible assets, beginning</u>	0	0
<u>Additions</u>	138,855	0
<u>Acquisition of Kai Medical</u>	0	
<u>Acquisition of LP&amp;A</u>	0	

<u>Impairment</u>	(138,855)	0
<u>Intangible assets, ending</u>	0	0
<u>Accumulated Amortization</u>		
<b><u>Disclosure of detailed information about intangible assets [line items]</u></b>		
<u>Intangible assets, beginning</u>	(449,735)	(370,276)
<u>Amortization</u>	(52,920)	(79,459)
<u>Intangible assets, ending</u>	(502,655)	(449,735)
<u>Accumulated Amortization   Patient Records</u>		
<b><u>Disclosure of detailed information about intangible assets [line items]</u></b>		
<u>Intangible assets, beginning</u>	(299,935)	(220,476)
<u>Amortization</u>	(52,920)	(79,459)
<u>Intangible assets, ending</u>	(352,855)	(299,935)
<u>Accumulated Amortization   Brands, trademarks, licenses and domain names</u>		
<b><u>Disclosure of detailed information about intangible assets [line items]</u></b>		
<u>Intangible assets, beginning</u>	(98,700)	(98,700)
<u>Amortization</u>	0	0
<u>Intangible assets, ending</u>	(98,700)	(98,700)
<u>Accumulated Amortization   Management Software</u>		
<b><u>Disclosure of detailed information about intangible assets [line items]</u></b>		
<u>Intangible assets, beginning</u>	(51,100)	(51,100)
<u>Amortization</u>	0	0
<u>Intangible assets, ending</u>	(51,100)	(51,100)
<u>Accumulated Amortization   Software</u>		
<b><u>Disclosure of detailed information about intangible assets [line items]</u></b>		
<u>Intangible assets, beginning</u>	0	0
<u>Amortization</u>	0	0
<u>Intangible assets, ending</u>	0	0
<u>Carrying Amount</u>		
<b><u>Disclosure of detailed information about intangible assets [line items]</u></b>		
<u>Intangible assets, beginning</u>	254,640	
<u>Intangible assets, ending</u>	303,907	254,640
<u>Carrying Amount   Patient Records</u>		
<b><u>Disclosure of detailed information about intangible assets [line items]</u></b>		
<u>Intangible assets, beginning</u>	89,645	
<u>Intangible assets, ending</u>	25,908	89,645
<u>Carrying Amount   Brands, trademarks, licenses and domain names</u>		
<b><u>Disclosure of detailed information about intangible assets [line items]</u></b>		
<u>Intangible assets, beginning</u>	164,995	
<u>Intangible assets, ending</u>	277,999	164,995
<u>Carrying Amount   Management Software</u>		
<b><u>Disclosure of detailed information about intangible assets [line items]</u></b>		
<u>Intangible assets, beginning</u>	0	
<u>Intangible assets, ending</u>	0	0
<u>Carrying Amount   Software</u>		



**Disclosure of detailed information about intangible assets [line items]**

Intangible assets, beginning

0

Intangible assets, ending

\$ 0

\$ 0

**NOTE 12: INTANGIBLE  
ASSETS (Details 1) - USD  
(S)**

**12 Months Ended  
Dec. 31, 2020 Dec. 31, 2019**

**Disclosure of detailed information about intangible assets [abstract]**

<u>Goodwill, beginning</u>	\$ 117,218	\$ 0
<u>Additions</u>	2,082,146	2,494,615
<u>Impairment</u>	(117,218)	2,377,397
<u>Goodwill, ending</u>	\$ 2,082,146	\$ 117,218

**NOTE 12: INTANGIBLE  
ASSETS (Details Narrative)  
- USD (\$)**

**12 Months Ended  
Dec. 31, 2020 Dec. 31, 2019**

**Disclosure of detailed information about intangible assets [line items]**

Goodwill impairment \$ (117,218) \$ 2,377,397

Patient Records, Brands, and Software

**Disclosure of detailed information about intangible assets [line items]**

Impairment loss \$ 340,575 \$ 93,757

**NOTE 13: ACCOUNTS  
PAYABLE AND ACCRUED  
LIABILITIES (Details) -  
USD (\$)**

**Dec. 31, 2020 Dec. 31, 2019**

**Note 9 Accounts Payable And Accrued Liabilities**

<u>Trade payables and accrued liabilities</u>	\$ 1,920,840	\$ 1,337,253
<u>Payroll liabilities</u>	1,521,885	537,737
<u>Accounts payable and accrued liabilities</u>	\$ 3,442,725	\$ 1,874,990

**NOTE 14: NOTES  
PAYABLE (Details) - USD  
(\$)**

**12 Months Ended**

**Dec. 31, 2020 Dec. 31, 2019 Dec. 31, 2018 Dec. 31, 2017**

**Note 14 Notes Payable**

<u>Balance, beginning</u>	\$ 969,891	\$ 760,715	\$ 404,370	
<u>Issue of notes payable</u>	0	321,935	495,449	
<u>Settled in shares</u>	(148,745)	(186,942)	(167,000)	
<u>Repayment</u>	(197,862)	0	0	
<u>Realized foreign exchange loss (gain)</u>	4,918	(2,267)	0	
<u>Unrealized foreign exchange loss (gain)</u>	6,304	(9,171)	0	
<u>Accretion expense</u>	13,110	12,337	0	
<u>Interest expense</u>	60,745	73,284	27,896	
<u>Balance, ending</u>	708,361	969,891	\$ 760,715	
<u>Less: non-current portion of notes payable</u>	708,361	969,891		\$ 760,715
<u>Current portion of notes payable</u>	\$ 0	\$ 969,891		\$ 610,444

**NOTE 15: CONVERTIBLE  
NOTES PAYABLE (Details)  
- USD (\$)**

**12 Months Ended**

**Dec. 31, 2020 Dec. 31, 2019 Dec. 31, 2018 Dec. 31, 2017**

**Note 15 Convertible Notes Payable**

<u>Convertible notes payable, beginning</u>	\$ 192,717	\$ 0	\$ 0	
<u>Issue of notes payable</u>	0	188,893	0	
<u>Unrealized foreign exchange loss</u>	3,971	3,596	0	
<u>Interest expense</u>	3,842	228	0	
<u>Convertible notes payable, ending</u>	200,530	192,717	0	
<u>Less: non-current portion of notes payable</u>	200,530	192,717		\$ 0
<u>Current portion of convertible notes payable</u>	\$ 200,530	\$ 192,717	\$ 0	\$ 0

**NOTE 16: LOANS  
PAYABLE (Details) - USD  
(\$)**

**12 Months Ended**

**Dec. 31, 2020 Dec. 31, 2019 Dec. 31, 2018**

**Trade and other non-current payables [abstract]**

<u>Beginning of period</u>	\$ 761,711	\$ 717,460	\$ 676,849
<u>Acquisition of Kai Medical</u>	1,276,449	0	0
<u>Acquisition of Lawrence Park</u>	27,172	0	0
<u>Acquisition of 11000900 Canada Ltd.</u>	18,115	0	0
<u>CEBA loan</u>	31,417	0	0
<u>Accretion expense</u>	1,345	0	0
<u>Interest</u>	60,397	44,251	40,611
<u>Repayment</u>	(44,379)	0	0
<u>End of period</u>	2,132,227	761,711	717,460
<u>Less: Current portion of loans payable</u>	992,070	0	0
<u>Non-current portion of loans payable</u>	\$ 1,140,157	\$ 761,711	\$ 717,460

**NOTE 17: CONVERTIBLE  
DEBENTURES (Details) -  
USD (\$)**

**12 Months Ended**

**Dec. 31, 2020 Dec. 31, 2019 Dec. 31, 2018**

**Note 17 Convertible Debentures**

<u>Balance, beginning</u>	\$ 427,320	\$ 274,466	\$ 1,835,225
<u>Proceeds from Issuance of convertible debentures</u>	0	753,491	442,437
<u>Amount allocated to conversion option</u>	0	(753,491)	(172,386)
<u>Amount converted to units</u>	(732,796)	0	(2,129,728)
<u>Unrealized foreign exchange (gain) loss</u>	(23,378)	5,564	0
<u>Interest expense</u>	16,008	45,112	57,397
<u>Accretion expense</u>	312,846	102,178	241,521
<u>Balance, ending</u>	\$ 0	\$ 427,320	\$ 274,466



**NOTE 17: CONVERTIBLE  
DEBENTURES (Details 1) -  
USD (\$)**

**12 Months Ended**

**Dec. 31, 2020 Dec. 31, 2019 Dec. 31, 2018**

**Note 17 Convertible Debentures**

<u>Conversion feature, beginning</u>	\$ 2,795	\$ 22,565	\$ 1,038,562
<u>Amount allocated to conversion option</u>	0	753,491	172,386
<u>Amount converted to units</u>	0	(189,735)	(298,247)
<u>Gain on change in fair value of conversion feature</u>	(2,795)	(583,526)	(890,136)
<u>Conversion feature, ending</u>	\$ 0	\$ 2,795	\$ 22,565

**NOTE 17: CONVERTIBLE  
DEBENTURES (Details 2) -  
December 31, 2019**

**12 Months Ended  
Dec. 31, 2020  
USD (\$)  
\$ / shares**

**DisclosureOfConvertibleDebenturesLineItems [Line Items]**

<u>Unit price   \$ / shares</u>	\$ .03
<u>Expected volatility</u>	100.00%
<u>Expected dividend yield</u>	0.00%
<u>Risk-free rate</u>	1.71%
<u>Grant date fair value   \$ Minimum</u>	\$ 2,795

**DisclosureOfConvertibleDebenturesLineItems [Line Items]**

<u>Expected life</u>	3 months
<u>Maximum</u>	

**DisclosureOfConvertibleDebenturesLineItems [Line Items]**

<u>Expected life</u>	4 months 2 days
----------------------	-----------------

**NOTE 18: LEASE  
LIABILITY (Details) - USD  
(\$)**

**12 Months Ended  
Dec. 31, 2020 Dec. 31, 2019**

**DisclosureOfLeaseLiabilitiesLineItems [Line Items]**

<u>Lease liabilities, beginning</u>	\$ 734,896	\$ 0
<u>Acquisition of Kai Medical</u>	294,669	
<u>Acquisition of LP&amp;A</u>	45,595	
<u>Adoption of IFRS 16</u>		138,444
<u>Additions</u>		860,813
<u>Interest expense</u>	31,309	25,677
<u>Payments</u>	(226,400)	(203,712)
<u>Termination of leases</u>	(383,683)	(86,326)
<u>Lease liabilities, ending</u>	496,386	734,896
<u>Current portion of lease liability</u>	241,138	
<u>Less: non-current portion of lease liability</u>	255,248	515,096

Empower Clinics

**DisclosureOfLeaseLiabilitiesLineItems [Line Items]**

<u>Lease liabilities, beginning</u>	14,761	0
<u>Acquisition of Kai Medical</u>	0	
<u>Acquisition of LP&amp;A</u>	0	
<u>Adoption of IFRS 16</u>		138,444
<u>Additions</u>		23,006
<u>Interest expense</u>	568	4,318
<u>Payments</u>	(12,270)	(64,681)
<u>Termination of leases</u>	0	(86,326)
<u>Lease liabilities, ending</u>	3,059	14,761
<u>Current portion of lease liability</u>	3,059	
<u>Less: non-current portion of lease liability</u>	0	

Sun Valley Clinics

**DisclosureOfLeaseLiabilitiesLineItems [Line Items]**

<u>Lease liabilities, beginning</u>	332,150	0
<u>Acquisition of Kai Medical</u>	0	
<u>Acquisition of LP&amp;A</u>	0	
<u>Adoption of IFRS 16</u>		0
<u>Additions</u>		431,544
<u>Interest expense</u>	15,669	13,404
<u>Payments</u>	(173,139)	(112,798)
<u>Termination of leases</u>	0	0
<u>Lease liabilities, ending</u>	174,680	332,150
<u>Current portion of lease liability</u>	108,645	
<u>Less: non-current portion of lease liability</u>	66,035	

CBD Extraction Facility

**DisclosureOfLeaseLiabilitiesLineItems [Line Items]**

<u>Lease liabilities, beginning</u>	387,985	0
<u>Acquisition of Kai Medical</u>	0	
<u>Acquisition of LP&amp;A</u>	0	
<u>Adoption of IFRS 16</u>		0
<u>Additions</u>		406,263
<u>Interest expense</u>	11,103	7,955
<u>Payments</u>	(15,405)	(26,233)
<u>Termination of leases</u>	(383,683)	0
<u>Lease liabilities, ending</u>	0	387,985
<u>Current portion of lease liability</u>	0	
<u>Less: non-current portion of lease liability</u>	0	

Kai Medical

**DisclosureOfLeaseLiabilitiesLineItems [Line Items]**

<u>Lease liabilities, beginning</u>	0	0
<u>Acquisition of Kai Medical</u>	294,669	
<u>Acquisition of LP&amp;A</u>	0	
<u>Adoption of IFRS 16</u>		0
<u>Additions</u>		0
<u>Interest expense</u>	3,969	0
<u>Payments</u>	(25,586)	0
<u>Termination of leases</u>	0	0
<u>Lease liabilities, ending</u>	273,052	0
<u>Current portion of lease liability</u>	87,452	
<u>Less: non-current portion of lease liability</u>	185,600	

Lawrence Park & Atkinson

**DisclosureOfLeaseLiabilitiesLineItems [Line Items]**

<u>Lease liabilities, beginning</u>	0	0
<u>Acquisition of Kai Medical</u>	0	
<u>Acquisition of LP&amp;A</u>	45,595	
<u>Adoption of IFRS 16</u>		0
<u>Additions</u>		0
<u>Interest expense</u>	0	0
<u>Payments</u>	0	0
<u>Termination of leases</u>	0	0
<u>Lease liabilities, ending</u>	45,595	\$ 0
<u>Current portion of lease liability</u>	41,982	
<u>Less: non-current portion of lease liability</u>	\$ 3,613	

**NOTE 18: LEASE  
LIABILITY (Details  
Narrative) - USD (\$)**  
[Lease liabilities \[abstract\]](#)  
[Interest expense](#)

**12 Months Ended**  
**Dec. 31, 2020 Dec. 31, 2019**

\$ 46,885	\$ 92,349
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NOTE 19: WARRANT LIABILITY (Details)	Dec. 31, 2020 USD (\$) shares	Dec. 31, 2020 USD (\$) \$/ shares	12 Months Ended		Dec. 31, 2018 USD (\$) shares	Dec. 31, 2018 \$/ shares
			Dec. 31, 2019 USD (\$) shares	Dec. 31, 2019 USD (\$) \$/ shares		
<b><u>Disclosure of financial liabilities</u></b>						
<b><u>[abstract]</u></b>						
<u>Warrants outstanding, beginning   shares</u>	46,257,289		14,894,898		0	
<u>Issued   shares</u>	69,400,524		34,615,104		14,894,898	
<u>Exercised   shares</u>	(49,800,176)		(422,678)		0	
<u>Expired   shares</u>	(11,642,185)		(2,830,035)		0	
<u>Warrants outstanding, ending   shares</u>	54,215,452		46,257,289		14,894,898	
<u>Warrant exercise price, beginning   \$ / shares</u>		\$ .00		\$ .00		\$ .00
<u>Issued   \$ / shares</u>		.12		.18		.00
<u>Exercised   \$ / shares</u>		.13		.19		.00
<u>Expired   \$ / shares</u>		.39		.36		.00
<u>Warrant exercise price, ending   \$ / shares</u>		\$ .00		\$ .00		\$ .00
<u>Warrants, beginning</u>	\$ 106,312		\$ 106,172		\$ 0	
<u>Issued</u>	1,061,738		2,084,768		1,704,597	
<u>Exercised</u>	(5,341,149)		(18,847)		0	
<u>Expired</u>	0		0		0	
<u>Gain/loss on change in fair value of warrant liability</u>	11,886,796		(2,065,781)		(1,598,425)	
<u>Warrants, ending</u>	7,713,697		106,312		\$ 106,172	
<u>Less: Current portion of warrant liability</u>	1,416,113	\$ 1,416,113	0	\$ 0		
<u>Non-current portion of warrant liability</u>	\$ 6,297,584	\$ 6,297,584	\$ 106,312	\$ 106,312		

**NOTE 19: WARRANT  
LIABILITY (Details 1)**

**12 Months Ended  
Dec. 31, 2020  
\$ / shares  
shares**

**Disclosure of financial liabilities [line items]**

Warrants outstanding | shares 54,215,452  
Weighted average remaining life (in years) 1 year 4 months 20 days

CAD

**Disclosure of financial liabilities [line items]**

Exercise price | \$ / shares \$ 0.14

Warrant One

**Disclosure of financial liabilities [line items]**

Expiry date Apr. 02, 2021

Warrants outstanding | shares 7,643,637

Weighted average remaining life (in years) 3 months

Warrant One | CAD

**Disclosure of financial liabilities [line items]**

Exercise price | \$ / shares \$ 0.16

Warrant Two

**Disclosure of financial liabilities [line items]**

Expiry date May 03, 2021

Warrants outstanding | shares 2,559,470

Weighted average remaining life (in years) 4 months 2 days

Warrant Two | CAD

**Disclosure of financial liabilities [line items]**

Exercise price | \$ / shares \$ 0.16

Warrant Three

**Disclosure of financial liabilities [line items]**

Expiry date Jul. 22, 2021

Warrants outstanding | shares 1,018,245

Weighted average remaining life (in years) 6 months 22 days

Warrant Three | CAD

**Disclosure of financial liabilities [line items]**

Exercise price | \$ / shares \$ 0.16

Warrant Four

**Disclosure of financial liabilities [line items]**

Expiry date Aug. 12, 2021

Warrants outstanding | shares 928,817

Weighted average remaining life (in years) 7 months 10 days

Warrant Four | CAD

**Disclosure of financial liabilities [line items]**

Exercise price | \$ / shares \$ 0.16

Warrant Five

**Disclosure of financial liabilities [line items]**

Expiry date Aug. 19, 2021  
Warrants outstanding | shares 929,864  
Weighted average remaining life (in years) 7 months 17 days  
Warrant Five | CAD

**Disclosure of financial liabilities [line items]**

Exercise price | \$ / shares \$ 0.16  
Warrant Six

**Disclosure of financial liabilities [line items]**

Expiry date Sep. 13, 2021  
Warrants outstanding | shares 102,696  
Weighted average remaining life (in years) 8 months 12 days  
Warrant Six | CAD

**Disclosure of financial liabilities [line items]**

Exercise price | \$ / shares \$ 0.16  
Warrant Seven

**Disclosure of financial liabilities [line items]**

Expiry date Sep. 20, 2021  
Warrants outstanding | shares 102,812  
Weighted average remaining life (in years) 8 months 19 days  
Warrant Seven | CAD

**Disclosure of financial liabilities [line items]**

Exercise price | \$ / shares \$ 0.16  
Warrant Eight

**Disclosure of financial liabilities [line items]**

Expiry date Apr. 16, 2022  
Warrants outstanding | shares 5,200,000  
Weighted average remaining life (in years) 1 year 3 months 14 days  
Warrant Eight | CAD

**Disclosure of financial liabilities [line items]**

Exercise price | \$ / shares \$ 0.1  
Warrant Nine

**Disclosure of financial liabilities [line items]**

Expiry date Jul. 15, 2022  
Warrants outstanding | shares 5,416,700  
Weighted average remaining life (in years) 1 year 6 months 14 days  
Warrant Nine | CAD

**Disclosure of financial liabilities [line items]**

Exercise price | \$ / shares \$ 0.12  
Warrant Ten

**Disclosure of financial liabilities [line items]**

Expiry date Aug. 25, 2022  
Warrants outstanding | shares 1,500,000  
Weighted average remaining life (in years) 1 year 7 months 28 days



Warrant Ten | CAD

**Disclosure of financial liabilities [line items]**

Exercise price | \$ / shares \$ 0.05

Warrant Eleven

**Disclosure of financial liabilities [line items]**

Expiry date Sep. 09, 2022

Warrants outstanding | shares 3,746,080

Weighted average remaining life (in years) 1 year 8 months 8 days

Warrant Eleven | CAD

**Disclosure of financial liabilities [line items]**

Exercise price | \$ / shares \$ 0.31

Warrant Twelve

**Disclosure of financial liabilities [line items]**

Expiry date Nov. 09, 2022

Warrants outstanding | shares 24,567,131

Weighted average remaining life (in years) 1 year 10 months 10 days

Warrant Twelve | CAD

**Disclosure of financial liabilities [line items]**

Exercise price | \$ / shares \$ 0.12

Warrant Thirteen

**Disclosure of financial liabilities [line items]**

Expiry date Oct. 05, 2023

Warrants outstanding | shares 500,000

Weighted average remaining life (in years) 2 years 9 months 4 days

Warrant Thirteen | CAD

**Disclosure of financial liabilities [line items]**

Exercise price | \$ / shares \$ 0.05

**NOTE 20: EQUITY (Details)****12 Months Ended****Dec. 31, 2020****USD (\$)****\$ / shares****shares****Disclosure of financial liabilities [line items]**

<u>Number of warrants exercise and shares issued   shares</u>	50,290,026
<u>Weighted average exercise price   \$ / shares</u>	\$ 0.1056
<u>Cash received</u>	\$ 5,313,064
<u>Warrant liability transferred to share capital</u>	5,376,697
<u>Share capital</u>	\$ 10,689,762

**CAD****Disclosure of financial liabilities [line items]**

<u>Weighted average exercise price   \$ / shares</u>	\$ 0.13
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**Warrant One****Disclosure of financial liabilities [line items]**

<u>Issue date</u>	8-Dec-20
<u>Number of warrants exercise and shares issued   shares</u>	1,000,000
<u>Weighted average exercise price   \$ / shares</u>	\$ 0.0937
<u>Cash received</u>	\$ 93,691
<u>Warrant liability transferred to share capital</u>	121,464
<u>Share capital</u>	\$ 215,156

**Warrant One | CAD****Disclosure of financial liabilities [line items]**

<u>Weighted average exercise price   \$ / shares</u>	\$ 0.12
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**Warrant Two****Disclosure of financial liabilities [line items]**

<u>Issue date</u>	8-Dec-20
<u>Number of warrants exercise and shares issued   shares</u>	909,090
<u>Weighted average exercise price   \$ / shares</u>	\$ 0.1249
<u>Cash received</u>	\$ 113,565
<u>Warrant liability transferred to share capital</u>	97,647
<u>Share capital</u>	\$ 211,212

**Warrant Two | CAD****Disclosure of financial liabilities [line items]**

<u>Weighted average exercise price   \$ / shares</u>	\$ 0.16
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**Warrant Three****Disclosure of financial liabilities [line items]**

<u>Issue date</u>	9-Dec-20
<u>Number of warrants exercise and shares issued   shares</u>	9,125,000
<u>Weighted average exercise price   \$ / shares</u>	\$ 0.0781
<u>Cash received</u>	\$ 712,724
<u>Warrant liability transferred to share capital</u>	958,652
<u>Share capital</u>	\$ 1,671,375

Warrant Three | CAD

**Disclosure of financial liabilities [line items]**

Weighted average exercise price | \$ / shares \$ 0.1

Warrant Four

**Disclosure of financial liabilities [line items]**

Issue date 9-Dec-20

Number of warrants exercise and shares issued | shares 7,364,515

Weighted average exercise price | \$ / shares \$ 0.0937

Cash received \$ 690,262

Warrant liability transferred to share capital 675,387

Share capital \$ 1,365,648

Warrant Four | CAD

**Disclosure of financial liabilities [line items]**

Weighted average exercise price | \$ / shares \$ 0.12

Warrant Five

**Disclosure of financial liabilities [line items]**

Issue date 9-Dec-20

Number of warrants exercise and shares issued | shares 5,512,264

Weighted average exercise price | \$ / shares \$ 0.125

Cash received \$ 688,872

Warrant liability transferred to share capital 308,191

Share capital \$ 997,063

Warrant Five | CAD

**Disclosure of financial liabilities [line items]**

Weighted average exercise price | \$ / shares \$ 0.16

Warrant Six

**Disclosure of financial liabilities [line items]**

Issue date 10-Dec-20

Number of warrants exercise and shares issued | shares 2,000,000

Weighted average exercise price | \$ / shares \$ 0.0785

Cash received \$ 157,060

Warrant liability transferred to share capital 267,897

Share capital \$ 424,957

Warrant Six | CAD

**Disclosure of financial liabilities [line items]**

Weighted average exercise price | \$ / shares \$ 0.1

Warrant Seven

**Disclosure of financial liabilities [line items]**

Issue date 10-Dec-20

Number of warrants exercise and shares issued | shares 4,736,634

Weighted average exercise price | \$ / shares \$ 0.0942

Cash received \$ 446,361

Warrant liability transferred to share capital 607,619

Share capital \$ 1,053,980

Warrant Seven | CAD

**Disclosure of financial liabilities [line items]**

Weighted average exercise price | \$ / shares \$ 0.12

Warrant Eight

**Disclosure of financial liabilities [line items]**

Issue date 10-Dec-20

Number of warrants exercise and shares issued | shares 5,828,618

Weighted average exercise price | \$ / shares \$ 0.1256

Cash received \$ 732,353

Warrant liability transferred to share capital 484,975

Share capital \$ 1,217,328

Warrant Eight | CAD

**Disclosure of financial liabilities [line items]**

Weighted average exercise price | \$ / shares \$ 0.16

Warrant Nine

**Disclosure of financial liabilities [line items]**

Issue date 10-Dec-20

Number of warrants exercise and shares issued | shares 431,075

Weighted average exercise price | \$ / shares \$ 0.1492

Cash received \$ 64,319

Warrant liability transferred to share capital 20,324

Share capital \$ 84,643

Warrant Nine | CAD

**Disclosure of financial liabilities [line items]**

Weighted average exercise price | \$ / shares \$ 0.19

Warrant Ten

**Disclosure of financial liabilities [line items]**

Issue date 14-Dec-20

Number of warrants exercise and shares issued | shares 2,064,515

Weighted average exercise price | \$ / shares \$ 0.0941

Cash received \$ 194,201

Warrant liability transferred to share capital 407,762

Share capital \$ 601,963

Warrant Ten | CAD

**Disclosure of financial liabilities [line items]**

Weighted average exercise price | \$ / shares \$ 0.12

Warrant Eleven

**Disclosure of financial liabilities [line items]**

Issue date 14-Dec-20

Number of warrants exercise and shares issued | shares 2,192,728

Weighted average exercise price | \$ / shares \$ 0.1254

Cash received \$ 275,015

Warrant liability transferred to share capital 367,169

Share capital \$ 642,184

Warrant Eleven | CAD

**Disclosure of financial liabilities [line items]**

Weighted average exercise price | \$ / shares \$ 0.16

Warrant Twelve

**Disclosure of financial liabilities [line items]**

Issue date 15-Dec-20

Number of warrants exercise and shares issued | shares 5,300,000

Weighted average exercise price | \$ / shares \$ 0.1258

Cash received \$ 666,562

Warrant liability transferred to share capital 672,239

Share capital \$ 1,338,801

Warrant Twelve | CAD

**Disclosure of financial liabilities [line items]**

Weighted average exercise price | \$ / shares \$ 0.16

Warrant Thirteen

**Disclosure of financial liabilities [line items]**

Issue date 17-Dec-20

Number of warrants exercise and shares issued | shares 2,063,637

Weighted average exercise price | \$ / shares \$ 0.1258

Cash received \$ 259,618

Warrant liability transferred to share capital 194,262

Share capital \$ 453,880

Warrant Thirteen | CAD

**Disclosure of financial liabilities [line items]**

Weighted average exercise price | \$ / shares \$ 0.16

Warrant Fourteen

**Disclosure of financial liabilities [line items]**

Issue date 22-Dec-20

Number of warrants exercise and shares issued | shares 1,700,000

Weighted average exercise price | \$ / shares \$ 0.124

Cash received \$ 210,722

Warrant liability transferred to share capital 187,746

Share capital \$ 398,468

Warrant Fourteen | CAD

**Disclosure of financial liabilities [line items]**

Weighted average exercise price | \$ / shares \$ 0.16

Warrant Fifteen

**Disclosure of financial liabilities [line items]**

Issue date 28-Dec-20

Number of warrants exercise and shares issued | shares 61,950

Weighted average exercise price | \$ / shares \$ 0.1249

Cash received \$ 7,740

Warrant liability transferred to share capital 5,364

Share capital \$ 13,104

[Warrant Fifteen | CAD](#)

**[Disclosure of financial liabilities \[line items\]](#)**

[Weighted average exercise price | \\$ / shares](#) \$ 0.16

NOTE 20: EQUITY (Details 1)	12 Months Ended		
	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018
	shares \$ / shares	shares \$ / shares	shares \$ / shares
<b>Number of Share Options</b>			
<u>Options outstanding, beginning   shares</u>	10,450,000	76,000,000	3,300,000
<u>Options cancelled   shares</u>	6,967,761	(4,850,000)	0
<u>Options granted   shares</u>	(7,583,333)	7,700,000	4,300,000
<u>Options outstanding, ending   shares</u>	9,834,428	10,450,000	76,000,000
<u>Exercisable   shares</u>	9,084,428		
<b>Weighted Average Exercise Price</b>			
<u>Options outstanding, beginning   \$ / shares</u>	\$ .16	\$ .25	\$ .10
<u>Options cancelled   \$ / shares</u>	.07	.27	.00
<u>Options granted   \$ / shares</u>	.14	.14	.37
<u>Options outstanding, ending   \$ / shares</u>	.08	\$ .16	\$ .25
<u>Exercisable   \$ / shares</u>	\$ .08		

NOTE 20: EQUITY (Details 2)	12 Months Ended			
	Dec. 31, 2020 shares \$ / shares	Dec. 31, 2019 shares	Dec. 31, 2018 shares	Dec. 31, 2017 shares
<b><u>Disclosure of classes of share capital [line items]</u></b>				
<u>Number of options outstanding</u>	9,834,428	10,450,000	76,000,000	3,300,000
<u>Number of options exercisable</u>	9,084,428			
<u>Share Options</u>				
<b><u>Disclosure of classes of share capital [line items]</u></b>				
<u>Exercise price (C\$)   \$ / shares</u>	\$ 0.1			
<u>Number of options outstanding</u>	2,316,667			
<u>Weighted average exercise price (C\$)   \$ / shares</u>	\$ 0.1			
<u>Number of options exercisable</u>	2,316,667			
<u>Weighted average life of options (years)</u>	2 years 8 months 5 days			
<u>Share Options One</u>				
<b><u>Disclosure of classes of share capital [line items]</u></b>				
<u>Exercise price (C\$)   \$ / shares</u>	\$ 0.02			
<u>Number of options outstanding</u>	900,000			
<u>Weighted average exercise price (C\$)   \$ / shares</u>	\$ 0.02			
<u>Number of options exercisable</u>	900,000			
<u>Weighted average life of options (years)</u>	2 years 4 months 24 days			
<u>Share Options Two</u>				
<b><u>Disclosure of classes of share capital [line items]</u></b>				
<u>Exercise price (C\$)   \$ / shares</u>	\$ 0.26			
<u>Number of options outstanding</u>	250,000			
<u>Weighted average exercise price (C\$)   \$ / shares</u>	\$ 0.26			
<u>Number of options exercisable</u>	250,000			
<u>Weighted average life of options (years)</u>	2 years 9 months 18 days			
<u>Share Options Three</u>				
<b><u>Disclosure of classes of share capital [line items]</u></b>				
<u>Exercise price (C\$)   \$ / shares</u>	\$ 0.14			
<u>Number of options outstanding</u>	700,000			
<u>Weighted average exercise price (C\$)   \$ / shares</u>	\$ 0.14			
<u>Number of options exercisable</u>	700,000			



<u>Weighted average life of options (years)</u>	1 year 5 months 16 days
<u>Share Options Four</u>	
<b><u>Disclosure of classes of share capital [line items]</u></b>	
<u>Exercise price (C\$)   \$ / shares</u>	\$ 0.05
<u>Number of options outstanding</u>	2,749,666
<u>Weighted average exercise price (C\$)   \$ / shares</u>	\$ 0.05
<u>Number of options exercisable</u>	2,374,666
<u>Weighted average life of options (years)</u>	2 years 5 months 26 days

Share Options Five

**Disclosure of classes of share capital [line items]**

<u>Exercise price (C\$)   \$ / shares</u>	\$ 0.08
<u>Number of options outstanding</u>	1,500,000
<u>Weighted average exercise price (C\$)   \$ / shares</u>	\$ 0.08
<u>Number of options exercisable</u>	1,500,000
<u>Weighted average life of options (years)</u>	9 months 15 days

Share Options Six

**Disclosure of classes of share capital [line items]**

<u>Exercise price (C\$)   \$ / shares</u>	\$ 0.06
<u>Number of options outstanding</u>	1,150,000
<u>Weighted average exercise price (C\$)   \$ / shares</u>	\$ 0.06
<u>Number of options exercisable</u>	775,000
<u>Weighted average life of options (years)</u>	4 years 6 months 14 days

Share Options Seven

**Disclosure of classes of share capital [line items]**

<u>Exercise price (C\$)   \$ / shares</u>	\$ 0.21
<u>Number of options outstanding</u>	18,095
<u>Weighted average exercise price (C\$)   \$ / shares</u>	\$ 0.21
<u>Number of options exercisable</u>	18,095
<u>Weighted average life of options (years)</u>	4 years 11 months 23 days

Share Options Eight

**Disclosure of classes of share capital [line items]**

<u>Exercise price (C\$)   \$ / shares</u>	\$ 0.12
<u>Number of options outstanding</u>	250,000

<u>Weighted average exercise price (C\$)   \$ / shares</u>	\$ 0.12
<u>Number of options exercisable</u>	250,000
<u>Weighted average life of options (years)</u>	2 months 23 days

**NOTE 20: EQUITY (Details  
3)**

**12 Months Ended  
Dec. 31, 2020 Dec. 31, 2019 Dec. 31, 2018**

**Disclosure of classes of share capital [line items]**

<u>Risk-free interest rate</u>		1.34%	
<u>Expected life</u>			5 years
<u>Expected volatility</u>	100.00%	100.00%	100.00%
<u>Forfeiture rate</u>	0.00%	0.00%	0.00%
<u>Dividend rate</u>	0.00%	0.00%	0.00%
<u>Minimum</u>			

**Disclosure of classes of share capital [line items]**

<u>Risk-free interest rate</u>	0.20%		2.19%
<u>Expected life</u>	1 year	3 years	
<u>Maximum</u>			

**Disclosure of classes of share capital [line items]**

<u>Risk-free interest rate</u>	1.57%		2.37%
<u>Expected life</u>	5 years	5 years	

NOTE 20: EQUITY (Details 4)	12 Months Ended					
	Dec. 31, 2020 shares \$/ shares	Dec. 31, 2020 shares \$/ shares	Dec. 31, 2019 shares \$/ shares	Dec. 31, 2019 shares \$/ shares	Dec. 31, 2018 shares \$/ shares	Dec. 31, 2018 shares \$/ shares

### Number of Share Options

<u>Options outstanding, beginning   shares</u>	10,450,000	10,450,000	76,000,000	76,000,000	3,300,000	3,300,000
<u>Options granted   shares</u>	(7,583,333)	(7,583,333)	7,700,000	7,700,000	4,300,000	4,300,000
<u>Options outstanding, ending   shares</u>	9,834,428	9,834,428	10,450,000	10,450,000	76,000,000	76,000,000
<u>Exercisable   shares</u>	9,084,428	9,084,428				

### Weighted Average Exercise Price

<u>Options outstanding, beginning   \$ / shares</u>		\$ .16		\$ .25		\$ .10
<u>Options granted   \$ / shares</u>		.14		.14		.37
<u>Options outstanding, ending   \$ / shares</u>		.08		\$ .16		\$ .25
<u>Exercisable   \$ / shares</u>		\$ .08				

### Warrants

### Number of Share Options

<u>Options outstanding, beginning   shares</u>	1,504,818	1,504,818	627,378	627,378	0	0
<u>Options granted   shares</u>	1,916,000	1,916,000	877,440	877,440	627,378	627,378
<u>Options Exercised   shares</u>	(489,850)	(489,850)	0	0	0	0
<u>Options Expired   shares</u>	(627,068)	(627,068)	0	0	0	0
<u>Options outstanding, ending   shares</u>	2,303,900	2,303,900	1,504,818	1,504,818	627,378	627,378

### Weighted Average Exercise Price

<u>Options outstanding, beginning   \$ / shares</u>	\$ .24		\$ .31		\$ .00	
<u>Options granted   \$ / shares</u>	.12		.16		.31	
<u>Options Exercised   \$ / shares</u>	.16		.00		.00	
<u>Options Expired   \$ / shares</u>	.31		.00		.00	
<u>Options outstanding, ending   \$ / shares</u>	\$ .13		\$ .24		\$ .31	

**NOTE 20: EQUITY (Details  
5)**

**12 Months Ended  
Dec. 31, 2020  
\$ / shares  
shares**

**Statement Line Items [Line Items]**

<u>Number of warrants   shares</u>	2,303,900
<u>Weighted average exercise price (\$C)   \$ / shares</u>	\$ 0.13
<u>Weighted average remaining life (in years)</u>	1 year 6 months 14 days

Agent Share Purchase Warrants 1

**Statement Line Items [Line Items]**

<u>Expiry date</u>	2-Apr-21
<u>Number of warrants   shares</u>	363,900
<u>Weighted average exercise price (\$C)   \$ / shares</u>	\$ 0.16
<u>Weighted average remaining life (in years)</u>	3 months

Agent Share Purchase Warrants 2

**Statement Line Items [Line Items]**

<u>Expiry date</u>	3-May-21
<u>Number of warrants   shares</u>	60,000
<u>Weighted average exercise price (\$C)   \$ / shares</u>	\$ 0.16
<u>Weighted average remaining life (in years)</u>	4 months 2 days

Agent Share Purchase Warrants 3

**Statement Line Items [Line Items]**

<u>Expiry date</u>	16-Apr-22
<u>Number of warrants   shares</u>	60,000
<u>Weighted average exercise price (\$C)   \$ / shares</u>	\$ 0.1
<u>Weighted average remaining life (in years)</u>	1 year 3 months 14 days

Agent Share Purchase Warrants 4

**Statement Line Items [Line Items]**

<u>Expiry date</u>	15-Jul-22
<u>Number of warrants   shares</u>	60,000
<u>Weighted average exercise price (\$C)   \$ / shares</u>	\$ 0.12
<u>Weighted average remaining life (in years)</u>	1 year 6 months 14 days

Agent Share Purchase Warrants 5

**Statement Line Items [Line Items]**

<u>Expiry date</u>	9-Nov-22
<u>Number of warrants   shares</u>	1,760,000
<u>Weighted average exercise price (\$C)   \$ / shares</u>	\$ 0.12
<u>Weighted average remaining life (in years)</u>	1 year 10 months 10 days

**NOTE 20: EQUITY (Details  
6)**

**12 Months Ended  
Dec. 31, 2020 Dec. 31, 2019 Dec. 31, 2018**

**Disclosure of classes of share capital [line items]**

<u>Risk-free interest rate</u>		1.34%	
<u>Expected life</u>			5 years
<u>Expected volatility</u>	100.00%	100.00%	100.00%
<u>Forfeiture rate</u>	0.00%	0.00%	0.00%
<u>Dividend rate</u>	0.00%	0.00%	0.00%
<u>Minimum</u>			

**Disclosure of classes of share capital [line items]**

<u>Risk-free interest rate</u>	0.20%		2.19%
<u>Expected life</u>	1 year	3 years	
<u>Maximum</u>			

**Disclosure of classes of share capital [line items]**

<u>Risk-free interest rate</u>	1.57%		2.37%
<u>Expected life</u>	5 years	5 years	
<u>Warrants</u>			

**Disclosure of classes of share capital [line items]**

<u>Risk-free interest rate</u>			1.87%
<u>Expected life</u>	2 years	2 years	2 years
<u>Expected volatility</u>	100.00%	100.00%	100.00%
<u>Forfeiture rate</u>	0.00%	0.00%	0.00%
<u>Dividend rate</u>	0.00%	0.00%	0.00%
<u>Warrants   Minimum</u>			

**Disclosure of classes of share capital [line items]**

<u>Risk-free interest rate</u>	0.24%	1.56%	
<u>Warrants   Maximum</u>			

**Disclosure of classes of share capital [line items]**

<u>Risk-free interest rate</u>	0.34%	1.67%	
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**NOTE 21: OPERATING  
EXPENSES (Details) - USD  
(\$)**

**12 Months Ended**

**Dec. 31, 2020 Dec. 31, 2019 Dec. 31, 2018**

**Note 21 Operating Expenses**

<u>Salaries and benefits</u>	\$ 1,763,761	\$ 1,985,735	\$ 1,786,804
<u>Rent</u>	46,885	84,924	272,768
<u>Advertising and promotion</u>	1,031,297	313,870	306,799
<u>Telephone and internet</u>	165,107	106,841	97,028
<u>Penalties</u>	471,000	165,000	0
<u>Other</u>	469,358	277,249	54,282
<u>Operating expenses</u>	\$ 3,947,408	\$ 2,933,619	\$ 2,517,681

**NOTE 22:  
RESTRUCTURING  
EXPENSE (Details  
Narrative) - USD (\$)**

**12 Months Ended**

**Dec. 31, 2020 Dec. 31, 2019 Dec. 31, 2018**

**Note 22 Restructuring Expense**

<b><u>Restructuring expense</u></b>	<b>\$ 0</b>	<b>\$ 88,808</b>	<b>\$ 110,424</b>
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**NOTE 23: INCOME TAXES**  
**(Details) - USD (\$)**

**12 Months Ended**  
**Dec. 31, 2020 Dec. 31, 2019 Dec. 31, 2018**

**Note 17 Income Taxes**

<u>Loss before taxes</u>	\$ (17,066,311)	\$ (4,301,663)	\$ (3,789,918)
<u>Combined Canadian federal and provincial income tax rates</u>	27.00%	27.00%	27.00%
<u>Expected income tax recovery</u>	\$ (4,607,900)	\$ (1,161,450)	\$ (1,023,280)
<b><u>Items that cause an increase (decrease):</u></b>			
<u>Effect of different tax rates in foreign jurisdiction</u>	24,800	82,490	35,690
<u>Non-deductible expenses less other permanent differences</u>	217,225	(367,360)	294,780
<u>Loss on change in fair value of warrant liability</u>	3,209,435	0	0
<u>Tax rate changes</u>	(74,050)	8,700	152,650
<u>Share issuance costs and other</u>	(1,910)	(36,010)	1,690
<u>Change in tax benefits not recognized</u>	1,232,400	1,473,630	538,470
<u>Income tax recovery</u>	\$ 0	\$ 0	\$ 0

**NOTE 23: INCOME TAXES**  
**(Details 1) - USD (\$)**

**Dec. 31, 2020 Dec. 31, 2019**

**Deferred tax assets:**

<u>Non-capital losses</u>	\$ 19,890,140	\$ 11,870,240
<u>Property and equipment</u>	(1,007,630)	31,080
<u>Intangible assets</u>	674,140	485,390
<u>Right of use assets net of lease liability</u>	13,530	25,060
<u>Accrued fees and compensation</u>	0	264,360
<u>Share issue costs</u>	308,660	340,880
<u>Capital losses carried forward</u>	5,420	5,420
<u>Unrealized foreign exchange loss</u>	1,880	1,880
<u>Goodwill</u>	2,216,710	2,266,520
<u>Deferred tax assets, net</u>	\$ 22,102,850	\$ 15,290,830

**NOTE 24:  
SUPPLEMENTAL  
DISCLOSURE WITH  
RESPECT TO CASH  
FLOWS (Details) - USD (\$)**

**12 Months Ended**

**Dec. 31, 2020 Dec. 31, 2019 Dec. 31, 2018**

**Note 18 Supplemental Disclosure With Respect To Cash Flows**

<u>Shares issued for acquisition of Sun Valley</u>	\$ 0	\$ 3,047,682	\$ 0
<u>Stock options granted for acquisition of Kai Medical</u>	10,025	0	0
<u>Warrants issued for acquisition of Kai Medical</u>	10,025	0	0
<u>Cash payable for the acquisition of LP&amp;A</u>	58,907	0	0
<u>Stock options granted for acquisition of LP&amp;A</u>	344,110	0	0
<u>Shares issued for acquisition of LP&amp;A</u>	1,147,925	0	0
<u>Share-based payments</u>	323,799	608,944	892,417
<u>Shares issued for compensation</u>	0	304,721	0
<u>Shares returned to treasury</u>	0	(477,180)	0
<u>Shares returned to treasury</u>	0	(477,180)	0
<u>Shares issued as debt settlement</u>	219,150	184,291	0
<u>Shares issued as settlement of convertible debenture</u>	621,353	189,735	0
<u>Shares issued as settlement of accounts payable</u>	0	483,098	0
<u>Warrants issued to agents</u>	49,782	66,405	0
<u>Shares issued for services</u>	547,641	122,932	0
<u>Shares issued to agents</u>	0	20,255	0
<u>Vesting of escrow shares</u>	193,025	0	0
<u>Conversion of convertible debt to share purchase warrants</u>	0	0	1,292,265
<u>Shares issued to marketing services company</u>	0	0	477,180
<u>Shares issued to former CEO</u>	0	0	477,180
<u>Conversion of notes payable into units</u>	0	0	114,567
<u>Total non-cash transactions</u>	\$ 3,525,742	\$ 4,073,703	\$ 3,253,609

**NOTE 25: FINANCIAL  
INSTRUMENTS AND RISK  
MANAGEMENT (Details) -  
USD (\$)**

**Dec. 31, 2020 Dec. 31, 2019**

**Note 19 Financial Instruments And Risk Management**

**Canadian dollar net monetary liabilities**

**\$ 2,434,448 \$ 2,434,448**

**NOTE 25: FINANCIAL  
INSTRUMENTS AND RISK  
MANAGEMENT (Details  
narrative) - USD (\$)**

**12 Months Ended**

**Dec. 31, 2020 Dec. 31, 2019**

**Note 19 Financial Instruments And Risk Management**

<u>Increase/decrease in monetary assets and liabilities</u>	\$ 534,108	\$ 316,186
<u>Cash balance</u>	4,889,824	179,153
<u>Current liabilities</u>	\$ 7,000,937	\$ 4,449,224

**NOTE 26: RELATED  
PARTY TRANSACTIONS  
(Details) - USD (\$)**

**12 Months Ended  
Dec. 31, 2020 Dec. 31, 2019 Dec. 31, 2018**

**Disclosure of transactions between related parties [abstract]**

<u>Salaries and benefits</u>	\$ 341,601	\$ 734,655	\$ 1,063,748
<u>Share-based payments</u>	12,159	556,040	892,417
<u>Directors fees</u>	7,500	11,250	0
<u>Key management compensation</u>	\$ 361,260	\$ 1,301,945	\$ 1,956,165

**NOTE 27: MANAGEMENT  
OF CAPITAL (Details) -  
USD (\$)**

**Dec. 31, 2020 Dec. 31, 2019 Dec. 31, 2018 Dec. 31, 2017**

**Note 21 Management Of Capital**

<u>Deficit</u>	\$ (5,490,401)	\$ (3,514,913)	\$ (2,996,220)	\$ (4,806,862)
<u>Notes payable</u>	708,361	969,891		760,715
<u>Convertible debentures payable</u>	0	427,320	274,466	1,835,225
<u>Convertible notes payable</u>	200,530	192,717	\$ 0	\$ 0
<u>Current portion of loans payable</u>	992,070	761,711		
<u>Loans payable</u>	1,140,157	0		
<u>Gross</u>	(2,449,283)	(1,163,274)		
<u>Less: cash</u>	(4,889,824)	(179,153)		
<u>Net</u>	\$ (7,339,107)	\$ (1,342,427)		

**NOTE 28:  
COMMITMENTS AND  
CONTINGENCIES (Details)  
- USD (\$)**

**Dec. 31, 2020 Dec. 31, 2019 Dec. 31, 2018 Dec. 31, 2017**

**Maturity analysis of financial liabilities**

<u>Accounts payables and accrued liabilities</u>	\$ 3,442,725	\$ 1,874,990		
<u>Loans payable</u>	2,132,227			
<u>Notes payable</u>	708,361	969,891		\$ 760,715
<u>Convertible notes payable</u>	200,530	192,717	\$ 0	\$ 0
<u>Lease payments</u>	496,386	\$ 734,896	\$ 0	
<u>Total financial liabilities</u>	6,980,229			

**Within 1 Year**

**Maturity analysis of financial liabilities**

<u>Accounts payables and accrued liabilities</u>	3,442,725
<u>Loans payable</u>	992,070
<u>Notes payable</u>	708,361
<u>Convertible notes payable</u>	200,530
<u>Lease payments</u>	241,138
<u>Total financial liabilities</u>	5,584,824

**2 - 5 Years**

**Maturity analysis of financial liabilities**

<u>Accounts payables and accrued liabilities</u>	0
<u>Loans payable</u>	143,624
<u>Notes payable</u>	0
<u>Convertible notes payable</u>	0
<u>Lease payments</u>	255,248
<u>Total financial liabilities</u>	398,872

**Greater Than 5 Years**

**Maturity analysis of financial liabilities**

<u>Accounts payables and accrued liabilities</u>	0
<u>Loans payable</u>	996,533
<u>Notes payable</u>	0
<u>Convertible notes payable</u>	0
<u>Lease payments</u>	0
<u>Total financial liabilities</u>	\$ 996,533