ADIRA ENERGY LTD.

CSE FORM 2A
LISTING STATEMENT

EMPOWER

CLINICS

This Listing Statement concerns an entity (the Resulting Issuer, as defined below) that is expected to derive its revenues from the cannabis industry in certain U.S. states, which industry is illegal under U.S. federal law. Currently, neither the Corporation nor SMAART (as both terms are defined below) are directly engaged in the manufacture, importation, possession, use, sale or distribution of cannabis in the recreational cannabis marketplace in either Canada or the United States, nor is either company directly engaged in the manufacture, importation, possession, use, sale or distribution of cannabis in the medical cannabis marketplace in the United States. As a result of the conflicting views between state legislatures and the federal government regarding cannabis, investments in cannabis businesses in the United States are subject to inconsistent legislation and regulation. As such, there are a number of risks associated with the Resulting Issuer's existing and future investments in the United States. For the reasons set forth above, the Resulting Issuer's interests in the United States cannabis market, and future investments, if any, may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies and other authorities in Canada.

It has been reported by certain publications in Canada that CDS (as defined below) may implement policies that would see its subsidiary, CDS, refuse to settle trades for cannabis issuers that have investments in the United States. CDS is Canada's central securities depository, clearing and settlement hub settling trades in the Canadian equity, fixed income and money markets. The TMX Group, the owner and operator of CDS, subsequently issued a statement on August 17, 2017 reaffirming that there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States, despite media reports to the contrary, and that the TMX Group was working with regulators to arrive at a solution that will clarify this matter, which would be communicated at a later time. On November 24, 2017, The TMX Group issued a further statement acknowledging that the matter is a complex one which touches multiple aspects of Canada's capital market system, and as such requires close examination and careful consideration. The TMX Group noted that CDS continues to work with regulators and exchanges to arrive at a solution that will clarify this matter for issuers, investors, participants and the public. This solution will be founded

on each exchange's role in applying listing requirements, including exchange rules related to issuers' compliance with applicable laws. In the meantime, The TMX Group reiterated there is no CDS ban on the clearing of securities of issuers with marijuana-related activities in the U.S. However, if such a ban were to be implemented, it could have a material adverse effect on the ability of security holders of the Resulting Issuer to make and settle trades. In particular, such securities could become highly illiquid, and until an alternative was implemented, investors might have no ability to effect a trade of the securities through the facilities of a stock exchange.

See "Risk Factors"- "U.S. Federal Regulation", "Variation in Regulation", "Marijuana Remains Illegal Under US Federal Law" and "Trading of Shares Through an Intermediary" for additional information concerning the foregoing.

The current business of SMAART and the proposed business of the Resulting Issuer takes place entirely in the United States. The SMAART business operating under the name Empower Clinics is a network of physician-staffed medical cannabis clinics. In addition to the clinic business, Empower also expects to garner royalties from the sale of proprietary medical cannabis products manufactured, dispensed, and delivered by third party channel partners. Empower seeks to create a leading nationwide brand of trusted products and services for the medical cannabis industry, enabling patients to more effectively and affordably address areas such as chronic pain, Epilepsy, PTSD, insomnia and other chronic ailments.

Empower clinics and the Sollievo products as outlined below operate separately and independently and should in no way create a conflict for our current employees or doctors. Regardless, to address any potential conflicts of interest, (i) Sollievo branded products will generally be distributed in states where Empower clinics do not currently exist and in cases where clinics do exist, there will be safeguards to ensure no conflicts occur, including that dispensaries that have royalty or any other arrangement with an Empower clinic, will not carry Sollievo branded products; (ii) no incentives (monetary or in any other form) will be provided to doctors to prescribe or recommend the Resulting Issuer's Sollievo branded products; and(iii) should the Resulting Issuer's Sollievo brand offer a product that may be appropriate for a patient, the Sollievo branded product will only be recommended by the doctors as one of several recommended products (together with similar products from other brands) or as a product without discussion or reference to the Sollievo brand name. The Issuer has provided an undertaking to the Ontario Securities Commission (the "OSC") that (i) the Resulting Issuer will continue to implement all conflict of interest measures described herein and in the event that these measures are altered, the Resulting Issuer will notify the OSC, issue a press release and file a material change report with respect to same; and (ii) the Resulting Issuer will disclose in its annual and interim MD&As on a going-forward basis that the measures to address potential conflicts of interest as outlined above continue to be in effect.

Empower currently operates five fixed clinics and 10 mobile clinics located across the states of Oregon and Washington with the scheduled opening of a Chicago based clinic in the second quarter of 2018.

April 16, 2018

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GLOSSARY

The following is a glossary of certain general terms used in this Listing Statement of Adira, including the summary hereof. Terms and abbreviations used in the financial statements included in, or appended to this Listing Statement are defined separately and the terms and abbreviations defined below are not used therein, except where otherwise indicated. Where the context requires, words importing the singular include the plural and vice versa and words importing any gender include both genders.

"**Adira**" or the "**Corporation**" means, prior to giving effect to the Name Change, Consolidation and completion of the Transaction, Adira Energy Ltd., a Company currently listed for trading on the TSXV;

"**Adira Board**" means the board of directors of Adira;

"**Adira MD&A**" means the management discussions and analyses of Adira for:

(a) the financial year ended December 31, 2015;

(b) the financial year ended December 31, 2016; and

(c) for the nine month period ended September 30, 2017.

"**Adira Shareholders**" means the holders of Adira Shares;

"**Adira Shares**" means common shares in the capital of Adira;

"**Adira Stock Option Plan**" means the stock option plan of Adira;

"**Adira Warrants**" means warrants to purchase Adira Shares exercisable at a price of $0.05 per Adira Share;

"**Affiliate**" means a Company that is affiliated with another Company as described below.

A Company is an "Affiliate" of another Company if:

(a) one of them is the subsidiary of the other, or

(b) each of them is controlled by the same Person.

A Company is "controlled" by a Person if:

(a) voting securities of the Company are held, other than by way of security only, by or for the benefit of that Person, and

(b) the voting securities, if voted, entitle the Person to elect a majority of the directors of the Company.

A Person beneficially owns securities that are beneficially owned by:

(a) a Company controlled by that Person, or

(b) an Affiliate of that Person or an Affiliate of any Company controlled by that Person;

"**Amalgamation Agreement**" means the agreement entered into on Closing between Adira, SMAART and certain SMAART Shareholders providing for, among other things, the completion of the Transaction;

"**Available Funds**" means the funds that will be available to the Resulting Issuer upon completion of the Transaction;

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

"**CBCA**" means the *Canada Business Corporations Act*;

"**Closing**" means the closing of the Transaction;

"**Company**" means unless specifically indicated otherwise, means a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual;

"**Concurrent Financing**" means the proposed private placement of Resulting Issuer Shares at CDN$0.31 for gross proceeds of greater than CDN$2,000,000 and estimated to be CDN$2,600,000, and in connection therewith, the Resulting Issuer may pay a corporate finance fee to certain persons of up to an eight percent (8%) cash commission and corporate finance warrants of up to eight percent (8%) of the number of securities issued in connection with the Concurrent Financing;

"**Consolidation**" means the consolidation of Adira Shares on the basis of one (1) post-Consolidation Adira Share for each 6.726254 pre-Consolidation Adira Shares;

"**Control Person**" means any person or Company that holds or is one of a combination of persons or companies that holds a sufficient number of any of the securities of an issuer so as to affect materially the control of that issuer, or that holds more than 20% of the outstanding voting securities of an issuer except where there is evidence showing that the holder of those securities does not materially affect the control of the issuer;

"**CSE**" means the Canadian Securities Exchange;

"**CSE Policies**" means the policies and procedures of the CSE;

"**EHC**" means Empower Healthcare Corporation, a wholly owned subsidiary of SMAART US;

"**Empower**" means the network of medical cannabis clinics operated by SMAART under the name "Empower Clinics";

"**Escrow Agent**" means Computershare Investor Services Inc.;

"**Escrow Agreement**" means the escrow agreement dated as of the date of Closing between the Resulting Issuer, the Escrow Agent and the Principals of the Resulting Issuer upon the completion of the Transaction;

"**Exchange Ratio**" means one Resulting Issuer Share for each 6.726254 SMAART Shares;

"**Final Exchange Bulletin**" means the Exchange Bulletin issued following the Closing and the submission of all required documentation that evidences the final CSE acceptance of the Transaction and the listing of the Resulting Issuer Shares;

"**GAAP**" means generally accepted accounting principles approved by the Canadian Institute of Chartered Accountants or its successor, including IFRS, as applicable;

"**Governmental Entity**" means any government, parliament, legislature, regulatory authority, governmental department, agency, commission, board, tribunal, crown corporation, court or other law, rule or regulation-making entity having jurisdiction or exercising executive, legislative, judicial, regulatory or administrative powers on behalf of any federation or nation, or any province, territory, state or other subdivision thereof or any municipality, district or other subdivision thereof, including, for greater certainty and without limitation, any Securities Authorities;

"**Initial Listing Requirements**" means the minimum financial, distribution and other standards that must be met by an Issuer seeking a listing on the CSE;

"**Insider**" if used in relation to an Issuer, means:

(a) a director or senior officer of the Issuer;

(b) a director or senior officer of the Company that is an Insider or subsidiary of the Issuer;

(c) a Person that beneficially owns or controls, directly or indirectly, Voting Shares carrying more than 10% of the voting rights attached to all outstanding Voting Shares of the Issuer; or

(d) the Issuer itself if it holds any of its own securities;

"**Laws**" means all statutes, codes, ordinances, regulations, statutory rules, published policies, published guidelines and terms and conditions of any grant of approval, permission, authority or license of any Governmental Entity, and the term "applicable" with respect to such Laws, and in the context that refers to one or more Persons, means that such Laws apply to such Person or Persons or its or their business, undertaking, property or securities and emanate from a Governmental Entity having jurisdiction over the Person or Persons or its or their business, undertaking, property or securities (all references herein to a specific statute being deemed to include all applicable rules, regulations, rulings, orders and forms made or promulgated under such statute and the published policies and published guidelines of the Governmental Authorities administering such statute) and shall include the published rules and policies of the CSE;

"Letter of Intent" means the letter agreement dated November 4, 2015, as subsequently amended and superseded on August 9 , 2017 between Adira and SMAART providing for, among other things, a business combination between Adira and SMAART to be given effect by way of merger, statutory amalgamation, 3-corner amalgamation, plan of arrangement, share purchase, takeover, or other business combination;

"**Listing Statement**" means this listing statement, including the Schedules attached hereto, of Adira describing the Transaction and prepared in accordance with Form 2A of the CSE Policies;

"**Material Adverse Effect**" means, when used in connection with Adira or SMAART, as applicable, any event, condition or change which individually or in the aggregate constitutes, or would reasonably be expected to have, a material adverse effect on their respective business assets, liabilities, condition (financial or otherwise) or results of operations on a consolidated basis; provided, however, that the determination of whether a Material Adverse Effect has occurred shall be made ignoring any event, change, fact or effect resulting from: (i) any change in GAAP or Laws or interpretation thereof; (ii) any generally applicable change or development in economic, regulatory, business or financial market conditions; (iii) any acts of terrorism or war; (iv) the execution or announcement of the Amalgamation Agreement; (v) in respect of Adira, any breach of the Amalgamation Agreement by Adira; and (vi) in respect of SMAART, any breach of the Amalgamation Agreement by SMAART;

"**Name Change**" means a change of name of Adira from "Adira Energy Ltd." to "Empower Clinics Inc." or such other name as is agreed to by Adira and SMAART;

"**Named Executive Officers**" means the three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity (other than the chief executive officer and chief financial officer) as at the most recently completed financial year end whose total compensation for the most recently completed financial year was individually $150,000 or greater;

"**Non-Arm's Length Party**" means in relation to a Company, a promoter, officer, director, other Insider or Control Person of that Company (including an Issuer) and any Associates or Affiliates of any of such Persons. In relation to an individual, means any Associate of the individual or any Company of which the individual is a promoter, officer, director, Insider or Control Person;

"**NP 46-201**" means National Policy 46-201- *Escrow for Initial Public Offerings*;

"**OBCA**" means the *Business Corporations Act* (Ontario);

"**Person**" means a Company or individual;

"**Pro Forma Consolidated Financial Statements**" means the unaudited *pro forma* consolidated financial statements of the Resulting Issuer as at September 30, 2017;

"**Promoter**" means (a) a person or company who, acting alone or in conjunction with one or more other persons, companies or a combination thereof, directly or indirectly, takes the initiative in founding, organizing or substantially reorganizing the business of an issuer; or (b) a person or company who, in connection with the founding, organizing or substantial reorganizing of the business

of an issuer, directly or indirectly, receives in consideration of services or property, or both services and property, ten percent (10%) or more of any class of securities of the issuer or ten percent (10%) or more of the proceeds from the sale of any class of securities of a particular issue, but a person or company who receives such securities or proceeds either solely as underwriting commissions or solely in consideration of property shall not be deemed a promoter within the meaning of this definition if such person or company does not otherwise take part in founding, organizing, or substantially reorganizing the business;

"**Resulting Issuer**" means Adira following the completion of the Transaction and the issuance of the Final Exchange Bulletin;

"**Resulting Issuer Board**" means the board of directors of the Resulting Issuer;

"**Resulting Issuer Escrow Shares**" means the Resulting Issuer Shares held in escrow pursuant to the CSE Policies;

"**Resulting Issuer Options**" means options to acquire Resulting Issuer Shares pursuant to the Resulting Issuer Stock Option Plan;

"**Resulting Issuer Shares**" means common shares in the capital of the Resulting Issuer following the Consolidation and Name Change;

"**Resulting Issuer Stock Option Plan**" means the stock option plan of the Resulting Issuer;

"**Resulting Issuer Warrants**" means the Adira Warrants exchanged pursuant to the Exchange Ratio following the completion of the Transaction;

"**SMAART**" means SMAART Holdings Inc., a corporation incorporated pursuant to the BCBCA;

"**SMAART Board**" means the board of directors of SMAART;

"**SMAART Debentures**" means $2,706,808 principal amount of demand indebtedness of SMAART, all of which is convertible into Resulting Issuer Shares at a 25% discount to the price used in the Concurrent Financing;

"**SMAART Financial Statements**" means the consolidated audited financial statements of SMAART and the SMAART Subsidiaries for the periods ended September 30, 2017, December 31, 2016 and December 31, 2015 and the notes thereto;

"**SMAART US**" means SMAART Holdings Corp., a wholly owned subsidiary of SMAART incorporated pursuant to the laws of Nevada;

"**SMAART MD&A**" means the management's discussion and analysis of SMAART for the period beginning June 12, 2015 and ended September 30, 2017;

"**SMAART Options**" means the 3,300,000 options to purchase SMAART Shares that shall be exchanged for Resulting Issuer Options on Closing;

“**SMAART Shareholders**” means the holders of the SMAART Shares;

“**SMAART Shares**” means common shares in the capital of SMAART;

“**SMAART Subsidiaries**” means all of the subsidiaries of SMAART, held directly and indirectly, being SMAART US, EHC, THCCO, THCCW, SMAART Inc. CanMed Solutions Inc. and THCF Access Points;

“**SMAART Warrants**” means the 11,642,185 warrants to purchase SMAART Shares issuable upon the conversion of the SMAART Debentures;

“**Tax Act**” means the *Income Tax Act* (Canada);

“THCCO” means The Hemp & Cannabis Company (Oregon), a wholly owned subsidiary of SMAART US;

“THCCW” means The Hemp & Cannabis Company (Washington), a wholly owned subsidiary of SMAART US;

“**THCF Access Points**” means THCF Access Points, Inc., a company incorporated pursuant to the laws of Oregon;

“**Transaction**” means the agreement pursuant to which all of the issued and outstanding SMAART Shares and certain of the SMAART Debentures will be exchanged for Resulting Issuer Shares and the Resulting Issuer will carry on the business currently carried on by SMAART and the SMAART Subsidiaries, pursuant to the terms and conditions of the Amalgamation Agreement as more particularly described in this Listing Statement; and

“**TSXV**” means the TSX Venture Exchange.

Forward-Looking Statements

The information provided in this listing statement (the “**Listing Statement**”), including information incorporated by reference, may contain “forward-looking statements” about Adira, SMAART and the Resulting Issuer. In addition, the Resulting Issuer may make or approve certain statements in future filings with Canadian securities regulatory authorities, in press releases, or in oral or written presentations by representatives of the Resulting Issuer that are not statements of historical fact and may also constitute forward-looking statements. All statements, other than statements of historical fact, made by the Issuer that address activities, events or developments that the Resulting Issuer expects or anticipates will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as “may”, “will”, “would”, “could”, “should”, “believes”, “estimates”, “projects”, “potential”, “expects”, “plans”, “intends”, “anticipates”, “targeted”, “continues”, “forecasts”, “designed”, “goal”, or the negative of those words or other similar or comparable words.

Forward-looking statements may relate to future financial conditions, results of operations, plans, objectives, performance or business developments. These statements speak only as at the date

they are made and are based on information currently available and on the then current expectations of the Resulting Issuer and SMAART and assumptions concerning future events, which are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from that which was expressed or implied by such forward-looking statements, including, but not limited to, risks and uncertainties related to:

- the availability of financing opportunities, legal and regulatory risks inherent in the medical marijuana industry, risks associated with economic conditions, dependence on management and currency risk; and
- other risks described in this Listing Statement and described from time to time in documents filed by the Resulting Issuer with Canadian securities regulatory authorities.

Consequently, all forward-looking statements made in this Listing Statement and other documents of the Resulting Issuer are qualified by such cautionary statements and there can be no assurance that the anticipated results or developments will actually be realized or, even if realized, that they will have the expected consequences to or effects on the Resulting Issuer or SMAART. The cautionary statements contained or referred to in this section should be considered in connection with any subsequent written or oral forward-looking statements that the Issuer and/or persons acting on its behalf may issue. The Resulting Issuer and SMAART undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required under securities legislation. See *Section 17 – Risk Factors*.

Currency

All References in this Listing Statement to “$” or “dollars” refer to United States dollars while references to “$CDN” refer to Canadian dollars.

Market and Industry Data

This Listing Statement includes market and industry data that has been obtained from third party sources, including industry publications. The Issuer believes that its industry data is accurate and that its estimates and assumptions are reasonable, but there is no assurance as to the accuracy or completeness of this data. Third party sources generally state that the information contained therein has been obtained from sources believed to be reliable, but there is no assurance as to the accuracy or completeness of included information. Although the data is believed to be reliable, neither Adira nor SMAART have independently verified any of the data from third party sources referred to in this Listing Statement or ascertained the underlying economic assumptions relied upon by such sources.

2. CORPORATE STRUCTURE

2.1(a) Corporate Name and Head and Registered Office – Adira

The Corporation’s corporate name is Adira Energy Ltd., and its registered address is located at 4101 Yonge Street, Suite 706, Toronto ON, M2P 1N6.

2.1(b) Corporate Name and Head and Registered Office – SMAART

SMAART's, corporate name is S.M.A.A.R.T Holdings Inc. and its registered office is located at 400 - 570 Granville Street, Vancouver BC V6C 3P1.

2.2(a) – Jurisdiction of Incorporation – Issuer

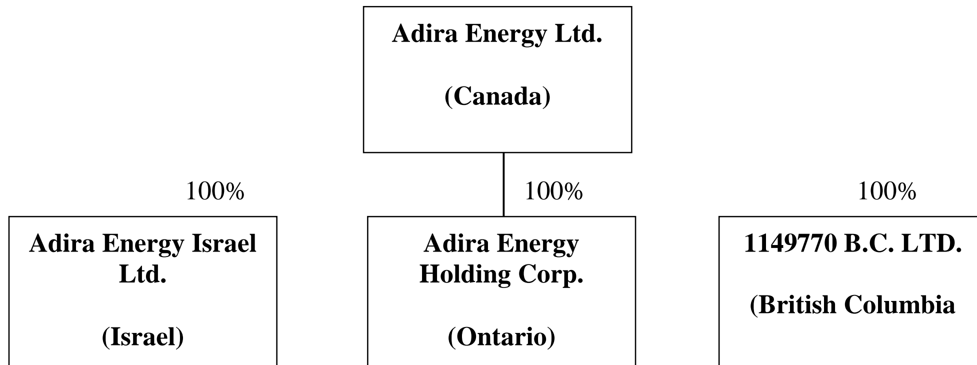
Adira is a corporation existing under the CBCA that was incorporated on February 20, 1997 under the name "Trans New Zealand Oil Company" by filing articles of incorporation with the Secretary of State of Nevada. Adira changed its name to "AMG Oil Ltd." on July 27, 1998 and on December 17, 2009, changed its name to "Adira Energy Ltd." On November 25, 2008, the Shareholders approved the change of Adira's jurisdiction of incorporation from the State of Nevada to the Canadian federal jurisdiction under the CBCA by way of continuation, with articles of continuance accepted for filing by Industry Canada effective November 27, 2008.

2.2(b) – Jurisdiction of Incorporation – SMAART

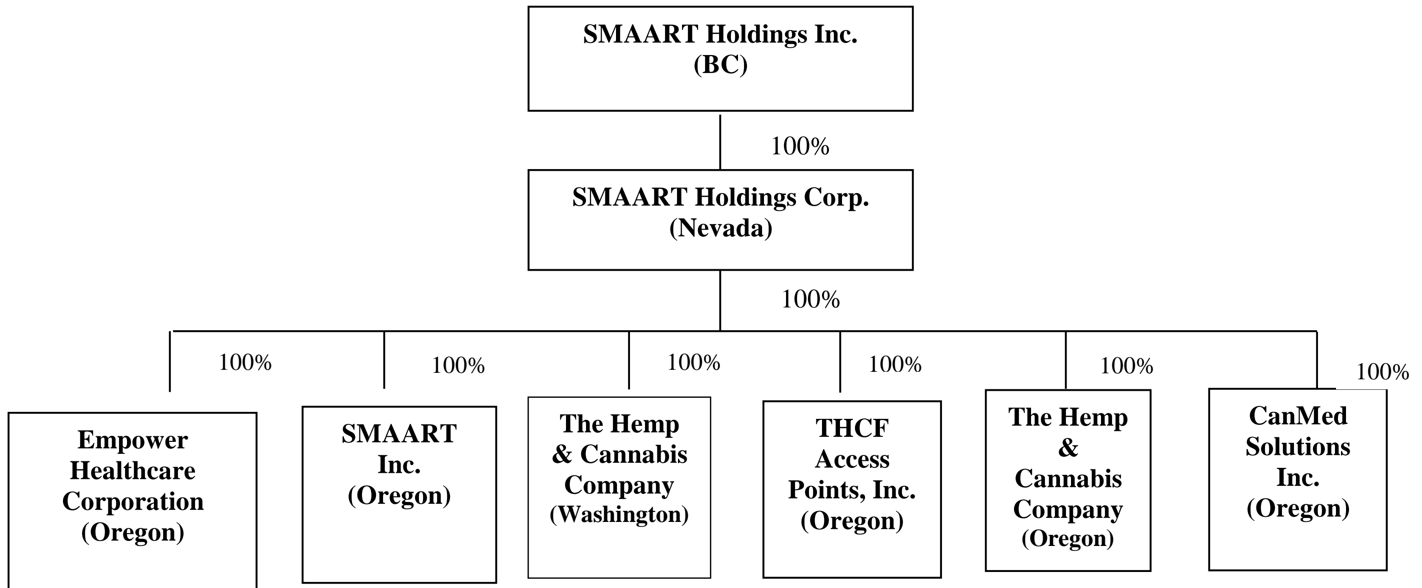
SMAART was incorporated under the laws of the Province of British Columbia on April 28, 2015.

2.3 – Inter-corporate Relationships

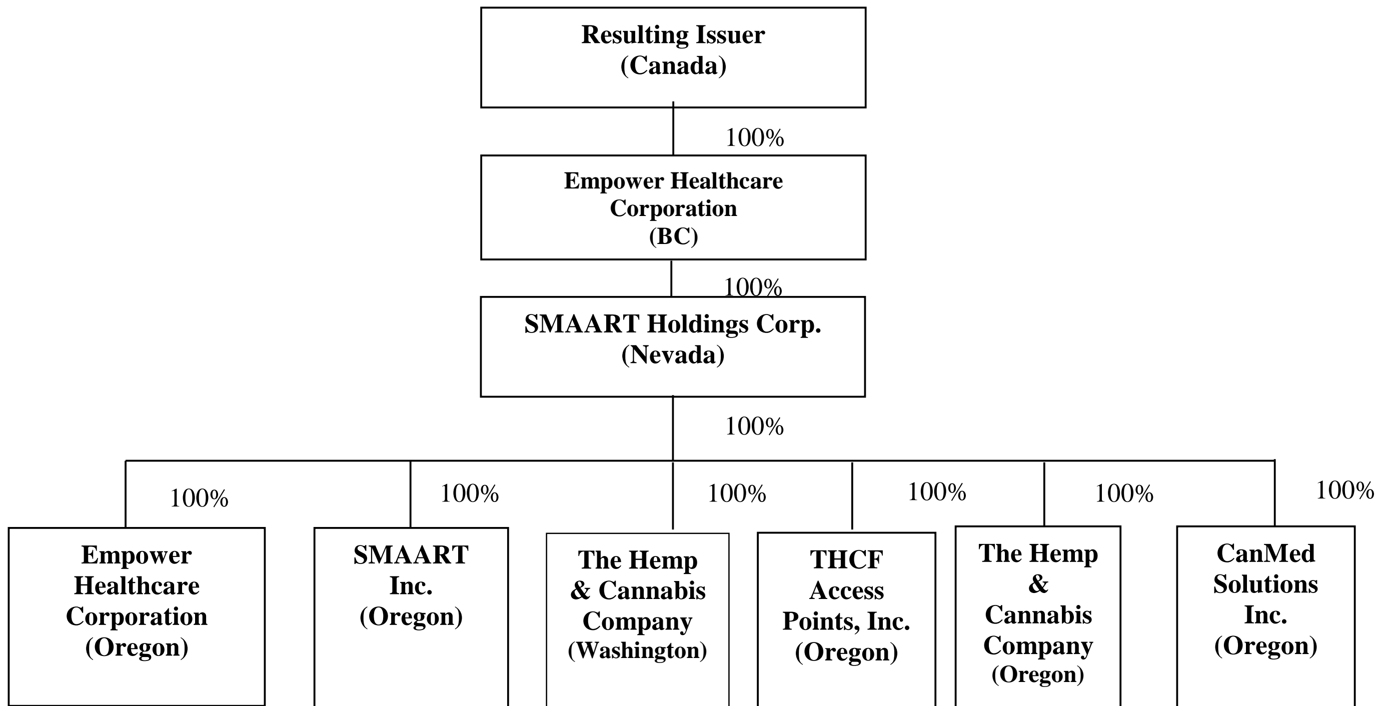
Prior to the Closing of the Transaction, Adira had three wholly owned subsidiaries as indicated in the following chart:



Prior to the Closing of the Transaction, SMAART's current corporate structure is as follows:



Upon completion of the Transaction described below in *Section 3 – General Development of the Business*, and following the Closing, the Resulting Issuer will hold 100% of the issued and outstanding common shares of SMAART and SMAART will be a wholly-owned subsidiary of the Resulting Issuer. The full corporate structure of the Resulting Issuer following completion of the Transaction will be as follows:



2.4 – Fundamental Change

SMAART, certain SMAART Shareholders and Adira have entered into the Amalgamation Agreement to give effect to the Transaction. Pursuant to the Amalgamation Agreement, SMAART Shareholders will exchange their SMAART Shares for Adira Shares such that, following completion of the Transaction, SMAART Shareholders will hold 95% of the Resulting Issuer Shares. The Transaction will result in the business of SMAART becoming the business of Adira. In connection with the Closing, the Adira Shares and the Adira Warrants will be consolidated on a 6.726254 to one basis.

The Resulting Issuer has one direct wholly owned subsidiary, SMAART, along with seven indirect wholly owned subsidiaries as shown in the corporate structure diagram of the Resulting Issuer in Section 2.3 above.

3. GENERAL DEVELOPMENT OF THE BUSINESS

3.1(a) – General Development of Adira's Business

The business of SMAART will become the business of the Resulting Issuer upon Closing of the Transaction.

General Description of Adira's Business

The Corporation completed the acquisition of Adira Energy, a company incorporated in the province of Ontario, on August 31, 2009. This acquisition was completed pursuant to a securities exchange agreement dated August 4, 2009 between Adira, Adira Energy and Dennis Bennie, Ilan Diamond and Alan Friedman, as principal shareholders, and concurrent securities exchange agreements among Adira and each of the minority shareholders of Adira Energy. An aggregate of 39,040,001 pre-consolidation common shares were issued to the shareholders of Adira Energy as consideration for the acquisition of Adira Energy.

On August 9, 2013, Adira completed a reverse stock split of the Adira Shares on the basis of one new common share for every three old common shares. This consolidation was effective for trading purposes on August 13, 2013. Effective September 29, 2014, a second reverse stock split of the Adira Shares was completed on the basis of one new common share for every five old common shares.

Adira's fiscal year end is December 31. On December 2, 2010, the Adira Shares commenced trading on the TSX V following approval of its listing in November 2010. Adira's current trading symbol on the OTC Bulletin Board is "ADENF", the current trading symbol on the Frankfurt Stock Exchange is "0AMN" and the current trading symbol on the TSXV is "ADL". Trading in the Adira Shares is currently halted pending the completion of the Transaction, and the Corporation is currently in the process of delisting the Adira Shares from the TSXV.

Adira was an oil and gas exploration company focused on early-stage exploration in the state of Israel. The Issuer, acting through its subsidiary Adira Israel, have an option (the "**Yam Hadera Option**") to acquire up to a 15% participating interest in the Yam Hadera License No 383, offshore (the "**Yam Hadera License**"), located 30 kilometers offshore Israel, between Hadera and Haifa and

North West of Adira's former Yitzhak license. The Yam Hadera Option is exercisable until 14 days prior to the signing of a rig contract for the Yam Hadera License.

On September 22, 2014, the Petroleum Commissioner in the state of Israel advised the operator that the Yam Hadera License had expired and would not be renewed, due to the milestones in their work program not being achieved. On October 22, 2014, the operator sent a letter of appeal to the decision with the Minister of Energy and Water Resources of the state of Israel; however, in December 2015, MELP was notified that their appeal was denied and that the license has expired. Adira also has an option to acquire up to a 5% participating interest in two licenses called the Myra License and Sara License. The Issuer obtained these options from its wholly-owned indirect subsidiary Adira Barbados prior to its dissolution on December 31, 2013. Adira currently does not ascribe any value to the Myra and Sara Licenses and as such do not consider these options to be material to the Corporation's operations.

In light of the expiry of the Yam Hadera License, and the execution of the Letter of Intent, it was determined that Adira should terminate its oil and gas exploration business as of December 31, 2015.

Immediately prior to the completion of the Transaction, it is the intention of the Corporation to sell Adira Energy Israel Ltd, its indirectly wholly owned subsidiary, for nominal consideration to an insider of Adira. In addition, it is currently contemplated that Adira Energy Holding Corp. will be wound up pursuant to the provisions of the OBCA following the completion of the Transaction.

The Transaction

On Closing, SMAART and Adira entered into the Amalgamation Agreement to give effect to the Transaction. Pursuant to the Amalgamation Agreement, SMAART Shareholders will exchange their SMAART Shares for Adira Shares such that, following completion of the Transaction, SMAART Shareholders will hold 95% of the Resulting Issuer Shares. The Transaction will result in the business of SMAART becoming the business of Adira.

In accordance with the Amalgamation Agreement, each SMAART Shareholder will be entitled to receive Resulting Issuer Shares in exchange for the SMAART Shares held by such SMAART Shareholder on the basis of one Resulting Issuer Shares for each SMAART Share held by such SMAART Shareholder.

Upon the completion of the Transaction, SMAART Shareholders will own approximately 95% of the then outstanding Resulting Issuer Shares and Adira Shareholders will own approximately 5% of the then outstanding Resulting Issuer Shares, prior to the completion of the Concurrent Financing and the conversion of the SMAART Debentures as set forth below. In addition, the SMAART Debentures shall be exchanged for Adira Shares, with the number of Adira Shares issuable for the SMAART Debentures to be adjusted to account for a 25% discount to the pricing of the Concurrent Financing. No fractional Resulting Issuer Shares or Resulting Issuer Warrants will be issued to SMAART Shareholders or holders of SMAART Warrants upon the surrender of SMAART Shares or SMAART Warrants for exchange. Each SMAART Shareholder or holder of SMAART Warrants otherwise entitled to receive a fractional interest in a Resulting Issuer Share or Resulting Issuer Warrant will be rounded up or down as applicable and receive one whole share in lieu thereof.

In connection with the Transaction, the name of the Resulting Issuer will be changed to "Empower Clinics Inc." or such other name as may be acceptable to the Adira Shareholders.

Description of the Amalgamation Agreement

Mutual Agreement Regarding the Transaction

Each of Adira and SMAART has agreed and given usual and customary mutual covenants for an agreement of the nature of the Amalgamation Agreement, including that Adira apply for the and receive the approval of the CSE with respect to the Transaction.

Covenants of Adira

Adira has given, in favour of SMAART, usual and customary covenants for an agreement of the nature of the Amalgamation Agreement, including changing its name to "Empower Clinics Inc." using its reasonable best efforts to obtain the approval of the CSE, not taking any action except in the ordinary course of business, or making any fundamental change to its articles, by-laws or capital structure.

Covenants of SMAART

SMAART has given, in favour of Adira, usual and customary covenants for an agreement of the nature of the Amalgamation Agreement, including approving the Transaction and not taking any action except in the ordinary course of business of SMAART or making any fundamental change to its articles, by-laws or capital structure.

Representations and Warranties

Each of Adira and SMAART have made certain customary representations and warranties in the Amalgamation Agreement, including representations and warranties related to their due organization and qualification and authorization to enter into the Amalgamation Agreement and carry out their obligations thereunder.

The representations and warranties are, in some cases, subject to specified exceptions and qualifications.

Conditions of Closing

Mutual Conditions

The obligations of Adira and SMAART to complete the transactions contemplated by the Amalgamation Agreement are subject to the fulfillment, of each of the following conditions precedent, each of which may only be waived with the mutual consent of the parties:

(a) *Transaction Resolution.* The Transaction shall have been approved by the boards of directors of both Adira and SMAART;

(b) *Prohibition at Law*. There shall not exist any prohibition at law, including a cease trade order, injunction or other prohibition or order against Adira or SMAART preventing the consummation of the Transaction;

(c) *Key Approvals.* All required key approvals with respect to the Transaction shall have been obtained;

(d) *Consolidation*. The Adira Shares shall have been consolidated on one post-consolidation Adira Share for each 6.726254 pre-consolidation Adira Shares (1:6.726254) basis;

(e) *Name Change*. The name of Adira shall have been changed to "Empower Clinics Inc." or such other name as may be acceptable to SMAART;

(f) *Concurrent Financing*. The Concurrent Financing shall have been completed;

(g) *Termination.* The Amalgamation Agreement shall not have been terminated; and

(h) *Exempt Distribution.* The distribution of the securities pursuant to the Transaction shall be exempt from the prospectus and registration requirements of applicable Canadian securities laws.

Additional Conditions in Favour of Adira

The Amalgamation Agreement provides that the obligation of Adira to consummate the transactions contemplated thereby, and in particular the Transaction, is subject to the following conditions:

(a) *Covenants.* All covenants of SMAART under the Amalgamation Agreement not waived by Adira shall have been duly performed by SMAART in all material respects;

(b) *Representations and Warranties.* All representations and warranties of SMAART set forth in the Amalgamation Agreement shall be true and correct in all material respects;

(c) *No Material Adverse Change.* Since the date of the Amalgamation Agreement, there shall not have occurred or been disclosed, any event, occurrence, development or circumstance that, individually or in the aggregate has a Material Adverse Effect (as such term is defined in the Amalgamation Agreement) on SMAART; and

(d) *Change in Recommendation.* The SMAART Board of Directors shall not have changed its approval in favour of the Transaction.

Additional Conditions in Favour of SMAART

The Amalgamation Agreement provides that the obligation of SMAART to consummate the transactions contemplated thereby, and in particular the Transaction, is subject to the following conditions:

(a) *Covenants.* All covenants of Adira under the Amalgamation Agreement not waived by SMAART have been duly performed by Adira in all material respects;

(b) *Representations and Warranties.* All representations and warranties of Adira set forth in the Amalgamation Agreement shall be true and correct in all material respects;

(c) *Material Adverse Effect*. Since the date of the Amalgamation Agreement, there shall not have occurred or have been disclosed any event, occurrence, development or circumstance that, individually or in the aggregate has a Material Adverse Effect (as such term is defined in the Amalgamation Agreement) on Adira;

(d) *Number of Directors.* The number of directors on the Adira Board shall have been set to five and the five nominees of SMAART shall be appointed to the Adira Board; and

(e) *Exchange Listing*. Adira shall have delivered evidence satisfactory to SMAART of the approval of the CSE of the Transaction, subject only to satisfaction of customary listing conditions of the CSE.

Termination of the Amalgamation Agreement

The Amalgamation Agreement may be terminated at any time prior to Closing as follows:

(a) by mutual written agreement of SMAART and Adira; or

(b) by either SMAART or Adira, if:

(i) there shall be enacted or made any applicable law that makes consummation of the Transaction illegal or otherwise prohibited; or

(ii) the Transaction shall have failed to obtain the approval of the shareholders or boards of directors of either SMAART or Adira; or

(c) by Adira, if prior to Closing, the SMAART Board of Directors fails to recommend or withdraws, amends, modifies or qualifies or fails to reaffirm its approval of the Transaction; or

(d) by SMAART, if prior to Closing, the Adira Board fails to recommend or withdraws, amends, modifies or qualifies, in a manner adverse to SMAART, or fails to reaffirm its approval of the Transaction.

Termination Expenses

The Amalgamation Agreement specifies that, both Adira and SMAART are responsible for their respective legal, audit, financial and other expenses incurred with respect to the Transaction.

Amendment

The Amalgamation Agreement may be amended by written agreement of SMAART and Adira without further notice to or authorization on the part of the Adira Shareholders.

3.1(b) – General Development of SMAART's Business

On June 12, 2015 SMAART Holdings Inc., through its wholly owned subsidiary Empower Healthcare Corp, 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 SMAART. The consideration for the purchase was the assumption by SMAART of a note payable by Presto to Bayview Equities Ltd. in the amount of $550,000 plus accrued interest of $35,893.

The Portland clinic was opened in 2003 to service the then fledgling medical cannabis market. The Grants Pass clinic was opened in 2009 as was the Riverside California clinic which was recently closed. The Bend, Oregon clinic was opened by Ricky Gilliland, the current manager, in 2011 while the Spokane, Washington clinic was opened in January, 2010. In addition, the travelling clinics stared 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 Empower team of six doctors and one nurse have over 115 years of collective medical experience with 40 years of combined medical cannabis experience. In addition, they written over 12 books and published over 300 articles on medical cannabis. Empower's doctors are recruited through a variety of methods including referral, recruiting and outreach. Currently doctors are paid on competitive hourly contracts which provide maximum flexibility for both the clinics and doctors personal schedule. Hourly rates may be different base on state, required doctor training and education and relevant experience levels. The respective qualifications of these doctors are as follows:

Dr. Jack McCue. A graduate of Harvard University and Case Western Reserve University Schools of Medicine, Dr. McCue did his residency training at Johns Hopkins and Harvard in internal medicine and geriatrics. He has traveled the world and worked with patients and other medical professionals in a science-based blending of traditional medical treatment and appropriate use of cannabis. As a distinguished and award-winning physician, Dr. McCue has written 14 books and over 300 articles, in addition to speaking internationally at conferences on many topics including the informed use of medical cannabis.

Dr. Shaun Hedmann. Dr. Hedmann completed his medical training at Johns Hopkins in Baltimore MD, Baylor in Houston TX and Brown University in Providence RI and before accepting a position with Kaiser Permanente where he practiced Cardiology for 25 years. He has been involved with patients and their need for medical cannabis for nearly 6 years and appreciates the depth and breath of debilitating conditions that impact their lives.

Dr. David Dodge. Dr. Dodge is a retired pathologist and nuclear medicine doctor in Portland, Oregon. He received his medical degree from Washington University School of Medicine in St. Louis and served as staff pathologist at Providence Medical Center for more than 20 years. He has helped Oregon cannabis patients at Empower Clinics since 2003.

Dr. Leorra Britvan. Dr. Britvan is a board certified internal medicine physician. She studied medicine at University of Southern California Medical School and trained at Harbor- UCLA for internal medicine. Most of her professional career includes working as an Hospitalist in both California and Oregon for the past twenty years--caring for patients from admission in the emergency room to stay in hospital. She has been evaluating patients for medical cannabis treatment since 2015.

Dr. David Lemmon. Dr. Lemmon is a Naturopathic Physician with expertise in natural, nutritional, and plant-based medicine. He received his Doctorate from the National College of Natural Medicine in Portland, Oregon. He has been studying the benefits and uses of medicinal plants including Cannabis for over 15 years.

Dr. Heather Krantz. Dr. Krantz is an obstetrician-gynecologist in Bend, Oregon. She received her medical degree from University of Kansas School of Medicine and has been in practice for more than 20 years.

3.3 Trend, commitments, events or uncertainties.

There are significant risks associated with the business of the Resulting Issuer, as described above and in *Section 17 – Risk Factors*. Readers are strongly encouraged to carefully read all of the risk factors contained in *Section 17 – Risk Factors.*

In particular, there are uncertainties surrounding the Resulting Issuer carrying on the existing medical cannabis business of SMAART currently carried on in the United States. Currently, there are 29 states of the United States, including the District of Columbia, that have laws or regulations that recognize, in one form or another, legitimate medical uses for cannabis and consumer use of cannabis in connection with medical treatment. Many other states are considering similar legislation. Conversely, under the Controlled Substance Act (the "**CSA**"), the policies and regulations of the Federal government and its agencies are that cannabis has no medical benefit and a range of activities including cultivation and the personal use of cannabis is prohibited. Unless and until Congress amends the CSA with respect to medical marijuana, as to the timing or scope of any such potential amendments there can be no assurance, there is a risk that federal authorities may enforce current federal law, and we may be deemed to be producing, cultivating or dispensing marijuana in violation of federal law or we may be deemed to be facilitating the selling or distribution of drug paraphernalia in violation of federal law with respect to our current or proposed business operations. Active enforcement of the current federal regulatory position on cannabis may thus indirectly and adversely affect the Resulting Issuer's future cash flows, earnings, results of operations and financial condition. The risk of strict enforcement of the CSA in light of Congressional activity, judicial holdings and stated federal policy remains uncertain.

In addition, individual state laws do not always conform to the federal standard or to other states' laws. A number of states have decriminalized marijuana to varying degrees, other states have created exemptions specifically for medical cannabis, and several have both decriminalization and medical laws. Variations exist among states that have legalized, decriminalized or created medical marijuana exemptions. In most states, the cultivation of marijuana for personal use continues to be prohibited except for those states that allow small-scale cultivation by the individual in possession of medical marijuana needing care or that person's caregiver. Active enforcement of state laws that prohibit personal cultivation of marijuana may indirectly and adversely affect the Resulting Issuer's future cash flows, earnings, results of operations and financial condition.

Marijuana remains a schedule-I controlled substance and is illegal under U.S. federal law. Even in those states in which the use of marijuana has been legalized, its use remains a violation of U.S. federal law. Since U.S. federal law criminalizing the use of marijuana pre-empts state laws that legalize its use, strict enforcement of federal law regarding marijuana would likely result in our inability to proceed with our business plan. Such regulatory issues concerning the interaction of federal and state laws may also result in the Resulting Issuer having difficulties raising the necessary capital to operate its business on a going forward basis and implementing its business plan.

4. NARRATIVE DESCRIPTION OF THE BUSINESS

4.1(a) – Narrative Description of Adira's Business

The business of SMAART will become the business of the Resulting Issuer following the Closing of the Transaction.

4.1(b) – Narrative Description of SMAART's Business

The SMAART business operating under the name Empower Clinics ("**Empower**") is a growing national network of physician-staffed medical cannabis clinics with a primary focus on enabling patients to improve and protect their health. In addition to the clinic business, Empower has developed strategic statewide relationships by which it hopes to complete the sale of proprietary medical cannabis products manufactured, dispensed, and delivered by third party channel partners. Through the rapid addition of both physical clinic locations, coupled with third party manufacturer distribution relationships, Empower seeks to create a leading nationwide brand of trusted products and services for the medical cannabis industry, enabling patients to more effectively and affordably address areas such as chronic pain, Epilepsy, PTSD, and more. Empower also intends to seek merger and acquisition opportunities where possible to accelerate its business expansion plans and drive exponential value.

Empower has a total of 36 employees. Craig Snyder and Alan Rootenberg serve as CEO and CFO, respectively. Senior management at the Vice-President level includes Stuart Kieland as Vice-President of Corporate Development, Josh Vall-Spinosa as Vice-President of Business Development and Clint Hall as Vice-President of Operations.

Empower currently operates five fixed clinics and 10 mobile clinics located across the states of Oregon, Washington, and Illinois, with the scheduled opening of a Chicago based clinic in the second quarter of 2018. With the sole ownership of a 95,000-person cannabis patient database, including all

historical associated medical data and contact information, Empower's patient foundation is strong. In the state of Oregon alone, Empower has an active patient base of approximately 25,000 patients, representing over 37% of the total in-state market (source- *Oregon Medical Marijuana Program Statistical Snapshot January, 2017*, published by the Oregon Health Authority).

The business model of SMAART does not anticipate "handling or touching the plant". As such, the production, processing or dispensing of any cannabis products will occur with individuals that have the specific licenses and within the parameters of the applicable state laws to do so. In all cases, the patients to be seen by SMAART are interested in dealing with chronic pain, insomnia and appetite disorders which means the products they may purchase at a dispenser are largely Cannabidiol or CBD based oils and therefore non-incendiary in nature. The non-product handing aspects of SMAART's business means it remains in compliance with U.S. federal enforcement priorities outlined in the memorandum of US Deputy Attorney General James M. Cole dated February 14, 2014 entitled "Guidance Regarding Marijuana Related Financial Crimes" (the "**Cole Memo**").

The Cole Memo outlined certain priorities for the U.S. federal Department of Justice relating to the prosecution of cannabis offenses. In particular, the Cole Memo noted that in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. However, the Department of Justice has never provided specific guidelines for what regulatory and enforcement systems it deems sufficient under the Cole Memo standard. In light of limited investigative and prosecutorial resources, the Cole Memo concluded that the Department of Justice should be focused on addressing only the most significant threats related to cannabis. States where medical cannabis had been legalized were not characterized as a high priority.

In March 2017, newly appointed Attorney General Jeff Sessions again noted limited federal resources and acknowledged that much of the Cole Memo had merit, however, he disagreed that it had been implemented effectively and has not committed to utilizing the Cole Memo framework going forward. Sessions also established a task force after taking office to study cannabis but they have issued no final conclusions so far. On January 4, 2018, Attorney General Sessions announced the rescission of prior guidance to US attorneys regarding the enforcement of federal marijuana laws as outlined in the Cole Memo. Instead, U.S. attorneys were directed to focus on a number of the Department of Justice's enforcement priorities such as preventing distribution of marijuana to minors, preventing marijuana revenue from reaching gangs and cartels, preventing the diversion from states where marijuana use is legal to other states and preventing marijuana-related violence. At present, the impact of the rescission of the Cole Memo on the U.S. attorneys in states that have legalized marijuana is largely unknown.

Unless and until the Cole Memo is incorporated into U.S. federal legislation, there can be no assurance that the federal government will not seek to prosecute cases involving medical cannabis businesses that are otherwise compliant with state law, albeit a federal agency may not have appropriated funds to undertake such prosecution as is delineated below. Such potential proceedings could involve significant restrictions being imposed upon the Resulting Issuer or third parties, and also divert the attention of key executives. Such proceedings could have a material adverse effect on the Company's business, revenues, operating results and financial condition as well as the

Company's reputation, even if such proceedings were concluded successfully in favour of the Company. See ''Risk Factors''.

In addition, on October 16, 2017, the Canadian Securities Administrators published Staff Notice 51-352 Issuers with U.S. Marijuana-Related Activities (the "**Staff Notice**") which provides specific disclosure expectations for issuers that currently have, or are in the process of developing, cannabis-related activities in the U.S. as permitted within a particular state's regulatory framework. All issuers with U.S. cannabis-related activities, such as SMAART, are expected to clearly and prominently disclose certain prescribed information in prospectus filings and other required disclosure documents. For the purposes of the Staff Notice, the SMAART's activities in the United States are classified as "ancillary" involvement in the United States cultivation or distribution industry. The applicable regulations in the states of Washington, Oregon and Illinois are summarized below under the heading "Applicable Marijuana Laws" in accordance with the requirements of the Staff Notice.

Product Branding- Sollievo

Sollievo, which means meaning "relief or comfort" in Italian; is the product brand behind which Empower is developing its national expansion strategy. In connection with this branding, Empower has developed proprietary formulas & recipes that support a product line surrounding the most common medical conditions, such as chronic pain, muscle spasms, nausea, cancer, insomnia, PTSD, seizures and glaucoma Empower currently has key branded products being developed in the following formats: vape, tincture, cream, lozenge, edible, lotion, capsule and patch.

Empower is in the process of finalizing and building state by state processor relationships whereby third party processor partners manufacture, distribute and merchandise the targeted medical products using the Sollievo brand and packaging. It is management's current expectation that Empower will generate profit margins of 15-20% related to the sale of Sollievo branded products.

Empower Clinic Operations

Prior to Empower's 2017 clinic and product expansion plans, SMAART has generated $2.2 million in 2016 revenue solely from clinic operations in the states of Oregon and Washington. It is the view of management of SMAART that public financing will help to accelerate the growth of both the royalty based medical cannabis product distribution business-line, as well as the nationwide clinic expansion strategy.

Patients pay on average of $140 per visit with a physician to get a medical cannabis license. Generally, the license granted to patients is for one year in the case of Washington and Oregon, and three years in the case of Illinois, upon which time they must return for a visit with a physician and pay the annual fee. Currently, Empower employs five licensed medical physicians, who, along with a streamlined non-medical clinic staff, consult with patients and provide guidance with regards to medical cannabis healthcare options. Of those individual consultations, approximately 64% of medical cannabis consumers are treated for chronic pain, 13% for muscle spasms, 6% for nausea, 6% for cancer, 4% for PTSD, 2% for Epilepsy, and 5% for other various conditions (source- *Marijuana Business Daily*, July 18, 2016, citing the Nevada, Arizona, New Mexico, Minnesota, New Jersey, Montana, Colorado and Oregon state medical marijuana programs).

In the experience of management of SMAART, there are four main incentives for patients to acquire a medical cannabis license. First, in states where recreational cannabis is not permitted, having a medical cannabis card allows patients to legally access the associated medical cannabis products. Second, in states where recreational cannabis is permitted, the products may carry taxes in excess of 35%, which may be avoided by having a medical cannabis license, thus passing significant savings to the cardholder on an annual basis. Third, in some states where recreational cannabis is permitted, by having a medical cannabis license, patients are given access to different types, higher dosages or concentration and larger quantities of products. Lastly, there are a growing number of states that engage in reciprocal programs allowing medically licensed patients in one state to purchase in a partner state.

Empower seeks to embark on a national clinic expansion in states where medical cannabis is permitted. Based upon historical performance and financial modelling, it is estimated that it will cost approximately $250,000 per clinic in capital costs for real estate improvements, human resources and marketing. Clinic profitability is targeted at six months from of the date of lease signing. The current priority states for expansion over the short to mid-term are Arizona, California, Florida, Illinois, Maryland, Michigan, Nevada, New Mexico, New York, Ohio, Pennsylvania and Wisconsin.
It is estimated that medical patients make up approximately 20% of the total cannabis consumer market but account for nearly 35% of the consumption of product (source- *The Cannabis Industry Report: 2017 Legal Marijuana Outlook*, published by New Frontier Data).

Regulatory Oversight

Each state mandates the requirements for the medical professionals that review each individual's medical records, qualifying conditions and ultimately medical card approval. The individuals involved are not writing a prescription but are involved in the approval for the state medical card.

In Washington the regulatory body is the Washington State Department of Health, in Oregon the regulatory body is the Oregon Medical Marijuana Program and in Illinois the regulatory body is the Illinois Department of Public Health.

Washington: The following types of healthcare practitioners licensed in Washington State are allowed to authorize the use of marijuana to medical patients:

- Medical doctor (MD)
- Physician assistant (PA)
- Osteopathic physician (DO)
- Osteopathic physician assistant (DOA)
- Naturopathic physician
- Advanced registered nurse practitioner (ARNP)

Oregon: An Attending Physician is defined as a Doctor of Medicine (MD) or Doctor of Osteopathy (DO) licensed under ORS chapter 677 who has the primary responsibility for the care and treatment of a person diagnosed with a debilitating medical condition. Naturopaths (ND), chiropractors (DC), or nurse practitioners (NP/FNP) may not act as Attending Physicians.

Under the terms of these regulations, "Primary responsibility" means that the physician:

- Provides primary health care for the patient; or
- Provides medical specialty care and treatment for the patient as recognized by the American Board of Medical Specialties; or
- Is a consultant who has been asked to examine and treat the patient by the patient's primary care physician licensed under ORS Chapter 677, the patient's physician assistant licensed under ORS Chapter 677, or the patient's nurse practitioner licensed under ORS Chapter 678; and
- Has reviewed a patient's medical records at the patient's request and has conducted a thorough physical examination of the patient, has provided or planned follow-up care, and has documented these activities in the patient's medical record.

Illinois: the medical provider must be a doctor of medicine or osteopathy licensed under the *Medical Practice Act of 1987*, have a controlled substances license under Article III of the *Illinois Controlled Substances Act*, be in good standing to practice medicine in Illinois, and have a bona fide physician-patient relationship with the patient whose debilitating condition they are certifying.

Royalty Payments

Royalty payments and referral fees from manufacturing, dispensing, and delivering partners are expected to come from multiple sources. Through third party manufacturers, Empower, sells medical cannabis products under the Sollievo label. Empower’s manufacturing partner uses an exclusive, proprietary, and patentable formula in its medical products, paying Empower a product royalty on the wholesale of the products to dispensaries or delivery services. Empower seeks to expand the Sollievo brand state by state through third party manufacturers, thereby creating a national line of physician approved medical cannabis products tailored to patient’s needs.

It is anticipated that Empower will be paid royalties varying between 10% and 25% depending on the type of relationship and the state that the products are being sold in. Most relationships are expected to fall in the 15% to 20% range. Based on Empower’s patient history, it is estimated that the average medical cannabis consumer spends approximately $2,400 per annum on various medical products, assuming a 15% royalty this translates into $360 of net royalties to Empower annually. Empower will seek to increase this royalty per patient through the introduction and addition of new and ancillary channel partners to its network.

Empower clinics and the Sollievo products operate separately and independently and should in no way create a conflict for our current employees or doctors. Regardless, to address any potential conflicts of interest, (i) Sollievo branded products will generally be distributed in states where Empower clinics do not currently exist and in cases where clinics do exist, there will be safeguards to ensure no conflicts occur, including that dispensaries that have royalty or any other arrangement with an Empower clinic) will not carry Sollievo branded products;(ii) no incentives (monetary or in any other form) will be provided to doctors to prescribe or recommend the Resulting Issuer’s Sollievo branded products; and(iii) should the Resulting Issuer’s Sollievo brand offer a product that may be appropriate for a patient, the Sollievo branded product will only be recommended by the doctors as

one of several recommended products (together with similar products from other brands) or as a product without discussion or reference to the Sollievo brand name. The Issuer has provided an undertaking to the OSC that (i) the Resulting Issuer will continue to implement all conflict of interest measures described herein and in the event that these measures are altered, the Resulting Issuer will notify the OSC, issue a press release and file a material change report with respect to same; and (ii) the Resulting Issuer will disclose in its annual and interim MD&As on a going-forward basis that the measures to address potential conflicts of interest as outlined above continue to be in effect.

Strategies for Further Market Penetration

Empower seeks to be active and opportunistic with respect to mergers and acquisitions, allowing for the company to advance its business plan or increase shareholder value where possible. Acquiring existing clinics within states where Empower is either already operating, or seeks to operate in the future, can help accelerate the expansion of its geographical presence. Additionally, Empower may seek to acquire third party channel partners to increase its patient base, margin per patient, and to increase shareholder value through the accretion of these operations and/or assets.

Currently, the market for both clinics and medical cannabis products in the United States remains highly fragmented with very few nationwide competitors. Empower seeks to take advantage of this by using its light capital expenditure model around opening clinics to create highly valuable patient relationships. This will serve to couple customers with channel partners in each state it operates, with the goal of providing medical products. This allows Empower to create a national brand for both its clinics and medical products. Empower has a unique business model that will allow the company to quickly expand and achieve a coast to coast presence without having to take on the capital expenditures of building facilities from scratch on a state by state basis.

Mergers and Acquisitions

In this scenario, Empower would look to acquire other entities in order to buy market share and access to patients. Empower seeks to actively pursue acquisition targets in what it believes to be a highly fragmented clinic market. Empower believes it can acquire individual clinics and groups or chains of existing clinics which can then utilize Empower’s existing clinic infrastructure including back office billing, support, and scheduling. Empower seeks to acquire clinics already servicing patients for medical cannabis use or may seek to acquire clinics which focus on pain or other forms of medicine and introduce cannabis related services at those acquired clinics to drive further revenue in addition to the back office and administrative synergies. There is also the opportunity for Empower to acquire potential cannabis channel or royalty partners which would allow the company to fully vertically integrate and potentially increase the margin per patient. Empower believes that as the cannabis market matures there will be several acquisition targets that would benefit from leveraging the company’s patient base and distribution relationships. However, this approach requires both capital and potentially additional resources both to do acquisition due diligence and additional resources to take on the acquisition once concluded. In addition, such acquisitions may potentially require additional capital expenditures

Stand Alone Operations

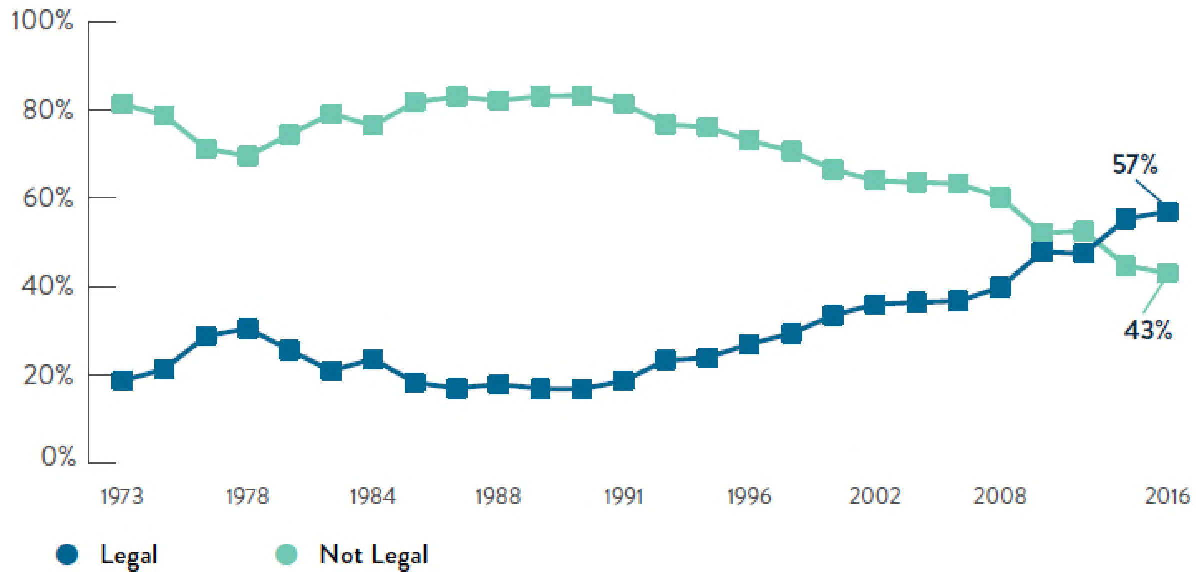
This potential strategy involves Empower building a business in its entirety. It would choose a location, hire local personnel and get licensed. Empower seeks to build new greenfield opportunities in new and emerging markets and in existing markets where there is a lack of services and Empower believes that its brand can make a successful impact by building a new clinic. It is estimated that a new clinic would cost approximately $250,000 including marketing expenses in a new market for a flagship clinic. Empower seeks both to build new flagship clinics and smaller satellite clinics in both new and existing markets. A smaller satellite clinic can cost as little as $50,000 to build. While this approach allows Empower to have control over the entire operation and allows for complete integration into the existing brand, systems and processes and the selection of clinic staff, this expansion strategy requires higher amounts of capital and it is more time consuming to sign a lease and build out facilities versus buying an existing clinic operation. There is also a higher risk in having to ramp revenue from zero to profitability in a new market versus buying an existing profitable clinic.

Licensing Agreement

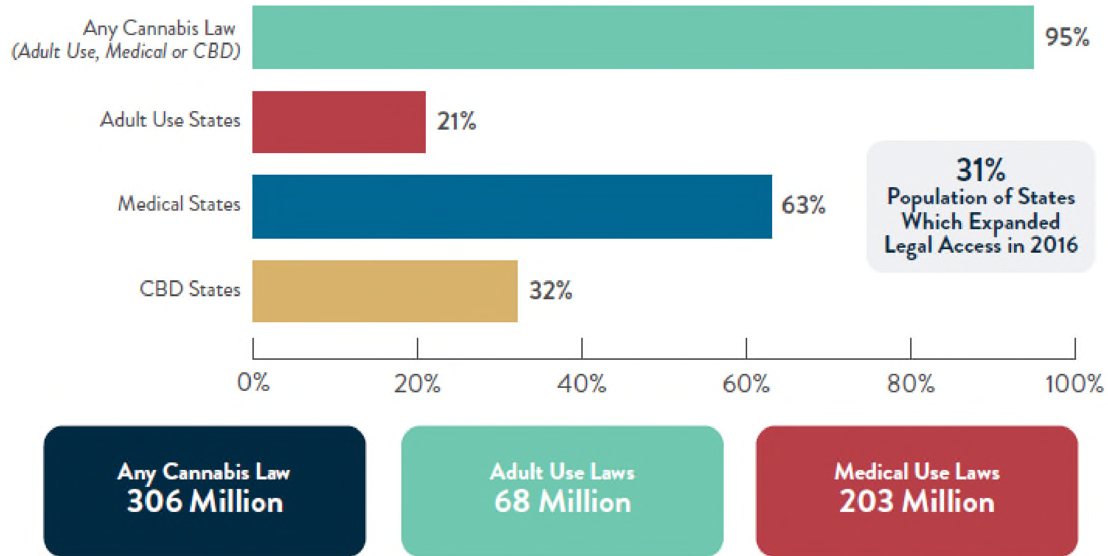
The final potential business expansion strategy involves Empower working with other businesses to use Empower's brand, business model and product line in exchange for a share of the revenue or a flat fee from an existing company that will manage the business and execution of the plan. Empower seeks to establish itself and its Sollievo brand as the market leader in medical cannabis and the company will seek to license both its clinic and product brands in new markets where it does not operate in exchange for a license or royalty fee on sales. By utilizing an existing company that can manage the business in exchange for a licensing or royalty fee, Empower does not have to incur costs of staffing and managing the location and can further utilize and leverage Empower's existing back office, administrative, scheduling and call center capabilities. However, this strategy also leads to potential difficulties in controlling the brand and customer interfacing, there is less control over costs and revenue, and there is a risk of damage due to the brand from mismanagement by licensees and need to be monitored very closely which may require additional resources and business systems.

Overview of the US Cannabis Market

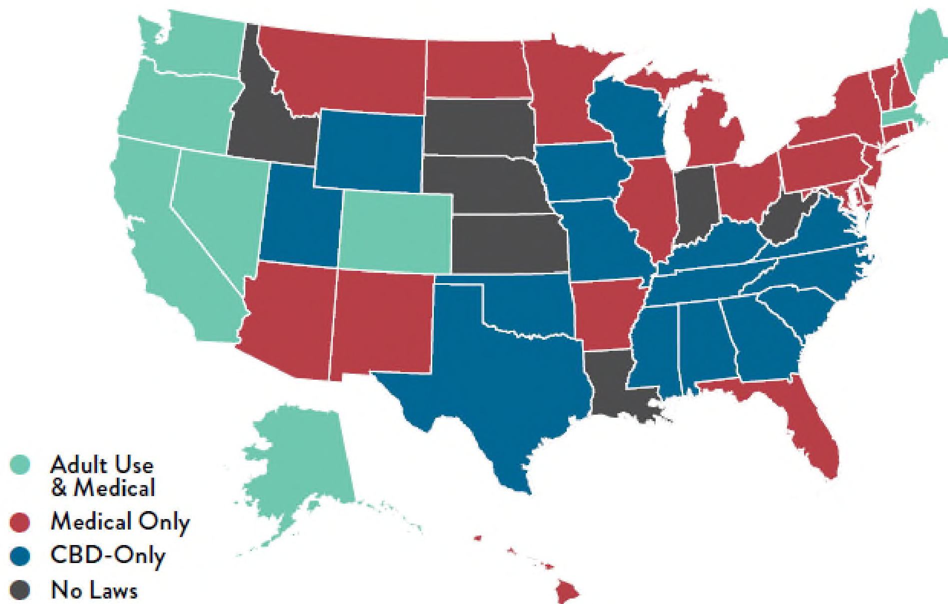
The United States cannabis market has evolved significantly since California first legalized medical marijuana in 1996. In that interim, states have evolved from outlawing marijuana products completely, to allowing Cannabidiol ("**CBD**") or medical marijuana programs to allowing full legalization. This evolution of legalization has tracked closely to the level of social acceptance cannabis has had over that same period. Based on a Quinnipiac Poll published on February 23, 2017, 93% of Americans support medical marijuana and 59% support full legalization.



There are currently 8 states and the District of Columbia that have legal adult use cannabis sales and distribution. An additional 21 states plus the 8 adult use states have legal medical marijuana programs (29 in all). In addition, there are 14 more states with CBD only law that allow cannabis consumption as long as THC levels are below 0.3%. In all over 21% of the US population is from states that have full legalized cannabis laws, 63% of the US population is from states with medical marijuana legalization and a full 95% come from states where there is some form of cannabis legalization. Counting the adult use and medical markets alone, there are 30 million cannabis consumers, with roughly 3.3 million being supported through legal sales. The breadth of the legal market demonstrates that with the results of the 2016 United States election cycle and the expansion of the legal cannabis market, there is and will continue to be an opportunity for investment into the cannabis sector (source- Pew Research Center, *Factank Reports* from October 2016 to February 2017).



Source: New Frontier Data



The 3.3 million consumers still represent a sizable legal market. The 2017 United States market is estimated to consist of $7.0 billion in legal sales, either via adult use sales ($2.5 billion) or via medical sales ($4.7 billion) and the rest of the market will be comprised of illicit sales. Overall, the United States cannabis market is an estimated $50 billion dollar market in 2017. The percentage of legal sales will increase over the horizon as more and more states legalize either adult use or medical sales of cannabis products. By the year 2021, medical sales will grow in excess of $7.0 billion, while $11.9 billion will be sold through adult use channels, with an additional $39 billion still available for conversion from the illicit market (source- Pew Research Center, *Factank Reports* from October 2016 to February 2017).

Applicable Marijuana Laws

Under federal law of the United States of America, marijuana is considered a Schedule I substance and it is illegal to use, possess, cultivate, or distribute. While each state has its own marijuana laws, they cannot overturn or preempt federal law.

Federal Marijuana Law

Despite medical cannabis laws in 44 states, cannabis is still illegal under federal law. The federal government regulates drugs through the Controlled Substances Act ("**CSA**") (21 U.S.C. § 811), which does not recognize the difference between medical and recreational use of cannabis. These laws are generally applied only against persons who possess, cultivate, or distribute large quantities of cannabis.

Under federal law, cannabis is treated like every other controlled substance, such as cocaine and heroin. The federal government places every controlled substance in a schedule, in principle according to its relative potential for abuse and medicinal value. Under the CSA, cannabis is classified as a Schedule I drug, which means that the federal government views cannabis as highly addictive and having no medical value. Doctors may not "prescribe" cannabis for medical use under federal law, though they can "recommend" its use under the First Amendment.

Federal cannabis laws are very serious, and punishment for people found guilty is frequently very steep. Federal law still considers cannabis a dangerous illegal drug with no acceptable medicinal value. In several federal cases, judges have ruled that medical issues cannot be used as a defense, though defense attorneys should attempt to raise the issue whenever possible during trial. Federal law applies throughout Washington D.C. and the United States, not just on federal property.

As of 2016, several federal agencies have issued guidelines and other policy memorandums to manage the conflict between federal and state laws as they pertain to medical marijuana. On August 29, 2013 the Department of Justice (DOJ) issued a guidance memo to prosecutors concerning marijuana enforcement under the Controlled Substance Act (CSA) making it clear that prosecuting state legal medical marijuana cases is not a priority. The memo included eight guidelines for prosecutors to use to determine current federal enforcement priorities. Fortunately, most medical cannabis program's regulations require the same guidelines ensuring that any business with a licenses are meeting these requirements as well. These guidelines include:

1. Preventing of distribution of marijuana to minors;

2. Preventing revenue from the sale of marijuana from going to criminal enterprises, gangs or cartels;

3. Preventing the diversion of marijuana from states where it is legal under to state law in some form to other states;

4. Preventing state-authorized marijuana activity from being used as a cover or a pretext to traffic other illegal drugs or other illegal activity;

5. Preventing violence or the use of firearms in cultivation and distribution of marijuana;

6. Preventing drugged driving and the exacerbation of other adverse public health consequences associated with marijuana use;

7. Preventing the growing of marijuana on public lands and the attendant public safety and environment dangers posed by marijuana production on public lands; and

8. Preventing marijuana possession or use on federal property.

Federal Agencies & State Conflict

Today, several federal agencies have issued guidelines and other policy memorandums that are legitimate efforts to manage the emerging issues within medical marijuana. In fact, as of 2016, every federal agency except the Drug Enforcement Administration, has stopped ignoring medical cannabis. Starting with the 2009 Ogden memo and later the 2013 by Deputy Attorney General James Cole, the Department of Justice has made clear that state legal medical marijuana is not a priority. However, as mentioned above, on January 4, 2018, Attorney General Sessions announced the rescission of prior guidance to US attorneys regarding the enforcement of federal marijuana laws as outlined in the Cole Memo.

In 2010, the department of Veteran Affairs to no longer deny veterans' access to medical services due to their participation in a state-legal medical marijuana program. In 2014, the Treasury Department issued guidelines to facilitate banking in the marijuana industry.

Information being disseminated to the public from federal agencies has also improved, including the National Institute of Drug Abuse (NIDA) DrugFacts: Is Marijuana Medicine?, the Food and Drug Administration's FDA and Marijuana: Questions and Answers and the National Cancer Institute's Cannabis and Cannabinoids. Research barriers are also beginning to fall, with the Office of National Drug Control Policy lifting the Public Health Service review, a hurdle only cannabis researchers had to clear in 2015. Likewise, NIDA now supports letting other research centers grow research cannabis, ending the NIDA monopoly.

Current Trump Administration Position

Both the spokesman for current United States president Donald Trump and the new administration's Attorney General made comments that stricter enforcement was forthcoming with respect to marijuana use. Such proclamations initially created a sense of uncertainty throughout the industry and states where marijuana use is legal. However, to date there has been no further indication of what, if any, measures will be taken in this regard and any potential timing.

Applicable State Marijuana Law

Illinois State Medical Marijuana Laws

Effective from January 1, 2014 until July 1, 2020, The *Compassionate Use of Medical Cannabis Pilot Program Act* establishes a patient registry program, protects registered qualifying patients and registered designated caregivers from "arrest, prosecution, or denial of any right or privilege," and allows for the registration of cultivation centers and dispensing organizations. A tax is imposed upon the privilege of cultivating medical cannabis at a rate of 7% of the sales price per ounce.

Approved conditions under this legislation include Agitation of Alzheimer's disease; HIV/AIDS; Amyotrophic lateral sclerosis (ALS); Arnold-Chiari malformation; cancer; causalgia; chronic inflammatory demyelinating polyneuropathy; Crohn's disease; CRPS (complex regional pain syndrome Type II); Dystonia; Fibrous Dysplasia; Glaucoma; Hepatitis C; Hydrocephalus; Hydromyelia; Interstitial cystitis; Lupus; Multiple Sclerosis; Muscular Dystrophy; Myasthenia Gravis; Myoclonus; Nail-patella syndrome; Neurofibromatosis; Parkinson's disease; Post-Concussion Syndrome; Post-Traumatic Stress Disorder (PTSD); Reflex sympathetic dystrophy; Residual limb pain; Rheumatoid arthritis; Seizures (including those characteristic of Epilepsy); Severe fibromyalgia; Sjogrens syndrome; Spinal cord disease (including but not limited to arachnoiditis); Spinal cord injury with damage to the nervous tissue of the spinal cord with objective neurological indication of intractable spasticity; Spinocerebellar ataxia; Syringomyelia; Tarlov cysts; Tourette syndrome; Traumatic brain injury; Cachexia/wasting syndrome and PTSD and terminal illness with a diagnosis of less than six months.

On July 20, 2014, the *Compassionate Use of Medical Cannabis Act* was amended to allow children under 18 to be treated with non-smokable forms of medical marijuana for the same conditions originally approved for adults. An underage patient's parent or guardian must serve as caregiver, and signatures from two doctors are required. The bill, which became effective Jan. 1, 2015, also added seizures, including those related to epilepsy, to the list of approved conditions.

Pursuant to this legislation, "Adequate supply" is defined as "2.5 ounces of usable cannabis during a period of 14 days and that is derived solely from an intrastate source." The law does not allow patients or caregivers to cultivate cannabis.

Registration under this program is mandatory, with the patient registry fee of one year for $100, $50 for veterans or people enrolled in federal Social Security Disability Income or Supplemental Security Income disability programs, two years: for $200/$100 (disability program enrollment) Three years: $250/$125 (disability plan enrollment).

Oregon State Medical Marijuana Laws

Effective December 3, 1998 state-level criminal penalties on the use, possession and cultivation of marijuana by patients who possess a signed recommendation from their physician stating that marijuana "may mitigate" his or her debilitating symptoms was removed.

Approved Conditions under this legislation include cancer, glaucoma, degenerative or pervasive neurological condition; Alzheimer’s disease, positive status for HIV/AIDS, or treatment for these conditions; post-traumatic stress disorder, a medical condition or treatment for a medical condition

that produces cachexia, severe pain, severe nausea, seizures, including seizures caused by epilepsy, or persistent muscle spasms, including spasms caused by multiple sclerosis. Other conditions are also subject to approval by the Health Division of the Oregon Department of Human Resources.

A registry identification cardholder or the designated primary caregiver of the cardholder may possess up to six mature marijuana plants and 24 ounces of usable marijuana. A registry identification cardholder and the designated primary caregiver of the cardholder may possess a combined total of up to 18 marijuana seedlings.

The law also redefines "mature plants" to include only those cannabis plants that are more than 12 inches in height and diameter, and establish a state-registry for those authorized to produce medical cannabis to qualified patients.

This legislation also mandates that patients (or their caregivers) may only cultivate marijuana in one location, and requires that patients must be diagnosed by their physicians at least 12 months prior to an arrest in order to present an "affirmative defense."

A dispensary program was also created by the state by allowing the state licensing and regulation of medical marijuana facilities to transfer marijuana to registry identification cardholders or their designated primary caregivers, provided that patients must be state residents. As of Jan. 1, 2017, medical marijuana dispensaries may sell only to Oregon Medical Marijuana Dispensary Program-registered patients and caregivers.

Patient Registry Fees are $200 for new applications and renewals; reduced fees of $60 for persons receiving SNAP (food stamp); $50 for Oregon Health Plan cardholders; $20 for persons receiving SSI benefits; $20 for individuals who have served in the Armed Forces of the United States, with registration mandatory.

Washington State Medical Marijuana Laws

Effective November 3, 1998, qualifying patients with terminal or debilitating illnesses who, in the judgment of their physicians, may benefit from the medical use of marijuana are allowed the possession and limited use of marijuana.

Approved Conditions under this legislation include cancer, human immunodeficiency virus (HIV), multiple sclerosis, epilepsy or other seizure disorder, or spasticity disorders; Intractable pain, limited to pain unrelieved by standard medical treatments and medications; Glaucoma, either acute or chronic, limited to mean increased intraocular pressure unrelieved by standard treatments and medications; Crohn's disease with debilitating symptoms unrelieved by standard treatments or medications; Hepatitis C with debilitating nausea or intractable pain unrelieved by standard treatments or medications; Diseases, including anorexia, which result in nausea, vomiting, wasting, appetite loss, cramping, seizures, muscle spasms, or spasticity, when these symptoms are unrelieved by standard treatments or medications; Chronic renal failure requiring hemodialysis; PTSD; and traumatic brain injury.

Qualified patients and designated providers who are entered into the state’s database may legally

purchase sales-tax free the following amounts from a licensed marijuana store with a medical endorsement: Three ounces usable marijuana, 48 ounces of marijuana-infused product in solid form, 216 ounces of marijuana-infused product in liquid form or 21 grams of marijuana concentrate. They may grow six plants for personal medical use and possess up to eight ounces produced from those plants. If a healthcare practitioner determines more is needed, up to 15 plants and 16 ounces of usable marijuana may be authorized.

Qualified patients and designated providers with a valid authorization form who choose not to be entered into the database may purchase the amounts allowed for non-patients under the law that made marijuana legal in Washington, or grow in their homes four plants for personal medical use (and possess up to six ounces of usable marijuana produced from their plants).

On Nov. 6, 2012, Washington voters passed Initiative 502, which allows the state to "license and regulate marijuana production, distribution, and possession for persons over 21 and tax marijuana sales." The website for Washington's medical marijuana program states that the initiative "does not amend or repeal the medical marijuana laws (chapter 69.51A RCW) in any way. The laws relating to authorization of medical marijuana by healthcare providers are still valid and enforceable."

Qualifying patients in Washington need a valid Medical Marijuana authorization form from their healthcare practitioners.

Beginning July 1, 2016, patients and designated providers who were entered into the Medical Marijuana Authorization Database will receive a recognition card which will entitle the patient to additional rights and protections:

-Arrest protection
-Purchase products sales tax free
-Purchase three times the legal limit for recreational use

Patients and designated providers who hold valid authorizations but aren't entered into the database will have an affirmative defense to criminal prosecution if they possess no more than four plants and six ounces of usable marijuana. They may purchase only in accordance with the laws and rules for non-patients.

Registry for recognition cards is required if patients and designated providers 21 and older wish to have access to the following benefits: purchase products sales-tax free; purchase up to three times the current legal limit for recreational users; purchase high-THC infused products; grow more than four plants in their residence; and have full protection from arrest, prosecution, and legal penalties.

Verification Process

Many of the regulations, rules and reporting in the medical marijuana sector are related to the activities of growing, processing and selling, which do not apply to SMAART as a medical clinic. However, SMAART is involved with respect to verification and card submission concerning state by state qualifying conditions as follows.

Oregon

Registration & Certification: Oregon licensed physicians provide a signed recommendation saying medical marijuana "may mitigate" a given medical condition. A state run registry issues identification cards to qualifying patients.

Qualifying Conditions: Illnesses such as: cachexia; cancer; chronic pain; epilepsy and other conditions characterized by seizures; multiple sclerosis and other muscle spasticity disorders; glaucoma; HIV/AIDS; nausea; Alzheimer's disease and other conditions subject to state approval.

Inspections: Growers, processors, and dispensaries must report aggregate transfer data each month. Specific reporting requirements are outlined in the Oregon rules and the reporting requirements webpage. Medical clinics do not have monthly reporting requirements as all recommendations already run through the state registry daily.

Record Keeping & Patient Tracking: The Oregon Medical Marijuana Program (“**OMMP**”) is responsible for collecting and auditing reports tracking medical marijuana transfers. Registered medical marijuana dispensaries and processors are required to submit transfer reports of medical marijuana to the OMMP. In addition, some growers and patients growing for themselves are also required to report. All medical record keeping required in conjunction with a state issued identification card is done in conjunction with HIPAA compliance and communication either between physicians or through the clinic is done in compliance with HIPAA in both hardcopy and electronic format.

Washington

Registration & Certification: The following professionals may provide documentation for patients to receive a Washington State medical marijuana authorization: medical physician, naturopath, physician's assistant or advanced registered nurse practitioner are eligible. There is currently no state-run medical marijuana registry.

Qualifying Conditions: Illnesses such as: cachexia; cancer; HIV/AIDS; epilepsy; glaucoma; intractable pain; multiple sclerosis; Crohn's disease; hepatitis C; anorexia; any disease that causes nausea, wasting, appetite loss, cramping, seizures, muscle spasms and/or spasticity and other conditions subject to state approval.

Inspections: Growers, processors, and dispensaries must report aggregate transfer data monthly. Washington Medical Clinics do not have monthly reporting requirements but are required to keep all medical records current and in compliance with the federal Health Insurance Portability and Accountability Act of 1996 (“**HIPAA**”).

Record Keeping & Patient Tracking: On July 01, 2016, the Cannabis Protection Act went into effect which instituted a voluntary state patient authorization database. Qualified patients who choose to register with the Medical Marijuana Authorization Database, will be issued a recognition card, also known as a cannabis I.D. card or medical marijuana card. Privacy is ensured at the highest possible level, and the database is HIPAA compliant. SMAART clinics provide an authorization from a

qualified health care practitioner. Authorizations are written on a standard form developed by the Department of Health. Our clinics also receive an authorization from the patient's health care practitioner for medical records in accordance with HIPAA to help in the process of confirming qualifying conditions. For purposes of the Department of Health, and law enforcement, the medical marijuana recognition card serves to identify those patients who are exempt from Washington criminal and civil penalties, for conduct pursuant to the medical use of marijuana.

Illinois

Registration & Certification:

The medical provider must be a doctor of medicine or osteopathy licensed under the *Medical Practice Act of 1987*, have a controlled substances license under Article III of the *Illinois Controlled Substances Act*, be in good standing to practice medicine in Illinois, and have a bona fide physician-patient relationship with the patient whose debilitating condition they are certifying.

Qualifying Conditions:

Qualifying patients must be diagnosed with a debilitating condition, as defined in the *Compassionate Use of Medical Cannabis Pilot Program Act*, to be eligible for a medical cannabis registry identification card in Illinois. Such conditions include, but are not limited to, agitation of Alzheimer's disease, HIV or AIDS, ALS, cancer, Crohn's disease, multiple sclerosis, muscular dystrophy, Parkinson's disease, post-concussion syndrome, post-traumatic stress disorder, rheumatoid arthritis, seizures (including those characteristic of Epilepsy) and traumatic brain injury.

Inspections:

For state registered growing facilities, immediately prior to manufacturing or natural processing of any cannabis or cannabis-infused product or packaging cannabis for sale to a dispensary, each batch shall be made available at the cultivation centre for an employee of an approved laboratory to select a random sample, which shall be tested by the approved laboratory for the following:

1) microbiological contaminants;

2) mycotoxins;

3) pesticide active ingredients;

4) residual solvent; and

5) purposes of conducting an active ingredient analysis.

The Department of Health may also select a random sample that shall, for the purposes of conducting an active ingredient analysis, be tested by the department for verification of label information.

Record Keeping & Patient Tracking:

All information concerning the verification process is kept at the state level. As such, the information received, and records kept by the Illinois Department of Health for purposes of administering the verification process are subject to all applicable federal privacy laws, are confidential and are not subject to disclosure to any individual or public or private entity, except as necessary for authorized employees of the Department of Health to perform official duties of the department with respect to the following:

1) Applications or renewals, their contents and supporting information submitted by qualifying patients and designated caregivers, including information regarding designated caregivers and physicians;

2) The individual names and other information identifying persons to whom the department has issued registry identification cards; and

3) All medical records provided to the department in connection with an application for a registry identification card.

SMAART understands that each state has unique regulatory and communication requirements. As such, SMAART monitors each state's legislative process to ensure compliance with any regulatory changes. Each of its Empower clinics meets all applicable licensing and regulatory requirements at the state and municipal level. In addition, SMAART has a policy council that meets weekly to address any potential regulatory changes on a proactive basis.

There are significant risks associated with the business of the Issuer, as described above and in *Section 17 – Risk Factors*. Readers are strongly encouraged to carefully read all of the risk factors contained in Section 17 – Risk Factors.

4.1(1)(d) – Use of Funds

SMAART raised a total of $2,918,780 since inception through the sale of its securities pursuant to sales of SMAART Shares, SMAART Debentures and non-convertible debt. The proceeds were used to fund the acquisition of capital assets, including the Presto acquisition, finance working capital and operational needs of SMAART. As of the date of this Listing Statement, SMAART has approximately $10,000 of available cash.

Cash used in operations was $1,396,276 in the nine months to September 30, 2017. SMAART raised $1,422,585 through the sale of SMAART Debentures and the sale of SMAART Shares in nine months ended September 30, 2017. The use of proceeds was for capital expenditure, working capital and finance of operations. Working capital requirements in the form of the net loss from clinic operations were $2,295,382 in the nine months to September 30, 2017.

As at September 30, 2017 SMAART had cash of $881.

Current income from operations is not yet high enough to finance capital expenditures and working capital. The total budget for capital expenditures for 2018 is $1,000,000, including acquisitions. The

following table sets out the intended use of funds (assuming net proceeds of CDN$2,600,000 are raised in the Concurrent Financing) and the amounts allocated for each principal purpose.

Funds Allocated	Principal Purpose
CDN$900,000	Clinic Expansion
CDN$600,000	Costs of Transaction and Related Matters
CDN$500,000	Strategic Partnerships and Merger & Acquisitions
CDN$240,000	General Unallocated Working Capital
CDN$200,000	Marketing & Business Visibility Programs
CDN$100,000	Product Development, Branding & Packaging
CDN$60,000	Technology & Technical Resources

5. SELECTED CONSOLIDATED FINANCIAL INFORMATION

5.1(a) – Selected Financial Information – Adira

The following table provides a brief summary of Adira's financial operations for the each of the three most recently completed financial years, and the nine month period ending September 30, 2017. Refer to Schedule "A" for complete copies of Adira's audited financial statements for the years ended December 31, 2014, 2015 and 2016 and the unaudited interim financial statements for the nine months ended September 30, 2017.

Selected Information

Description	Year Ended December 31, 2014 (audited)	Year Ended December 31, 2015 (audited)	Year Ended December 31, 2016 (audited)	Nine Months Ended September 30, 2017 (unaudited)
Revenue	Nil	Nil	Nil	Nil
Net income (loss)	$735,000	($269,000)	($215,000)	($67,000)
Net loss per share (basic and diluted)	$0.06	($0.02)	($0.01)	$0.00

Total Assets	$409,000	$163,000	$52,000	$13,000

5.1(b) – Selected Financial Information – SMAART

The following table provides a brief summary of SMAART's financial operations for each of the periods from June 12, 2015 to December 31, 2015, the year ended December 31, 2016 and the nine month period ended September 30, 2017. See Schedule "B" for a complete set of SMAART's audited financial statements for the periods from June 12, 2015 to December 31, 2015, the year ended December 31, 2016 and the nine month period ended September 30, 2017.

Description	Period from June 12, 2015 to December 31, 2015 (audited)	Year Ended December 31, 2016 (audited)	Nine Months Ended September 30, 2017 (unaudited)
Revenue	$1,162,657	$2,134,857	$1,215,329
Net income (loss)	($878,514)	($1,669,734)	($2,295,382)
Net loss per share (basic and diluted)	($0.13)	($0.14)	($0.05)
Total Assets	$951,405	$553,598	$647,529

Revenue is earned and recognized immediately following a consult by one of SMAART's licensed medical doctors. The consultation and the card issuance are independent events, and in some cases, consultations are provided where a patient's primary goal is not to receive a card but simply understand treatment options and in other cases state qualifying conditions may not be met. Issuance of the card is completed through the applicable state agency.

5.3 – Dividends

Neither the Corporation nor SMAART have paid dividends in the past and have no present intention of paying dividends. Future dividends, if any, will be determined by the directors on the basis of earnings, financial requirements and other conditions existing at the time.

5.4 – Foreign GAAP

The financial statements of Adira and SMAART are both prepared in accordance with IFRS.

6. MANAGEMENT'S DISCUSSION AND ANALYSIS

Adira's annual MD&A for the most recent three fiscal years ended December 31 and Adira's interim MD&A for the nine month interim period ended September 30, 2017 are attached to this Listing

Statement as Schedule "C". The MD&A for SMAART for the period from incorporation on April 25, 2015 to December 31, 2015, the year ended December 31, 2016 and the nine month interim period ended September 30, 2017 are attached to this Listing Statement as Schedule "C".

7. MARKET FOR SECURITIES

7.1 – Listings

The Adira Shares have been halted since November 5, 2015 pending the announcement of the Transaction. The last trading price for the Adira Shares on the TSXV was $0.035. The Corporation is currently in the process of delisting the Adira Shares from trading on the TSXV.

Adira has applied to list the Resulting Issuer Shares on the CSE. The CSE has conditionally approved the listing of the Resulting Issuer Shares. Listing is subject to the Issuer fulfilling all of the requirements of the CSE.

8. CONSOLIDATED CAPITALIZATION

8.1(a) – Consolidated Capitalization – Resulting Issuer

The following table sets forth the capitalization of the Resulting Issuer following the completion of the Transaction but prior to giving effect to the Concurrent Financing.

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Designation of Security	Amount Authorized or to be Authorized	Amount Outstanding as of April 16, 2018(1)
Common Shares(2)	Unlimited	62,523,485
Stock Options(3)	5,652,247	3,300,000
Warrants(4)(5)(6)	12,358,780	12,358,780

Notes:

1. This figure represents the total issued and outstanding Resulting Issuer Shares as at the date of this Listing Statement on a non- diluted basis after giving effect to the Transaction.
2. Includes 11,642,185 SMAART Shares that will be issued on conversion of the SMAART Debentures immediately prior to Closing, based on a conversion price of $0.2325 for the SMAART Debentures.
3. Stock options granted pursuant to the Adira Stock Option Plan will not exceed a term of ten years and are granted at an option price and on other terms which the directors determine are necessary to achieve the goal of the Adira Stock Option Plan and in accordance with regulatory policies. The option exercise price will not be less than the fair market value of each Resulting Issuer Share issuable on the exercise of such option.
4. The Adira Warrants have been adjusted in accordance with the Exchange Ratio of 1 SMAART Share for each 6.726254 Adira Shares held. Prior to the Transaction, there were 4,820,000 Adira Warrants outstanding. Following the completion of the Transaction, there are 716,595 Resulting Issuer Warrants outstanding. The old Adira Warrants are convertible into Resulting Issuer Shares at an exercise price of $0.26.
5. The SMAART warrants are convertible at 125% of the price of the next round of equity financing. Based on a Conversion price of $0.2325 for the SMAART Debentures, 11,642,185 warrants will be issued to the holders of the SMAART Debentures at an exercise price of $0.39.
6. Does not include corporate finance warrants exercisable at CDN$0.31 of up to 8% of the number of securities issued in connection with the Concurrent Financing.

9. OPTIONS TO PURCHASE SECURITIES

9.1 (a) – Stock Option Plan – Issuer

Treatment of Options and Warrants under the Transaction

On Closing of the Transaction:

(i) the 3,300,000 SMAART Options outstanding immediately prior to Closing, were exchanged for an equivalent number of Resulting Issuer Options which are subject to the Adira Stock Option Plan, which will become the option plan of the Resulting Issuer;

(ii) the 11,642,185 SMAART Warrants, in accordance with their terms, became exercisable for Resulting Issuer Shares on the exact same terms;

(iii) Adira had 4,820,000 warrants exercisable at $0.04 outstanding. These convert to 716,595 Resulting Issuer Warrants at an exercise price of $0.26 immediately prior to Closing; and

(iv) immediately prior to Closing, the SMAART Debentures converted into SMAART Shares at a discount of 25% to the price per share pursuant to the Concurrent Offering.

Stock options granted pursuant to the Adira Stock Option Plan will not exceed a term of ten years and are granted at an option price and on other terms which the directors determine are necessary to achieve the goal of the Adira Stock Option Plan and in accordance with regulatory policies. The option exercise price will not be less than the fair market value of each Resulting Issuer Share issuable on the exercise of such option.

The Adira Stock Option Plan limits the granting of options and shares pursuant to options as follows:

(a) the aggregate number of Resulting Issuer Shares reserved for issuance under the Adira Stock Option Plan may not exceed 10% of the issued and outstanding Resulting Issuer Shares from time to time;

(b) the aggregate number of Resulting Issuer Shares reserved for issuance to any Related Person (as such term is defined in Section 2.2 of National Instrument 45-106 of the Canadian Securities Administrators) shall not exceed 5% of the issued and outstanding Resulting Issuer Shares from time to time;

(c) the aggregate number of Resulting Issuer Shares issued within any 12 month period to Related Persons shall not exceed 10% of the issued and outstanding Resulting Issuer Shares from time to time; and

(d) the aggregate number of Resulting Issuer Shares issued within any 12 month period to a Related Person and associates of such Related Person shall not exceed 5% of the issued and outstanding Resulting Issuer Shares from time to time.

Unless otherwise determined by the Resulting Issuer Board or specified in the relevant option agreement, options will vest immediately.

As of the date of this Listing Statement, there are no options outstanding under the Adira Stock Option Plan. The Resulting Issuer anticipates granting 800,000 additional options under the Adira Stock Option Plan in 2018 following the completion of the Transaction to individuals appointed as directors of the Resulting Issuer.

Should a participant in the Adira Stock Option Plan cease to be eligible for such participation, any unvested portion of any options granted to the participant will be immediately forfeited. The participant's vested options will terminate on the earlier of the date of the options' expiry pursuant to the Adira Stock Option Plan and the date which is 90 days after the participant ceasing to be eligible for participation in the Adira Stock Option Plan (in the case of termination of employment by the Issuer without cause, the failure of a director of the Issuer standing for election to be re-elected or the failure by the Issuer to renew a contract for services at the end of its term). The Adira Stock Option Plan also provides that estates of deceased participants and participants who retire or become disabled can exercise their options for a period not exceeding one year following death.

The Board of the Resulting Issuer may from time to time make rules, regulations and amendments to the Adira Stock Option Plan.

9.1 (b) – Stock Option Plan – SMAART

As of the date of this Listing Statement, there are 3,300,000 options outstanding under the stock option plan of SMAART as outlined below. Upon Closing, such stock options will become Resulting Issuer Options and be governed by the terms of the Resulting Issuer Stock Option Plan and the existing SMAART stock option plan will be cancelled.

Optionee	Number of Options	Option Exercise Price	Vesting Commencement Date	Vesting Schedule	Option Expiry Date
Craig Snyder	1,000,000	CAD$0.10	December 16, 2016	(1)(2)	December 16, 2021
Alan Rootenberg	250,000	CAD$0.10	February 1, 2016	(1)(3)	February 1, 2021
Stuart Kieland	600,000	CAD$0.10	February 20, 2017	(1)	February 20, 2022
Josh Vall-Spinosa	600,000	CAD$0.10	February 20, 2017	(1)	February 20, 2022
Clint Hall	200,000	CAD$0.10	January 20, 2017	(1)	January 20, 2022
Beau Whitney	200,000	CAD$0.10	February 26, 2017	(1)	February 26, 2022
Carly Krivanek	200,000	CAD$0.10	August 1, 2017	(1)	August 1, 2022
Zach Goldenberg	250,000	CAD$0.10	May 1, 2017	(1)	December 29, 2022
TOTAL	**3,300,000**				

Notes:

(1) Subject to the optionee's continued service with the SMAART or the Resulting Issuer on each such date, these stock options shall vest over a three-year period beginning on the vesting commencement date, with 1/3 of the Options vesting on the first, second and third anniversary of the vesting commencement date.

(2) In the event that Mr. Snyder's engagement as Chief Executive Officer of SMAART or the Resulting Issuer is terminated based upon a Change in Control, Termination of Engagement without Cause or with Good Reason, as such terms are defined in Mr. Snyder's consulting agreement with the Company dated December 16, 2016, Mr. Snyder's stock options shall vest immediately.

(3) Mr. Rootenberg's Resulting Issuer Options vest immediately.

As at the date of this Listing Statement, the table immediately following describes the issued and outstanding options to purchase securities or other convertible securities or rights to acquire securities of the Resulting Issuer.

Category of Option holder	**Designation and Number of Securities under Option**	**Purchase Price of Securities under Option**	**Other Particulars**
(a) all executive officers and past executive officers of the Issuer as a group and all directors and past directors of the Issuer who are not also executive officers as a group	1,250,000	$0.10	N/A
	Nil	N/A	N/A
(b) all executive officers and past executive officers of all subsidiaries of the Issuer as a group and all directors and past directors of those subsidiaries who are not also executive officers of the subsidiary as a group, excluding individuals referred to in (a) above	Nil	N/A	N/A
	Nil	N/A	N/A
(c) all other employees and past employees of the Issuer as a group	Nil	N/A	N/A
(d) all other employees and past employees of subsidiaries of the Resulting Issuer as a group	1,600,000	CDN$0.10	N/A
(e) all consultants of the Resulting Issuer as a group	200,000	CDN$0.10	N/A

Notes:

(1) These Resulting Issuer Options were granted pursuant to the terms of the Amalgamation Agreement in exchange for previously issued Adira Options.
(2) These are SMAART Warrants that, in accordance with their terms, are automatically exercisable for Issuer Shares following the completion of the Transaction on identical terms *mutatis mutandi*. in accordance with their terms.

10. DESCRIPTION OF THE SECURITIES

10.1 – Description of the Issuer's Securities

The Resulting Issuer is authorized to issue an unlimited number of common shares. All of the Resulting Issuer Shares are of the same class and, once issued, rank equally as to entitlement to dividends, voting powers (one vote per share) and participation in assets upon dissolution or winding up. No Resulting Issuer Shares have been issued subject to call or assessment.

There are no pre-emptive rights, no conversion or exchange rights, no redemption, retraction, purchase for cancellation or surrender provisions. There are no sinking or purchase fund provisions, no provisions permitting or restricting the issuance of additional securities or any other material restrictions, and there are no provisions which are capable of requiring a security holder to contribute additional capital.

As at the date of this Listing Statement and after giving effect to the Transaction, there are a total of 58,164,318 Resulting Issuer Shares outstanding.

10.2 – 10.6 – Miscellaneous Securities Provisions

None of the matters set out in sections 10.2 to 10.6 of CSE - Form 2A are applicable to the Resulting Issuer Shares.

10.7(a) – Prior Sales of Adira Shares

In 12 months preceding the date of this Listing Statement, Adira did not sell or distribute any securities other than as disclosed in Item 3.1(a) above and pursuant to closing of the Transaction.

10.7(b) – Prior Sales of SMAART Shares

Prior to Closing of the Transaction, there were 48,337,225[2] SMAART Shares issued and outstanding, all of which were issued since incorporation as follows:

Date of Issue	Description	Number of SMAART Shares Issued	Price Per Share ($USD)	Issue Price Adjusted for the Share Split and Subsequent Consolidation ($USD)(1)(2)	Details of Consideration
April 28, 2015	Common Shares	1,000,001	$0.0008	$0.0001	Initial share subscription
January 1, 2016	Common Shares	16,000	$0.1875	$0.0286	Shares issued for services
June 1, 2016	Common Shares	3,000,000[1]	$0.01	$0.03	Shares issued for services

June 20, 2016	Common Shares	23,000,000	$0.0083	$0.025	Shareholder rights Issue
December 12, 2016	Common Shares	2,300,000	$0.01	$0.03	Shares issued for services
January 13, 2017	Common Shares	96,711,675[2]	$0.00312	$0.0094	Shareholder rights Issue

Notes:

1. On May 31, 2016, the SMAART Shares were split of the basis of 19.685 shares for each share issued. The SMAART Shares issued for services were issued were after the split.
2. On March 16, 2017, the SMAART Shares were consolidated on the basis of 1 share for each 3 shares issued. After the consolidation there were 48,337,225 shares outstanding.

In addition, the following securities have been issued that are convertible, and can be converted immediately prior to the completion of the Transaction, into SMAART Shares as follows:

Date of Issue	Description	Amount	Details of Conversion
June 11, 2015	Convertible Notes Payable	$200,000	Note 1
January 1, 2016	Convertible Notes Payable	$75,000	Note 1
February 10, 2016	Convertible Notes Payable	$200,000	Note 1
March 1, 2017	Convertible Notes Payable	$1,032,080	Note 1
May 1, 2017	Convertible Notes Payable	$40,000	Note 1
June 26, 2017	Convertible Notes Payable	$90,000	Note 1
July 31, 2017	Convertible Notes Payable	$438,366	Note 1
August 22, 2017	Convertible Notes Payable	$40,000	Note 1
December 29, 2017	Convertible Notes Payable	$50,000	Note 1

Note:

1. The debentures are due one year from the date of issuance and are repayable in full with accrued interest at 7.5% per annum on maturity. The holder may at any time during the term of the debenture convert all or part into equity at a conversion price equal to a 25% discount to the next round of equity financing undertaken by the Company, into units of the Corporation consisting of one common share (each, a "Share") and one share purchase warrant (each, a “Warrant”), with each Warrant entitling the holder thereof to acquire one Share at an exercise price equal to 125% of the price of the next round of equity financing.

SMART has also issued what was originally non-convertible debt as follows, subject to certain notes now convertible into SMAART Shares as outlined in note 6 below.

Date of Issue	Description	Amount	Details of Conversion
June 12, 2015	Secured Loan Payable	$550,000	Note 1
September 18, 2015	Notes Payable	CDN$20,000	Notes 2 and 6

October 30, 2015	Notes Payable	$20,000	Notes 3 and 6
November 6, 2015	Notes Payable	$25,000	Note 4
December 18, 2015	Notes Payable	CDN$25,000	Notes 5and 6

Notes:

1. June 12, 2015, the acquired all of the assets of Presto in consideration for the assumption by the Company of Presto's liability to Bayview Equities Ltd. (the "**Secured Party**") in the amount of $550,000 plus accrued interest of $35,893. The liability is secured by a grant to the Secured Party of a security interest in the assets of Empower. The liability bears interest at 6% per annum.
2. The note payable bears interest at 6% and is payable on demand.
3. The note payable bears interest at 6% and is payable on demand.
4. The note matures 120 days from the date of issuance. Upon maturity, the promissory note bears interest at 1.5% per month compounding. This note was repaid in June, 2017.
5. The note payable bears interest at 6% and is payable on demand.
6. In July 2017, these notes payable were converted into convertible notes payable. The holder may at any time during the term of the debenture convert all or part into equity at a conversion price equal to a 25% discount to the next round of equity financing undertaken by SMAART into units of SMAART consisting of one SMAART share and SMAART Warrant with each SMAART Warrant entitling the holder thereof to acquire one SMAART Share at an exercise price equal to 125% of the price of the next round of equity financing.

On closing of the Transaction, Adira issued 48,337,225 Resulting Issuer Shares to SMAART Shareholders, issued 3,300,000 Resulting Issuer Options to replace the SMAART Options (all exercisable at CDN$0.10 per share) and 11,642,185 Resulting Issuer Warrants to replace the SMAART Warrants (all exercisable at $0.39 per share).

10.8 – Stock Exchange Price

The following table sets forth the high and low market prices and volume of the Adira Shares on the TSXV on a monthly or quarterly basis as indicated. The Adira Shares have been cease traded by the TSXV pending the completion of the Transaction since November 5, 2015.

Month	High ($)	Low ($)	Volume
April 2018	N/A	N/A	N/A
Q1 2018	N/A	N/A	N/A
Q4 2017	N/A	N/A	N/A
Q3 2017	N/A	N/A	N/A
Q2 2017	N/A	N/A	N/A
Q1 2017	N/A	N/A	N/A
Q4 2016	N/A	N/A	N/A
Q3 2016	N/A	N/A	N/A
Q2 2016	N/A	N/A	N/A
Q1 2016	N/A	N/A	N/A
Q4 2015	0.04	0.035	161,027

11. ESCROWED SECURITIES

11.1 – Escrow of Principals' Securities

The table below sets out the number of Resulting Issuer Shares held by principals and certain other shareholders of the Resulting Issuer that are currently held in escrow:

Designation of Class Held in Escrow	Number of Securities Held in Escrow(1)	Percentage of Class(2)
Common Shares	32,848,768	49.30%
Options to purchase Common Shares	1,000,000	30.3%

Notes:

1. Any other securities of the Resulting Issuer, including securities issuable upon the conversion of the SMAART Debentures, will also be subject to this escrow regime.
2. After giving effect to the Consolidation and the Concurrent Financing.

The Resulting Issuer is classified as an emerging issuer pursuant to NP 46-201, and as such the securities listed above will be released from escrow in stages over a 36 month period from the date of Closing of the Transaction, with 10% having been initially released and an additional 15% of such escrowed shares to be released on the 6, 12, 18, 24, 30 and 36 month anniversaries of the Closing.

12. PRINCIPAL SHAREHOLDERS

12.1 and 12.2 – Principal Shareholders

There were not any shareholders of the Resulting Issuer that own or control or exercise direction over 10% or more of the outstanding Resulting Issuer Shares, except for Delrina Consolidated Ltd., which owns 6,469,466 Resulting Issuer Shares as well as 5,536,043 by an associated party, and TY & Sons Investments Inc. and TY Management Inc., which own 5,669,751 and 810,791 Resulting Issuer Shares respectively, as well as 4,886,597 Resulting Issuer Shares through an associated party.

12.3 – Voting Trusts

To the knowledge of the Issuer, no voting trust exists with respect to any Resulting Issuer Shares.

13. DIRECTORS AND OFFICERS

13.1 – 13.3, 13.5, 13.11 – Directors and Officers

The following table sets forth the name of all current directors and officers of the Resulting Issuer, their municipalities of residence, their current positions with the Resulting Issuer, their principal occupations during the past five years and the number and percentage of Resulting Issuer Shares beneficially owned, directly or indirectly, or over which control or direction is exercised as at the date of this Listing Statement:

Name, Address, Occupation and Security Holdings

Name, Municipality of Residence[1], Position(s) with Resulting Issuer	Principal Occupation or Employment During the Past Five Years	Director Since[4]	Number[2] and Percentage of Resulting Issuer Shares Held [3]
Craig Snyder CEO, President and Director Seattle, Washington	CEO SnapNames, Executive Vice-President Web.com, CEO Empower	Appointed upon Closing	2,607,500 4.17%
Alan Rootenberg CFO Toronto, Ontario	CEO of Eco (Atlantic) Oil & Gas Ltd.	N/A	3,668,172[5] 5.87%
Emily Davis Corporate Secretary Vancouver, British Columbia	Corporate Secretary,Venture One Corp. and TY Management Corp.	N/A	Nil
Josh Vall-Spinosa VP, Business Development Seattle, Washington	Vice-President of business development at Apollo Education Group and head of Xbox custom content at Microsoft Corporation	N/A	Nil
Clint Hall VP, Operations Portland, Oregon	Director of Operations, Golden Leaf Holdings and analyst at Nike Corporation	N/A	Nil
Stuart Kieland VP, Corporate Development Seattle, Washington	Business Development at Appollo Education Group	N/A	Nil
Lorne Gertner Director Toronto, Ontario	CEO of Hill & Gertner	Appointed upon Closing	Nil
Dan Ballister Director Columbia, South Carolina	President & Ceo Smoke Hall Foods Inc.	Appointed upon Closing	Nil

Paul Uhlir Director Seattle, Washington	CEO of ADD3 Media	Appointed upon Closing	Nil

Notes:

1. The information as to municipality of residence and principal occupation, not being within the knowledge of the Issuer, has been furnished by the respective directors and officers individually.
2. The information as to shares beneficially owned or over which a director or officer exercises control or direction, not being within the knowledge of the Issuer, has been furnished by the respective directors and officers individually.
3. On an issued and undiluted basis, assuming 62,523,485 Resulting Issuer Shares are outstanding and prior to the completion of the Concurrent Financing.
4. The terms of each director of the Issuer will expire at the Issuer's next annual general meeting or until a successor is duly elected or appointed, unless his office is earlier vacated in accordance with the Resulting Issuer's articles and by-laws as applicable.
5. Includes 1,207,500 Resulting Issuer Shares held by Mr. Rootenberg's wife.

As at the date of this Listing Statement and assuming no participation in the Concurrent Financing, the directors and officers of the Resulting Issuer as a group beneficially own, directly or indirectly, an aggregate of 6,275,672 Resulting Issuer Shares, representing 10% of the issued and outstanding Resulting Issuer Shares on a non-diluted basis.

Management and Directors

The following are brief biographical descriptions of the management and directors of the Resulting Issuer's management and directors.

Craig Snyder- President, CEO and Director

Craig is a senior leader with over 20 years of success in driving growth and development of high tech and emerging technology organizations. He has significant experience leading disruptive strategies in new markets and building corporate reputation on a national scale. He has held senior leadership positions at two Fortune 100 companies (Pepsi Cola & Citibank) combined with executive leadership experience in two Nasdaq startup to IPO success stories (Go2Net & Marchex). He has deep experience in M&A and P&L Management with experience in over 20 acquisitions and most recently had direct responsibility for two successful company sales as CEO (SnapNames & Moniker). He is a graduate of the United States Naval Academy and a former Naval Officer.

Alan Rootenberg- CFO

Alan is a Certified Public Accountant with extensive Canadian public markets experience. He has over 30 years of capital markets experience serving as CEO, President and CFO of TSX, TSXV and OTCBB listed companies in the technology and extraction industries. He is a graduate of Witwatersrand University in Johannesburg, South Africa.

Emily Davis- Corporate Secretary

Ms. Davis has more than 20 years of experience providing a variety of administrative and corporate services to publicly listed companies in the financial, technology and natural resource sectors. Prior to joining current employers Venture One Corp. and TY Management Corp., she worked in administration with Silver Standard. She has also worked with several merchant banks, managing portfolios of private and public companies, focused on mining, energy and technology. Ms. Davis will devote her time as needed to the Resulting Issuer.

Stuart Kieland- VP Corporate Development

Stuart has over 22 years of Corporate Development and Business Development experience at Microsoft, Go2Net, InfoSpace, Apollo Education Group and Kidder Mathews.While at Kidder Mathews, the West Coast's largest commercial real estate firm, he successfully advised both startup and enterprise businesses on all phases of corporate real estate development - asset evaluation, property acquisition, contract analysis, site design and growth strategy. He is a graduate of the University of Michigan.

Josh Vall-Spinosa- VP Business Development

Josh served as Head of Xbox Custom Content at Microsoft from 2005-2013. He has held Senior Business Development management roles at Infospace and Escapia. He was most recently Vice President of Business Development at Apollo Education Group (APOL), running a team responsible for an online education growth and access initiative. He is a graduate of the University of Washington.

Clint Hall- VP Operations

Clint most recently served as Director of Operations Golden Leaf Holdings where he was responsible for product creation, sourcing, and purchasing. Prior to Golden Leaf Clint served as an analyst Nike Corporation. He has deep experience on merchandising operations and supply chain management from the Adidas Group. He is a former U.S. Army Infantryman and Operation Enduring Freedom veteran.

Lorne Gertner- Director

In addition to being a founding partner and CEO of Hill & Gertner, Lorne is the CEO of Hill & Gertner Retail Partners, an affiliate of Hill & Gertner. Since co-founding Hill & Gertner, he has been involved in over $1 billion worth of transactions in the retail sector, most notably, with Eaton's Dylex and Hip Interactive. From 1981 to 1996, Lorne was president and owner of Mister Leonard Inc., one of Canada's largest women's apparel manufacturers. He has a Bachelor of Architecture from the University of Toronto and practiced architecture in the early 1980's. Lorne is a member of World President's Organization and a founder of the Gertner Charitable Foundation.

Dan Ballister - Director

Dan Ballister is the co-founder and CEO of Smoke Hall Foods L3C, a veteran-owned CPG startup focused on manufacturing ultra-high quality American-made products, creating employment

opportunities for veterans, and donating a meaningful percentage of the company's profits to organizations that directly support military and veteran families. The company launched in 2015 with the introduction of The General's Hot Sauce. Concurrently, Dan is the founder of Over The Wall Ventures, a digital media consulting firm that advises buy and sell side media clients on strategic planning, M&A, and programmatic infrastructure.

Previously, Dan was the co-founder and President of online media buying marketplace TRAFFIQ Inc. (sold to Talus Holdings), and held executive positions over a 20-year period at the National Basketball Association, Go2Net/InfoSpace.com, Cendant, Hallmark Cards, and Reckitt Benckiser. He served five years as a Surface Warfare Officer in the U.S. Navy, and is a graduate of the United States Naval Academy in Annapolis, MD.

Paul Uhlir- Director

Paul serves as Chief Executive Officer of Add3 Media, one of the largest digital marketing agencies in Seattle. Paul leverages over 20 years of successful business development, sales and marketing experience in the online interactive space. Prior to Add 3 Paul founded Don't Blink Media, Inc., in 2005 and served as its President and Vice President of Business Development. Paul has vast experience originating, building and managing Fortune 500 relationships and is responsible for establishing and promoting strategic partnerships with direct clients and large publisher's websites. His experiences, both as a seller and a business development manager have helped Paul develop expertise in the analytics of online media buying. Prior to Don't Blink Agency, he has worked for Marchex, uDate.com, Infospace and Go2Net in both senior business development and sales roles. He holds an undergraduate degree in history from the University of Washington, Seattle.

13.4 – Board Committees of the Issuer

The Resulting Issuer has established an audit committee consisting of Dan Ballister (chair), Craig Snyder and Lorne Gertner. The Resulting Issuer will also establish the following committees of its board:

1. a compensation committee, consisting of Dan Ballister (chair), Craig Snyder and Paul Uhlir; and

2. a governance and nominating consisting of Paul Uhlir (chair), Craig Snyder and Dan Ballister.

Other committees of the board of directors may be instituted as the Resulting Issuer deems necessary or advisable.

13.6 – Corporate Cease Trade Orders or Bankruptcies

No director, officer or promoter of the Issuer has, within the last ten years, been a director, officer or promoter of any reporting issuer that, while such person was acting in that capacity, or within a period of one year thereafter, was the subject of a cease trade or similar order or an order that denied the company access to any statutory exemption for a period of more than 30 consecutive days or was declared a bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or been 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 that person.

13.7, 13.8 – Penalties or Sanctions

No director, officer, or promoter of the Issuer, or any shareholder anticipated to hold a sufficient amount of securities of the Issuer to materially affect control of the Issuer, has been subject to 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 has been subject to any other penalties or sanctions imposed by a court or regulator body or self-regulatory authority that would be likely to be considered important to a reasonable investor making an investment decision.

13.9 – Personal Bankruptcies

No director, officer or promoter of the Issuer, or a shareholder anticipated to hold a sufficient amount of securities of the Issuer to affect materially the control of the Issuer, or a personal holding company of any such persons, has, within the 10 years preceding the date of this Listing Statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been 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 individual.

13.10 – Conflicts of Interest

To the best knowledge of the Issuer, and other than as disclosed herein, there are no known existing or potential material conflicts of interest between the Issuer or a subsidiary of the Issuer and a director, officer or promoter of the Issuer except that certain of the directors, officers and promoters of the Issuer serve as directors, officers and promoters of other companies and therefore it is possible that a conflict may arise between their duties as a director, officer or promoter of the Issuer and their duties as a director, officer and promoter of such other companies. See *Section 17 – Risk Factors*.

The directors, officers and promoters of the Issuer are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosure by directors of conflicts of interest and the Issuer will rely upon such laws in respect of any directors' and officers' conflict 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 applicable law and they will govern themselves in respect thereof to the best of their ability in accordance with the obligation imposed upon them by law.

14. CAPITALIZATION

14.1 – Issued Capital

As at the date of this Listing Statement and after giving effect to the Transaction, but prior to giving effect to the Private Placement, the Resulting Issuer has the following issued and outstanding securities according to the below table:

Issued Capital	Number of Securities (non-diluted) [1][2]	Number of Securities (fully-diluted) [3][6]	% of Issued (non-diluted)	% of Issued (fully diluted)
Public Float				
Total outstanding (A)	62,523,485	78,182,265	100%	100%
Held by Related Persons[4] (B)	43,768,774	45,977,982	70.0%	58.81%
Total Public Float (A-B)	18,754,711	32,204,283	30.0%	41.19%
Freely-Tradable Float				
Number of outstanding securities subject to resale restrictions[5](C)	32,848,768	33,848,768	52.54%	43.29%
Total Tradable Float (A-C)	29,674,717	44,333,497	47.46%	56.71%

Notes:

(1) Includes 11,642,185 SMAART Shares that were issued on conversion of the SMAART Debentures immediately prior to Closing, based on a conversion price of $0.2325 for the SMAART Debentures.

(2) Does not include the approximately 8,387,097 Resulting Issuer Shares that will be issued until the Concurrent Financing.

(3) Includes 3.300,000 incentive stock options, and 12,358,780 Resulting Issuer Warrants all subject to adjustment in accordance with their respective terms

(4) Related Persons or employees of the Issuer or Related Person of the Issuer, or by persons or companies who beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer upon exercise or conversion of other securities held).

(5) Includes restrictions imposed by escrow, pooling or other arrangements or in a shareholder agreement and securities held by control block holders.

(6) Does not include corporate finance warrants exercisable at CDN$0.31 of up to 8% of the number of securities issued in connection with the Concurrent Financing.

Public Security holders (Registered)

Size of Holding	Number of holders	Total number of securities
1 – 99 securities	14	264
100 – 499 securities	2	364
500 – 999 securities	5	2,752
1,000 – 1,999 securities	5	7,889
2,000 – 2,999 securities	1	2,070
3,000 – 3,999 securities	1	3,166

4,000 – 4,999 securities	N/A	N/A
5,000 or more securities	11	12,370,470
Total	33	12,386,975

Note:

(1) The foregoing chart shows holdings in the Resulting Issuer after giving effect to the Consolidation but prior to the Concurrent Financing.

Public Security holders (Beneficial)

Size of Holding	Number of holders	Total number of securities
1 – 99 securities	503	19,140
100 – 499 securities	183	366,150
500 – 999 securities	52	256,100
1,000 – 1,999 securities	34	338,861
2,000 – 2,999 securities	14	229,831
3,000 – 3,999 securities	15	341,250
4,000 – 4,999 securities	4	119,000
5,000 or more securities	28	338,458
Unable to confirm	N/A	N/A
Total	836	2,008,790

Note:

(1) The foregoing chart shows holdings in the Resulting Issuer after giving effect to the Consolidation but prior to the Concurrent Financing.

Non-Public Security holders (Registered)

Size of Holding	Number of holders	Total number of securities
1 – 99 securities	N/A	N/A
100 – 499 securities	N/A	N/A
500 – 999 securities	N/A	N/A
1,000 – 1,999 securities	N/A	N/A
2,000 – 2,999 securities	N/A	N/A

3,000 – 3,999 securities	N/A	N/A
4,000 – 4,999 securities	N/A	N/A
5,000 or more securities	15	43,768,774
Total	15	43,768,774

Note:

(1) The foregoing chart shows holdings in the Resulting Issuer after giving effect to the Consolidation.

14.2 – Convertible Securities

The Resulting Issuer has the following convertible securities outstanding:

Description of Security	Number of convertible/ exchangeable securities outstanding	Number Issuer Shares issuable upon conversion/ exercise
Stock options granted to employees, directors, officers and consultants of the Resulting Issuer or its subsidiaries exercisable at CDN$0.10.	3,300,000	3,300,000 Resulting Issuer Shares
Adira Warrants[1] entitling the holder to purchase one Resulting Issuer Share at $0.26.	716,622	716,622 Resulting Issuer Shares
SMAART Warrants[1] entitling the holder to purchase one Resulting Issuer Share at 125% of the issuance price under the Concurrent Financing.	11,642,185	11,642,185 Resulting Issuer Shares

Notes:

1. Each SMAART and Adira Warrant is, in accordance with its terms and the Amalgamation Agreement convertible into one Resulting Issuer Share.
2. Each Convertible Debenture is, in accordance with its terms and the Amalgamation Agreement convertible into Resulting Issuer Shares.
3. Does not include corporate finance warrants exercisable at CDN$0.31 of up to 8% of the number of securities issued in connection with the Concurrent Financing.

14.3 – Other Securities reserved for Issuance

Other than the foregoing or disclosed elsewhere in this Listing Statement, there are no other securities of the Resulting Issuer reserved for issuance.

15. EXECUTIVE COMPENSATION

15.1 (a) – Adira

Compensation Discussion and Analysis

The objective of this disclosure is to communicate the compensation of each Named Executive Officer ("**NEO**") and director of the Corporation. This disclosure will provide insight into executive compensation as a key aspect of the overall stewardship and governance of the Corporation. For purposes of this Listing Statement, NEO means an individual who, at any time during the year, was:

(a) the Corporation's Chief Executive Officer ("**CEO**");

(b) the Corporation's Chief Financial Officer ("**CFO**");

(c) each of the Corporation's three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year and whose total compensation was, individually, more than CDN$150,000 for that financial year; and

(d) each individual who would be a named executive officer under paragraph (c) but for the fact that the individual was neither an executive officer of the Corporation, nor acting in a similar capacity, at the end of the most recently completed financial year.

Based on the foregoing definition, during the most recently completed financial year of the Corporation, there were two (2) NEOs. In assessing executive compensation, the Corporation does not have any formal objectives or criteria; instead, it relies mainly on Board and compensation committee of the Corporation (the "**Compensation Committee**") discussion. Currently, any material commitments, inclusive of remuneration, are required to be preapproved by the Adira Board.

Elements of Compensation

The Corporation's compensation program for its NEOs has three principal components: base salary, incentive bonus' and stock options.

Base Salary

Each NEO (as defined below) receives a base salary, which constitutes a significant portion of the NEO's compensation package. Base salary is recognition for discharging day-to-day duties and responsibilities and reflects the NEO's performance over time, as well as that individual's particular experience and qualifications. A NEO's base salary is reviewed by the Board on an annual basis and may be adjusted to take into account performance contributions for the year and to reflect sustained performance contributions over a number of years.

Incentive Bonus

Incentive bonuses, in the form of cash payments, are designed to add a variable component of compensation based on corporate and individual performances for each officer and employee. No bonuses were paid to any NEO during the most recently completed financial year.

Stock Options

The Corporation's directors, officers, employees and consultants, if any, are eligible under the Adira Stock Option Plan to receive grants of stock options. The Adira Stock Option Plan is an important part of the Corporation's long-term incentive strategy for its NEOs and directors, permitting them to participate in appreciation of the market value of the Adira Shares over a stated period of time. The Adira Stock Option Plan is intended to reinforce commitment to long-term growth in profitability and shareholder value. The size of the stock option grants to NEOs and directors is dependent on each NEO's and director's level of responsibility, authority and importance to the Corporation and to the degree to which such NEO's or director's long term contribution to the Corporation will be key to its long term success. The Adira Board believes that the Adira Stock Option Plan aligns the interests of the NEOs and the Adira Board with shareholders by linking a component of executive compensation to the longer term performance of the Adira Shares.

Options are granted at the recommendation of the Adira Board, based upon the Adira Board's review of a proposal from the Compensation Committee. In monitoring or adjusting the option allotments, the Adira Board takes into account its own observations on individual performance (where possible) and its assessment of individual contribution to shareholder value, previous option grants and the objectives set for the NEOs. The scale of options is generally commensurate to the appropriate level of base compensation for each level of responsibility. The Adira Board will make these determinations subject to and in accordance with the provisions of the Adira Stock Option Plan.

Compensation of Directors

The Adira Board or the Compensation Committee will recommend how much, if any, cash compensation will be paid to directors for services rendered by directors, in such capacity, to the

Corporation. The directors of the Corporation may be paid cash compensation commensurate with the prevailing level of compensation for directors in the same industry in which the Corporation operates. The directors of the Corporation may also be compensated for their services as directors through the granting of stock options in such amounts and upon such terms as may be recommended by the Compensation Committee or as approved by the Adira Board from time to time.

NEOs who also act as directors of the Corporation will not receive any additional compensation for services rendered in such capacity, other than as paid by the Corporation to such NEOs in their capacity as executive officers.

Compensation Risk

The Board and, as applicable, the Compensation Committee, considers and assesses the implications of risks associated with the Corporation's compensation practices and devotes such time and resources as is believed to be necessary in the circumstances. The Corporation's practice of compensating its NEOs primarily through a mix of salary and stock options is designed to mitigate risk by: (i) ensuring that the Corporation retains such individuals; and (ii) aligning the interests of such individuals with the short-term and long-term objectives of the Corporation and its shareholders. As at the date of this Listing Statement, the Adira Board had not identified risks arising from the Corporation's compensation policies and practices that are reasonably likely to have a material adverse effect on the Corporation.

Financial Instruments

Except as prohibited by law, the NEOs and directors are not currently prohibited from purchasing financial instruments, such as prepaid variable forward contracts, equity swaps, collars or units of exchange funds, that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by a NEO or director. To the Corporation's knowledge, no such financial instrument has been purchased.

The Corporation's insider trading policy stipulates that insiders of the Corporation should refrain from frequent buying and selling of the securities of the Corporation for the purpose of realizing the short-term profits and should acquire securities of the Corporation only as a long-term investment. Subject to certain limited exceptions, applicable securities laws specifically prohibits insiders from engaging in selling short or trading in call or put options.

Compensation Governance

In order to assist the Adira Board in fulfilling its oversight responsibilities with respect to compensation matters, the Board has established the Compensation Committee and has reviewed and approved the Compensation Committee's Charter. The Compensation Committee is composed Mr. Dennis Bennie and Mr. Alan Rootenberg. Each of Messrs. Bennie and Rootenberg is independent as such term is defined in National Instrument 58-101 – *Disclosure of Corporate Governance Practices*.

The Compensation Committee meets on compensation matters as and when required with respect to executive compensation. The primary goal of the Compensation Committee as it relates to

compensation matters is to ensure that the compensation provided to the NEOs and the Corporation's other senior officers is determined with regard to the Corporation's business strategies and objectives, such that the financial interest of the NEOs and senior officers is aligned with the financial interest of shareholders, and to ensure that their compensation is fair and reasonable and sufficient to attract and retain qualified and experienced executives. The Compensation Committee is given the authority to engage and compensate any outside advisor that it determines to be necessary to carry out its duties.

As a whole, the members of the Compensation Committee have direct experience and skills relevant to their responsibilities in executive compensation, including making informed decisions on the suitability of the Corporation's compensation policies and practices. Each of the members of the Compensation Committee has sat on the board of directors and related committees of other public companies.

Neither the Adira Board nor the Compensation Committee has, at any time since the Corporation's most recently completed fiscal year, retained a compensation consultant or advisor to assist the Board or the Compensation Committee in determining the compensation for any of the Corporation's executive officers' or directors' compensation.

1. ***Summary Compensation Table – Named Executive Officers***

The following table sets forth the compensation paid or awarded to NEOs for the two most recently completed financial years ended December 31, 2016 (in thousands of US dollars).

Name and principal position	**Year**	**Salary/ Fee**	**Share-based awards**	**Option-based awards[1]**	**Non-equity incentive plan compensation**		**Pension value**	**All other compensation**	**Total compensation**
					Annual incentive plans	**Long-term incentive plans**			
		(US$)	**(US$)**	**(US$)**	**(US$)**	**(US$)**	**(US$)**	**(US$)**	**(US$)**
Gadi Levin, CEO and CFO	2017 2016 2015	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil
Alan Friedman, Executive Vice President, Corporate Development	2017 2016 2015	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil

2. ***Incentive Plan Awards – NEOs***

Outstanding Share-Based Awards and Option-Based Awards

The following table sets forth all share-based and option-based awards outstanding for the NEOs as of December 31, 2017. There were no share-based awards outstanding as of December 31, 2017.

	Option-Based Awards			
Name	**Number of securities underlying unexercised options**	**Option exercise price**	**Option expiration date**	**Value of unexercised in-the-money options[1]**

	(#)	(US$)		(US$)
Gadi Levin	Nil	0.86	Nil	Nil
Alan Friedman	Nil	0.86	Nil	Nil

Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth the value of all incentive plan awards vested or earned for each NEO during the year ended December 31, 2017.

Name & Principal Positions	Option-based awards – Value vested during the year[1]	Share-based awards – Value vested during the year	Non-equity incentive plan compensation – Value earned during the year
	(US$)	(US$)	(US$)
Gadi Levin	Nil	Nil	Nil
Alan Friedman	Nil	Nil	Nil

3. *Management Contracts – Termination and Change of Control Benefits*

The Corporation does not have any management contracts or agreement that include provisions for termination or change of control benefits with any of its NEO's.

4. *Director Compensation*

No cash compensation was paid to the directors of the Corporation in their capacity as directors during the financial year ended December 31, 2016 except as outlined below. The directors of the Corporation are eligible to receive options to purchase Common Shares pursuant to the terms of the Adira Stock Option Plan.

Director Compensation Table

The following table sets forth all amounts of compensation provided to the directors of the Corporation (other than directors who are also NEOs) during the financial year ended December 31, 2016 (in thousands of US dollars):

Name[1]	Fees Earned	Share-based awards	Option-based awards	Non-equity incentive plan compensation	Pension value	All other compensation	Total
	(US$)	(US$)	(US$)	(US$)	(US$)	(US$)	(US$)
Dennis Bennie	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Alan Rootenberg	4.5	Nil	Nil	Nil	Nil	Nil	4.5
Alan Friedman	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Note:

(1) Information regarding Mr. Friedman is set out above under "Summary Compensation Table – Named Executive Officers".

Incentive Plan Awards - Outstanding Share-Based Awards and Option-Based Awards

The following table sets forth all awards outstanding for each of the directors of the Corporation (other than directors who are also NEOs) as of December 31, 2017. There were no share-based awards outstanding as of December 31, 2017.

	Option-Based Awards			
Name[1]	**Number of securities underlying unexercised options**	**Option exercise price**	**Option expiration date**	**Value of unexercised in-the-money options**[2]
	(#)	**(US$)**		**(US$)**
Dennis Bennie	Nil	0.86	Nil	Nil
Alan Rootenberg	Nil	2.16	Nil	Nil

Note:

(1) Information regarding Mr. Friedman is set out above under "Summary Compensation Table – Named Executive Officers".

Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth the value of all incentive plan awards vested or earned by each director of the Corporation (other than directors who are also NEOs) during the year ended December 31, 2017 (in thousands of US dollars).

Name[1]	**Option-based awards – Value vested during the year**[2]	**Share-based awards – Value vested during the year**	**Non-equity incentive plan compensation – Value earned during the year**
	(US$)	**(US$)**	**(US$)**
Dennis Bennie	Nil	Nil	Nil
Alan Rootenberg	Nil	Nil	Nil

Note:

(1) Information regarding Mr. Friedman is set out above under "Summary Compensation Table – Named Executive Officers".

15.1(a) – The Resulting Issuer

The following compensation discussion and analysis outlines the proposed elements of the Resulting Issuer's executive compensation for the 12 month period following Closing after giving effect to the Transaction. In this discussion and analysis, the terms "Named Executive Officers" or "NEOs" refers to the Resulting Issuer's three executive officers, regardless of their proposed amount of compensation and follows the guidelines in the Form 51-102F6 – *Statement of Executive Compensation* of the Canadian Securities Administrators. The terms Named Executive Officers and NEOs are used interchangeably. The following individuals are proposed to act as Named Executive Officers of the Resulting Issuer:

- **Craig Snyder**, President and CEO; and
- **Alan Rootenberg**, CFO.

Base Salaries and Consulting Fees

The Resulting Issuer's executive officers are proposed to be compensated by way of a base salary, bonus opportunity and incentive stock options.

Pension Plan Benefits

The Resulting Issuer will not have any pension plans for its directors, officers or employees.

Deferred Compensation Plans

The Resulting Issuer will not have any deferred compensation plans for its directors, officers or employees.

Stock Options

The Resulting Issuer intends to use stock options in order to retain and incentivize the Resulting Issuer's executives and to recruit executives to the Resulting Issuer. The Resulting Issuer Stock Option Plan will provide for awards to be made to directors, employees and consultants. The Stock Option Plan will be administered by the Resulting Issuer Board. This incentive arrangement is designed to motivate executives to achieve longer-term sustainable business results, align their interests with those of the shareholders and to attract and retain executives.

An award of stock options under the Stock Option Plan may not be granted if the result would be that the resulting aggregate number of outstanding options would exceed 10% of the issued and outstanding Resulting Issuer Shares.

It is currently contemplated that directors of the Resulting Issuer will receive an aggregate of 800,000 options to purchase Resulting Issuer Shares.

Summary Compensation Table

The following table sets forth the proposed total annual and long-term equity and non-equity compensation for each NEO, along with any other compensation awarded to each NEO, for services rendered in all capacities to the Resulting Issuer for the 12 month period after giving effect to the Transaction. The Resulting Issuer will not have any pension plans, long-term non-equity incentive plans or deferred compensation plans. In addition, the Resulting Issuer does not currently have any plans or arrangements in place that provide for share-based awards, other than its stock option plan.

Name and Principal Position	Salary ($)	Share-based awards ($)	Option-based awards ($)	Non-equity incentive plan compensation ($)		Pension value ($)	All other compensation ($)	Total compensation ($)[1][2][2]
				Annual incentive plans	Long-term incentive Plans			

Name and Principal Position	Salary ($)	Share-based awards ($)	Option-based awards ($)	Non-equity incentive plan compensation ($)		Pension value ($)	All other compensation ($)	Total compensation ($)(1)(2)(2)
				Annual incentive plans	Long-term incentive Plans			
Craig Snyder *CEO and President* (2)	US180,000	Nil	TBD	Nil	Nil	Nil	Nil	US180,000
Alan Rootenberg *CFO* (2)	US120,000	Nil	TBD	Nil	Nil	Nil	Nil	US120,000
Stuart Kieland *VP Corporate Development* (3)	US102,000	Nil	TBD	Nil	Nil	Nil	Nil	US102,000
Josh Vall-Spinosa *VP Business Development*	US102,000	Nil	TBD	Nil	Nil	Nil	Nil	US102,000
Clint Hall *VP Operations*	US80,000	Nil	TBD	Nil	Nil	Nil	Nil	US80,000

In addition to the salary outlined above, the officers of the Resulting Issuer will be eligible for bonuses based on company performance and established annual targets. Such bonuses will be administered by the board of directors of the Resulting Issuer and are expected to be up to $40,000, with the exception of Mr. Snyder, who will be eligible for a bonus payment of up to $100,000.

Director Compensation

The Resulting Issuer intends to compensate directors by way of grant of stock options in the initial amount of 200,000 options per independent director. In addition, each independent director shall receive a salary of $US24,000 per annum.

Termination and Change of Control Benefits

Craig Snyder will provide his services as President and CEO of the Resulting Issuer pursuant to an employment agreement which include termination and change of control provisions.

The following table contains the estimated incremental payments, payables and benefits that would arise assuming termination date as of the date of this Listing Statement:

Name	Event	Cash Payments ($)	Value of Equity and Share-based Awards ($)	Total ($)
Craig Snyder	Termination with cause Termination without cause Change in control	Nil $180,000 $180,000	Nil Nil Nil	Nil $180,000 $180,000

Mr. Snyder would be eligible to receive the following:

(a) a lump sum payment equal to the lesser of (i) twelve (12) months' of the then current Base Salary, and (ii) the balance of his base pay that would be payable to him during the remainder of the then current term;

(b) any declared and unpaid bonuses due and owing to him and

(c) reimbursement for all unpaid expenses incurred by him in connection with providing the Services to SMAART.

It is anticipated that the Issuer will obtain customary liability insurance for the benefit of its directors and officers.

16. INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

Other than as set out below, no director or officer of the Issuer or person who acted in such capacity in the last financial year of the Issuer, or any other individual who at any time during the most recently completed financial year of the Issuer was a director of the Issuer or any associate of the Issuer, is indebted to the Issuer, nor is any indebtedness of any such person to another entity the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Issuer.

17. RISK FACTORS

17.1 – Description of Risk Factors

The following are certain risk factors relating to the business carried on by the Resulting Issuer which prospective investors should carefully consider before deciding whether to purchase Resulting Issuer Shares. The Resulting Issuer will face a number of challenges in the development of its business. Due to the nature of the Resulting Issuer's business and present stage of the business, the Resulting Issuer may be subject to significant risks. Readers should carefully consider all such risks, including those set out in the discussion below. The following is a description of the principal risk factors currently affecting SMAART that will, in turn, affect the Resulting Issuer.

General Risk Factors

Operational Risks

The Resulting Issuer will be affected by a number of operational risks and the Resulting Issuer may not be adequately insured for certain risks, including: labour disputes; catastrophic accidents; fires; blockades or other acts of social activism; changes in the regulatory environment; impact of non-compliance with laws and regulations; natural phenomena, such as inclement weather conditions, floods, earthquakes and ground movements. There is no assurance that the foregoing risks and hazards will not result in personal injury or death, environmental damage, adverse impacts on the Resulting Issuer's operation, costs, monetary losses, potential legal liability and adverse governmental action, any of which could have an adverse impact on the Issuer's future cash flows, earnings and financial condition. Also, the Issuer may be subject to or affected by liability or sustain loss for certain risks and hazards against which the Resulting Issuer cannot insure or which the Resulting Issuer may elect not to insure because of the cost. This lack of insurance coverage could have an adverse impact on the Issuer's future cash flows, earnings, results of operations and financial condition.

U.S. Federal Regulation

Currently, there are 29 states of the United States, including the District of Columbia, that have laws or regulations that recognize, in one form or another, legitimate medical uses for cannabis and consumer use of cannabis in connection with medical treatment. Many other states are considering similar legislation. Conversely, under the CSA, the policies and regulations of the United States federal government and its agencies are that cannabis has no medical benefit and a range of activities including cultivation and the personal use of cannabis is prohibited. Unless and until Congress amends the CSA with respect to medical marijuana, as to the timing or scope of any such potential amendments there can be no assurance, there is a risk that federal authorities may enforce current federal law, and we may be deemed to be producing, cultivating or dispensing marijuana in violation of federal law or we may be deemed to be facilitating the selling or distribution of drug paraphernalia in violation of federal law with respect to our current or proposed business operations. Active enforcement of the current federal regulatory position on cannabis may thus indirectly and adversely affect the Issuer's future cash flows, earnings, results of operations and financial condition. The risk of strict enforcement of the CSA in light of Congressional activity, judicial holdings and stated federal policy remains uncertain.

Variation in Regulation

Individual state laws do not always conform to the federal standard or to other states' laws. A number of states have decriminalized marijuana to varying degrees, other states have created exemptions specifically for medical cannabis, and several have both decriminalization and medical laws. Variations exist among states that have legalized, decriminalized or created medical marijuana exemptions. In most states, the cultivation of marijuana for personal use continues to be prohibited except for those states that allow small-scale cultivation by the individual in possession of medical marijuana needing care or that person's caregiver. Active enforcement of state laws that prohibit personal cultivation of marijuana may indirectly and adversely affect the Issuer's future cash flows, earnings, results of operations and financial condition.

Marijuana Remains Illegal Under US Federal Law

Marijuana is a schedule-I controlled substance and is illegal under U.S. federal law. Even in those states in which the use of marijuana has been legalized, its use remains a violation of U.S. federal

law. Since U.S. federal law criminalizing the use of marijuana pre-empts state laws that legalize its use, strict enforcement of federal law regarding marijuana would likely result in our inability to proceed with our business plan.

Pursuant to the legislation known as the Rohrabacher-Blumenauer Amendment, legislation first introduced by United States House of Representatives by Maurice Hinchey, Dana Rohrabacher, and Sam Farr in 2003 and formerly known as the Rohrabacher-Farr amendment, the United States Justice Department is prohibited from spending funds to interfere with the implementation of state medical cannabis laws. The amendment has been renewed numerous times, most recently on March 23, 2018 and is currently in effect through September 30, 2018.

Change of Cannabis laws

Local, state and U.S. federal medical marijuana laws and regulations are broad in scope and subject to evolving interpretations, which could require the Issuer to incur substantial costs associated with compliance or alter certain aspects of our business plan. In addition, violations of these laws, or allegations of such violations, could disrupt certain aspects of the Issuer's business plan and result in a material adverse effect on certain aspects of our planned operations. In addition, it is possible that regulations may be enacted in the future that will be directly applicable to certain aspects of the Issuer's businesses. We cannot predict the nature of any future laws, regulations, interpretations or applications, nor can we determine what effect additional governmental regulations or administrative policies and procedures, when and if promulgated, could have on the Issuer's business. The legislative and regulatory environment in the state of Oregon, is dynamic and reflects the uncertainty and search for novel solutions in the highly-regulated cannabis industry. Recently, both the Oregon Liquor Control Commission, which is responsible for adopting rules to regulate Oregon's recreational marijuana program, and the Oregon Health Authority which regulates the medical marijuana program, released proposed rules. Certain provisions in the proposed rules could be problematic for the Issuer if adopted in their present form, including but not limited to those relating to potential residency requirements and limitations on the size of growing operations. If these proposed rules are adopted in their present form, they could have a negative impact on the Resulting Issuer's financial performance and business operations, which could result in the Issuer restructuring operations in an attempt to comply with the rules. The status of these proposed rules are uncertain as there are broad-based efforts under way to have them revised. Even if they are not revised before being finalized, they are possibilities for further revision before becoming effective. There can also be no assurance that local governments, such as counties within Oregon, could take regulatory action which may negatively affect the Issuer's cannabis business. Management expects that the legislative and regulatory environment in the cannabis industry will continue to be dynamic and will require innovative solutions to try to comply with this changing legal landscape in this nascent industry, for the foreseeable future.

Scrutiny of Resulting Issuer's Investments in the United States

SMAART's existing investments in the United States, and any future investments, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, the Resulting Issuer may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Resulting Issuer's ability to invest in the United States or any other jurisdiction, in addition to those described herein. Government policy changes or public

opinion may also result in a significant influence over the regulation of the cannabis industry in Canada, the United States or elsewhere. A negative shift in the public's perception of medical cannabis in the United States or any other applicable jurisdiction could affect future legislation or regulation. Among other things, such a shift could cause state jurisdictions to abandon initiatives or proposals to legalize medical cannabis, thereby limiting the number of new state jurisdictions into which the Resulting Issuer could expand. Any inability to fully implement the Resulting Issuer's expansion strategy may have a material adverse effect on the Resulting Issuer's business, financial condition and results of operations.

Supply of Marijuana

SMAART does not cultivate cannabis. As such, SMAART must rely on third party suppliers to support its clinic operations and prepare its Sollievo branded products. However, there can be no assurance that there will continue to be a sufficient supply of marijuana available for SMAART to purchase in order to operate its business. Additionally, the price of marijuana may rise which would increase SMAART's cost of goods. If the price of marijuana increased it could have a material adverse impact on the business of the Resulting Issuer, its financial condition and results from operations.

Security Risks

The business premises of SMAART are a target for theft. While SMAART has implemented security measures and continues to monitor and improve its security measures, its clinics and related dispensary facilities could be subject to break-ins, robberies and other breaches in security. If there was a breach in security and SMAART fell victim to a robbery or theft, the loss of cannabis plants, cannabis oils, cannabis flowers and cultivation and processing equipment could have a material adverse impact on the business, financial condition and results of operation of the Issuer.

As SMAART's business involves the movement and transfer of cash which is collected from clinics or otherwise used in its business and then deposited to its bank and there is a risk of theft or robbery during the transport of cash. SMAART has engaged a security firm to provide armed guards and security in the transport and movement of large amounts of cash. While SMAART has taken robust steps to prevent theft or robbery of cash during transport, but there can be no assurance that there will not be a security breach during the transport and the movement of cash involving the theft of product or cash.

Operation Permits and Authorizations.

The Resulting Issuer may not be able to obtain or maintain the necessary licenses, permits, authorizations or accreditations, or may only be able to do so at great cost, to operate its medical marijuana business. In addition, we may not be able to comply fully with the wide variety of laws and regulations applicable to the medical marijuana industry. Failure to comply with or to obtain the necessary licenses, permits, authorizations or accreditations could result in restrictions on our ability to operate the medical marijuana business, which could have a material adverse effect on our business.

Liability, Enforcement Complaints etc.

The Resulting Issuer's participation in the medical marijuana industry may lead to litigation, formal or informal complaints, enforcement actions, and inquiries by various federal, state, or local governmental authorities against these subsidiaries. Litigation, complaints, and enforcement actions involving these subsidiaries could consume considerable amounts of financial and other corporate resources, which could have an adverse effect on the Issuer's future cash flows, earnings, results of operations and financial condition.

Banking

Since the use of marijuana is illegal under federal law, there is a strong argument that banks cannot accept for deposit funds from businesses involved with the marijuana industry. Consequently, businesses involved in the marijuana industry often have difficulty finding a bank willing to accept their business. The inability to open bank accounts may make it difficult to operate the Issuer's medical marijuana business.

Resale of Shares

There can be no assurance that the publicly-traded stock price of the Resulting Issuer will be high enough to create a positive return for investors. Further, there can be no assurance that the stock of the Issuer will be sufficiently liquid so as to permit investors to sell their position in the Issuer without adversely affecting the stock price. In such event, the probability of resale of the Issuer's shares would be diminished.

As well, the continued operation of the Issuer will be dependent upon its ability to procure additional financing in the short term and to generate operating revenues in the longer term. There can be no assurance that any such financing can be obtained or that revenues can be generated. If the Issuer is unable to obtain such additional financing or generate such revenues, investors may be unable to sell their shares in the Issuer and any investment in the Issuer may be lost.

Trading of Shares Through an Intermediary

Like all Canadian publicly traded companies, the Resulting Issuer will use The Canadian Depositary for Securities ("**CDS**") to provide clearing and settlement services for shareholders who own shares through an intermediary like a stock broker or investment adviser. CDS is owned by The TMX Group, which currently does not permit trading in most companies with active operations in the US medical marijuana industry. It has been reported by certain publications in Canada that CDS may implement policies that would see its subsidiary, CDS, refuse to settle trades for cannabis issuers that have investments in the United States. CDS is Canada's central securities depository, clearing and settlement hub settling trades in the Canadian equity, fixed income and money markets. The TMX Group, subsequently issued a statement on August 17, 2017 reaffirming that there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States, despite media reports to the contrary, and that the TMX Group was working with regulators to arrive at a solution that will clarify this matter, which would be communicated at a later time. On November 24, 2017, The TMX Group issued a further statement acknowledging that the matter is a complex one which touches multiple aspects of Canada's capital market system, and as such requires close examination and careful consideration. The TMX Group noted that CDS

continues to work with regulators and exchanges to arrive at a solution that will clarify this matter for issuers, investors, participants and the public. This solution will be founded on each exchange's role in applying listing requirements, including exchange rules related to issuers' compliance with applicable laws. In the meantime, The TMX Group reiterated there is no CDS ban on the clearing of securities of issuers with marijuana-related activities in the U.S. However, if such a ban were to be implemented, it could have a material adverse effect on the ability of security holders of the Resulting Issuer to make and settle trades. In particular, such securities could become highly illiquid, and until an alternative was implemented, investors might have no ability to effect a trade of the securities through the facilities of a stock exchange.

Price Volatility of Publicly Traded Securities

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continuing fluctuations in price will not occur. It may be anticipated that any quoted market for the shares of the Issuer will be subject to market trends generally, notwithstanding any potential success of the Issuer in creating revenues, cash flows or earnings. The value of the Issuer's shares will be affected by such volatility. An active public market for the Resulting Issuer's shares might not develop or be sustained after the completion of the Listing. If an active public market for the Resulting Issuer's shares does not develop, the liquidity of a shareholder's investment may be limited and the share price may decline.

SMAART's limited operating history makes evaluating its business and prospects difficult

SMAART has a limited operating history on which to base an evaluation of its business, financial performance and prospects. As such, SMAART's business and prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in the early stage of development. As SMAART is in an early stage and is introducing new products, SMAART's revenues may be materially affected by the decisions, including timing decisions, of a relatively consolidated customer base. SMAART has had limited experience in addressing the risks, expenses and difficulties frequently encountered by companies in their early stage of development, particularly companies in new and rapidly evolving industries such as the medical marijuana industry. There can be no assurance that SMAART will be successful in addressing these risks, and the failure to do so in any one area could have a material adverse effect on SMAART's business, prospects, financial condition and results of operations.

Need for funds

In the short term, the continued operation of the Resulting Issuer may be dependent upon its ability to procure additional financing. The Resulting Issuer will raise money for the business as a whole, rather than individual clinics seeking out sources of financing. The Resulting Issuer must obtain such financing through a combination of equity and debt financing and there can be no assurance that the Issuer can raise the required capital it needs to build and expand its current operations, nor that the capital markets will fund the business of the Resulting Issuer. Without this additional financing, the Issuer may be unable to achieve positive cash flow and earnings as quickly as anticipated. There can be no certainty that the Issuer can obtain these funds, in which case any

investment in the Resulting Issuer may be lost. The raising of equity funding would also result in dilution of the equity of the Resulting Issuer's shareholders.

While illegal under U.S. federal law, capital markets have been open to financing companies in the cannabis sector, particularly in Canada. In addition, SMAART has previously shown the ability, as a private company, to raise the necessary capital, both debt and equity, in order to grow the business of SMAART to its present level. There is always the potential that any funds advanced by investors, whether in the form of debt or equity, may not be recovered.

Upon the completion of the Transaction, the Resulting Issuer will be able to access the public markets in Canada as well as private financing. However, commercial banks, private equity firms and venture capital firms have approached the cannabis industry cautiously to date. There can be no assurance that additional financing, either public or private, will be available to the Resulting Issuer when needed or on terms which are acceptable. The Resulting Issuer's inability to raise financing to fund capital expenditures or acquisitions could limit its growth and may have a material adverse effect upon future profitability.

As a result of the conflicting views between state legislatures and the federal government regarding cannabis, investments in cannabis businesses in the United States are subject to inconsistent legislation and regulation. Unless and until the Congress of the United States amends the CSA with respect to cannabis, there is a risk that federal authorities may enforce current federal law, which may adversely affect the current and future investments of the Company in the United States and the ability of the Resulting Issuer to raise capital. See "US Federal Regulation", "Marijuana Remains Illegal Under US Federal Law" and "Change of Cannabis Laws", above.

Dividends

SMAART has not paid dividends to shareholders in the past and does not anticipate paying dividends in the foreseeable future. The Issuer expects to retain its earnings to finance growth, and where appropriate, to pay down debt.

SMAART has a history of net losses, which might occur again in the future

SMAART incurred net losses from the inception of its business until the date of this Listing Statement. The Resulting Issuer cannot assure that it can remain profitable or avoid net losses in the future or that there will not be any earnings or revenue declines for any future quarterly or other periods. The Resulting Issuer expects that its operating expenses will increase as it grows its business, including expending substantial resources for content and product development and marketing. As a result, any decrease or delay in generating revenues could result in material operating losses.

The Resulting Issuer may be exposed to infringement or misappropriation claims by third parties, which, if determined adversely to the Issuer, could subject the Issuer to significant liabilities and other costs

The Resulting Issuer's success may likely depend on its ability to use and develop new extraction technologies, recipes, know-how and new strains of marijuana without infringing the intellectual property rights of third parties. The Resulting Issuer cannot assure that third parties will not assert

intellectual property claims against it. The Issuer is subject to additional risks if entities licensing to it intellectual property do not have adequate rights in any such licensed materials. If third parties assert copyright or patent infringement or violation of other intellectual property rights against the Issuer, it will be required to defend itself in litigation or administrative proceedings, which can be both costly and time consuming and may significantly divert the efforts and resources of management personnel. An adverse determination in any such litigation or proceedings to which the Issuer may become a party could subject it to significant liability to third parties, require it to seek licenses from third parties, to pay ongoing royalties or subject the Issuer to injunctions prohibiting the development and operation of its applications.

The Resulting Issuer may need to incur significant expenses to enforce its proprietary rights, and if it is unable to protect such rights, its competitive position could be harmed

The Resulting Issuer regards proprietary methods and processes, domain names, trade names, trade secrets, recipes and other intellectual property as critical to its success. The Issuer's ability to protect its proprietary rights is critical for the success of its business and its overall financial performance. SMAART has taken certain measures to protect its intellectual property rights. However, the Issuer cannot assure that such measures will be sufficient to protect its proprietary information and intellectual property. Policing unauthorized use of proprietary information and intellectual property is difficult and expensive. Any steps SMAART has taken to prevent the misappropriation of its proprietary technology may be inadequate. The validity, enforceability and scope of protection of intellectual property in the medical marijuana industry is uncertain and still evolving. In particular, the laws and enforcement procedures in some developing countries are uncertain and may not protect intellectual property rights in this area to the same extent as do the laws and enforcement procedures in Canada, the United States and other developed countries.

The Resulting Issuer is dependent upon its existing management and its key research and development personnel, and its business may be severely disrupted if it loses their service.

The Resulting Issuer's future success depends substantially on the continued services of its executive officers and its key research and development personnel. If one or more of its executive officers or key personnel were unable or unwilling to continue in their present positions, the Issuer might not be able to replace them easily or at all. In addition, if any of its executive officers or key employees joins a competitor or forms a competing company, the Issuer may lose know-how, key professionals and staff members. These executive officers and key employees could compete with and take customers away.

U.S. Money Laundering Laws

The Resulting Issuer's investments in the United States are subject to applicable anti-money laundering laws and regulations. The Resulting Issuer is subject to a variety of laws and regulations in the United States that involve money laundering, financial recordkeeping and proceeds of crime, including the *Currency and Foreign Transactions Reporting Act of 1970* (commonly known as the Bank Secrecy Act), as amended by Title III of the *Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001* (USA PATRIOT Act), and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States.

In February 2014, the Financial Crimes Enforcement Network (‘‘**FCEN**’’) of the U.S. Treasury Department issued a memorandum providing instructions to banks seeking to provide services to cannabis-related businesses. The FCEN Memo states that in some circumstances, it is permissible for banks to provide services to cannabis related businesses without risking prosecution for violation of federal money laundering laws. It refers to supplementary guidance provided in the Cole Memo relating to the prosecution of money laundering offenses predicated on cannabis-related violations of the CSA. It is unclear at this time whether the current administration will follow the guidelines of the FCEN Memo, especially in light of the formal rescission of the Cole Memo. In the event that any of the Resulting Issuer's investments, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such investments in the United States were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of the Resulting Issuer to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada. Furthermore, while the Resulting Issuer has no current intention to declare or pay dividends on its Common Shares in the foreseeable future, in the event that a determination was made that its operations in the United States could reasonably be shown to constitute proceeds of crime, the Resulting Issuer may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time.

Available Talent Pool

As the Resulting Issuer grows, it will need to hire additional human resources to continue to develop the business. However, experienced talent in the areas of medical marijuana research and development is difficult to source, and there can be no assurance that the appropriate individuals will be available or affordable to the Resulting Issuer. Without adequate personnel and expertise, the growth of the Resulting Issuer's business may suffer.

Unforeseen Competition

Although SMAART has been and is currently a leader in the medical marijuana and extraction industry in the state of Oregon, there can be no assurance that the Resulting Issuer will continue to remain an industry leader. There can be no assurance that significant competition will not enter the marketplace and offer some number of similar products and services or take a similar approach. Such competition could have a significant adverse effect on the growth potential of SMAART's business by effectively dividing the existing market for its products.

Potential future acquisitions and/or strategic alliances may have an adverse effect on the Resulting Issuers' ability to manage its business

The Resulting Issuer may acquire technologies, businesses or assets that are complementary to its business and/or enter into strategic alliances in order to leverage its position in the medical marijuana and extraction market. Future acquisitions or strategic alliances would expose the Issuer to potential risks, including risks associated with the integration of new technologies, businesses and personnel, unforeseen or hidden liabilities, the diversion of management attention and resources from its existing business, and the inability to generate sufficient revenues to offset the costs and expenses of acquisitions or strategic alliances. Any difficulties encountered in the

acquisition and strategic alliance process may have an adverse effect on the Resulting Issuer's ability to manage its business.

No Assurance of Profitability

SMAART incurred a net loss for the period from incorporation to December 31, 2015. The Resulting Issuer cannot give assurances that it will not incur net losses in the future. The limited operating history makes it difficult to predict future operating results. The Resulting Issuer is subject to the risks inherent in the operation of a new business enterprise in an emerging and uncertain business sector, and there can be no assurance that the Resulting Issuer will be able to successfully address these risks.

Management of Growth

The Resulting Issuer may experience a period of significant growth in the number of personnel that will place a strain upon its management systems and resources. Its future will depend in part on the ability of its officers and other key employees to implement and improve financial and management controls, reporting systems and procedures on a timely basis and to expand, train, motivate and manage the workforce. The Resulting Issuer's current and planned personnel, systems, procedures and controls may be inadequate to support its future operations.

General Economic Trends

The worldwide economic slowdown and tightening of credit in the financial markets may impact the business of the Issuer's customers, which could have an adverse effect on the Issuer's business, financial condition, or results of operations. Adverse changes in general economic or political conditions in any the United States or any of the states within the United States and especially the State of Oregon could adversely affect the Resulting Issuer's business, financial condition, or results of operations.

Asset Location and Legal Proceedings

Substantially all of the Resulting Issuer's assets are located outside of Canada and many of its officers and directors are resident outside of Canada and their assets are outside of Canada. Serving process on the directors and officers may prove to be difficult or excessively time consuming. Additionally, it may be difficult to enforce a judgment obtained in Canada against the Issuer, its subsidiaries and any directors and officers residing outside of Canada.

Market Acceptance

The Resulting Issuer's ability to gain and increase market acceptance of its medical marijuana products depends upon its ability to educate the public, physicians and other healthcare professionals on the benefits of medical marijuana products. It also requires the Resulting Issuer establish and maintain its brand name and reputation. In order to do so, substantial expenditures on product development, strategic relationships and marketing initiatives may be required. There can be no assurance that these initiatives will be successful and their failure may have an adverse effect on the Resulting Issuer's.

Risks Associated with Acquisitions

As part of the Resulting Issuer's overall business strategy, the Resulting Issuer may pursue select strategic acquisitions after the completion of the Listing, which would provide additional product offerings, vertical integrations, additional industry expertise, and a stronger industry presence in both existing and new jurisdictions. Future acquisitions may expose it to potential risks, including risks associated with: (a) the integration of new operations, services and personnel; (b) unforeseen or hidden liabilities; (c) the diversion of resources from the Issuer's existing business and technology; (d) potential inability to generate sufficient revenue to offset new costs; (e) the expenses of acquisitions; or (f) the potential loss of or harm to relationships with both employees and existing users resulting from its integration of new businesses. In addition, any proposed acquisitions may be subject to regulatory approval.

Electronic Communication Security Risks

A significant potential vulnerability of electronic communications is the security of transmission of confidential information over public networks. Anyone who is able to circumvent the Issuer's security measures could misappropriate proprietary information or cause interruptions in its operations. The Issuer may be required to expend capital and other resources to protect against such security breaches or to alleviate problems caused by such breaches.

Insurance Coverage

The Issuer will require insurance coverage for a number of risks, including business interruption, environmental matters and contamination, personal injury and property damage. Although the Issuer believes that the events and amounts of liability covered by its insurance policies will be reasonable, taking into account the risks relevant to its business, and the fact that agreements with users contain limitations of liability, there can be no assurance that such coverage will be available or sufficient to cover claims to which the Issuer may become subject. If insurance coverage is unavailable or insufficient to cover any such claims, the Issuer's financial resources, results of operations and prospects could be adversely affected.

Tax Risk

The provisions of Internal Revenue Code section 280E are being applied by the Internal Revenue Service (IRS) to businesses operating in the medical marijuana industry. Section 280E provides:

No deduction or credit shall be allowed for any amount paid or incurred during the taxable year in carrying on any trade or business if such trade or business (or the activities which comprise such trade or business) consists of trafficking in controlled substances (within the meaning of schedule I and II of the Controlled Substances Act) which is prohibited by Federal law or the law of any State in which such trade or business is conducted.

Even though several states have medical marijuana laws, the IRS is applying section 280E to deny business deductions. Businesses operating legally under state law argue that section 280E should not be applied because Congress did not intend the law to apply to businesses that are legal under state law. The IRS asserts that it was the intent of Congress to apply the provision to anyone "trafficking" in a controlled substance, as defined under federal law (as stated in the text of the statute). Thus, section 280E is at the center of the conflict between federal and state laws with respect to medical marijuana which applies to the business conducted by the Issuer.

The Resulting Issuer is a Holding Company

The Resulting Issuer is a holding company and essentially all of its assets are the capital stock of the various SMAART Subsidiaries. As a result, investors in the Resulting Issuer are subject to the risks attributable to the SMAART Subsidiaries. As a holding company, the Resulting Issuer conducts substantially all of its business through its subsidiaries, which generate substantially all of its revenues. Consequently, the Resulting Issuer's cash flows and ability to complete current or desirable future enhancement opportunities are dependent on the earnings of its subsidiaries and the distribution of those earnings to the Resulting Issuer. The ability of these entities to pay dividends and other distributions will depend on their operating results and will be subject to applicable state laws and regulations which require that solvency and capital standards be maintained by such companies and contractual restrictions contained in the instruments governing their debt where applicable. In the event of a bankruptcy, liquidation or reorganization of any of the SMAART Subsidiaries, holders of indebtedness and trade creditors may be entitled to payment of their claims from the assets of those subsidiaries before the Resulting Issuer.

Currency Fluctuations

Due to the Issuer's present operations in the United States, and its intention to continue future operations outside Canada, the Resulting Issuer is expected to be exposed to significant currency fluctuations. Recent events in the global financial markets have been coupled with increased volatility in the currency markets. All or substantially all of the Issuer's revenue will be earned in US dollars, but a substantial portion of its operating expenses are incurred in Canadian dollars. The Issuer does not have currency hedging arrangements in place and there is no expectation that the Issuer will put any currency hedging arrangements in place in the future. Fluctuations in the exchange rate between the US dollar and the Canadian dollar, may have a material adverse effect on the Resulting Issuer's business, financial condition and operating results. The Resulting Issuer may, in the future, establish a program to hedge a portion of its foreign currency exposure with the objective of minimizing the impact of adverse foreign currency exchange movements. However, even if the Issuer develops a hedging program, there can be no assurance that it will effectively mitigate currency risks.

17.2 – Additional Security holder Risk

There is no risk that security holders of the Issuer may become liable to make an additional contribution beyond the price of the security.

17.3 – Other Risks

Subject to the risk factors set out under Section 17.1 above, there are no other material risk factors that a reasonable investor would consider relevant to an investment in the Issuer Shares.

18. PROMOTERS

18.1 – 18.2 – Promoter Consideration

Other than the directors and officers of the Resulting Issuer, there has been no person or company that may be considered a promoter of the Resulting Issuer within two years immediately preceding this Listing Statement.

In addition, it is currently anticipated that the Resulting Issuer will engage the services of Steve Low to act in an investor relations capacity. Mr. Low will receive $7,500 per month following Closing for the provision of such services, along with reimbursement for pre-approved disbursements and participation in the Resulting Issuer Stock Option Plan.

19. LEGAL PROCEEDINGS

19.1 – Legal Proceedings

SMAART is currently involved in a number of legal actions with Paul Stanford, the former President and director of its various subsidiary companies (the "**Litigant**"), following the termination for cause of the Litigant in June, 2016.

In one action, as the Litigant refused to comply with the termination, SMAART obtained a temporary restraining order ("**TRO**") requiring the Litigant to comply with the termination and cease using company property. Later, following a full evidentiary hearing, the court issued a preliminary injunction consistent with the TRO. In June 2017, the Litigant, representing himself, filed counterclaims against SMAART and its subsidiaries. The Litigant's counterclaims broadly allege that his written agreements with SMAART and its subsidiaries were induced by fraud or mistake. He claims he believed he was promised that he would own 50% of SMAART in perpetuity, and that his lack of control over SMAART and its subsidiaries has caused him economic harm in the amount of $10 million. The Litigant seeks money damages or rescission of the agreements. SMAART and its subsidiaries are prosecuting their claims against the Litigant and are vigorously defending against all of his counterclaims.

In a second action, the Litigant filed a lawsuit on behalf of The Hemp and Cannabis Foundation ("**THCF**") for rescission of an agreement whereby THCF sold a parcel of residential real estate to one of the subsidiaries, THCC. In that case, THCF claims THCC has failed to make payments on a note. THCF's lawyer has withdrawn, and THCF has not hired replacement counsel. THCC's motion to dismiss is pending. THCC is vigorously defending against this.

Aside from the foregoing, as of the date of this Listing Statement, there are no legal proceedings material to the Resulting Issuer to which the Resulting Issuer is a party or of which any of their respective property is the subject matter.

19.2 – Regulatory Actions

As of the date of this Listing Statement, neither the Resulting Issuer nor any of its subsidiaries has been subject to any penalties or sanctions imposed by any court or regulatory authority relating to securities legislation or by a securities regulatory authority, nor has any party entered into a settlement agreement with a securities regulatory authority, or been subject to any other penalties or sanctions imposed by a court or regulatory body or self-regulatory authority that are necessary to provide full, true and plain disclosure of all material facts relating to the Issuer's securities or would be likely to be considered important to a reasonable investor making an investment decision.

20. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as otherwise disclosed herein, no material conflict of interest, either direct or indirect, is currently known to exist with respect to any proposed transaction, or any transaction consummated over the three years before the date of this Listing Statement, that has affected or will materially affect the Issuer.

Conflicts of interest may arise as a result of the directors and officers of the Resulting Issuer also holding positions as directors or officers of other companies. Some of those individuals have been and will continue to be engaged in the identification and evaluation of assets, businesses and companies on their own behalf and on behalf of other companies, and situations may arise where the directors and officers of the Issuer will be in direct competition with the Resulting Issuer.

The directors and officers of the Resulting Issuer are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosure by directors of conflicts of interest and the Resulting Issuer will rely upon such laws in respect of any directors' and officers' conflict 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 *Canada Business Corporations Act*, as applicable, and they will govern themselves in respect thereof to the best of their ability in accordance with the obligation imposed upon them by law.

21. AUDITORS, TRANSFER AGENTS AND REGISTRARS

21.1 – Auditors

The auditors of the Resulting Issuer are MNP LLP, 111 Richmond Street West, Suite 300,Toronto, ON M5H 2G4.

21.2 – Transfer Agent and Registrar

The Transfer Agent and Registrar for the Resulting Issuer Shares is Computershare Investor Services Inc., 510 Burrard Street, Vancouver, BC V6C 3A8.

22. MATERIAL CONTRACTS

22.1 – Material Contracts of the Resulting Issuer

The Resulting Issuer has not entered into any material contracts within the two years before the date of this Listing Statement, other than contracts entered into in the ordinary course of business and documents entered into in connection with the Transaction (described in Section 3.1(a) above), except as follows:

1. Escrow Agreement; and
2. the Amalgamation Agreement.

SMAART has not entered into any material contracts within the two years before the date of this Listing Statement, other than contracts entered into in the ordinary course of business and

documents entered into in connection with the Transaction (described in Section 3.1(a) above), except as follows:

1. the Amalgamation Agreement;

2. consulting agreement with Craig Snyder dated December 16, 2016;

3. a lease for the property located at 225 E 3rd Ave, Spokane, WA 99202, with an average monthly rent of $1,406 and expiring on July 31, 2020;

4. a lease for the property located at 1351 NE 3rd St, Bend, OR 97701, with an average monthly rent of $2,545 and expiring on July 30, 2019;

5. a lease for the property located at 105 SE 8th Ave, Portland, OR 97214, with an average monthly rent of $6,500 and expiring on February 28, 2020;

6. a lease for the property located at 558 NE F St, Grants Pass, OR 97526, with an average monthly rent of $930 and expiring on March 31, 2019;

7. a lease for the property located at 160 N Upper Wacker Dr, Chicago, IL 60606, with an average monthly rent of $7,750 and expiring on March 31, 2020; and

8. an engagement letter with respect to the proposed Concurrent Financing.

The material contracts described above may be inspected without further charge at the offices of Chitiz Pathak LLP, solicitors of the Resulting Issuer, located at located at Suite 1600, 320 Bay Street, Toronto, Ontario, M5H 4A6 during ordinary business hours until the date of the completion of the Transaction and for a period of 30 days thereafter.

22.2 – Special Agreements

The Issuer is not a party to any co-tenancy, shareholders' or limited partnership agreement.

23. INTEREST OF EXPERTS

23.1 – Interest of Experts – Adira and SMAART

The financial statements of Adira included in this Listing statement have been audited by MNP LLP, as set forth in their audit reports. MNP LLP are the independent auditors of Adira and are independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Professional Accountants of Ontario.

The financial statements of SMAART included in this Listing Statement have been audited by MNP LLP, as set forth in their audit reports. MNP LLP are the independent auditors of SMAART and are independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Professional Accountants of Ontario.

No person or company who is named as having prepared or certified a part of this Listing Statement or prepared or certified a report or valuation described or included in this Listing Statement has, or will have immediately following completion of the proposed Transaction, any direct or indirect interest in Adira, SMAART, or the Resulting Issuer.

24. OTHER MATERIAL FACTS

Other than as set out elsewhere in this Listing Statement, there are no other material facts about the Issuer and its securities which are necessary in order for this Listing Statement to contain full, true and plain disclosure of all material facts relating to the Issuer and its securities.

25. FINANCIAL STATEMENTS

25(a) Financial Statements – Adira

Schedule "A" contains the audited financial statements for Adira for the years ended December 31, 2016, December 31, 2015 and December 31, 2014. Included are unaudited financial statements for the nine month period ended September 30, 2017.

25(b) Financial Statements – SMAART

Schedule "B" contains the consolidated audited financial statement for SMAART from June 15, 2015 to December 31, 2015, audited financial statements for SMAART for the financial year ended December 31, 2016. Included are audited financial statements for the nine month period ended September 30, 2017.

25(c) – Pro Forma Consolidated Financial Statements

Schedule "E" contains the unaudited pro forma consolidated statement of financial position of the Resulting Issuer as at September 30, 2017.

SCHEDULE "A"
FINANCIAL STATEMENTS OF ADIRA ENERGY LTD.

ADIRA ENERGY LTD.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2016, 2015 and 2014

U.S. DOLLARS IN THOUSANDS

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Independent Auditors' Report

To the Board of Directors and Shareholders of Adira Energy Ltd.

We have audited the accompanying consolidated statements of financial position of Adira Energy Ltd. (the "Company") as of December 31, 2016 and 2015, and the related consolidated statements of comprehensive profit and loss, changes in (deficit) equity and cash flows for the years ended December 31, 2016, 2015 and 2014. The Company's management is responsible for these consolidated financial statements. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, 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. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2016 and 2015 and the results of its operations and its cash flows for the years ended December 31, 2016, 2015 and 2014 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 1(b), the Company has experienced negative cash flows from operations since inception and has accumulated a significant deficit which raises substantial doubt about its ability to continue as a going concern. Management's plans regarding 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.

MNP LLP

Chartered Professional Accountants
Licensed Public Accountants

Mississauga, Ontario
April 25, 2017

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

U.S. dollars in thousands

	Note	December 31, 2016	December 31, 2015
Assets			
Current assets			
Cash and cash equivalents	4	**$ 19**	$ 124
Loan receivable	5	**25**	25
Other receivables and prepaid expenses	6	**8**	14
		$ 52	$ 163
Liabilities			
Current liabilities			
Trade payables	7	**$ 11**	$ 60
Accrued liabilities	8	**263**	65
		274	125
Non-current Liabilities			
Warrant liability	9	**67**	112
		341	237
Equity			
Share capital	12	-	-
Additional paid-in capital	12	**34,060**	34,060
Accumulated deficit		**(34,349)**	(34,134)
Total deficit		**(289)**	(74)
Total liabilities and deficit		**$ 52**	$ 163

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

Approved on Behalf of the Board:

April 25, 2017	"Dennis Bennie"	"Alan Friedman"
Date of approval of the financial statements	Dennis Bennie Chairman of the Board	Alan Friedman Director

CONSOLIDATED STATEMENTS OF COMPREHENSIVE PROFIT AND LOSS

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

	Notes	Year ended December 31 2016	2015	2014
Expenses:				
General and administrative costs	14, 16	**$ 268**	$ 349	$ 602
Gain on settlement of accounts payable	14	**-**	(25)	(1,374)
Total expenses		**268**	324	(772)
(Loss) income before (loss) gain on foreign exchange and gain on revaluation warrant liability		**(268)**	(324)	772
Gain (loss) on foreign exchange		**8**	(23)	(37)
Gain on revaluation of warrant liability	9	**45**	78	-
(Loss) income before income taxes		**(215)**	(269)	735
Income taxes	11	**-**	-	-
Net (loss) income and comprehensive (loss) income		**$ (215)**	$ (269)	$ 735
Basic and diluted net (loss) income per share attributable to equity holders of the parent		**$ (0.01)**	$ (0.02)	$ 0.06
Weighted average number of ordinary shares used in computing basic and diluted net loss per share		**17,112,022**	15,439,508	12,158,302

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

CONSOLIDATED STATEMENTS OF CHANGES IN (DEFICIT) EQUITY

U.S. dollars in thousands, except share data

		Attributable to equity holders of the parent			
	Number of shares	**Share capital**	**Additional paid-in capital**	**Accumulated deficit**	**Total (Deficit) equity**
Balance as of December 31, 2013	12,052,022	$ -	$ 34,023	$ (34,600)	$ (577)
Shares and warrants issued in private placement, net	240,000	-	60	-	60
Share-based compensation recovery	-	-	(32)	-	(32)
Net income	-	-	-	735	735
Balance as of December 31, 2014	12,292,022	$ -	$ 34,051	$ (33,865)	$ 186
Shares and warrants issued in private placement, net (Note 12(b)(ii))	4,820,000	-	7	-	7
Share-based compensation (Note 12(c))	-	-	2	-	2
Net loss	-	-	-	(269)	(269)
Balance as of December 31, 2015	17,112,022	$ -	$ 34,060	$ (34,134)	$ (74)
Net loss	-	-	-	(215)	(215)
Balance as of December 31, 2016	**17,112,022**	**$ -**	**$ 34,060**	**$ (34,349)**	**$ (289)**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Years ended December 31,		
	2016	**2015**	**2014**
Cash flow from operating activities			
Net (loss) income for the year	**$ (215)**	$ (269)	$ 735
Items not affecting cash:			
Depreciation	**-**	-	45
Loss on sale of fixed assets	**-**	2	3
Revaluation of warrants	**(45)**	(78)	-
Share-based compensation	**-**	2	(32)
Gain on settlement of accounts payable	**-**	(25)	(1,374)
Changes in non-cash working capital:			
Increase (decrease) in accounts receivable, other receivables and prepaid expenses	**6**	50	2,449
Decrease in trade payables	**(49)**	(82)	(1,276)
Increase (decrease) in accrued liabilities	**198**	9	(930)
	(105)	(391)	(380)
Cash flow from investing activities			
Proceeds from sale of equipment	**-**	1	11
Cash provided from loan receivable	**-**	(25)	-
Decrease in restricted cash	**-**	9	26
	-	(15)	37
Cash flow from financing activities			
Proceeds from issue of shares, net of share issuance costs	**-**	196	60
	-	196	60
Decrease in cash and cash equivalents	**(105)**	(210)	(283)
Cash and cash equivalents, beginning of year	**124**	334	617
Cash and cash equivalents, end of year	**$ 19**	$ 124	$ 334

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

NOTE 1: GENERAL

a. Nature of operations

Adira Energy Ltd. and its subsidiaries ("Adira" or "the Company"), was an oil and gas exploration company with operations in Israel. Given the increasing challenging market conditions for oil and gas exploration throughout 2015 and 2016, the Company's management has been looking for additional business opportunities (see below). Adira is a limited company, incorporated on April 8, 2009, and domiciled in Toronto, Ontario, Canada. The registered head office is located at 4101 Yonge Street, Suite 706, Toronto,. Ontario, M2P 1N6. The Company's shares are currently traded on the OTC market in the U.S. and the TSX Venture Exchange ("TSX") in Canada. The consolidated financial statements of the Company for the year ended December 31, 2016 were authorized for issue in accordance with a resolution of the directors on April 25, 2017.

Letter of intent to complete a transaction

On November 4, 2015, the Company entered into a letter of intent ("LOI") with SMAART Holdings Inc. ("SMAART") whereby the Company will acquire SMAART through a three-cornered amalgamation between the Company and its wholly owned subsidiary (the "Transaction"). In connection with the completion of the Transaction the amalgamated entity (the "Resulting Issuer") intends to be listed on the Canadian Securities Exchange.

SMAART is a British Columbia based corporation that owns a Nevada, USA subsidiary, SMAART Holdings Corp., which in turn owns the following active subsidiaries:

(i) Empower Healthcare Corporation ("EHC") is an Oregon based corporation that provides physician services to patients. EHC focuses on pain management services and is a pioneer in the recommendation of cannabis based products to its patients.

(ii) The Hemp & Cannabis Company ("THCC") is an Oregon corporation. THCC owns and leases real estate that was used to cultivate cannabis with state licenses in both Oregon and Washington.

(iii) SMAART Inc. is an Oregon corporation that provides administrative services to SMAART owned companies.

The Transaction is subject to a number of conditions typical in a transaction of this nature, including without limitation, the approval by at least 66 2/3% of the votes cast by Adira shareholders at a special meeting of Adira shareholders to approve the Transaction and the approval of the TSX Venture Exchange. On closing of the Transaction, it is expected that current shareholders of Adira will own 10% of the Resulting Issuer, while the current shareholders of the SMAART will own the remaining 90%.

Another condition of the Transaction is that SMAART complete a financing to close concurrently with the completion of the Transaction.

NOTE 1: GENERAL (Continued)

b. Going concern

The accompanying consolidated financial statements have been prepared on the basis of a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. As at December 31, 2016, the Company had an accumulated deficit of $34,349 (2015 - $34,134) and is not yet generating operating cash flows. As such, there is substantial doubt regarding the Company's ability to continue as a going concern.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The Company's ability to continue operations is dependent on management's ability to secure additional financing. Management is actively pursuing such additional sources of financing, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future. Accordingly, the consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying consolidated financial statements.

NOTE 2: BASIS OF PREPARATION

a. Statement of compliance

These consolidated financial statements 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 IFRS Interpretations Committee ("IFRIC").

b. Basis of presentation

The consolidated financial statements have been prepared on a historical cost basis, and are presented in U.S. dollars. All values are rounded to the nearest thousand ($000), except share and per share data or when otherwise indicated.

On August 9, 2013, the Company completed a consolidation of the Company's Common Shares on the basis of one post-consolidation Common Share for every three pre-consolidation Common Shares (the "Share Consolidation").

On September 29, 2014, the Company completed a second consolidation of the Company's Common Shares on the basis of one post-consolidation Common Share for every five pre-consolidation Common Shares (the "Second Share Consolidation"). All share and per share data for all periods presented have been adjusted to reflect the decrease in number of shares resulting from the Consolidation and the Second Consolidation.

NOTE 2: BASIS OF PREPARATION (Continued)

c. Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries Adira Energy Holdings Corp. and Adira Energy Israel Ltd.

On July 2015 and December 2015, the Company voluntarily liquidated and deregistered Adira Oil Technologies, and its 60% ownership in Adira Geo Global Limited, respectively.

In February 2016, the Company voluntarily liquidated and deregistered Adira Energy Israel Services Ltd.

The results are included in the consolidated statements of comprehensive income and loss up to the effective date of dissolution.

Adira Energy Israel Ltd. is currently in the process of being voluntarily liquidated and deregistered in Israel.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES

a. Significant judgments and estimates

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that have an effect on the application of the accounting policies and on the reported amounts of assets, liabilities, revenues and expenses. These estimates and underlying assumptions are reviewed regularly. Changes in accounting estimates are reported in the period of the change in estimate.

Fair value of derivative financial instruments: Management assesses the fair value of the Company's financial derivatives in accordance with the accounting policy stated in Note 3(i) to the consolidated financial statements. Fair value of the warrant liability has been measured using the Black-Scholes model, taking into account the terms and conditions upon which the warrants are granted. These calculations require the use of estimates and assumptions. Changes in assumptions concerning volatilities, interest rates, foreign exchange rates, and expected life could have a significant impact on the fair value attributed to the Company's financial derivatives.

b. Translation of foreign currencies

The Company's presentation currency is the U.S. dollar. The functional currency is the currency that best reflects the economic environment in which the Company operates and conducts its transactions, is separately determined for the Company and each of its subsidiaries, and is used to measure the financial position and operating results. The functional currency of the Company and its subsidiaries is the U.S. dollar. Transactions denominated in foreign currency (other than the functional currency) are recorded on initial recognition at the exchange rate at the date of the transaction. After initial recognition, monetary assets and liabilities denominated in foreign currency are translated at the end of each reporting period into the functional currency at the exchange rate at that date. Exchange differences, are recognized in profit or loss. Non-monetary assets and liabilities measured at cost are translated at the exchange rate at the date of the transaction.

c. Cash equivalents

Cash equivalents are defined ashighly liquid investments, including unrestricted short-term bank deposits with an original maturity of three months or less from the date of acquisition or with a maturity of more than three months, but which are redeemable on demand without penalty and which form part of the Company's cash management.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Financial instruments

The Company's financial instruments consist of the following summarized accounts included within the consolidated statements of financial position:

Financial assets and liabilities	Classification
Cash and cash equivalents	Loans and receivables
Other receivables	Loans and receivables
Loan receivables	Loans and receivables
Trade payables	Other financial liabilities
Accounts payable and accrued liabilities	Other financial liabilities
Warrant liability	Fair value through profit and loss

Loans and receivables: Loans and receivables are financial assets with fixed or determinable payments not quoted in an active market. These assets are initially recognized at fair value plus transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment loss. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument to the net carrying amount on initial recognition.

Other financial liabilities: Other financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition, these other financial liabilities are measured at amortized cost using the effective interest method. Other financial liabilities are derecognized when the obligations are discharged, cancelled or expired.

Fair value through profit and loss: Derivative instruments include the warrant liability which is recorded at fair value on initial recognition and at each subsequent reporting period. Any gains or losses arising from changes in fair value are recorded in the statements of comprehensive profit and loss for the period.

Impairment of financial assets: Financial assets are assessed for indicators of impairment at the end of 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, the estimated future cash flows of the investments have been negatively impacted. Evidence of impairment could include financial difficulty of the counterparty, default or delinquency in interest or principal payment or the likelihood that the borrower will enter bankruptcy or financial reorganization.

The carrying amount of financial assets is reduced by any impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. When an accounts receivable balance is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Financial instruments

Financial instruments recorded at fair value: The Company classifies its financial instruments according to a three level hierarchy that reflects the significance of the inputs used in making fair value measurements. The three levels of the fair value hierarchy are as follows:

- Level 1 - Unadjusted quoted prices in active markets for identical assets and liabilities;
- Level 2 - Inputs other than quoted prices that are observable for assets or liabilities directly or indirectly; and
- Level 3 - Inputs for assets or liabilities that are not based on observable market data.

Management has determined that the warrant liability represents a level 2 input.

f. Impairment of non-financial assets

The Company evaluates the need to record an impairment of the carrying amount of non-financial assets whenever events or changes in circumstances indicate that the carrying amount is not recoverable. If the carrying amount of non-financial assets exceeds their recoverable amount, the assets are reduced to their recoverable amount. The recoverable amount is the higher of fair value less costs of sale and value in use. In measuring value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects the risks specific to the asset. The recoverable amount of an asset that does not generate independent cash flows is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Income taxes

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent they relate to items recognized directly in equity or other comprehensive income.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net earnings and comprehensive income or equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced 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 recovered.

h. Share-based payment transactions

The Company's employees and other service providers are entitled to remuneration in the form of equity-settled share-based payment transactions.

The cost of equity-settled transactions with employees is measured at the fair value of the equity instruments granted at grant date. Fair value measurement of all options and warrants granted is determined using an appropriate pricing model. As for other service providers, the cost of the transactions is measured at the fair value of the goods or services received as consideration for equity instruments. In cases where the fair value of the goods or services received as consideration of equity instruments cannot be measured, they are measured by reference to the fair value of the equity instruments granted.

The cost of equity-settled transactions is recognized in profit or loss, together with a corresponding increase in equity, during the period which the performance and service conditions are to be satisfied, ending on the date on which the relevant employees become fully entitled to the award ("the vesting period"). The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The expense or income recognized in profit or loss represents the movement in the cumulative expense recognized at the end of the reporting period. No expense is recognized for awards that do not ultimately vest.

i. Warrant liability

As the warrants have an exercise and presentation price denominated in Canadian dollars which differs from the Company’s functional currency they do not qualify for classification as equity. These warrants have been classified as warrant liability and are recorded initially at the fair value and revalued at each reporting date, using the Black-Scholes valuation method. Changes in fair value for each period are included in comprehensive profit and loss for the period.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (Continued)

j. Loss / income per share

Basic loss / income per share is computed by dividing the profit or loss for the period by the weighted average number of common shares outstanding during the period. Stock options and common share purchase warrants are not included in the calculation of diluted loss per share if their inclusion would be antidilutive.

k. Standards and amendments issued but not yet effective

The IASB issued new standards and amendments not yet effective.

IFRS 9, Financial Instruments ("IFRS 9") was initially issued by the IASB on November 12, 2009 and issued in its completed version in July 2014, and will replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for financial years beginning on or after January 1, 2018. The Company is currently assessing the effects of IFRS 9 and intends to adopt on its effective date.

IFRS 15, Revenue from Contracts with Customers ("IFRS 15") was issued by the IASB in May 2014 and clarifies the principles for recognizing revenue from contracts with customers. IFRS 15 will result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (i.e. service revenue and contract modifications) and improve guidance for multiple-element arrangements. IFRS 15 is effective for periods beginning on or after January 1, 2018 and is to be applied retrospectively. The Company's preliminary assessment of IFRS 15 has determined there will not be a significant impact to the consolidated financial statements as a result of the adoption of this standard

IFRS 16, Leases ("IFRS 16") was issued by the IASB in January 2016 and specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. An entity applies IFRS 16 for annual periods beginning on or after January 1, 2019. Earlier application is permitted if IFRS 15 Revenue from Contracts with Customers has also been applied. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. The Company is currently assessing the effects of IFRS 16 and intends to adopt on its effective date.

NOTE 4: CASH AND CASH EQUIVALENTS

	December 31,	
	2016	2015
In US dollars	$ 17	$ 2
In Canadian dollars	1	102
In new Israeli shekels ("NIS")	1	20
	$ 19	$ 124

NOTE 5: LOAN RECIEVABLE

In connection with the Transaction, Adira has advanced $25 to SMAART to meet it's ongoing working capital requirements pending the completion of the transaction. Subsequent to the year-end, SMAART repaid the $25 loan (Note 17(a)).

NOTE 6: OTHER RECEIVABLES AND PREPAID EXPENSES

	December 31,	
	2016	2015
Government authorities	$ 1	$ 2
Prepaid expenses	7	12
	$ 8	$ 14

NOTE 7: TRADE PAYABLES

Trade payables are non-interest bearing and are normally settled on 60-day terms.

NOTE 8: ACCRUED LIABILITIES

	December 31,	
	2016	2015
Accrued expenses	$ 263	$ 65
	$ 263	$ 65

NOTE 9: WARRANT LIABILITY

On May 7, 2015, the Company issued 4,820,000 warrants in conjunction with a private placement (Note 13(b) (ii)). The warrants have an expiry period of 3 years from date of issuance and an exercise price of $0.05 CDN per common share.

The warrants were valued at $189 at the time of issuance and revalued at $67 as at December 31, 2016 (2015 - $112). A gain of $45 was recorded in the Consolidated Statement of Comprehensive Profit and Loss for the year ended December 31, 2016 (2015 - $78). The Black-Scholes option pricing model was used to measure the derivative warrant liability with the following assumptions:

	May 7, 2015	**December 31, 2015**	**December 31, 2016**
Expected life	3 years	2.35 years	1.35 years
Risk-free interest rate	0.64%	0.50%	0.87%
Dividend yield	0.00%	0.00%	0.00%
Foreign exchange rate (USD/CAD)	0.8276	0.7209	0.7437
Expected volatility	222.04%	177.23%	147.70%

NOTE 10: FINANCIAL INSTRUMENTS

The Company's activities expose it to various financial risks, such as market risks (foreign currency risk, consumer price index risk, interest risk and price risk), credit risk and liquidity risk. The Company's comprehensive risk management program focuses on actions to minimize potential adverse effects on the Company's financial performance.

a. Credit risk:

Concentration of credit risk exists with respect to the Company's cash and cash equivalents, other receivables and prepaid expenses and loans receivable. The Company’s exposure as at December 31, 2016 and 2015 was for $52 and $163 respectively, which consisted of $19 (2015 - $124) in cash held in bank accounts, $8 (2015 - $14) in other receivables and prepaid expenses and $25 in loan receivables (2015 - $25).

The Company manages credit risk, in respect of cash and cash equivalents, and restricted cash, by holding them at major Canadian and Israeli financial institutions in accordance with the Company's investment policy. The Company places its temporary cash and cash equivalents with high credit quality financial institutions. The Company regularly monitors credit extended to customers and their general financial condition. The Company historically has not had significant past-due receivables.

b. Liquidity risk:

Liquidity risk is the risk that the Company will encounter difficulty in obtaining funds to meet current obligations and future commitments. The Company's approach to managing liquidity risk is to forecast cash requirements to determine whether it will have sufficient funds to meet its current liabilities when due. As of December 31, 2016, the Company had cash and cash equivalents of $19 (2015 - $124), other receivables, and prepaid expenses of $8 (2015 – $14) and loan receivable of $25 (2015 - $25) to settle current liabilities in the amount of $263 (2015 – $125) (Note 1(b)).

NOTE 10: FINANCIAL INSTRUMENTS (Continued)

c. Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of two types of risk: interest rate risk and foreign currency risk.

1. Interest rate risk:

The Company is not exposed to significant interest rate risk due to the short-term maturity of its cash equivalents.

2. Foreign currency risk:

The Company is exposed to financial risk related to the fluctuation of foreign exchange rates. Most of the Company's monetary assets are held in U.S. dollars and most of the Company's expenditures are made in Canadian dollars. The Company has not hedged its exposure to currency fluctuations. An increase or decrease of 5% of the Canadian dollar would not have a significant effect on the Company.

NOTE 11: INCOME TAXES

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2015 – 26.5%) to the effective tax rates for the years ended December 31 is as follows:

		2016		**2015**
Loss before recovery of income taxes	**$**	**(215)**	$	(269)
Expected income tax recovery	**$**	**(57)**	$	(71)
Tax rate changes and other adjustments		**(1,159)**		(7,423)
Non-deductible expenses		**(17)**		(16)
Unrealized foreign exchange		**-**		1,290
Change in tax benefits not recognized		**1,232**		6,220
Income tax (recovery) expense	**$**	**-**	$	-

NOTE 11: TAXES ON INCOME (Continued)

Unrecognized Deferred Tax Assets

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:

		2016		2015
Property and equipment	$	**1**	$	1
Share issuance costs	$	**4**	$	286
Deferred expenses	$	**150**	$	-
Non-capital losses carried forward	$	**7,714**	$	2,931

The Canadian non-capital loss carry forwards expire as noted in the table below. Share issue and financing costs will be fully amortized in 2018. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

The Company’s Canadian non-capital income tax losses expire as follows:

2027	$	76
2028		412
2029		764
2030		963
2031		2,003
2032		591
2033		975
2034		825
2035		694
2036		411
	$	**7,714**

NOTE 12: CAPITAL

a. Authorized

Unlimited number of Common shares without nominal or par value.

b. Issued and outstanding Common shares

(i) As at December 31, 2016 and 2015, the Company had 17,112,022 shares issued and outstanding.

(ii) On May 7, 2015, the Company completed a non-brokered private placement of 4,820,000 units ("Units") for gross proceeds of $202 ($241,000 CDN). Each Unit consisted of one Common Share and one warrant. Each warrant is exercisable to acquire one Common Share at a price of CAN$0.05 per Common Share until May 6, 2018.

As the warrants are exercisable in a currency other than the Company's functional currency they are treated as a derivative liability (Note 10). The fair value of the warrants was $189 and was first allocated to the liability with the residual balance of $7, net of $6 in share issuance costs, recorded in additional paid-in capital.

c. Stock Option Plan

Under the Company's August 31, 2009 Stock Option Plan ("the Incentive Stock Option Plan"), options may be granted to employees, officers, consultants, service providers and directors of the Company or its subsidiaries.

Stock options may be issued up to 10% of the Company's outstanding Common shares at a term and an exercise price to be determined by the Company's Board of Directors. The maximum term of the options is ten years from the date of grant.

As of December 31, 2016, an aggregate of 1,475,202 of the Company's options were still available for future grant.

The Company typically grants stock options with vesting periods of between two to four years, generally with the exercise price at the closing price of the stock on the date of the grant and an expiration date of five years from the date of grant.

A summary of the stock option plan and changes during the years ended December 31, 2016 and 2015 were as follows:

	Number of options outstanding	Weighted average exercise price
Balance, January 1, 2015	416,000	$ 5.37
Options forfeited	(144,666)	8.34
Balance, December 31, 2015	271,334	$ 2.85
Options forfeited	(35,334)	7.68
Balance, December 31, 2016	236,000	$ 2.23

NOTE 12: CAPITAL (Continued)

c. Stock Option Plan (Continued)

The following tables summarize information about stock options outstanding and exercisable as of December 31, 2016:

Grant date	Expiry date	Grant date fair value	Exercise price	Number of options outstanding	Number of options exercisable	Average remaining contractual life
August 22, 2012 (*)	August 21, 2017	$ 1.05	$ 2.23	236,000	236,000	0.64
				236,000	236,000	

(*) The exercise price is denominated in Canadian dollars and was translated to USD in the table above using the exchange rate on December 31, 2016.

Stock options granted are expensed as share-based payments. For grants made until December 31, 2011, the Company used the Black-Scholes option pricing model to value stock options granted. For grants made from January 1, 2012, the Company uses the Binominal option pricing model to value stock options granted.

During the year ended December 31, 2016 the Company recorded a share-based compensation expense of $Nil (2015 - $2) as a result of the vesting of previously granted stock options.

d. Share purchase warrants

The Company has share purchase warrants outstanding entitling the holders to acquire Common shares as follows:

	Number of warrants (*)	Weighted average exercise price
Balance as of December 31, 2014	79,012,640	$ 0.17
Warrants granted during 2014	4,820,000	0.04
Warrants expired during 2015	(79,012,640)	0.14
Balance as of December 31, 2015 and 2016	4,820,000	$ 0.04

The following tables summarize information applicable to warrants outstanding as of December 31, 2016:

Issue date	Expiry date	Grant date fair value	Exercise price (*)	Number of warrants
May 7, 2015	May 6, 2018	$ 0.04	$ 0.04	4,820,000

(*) The exercise price of these warrants is denominated in Canadian dollars and was translated to USD in the table above using the exchange rate as of December 31, 2016.

NOTE 13: CAPITAL MANAGEMENT

The Company is in the early stage of gas and petroleum exploration. The Company has negative cash flows from current operations. The Company's primary source of funds comes from the issuance of share capital. The Company does not use other sources of financing that require fixed payments of interest and principal and is not subject to any externally imposed capital requirements.

The Company defines its capital as share capital. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place. The Company supervises the actual expenditure against the budget to manage its costs and commitments.

The Company's capital management objective is to maximize investment returns for shareholders within the context of relevant opportunities and risks associated with the Company's operating segment. Achieving this objective requires management to consider the underlying nature of exploration activities, availability of capital, the cost of various capital alternatives and other factors. Establishing and adjusting capital requirements is a continuous administrative process.

NOTE 14: RELATED PARTY TRANSACTIONS

a. For the year ended December 31, 2016, the Company recognized $6 for advisory fees and operating expenses to private companies controlled by the directors or by officers of the Company (2015 - $58).

These transactions are in the ordinary course of business and are measured at the amount of consideration set and agreed by the related parties.

b. Compensation to directors and key management personnel:

The CEO, CFO, and V.P. Business Development, and the directors are considered key management personnel.

	Year ended December 31,		
	2016	2015	2014
Short-term employee benefits	$ -	$ 38	$ 212
Share-based compensation	-	1	22
	$ -	$ 39	$ 234
Number of people	2	2	2

c. Benefits in respect of key management persons (including directors) who are not employed by the Company:

	Year ended December 31,		
	2016	2015	2014
Board of Directors fees	$ 5	$ 45	$ 38
Number of people	3	3	3

For the year ended December 31, 2015, Adira Energy Ltd recorded a gain on settlement of accounts payable and other payables in the amount of $25, arising from settlement agreements reached with related parties.

NOTE 15: COMMITMENTS AND CONTINGENCIES

As at December 31, 2016 and 2015, the Company has no commitments or contingencies.

NOTE 16: GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended December 31,		
	2016	2015	2014
Payroll and related payments	$ -	$ -	$ 307
Share-based compensation (recovery)	-	2	(32)
Professional fees	225	247	122
Rent and office expenses	7	46	90
Depreciation	-	-	45
Insurance	16	25	30
Others	20	29	40
	$ 268	$ 349	$ 602

NOTE 17: SUBSEQUENT EVENTS

a. Subsequent to the year-end, SMAART repaid the $25 loan.

b. Subsequent to the year-end, a significant service provider has agreed to settle their accounts payable balance in the amount $155 in return for shares to be issued as part of the SMAART transaction.

ADIRA ENERGY LTD.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2015, 2014 and 2013

U.S. DOLLARS IN THOUSANDS

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Adira Energy Ltd.

We have audited the accompanying consolidated statements of financial position of Adira Energy Ltd. (the "Company") as of December 31, 2015 and 2014, and the related consolidated statements of comprehensive profit and loss, changes in (deficit) equity and cash flows for the years then ended. The Company's management is responsible for these consolidated financial statements. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, 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. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2015 and 2014 and the results of its operations and its cash flows for the years then ended in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 1(b), the Company has experienced negative cash flows from operations since inception and has accumulated a significant deficit which raises substantial doubt about its ability to continue as a going concern. Management's plans regarding 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.

The consolidated financial statements as at December 31, 2013 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their audit reports dated April 30, 2014.

MNP LLP

Chartered Professional Accountants
Licensed Public Accountants

Mississauga, Ontario
April 28, 2016

MNP LLP

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

U.S. dollars in thousands

	Note	December 31,	
		2015	2014
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	4	$ 124	$ 334
Restricted deposits	5	-	9
Loan receivable	6	25	-
Other receivables and prepaid expenses	7	14	64
Total current assets		163	407
NON-CURRENT ASSETS:			
Property and equipment, net	8	-	2
Total assets		$ 163	$ 409
LIABILITIES AND (DEFICIT) EQUITY			
CURRENT LIABILITIES:			
Trade payables	10	$ 60	$ 167
Other accounts payable and accrued liabilities	11	65	56
Total current liabilities		125	223
NON-CURRENT LIABILITIES			
Warrant liability	12	112	-
			-
Total liabilities		237	223
(DEFICIT) EQUITY:			
Share capital	15	-	-
Additional paid-in capital	15	34,060	34,051
Accumulated deficit		(34,134)	(33,865)
Total (deficit) equity		(74)	186
Total liabilities and equity		$ 163	$ 409

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

Approved on Behalf of the Board:

April 28, 2016	"Dennis Bennie"	"Alan Friedman"
Date of approval of the financial statements	Dennis Bennie Chairman of the Board	Alan Friedman Director

CONSOLIDATED STATEMENTS OF COMPREHENSIVE PROFIT AND LOSS

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

	Note	**2015**	2014	2013
		Year ended December 31,		
Revenues and other income	21	$ **-**	$ -	$ 17
Expenses:				
Exploration expenses	9	**-**	-	677
General and administrative expenses	8 &20	**349**	602	2,813
Gain on settlement of accounts payable and other payables	9 &18	**(25)**	(1,374)	-
Impairment charge		**-**	-	5,168
Total expenses		**324**	(772)	8,658
(Loss) income before financing income, (loss) gain on foreign exchange and gain on revaluation warrant liability		**(324)**	772	(8,641)
Financing income		**-**	-	3,027
Loss on foreign exchange		**(23)**	(37)	(30)
Gain on revaluation of warrant liability	12	**78**	-	-
(Loss) income before income taxes		**(269)**	735	(5,644)
Income taxes	14	**-**	-	-
Net (loss) income and comprehensive (loss) income		$ **(269)**	$ 735	$ (5,644)
Basic and diluted net (loss) income per share attributable to equity holders of the parent	16	$ **(0.02)**	$ 0.06	$ (0.47)
Weighted average number of ordinary shares used in computing basic and diluted net (loss) income per share		**15,439,508**	12,158,302	12,052,073

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

CONSOLIDATED STATEMENTS OF CHANGES IN (DEFICIT) EQUITY

U.S. dollars in thousands, except share data

		Attributable to equity holders of the parent			
	Number of shares	**Share capital**	**Additional paid-in capital**	**Accumulated deficit**	**Total (Deficit) equity**
Balance as of December 31, 2012	12,052,022	-	$ 33,966	$ (28,956)	$ 5,010
Share-based compensation	-	-	57	-	57
Net loss	-	-	-	(5,644)	(5,644)
Balance as of December 31, 2013	12,052,022	-	34,023	(34,600)	(577)
Shares and warrants issued in private placement, net (Note 15(b)(ii))	240,000	-	60	-	60
Share-based compensation recovery	-	-	(32)	-	(32)
Net income	-	-	-	735	735
Balance as of December 31, 2014	12,292,022	$ -	$ 34,051	$ (33,865)	$ 186
Shares and warrants issued in private placement, net (Note 15(b)(iii))	4,820,000	-	7	-	7
Share-based compensation			2	-	2
Net loss	-	-	-	(269)	(269)
Balance as of December 31, 2015	17,112,022	$ -	$ 34,060	$ (34,134)	$ (74)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Year ended December 31,		
	2015	2014	2013
Cash flows from operating activities:			
Net (loss) profit	$ (269)	$ 735	(5,644)
Adjustments to reconcile net (loss) income to net cash used in operating activities:			
Adjustments to the profit or loss items:			
Depreciation		45	88
Impairment charge	-	-	5,168
Loss on sale of fixed assets	2	3	-
Revaluation of warrants	(78)	-	(3,013)
Share-based compensation (recovery)	2	(32)	57
Gain on settlement of accounts payable and other payables	(25)	(1,374)	-
	(368)	(1,358)	2,300
Changes in operating asset and liability items:			
Decrease in accounts receivable, other receivables and prepaid expenses	50	2,449	4,847
Decrease in trade payables	(82)	(1,276)	(3,024)
Increase (decrease) in other accounts payable and accrued liabilities	9	(930)	(490)
	(23)	243	1,333
Net cash used in operating activities	(391)	(380)	(2,011)
Cash flows from investing activities:			
Expenditures on exploration and evaluation assets	-	-	(2,636)
Proceeds from sale of equipment	1	11	1,823
Cash provided for loan receivable	(25)	-	-
Decrease in restricted cash	9	26	1,047
Net cash (provided by) generated in investing activities	(15)	37	234
Cash flows from financing activities:			
Proceeds from issue of shares, net of share issuance costs	196	60	-
Net cash provided by financing activities	196	60	-
Decrease in cash and cash equivalents	(210)	(283)	(1,777)
Cash and cash equivalents at the beginning of the year	334	617	2,394
Cash and cash equivalents at the end of the year	$ 124	$ 334	617

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

NOTE 1: GENERAL

a. Nature of operations

Adira Energy Ltd. and its subsidiaries ("Adira" or "the Company"), is an oil and gas exploration company. Adira is a limited company, incorporated on April 8, 2009, and domiciled in Toronto, Ontario, Canada. The registered head office is located at 20 York Mills Road, Suite 400, Toronto,. Ontario, M2P 2C2. The Company's shares are currently traded on the OTC market in the U.S. and the TSX Venture Exchange ("TSX") in Canada. The consolidated financial statements of the Company for the year ended December 31, 2015 were authorized for issue in accordance with a resolution of the directors on April 28, 2016.

Letter of intent to complete a transaction

On November 4, 2015, the Company entered into a letter of intent ("LOI") with SMAART Holdings Inc. ("SMAART") whereby the Company will acquire SMAART through a three cornered amalgamation between the Company and its wholly owned subsidiary (the "Transaction"). In connection with the completion of the Transaction the amalgamated entity (the "Resulting Issuer") intends to continue to be listed on the TSX Venture Exchange using Adira's current listing.

SMAART is a British Columbia based corporation that owns a Nevada, USA subsidiary, SMAART Holdings Corp., which in turn owns the following active subsidiaries:

(i) Empower Healthcare Corporation ("**EHC**") is an Oregon based corporation that provides physician services to patients. EHC focuses on pain management services and is a pioneer in the recommendation of cannabis based products to its patients.

(ii) The Hemp & Cannabis Company ("**THCC**") is an Oregon corporation. THCC owns and leases real estate that was used to cultivate cannabis with state licenses in both Oregon and Washington.

(iii) SMAART Inc. is an Oregon corporation that provides administrative services to SMAART owned companies.

(iv) The Hemp & Cannabis Company (Washington) owns a property in Washington state that previously was used to cultivate cannabis on behalf of clinic patients.

The Transaction is subject to a number of conditions typical in a transaction of this nature, including without limitation, the approval by at least 66 2/3% of the votes cast by Adira shareholders at a special meeting of Adira shareholders to approve the Transaction and the approval of the TSX Venture Exchange. On closing of the Transaction, it is expected that current shareholders of Adira will own 10% of the Resulting Issuer, while the current shareholders of the SMAART will own the remaining 90%.

Another condition of the Transaction is that SMAART complete a financing to close concurrently with the completion of the Transaction raising net proceeds of at least $2,400,000. The funds will be available as working capital for the Resulting Issuer.

The Board of Directors of the Resulting Issuer will initially consist of seven directors, five of which shall be nominated by the SMAART and two of which shall be nominated by Adira.

NOTE 1: GENERAL (Continued)

b. Going concern

The accompanying consolidated financial statements have been prepared on the basis of a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. As at December 31, 2015, the Company had an accumulated deficit of $34,134 and is not yet generating operating cash flows. As such, there is significant doubt regarding the Company's ability to continue as a going concern.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The Company's ability to continue operations is dependent on management's ability to secure additional financing. Management is actively pursuing such additional sources of financing, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future. Accordingly, the consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying consolidated financial statements.

NOTE 2: BASIS OF PREPARATION

a. Statement of compliance

These consolidated financial statements 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 IFRS Interpretations Committee ("IFRIC").

b. Basis of presentation

The consolidated financial statements have been prepared on a historical cost basis, and are presented in U.S. dollars. All values are rounded to the nearest thousand ($000), except share and per share data or when otherwise indicated.

On August 9, 2013, the Company completed a consolidation of the Company's Common Shares on the basis of one post-consolidation Common Share for every three pre-consolidation Common Shares (the "Share Consolidation").

On September 29, 2014, the Company completed a second consolidation of the Company's Common Shares on the basis of one post-consolidation Common Share for every five pre-consolidation Common Shares (the "Second Share Consolidation"). All share and per share data for all periods presented have been adjusted to reflect the decrease in number of shares resulting from the Consolidation and the Second Consolidation.

NOTE 2: BASIS OF PREPARATION (Continued)

c. Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries Adira Energy Holdings Corp., Adira Energy Israel Ltd and Adira Energy Israel Services Ltd.

On July 2015 and December 2015, the Company voluntarily liquidated and deregistered Adira Oil Technologies, and its 60% ownership in Adira Geo Global Limited, respectively. The results are included in the consolidated statements of comprehensive profit and loss up to the effective date of dissolution.

Adira Energy Israel Ltd and Adira Energy Israel Services Ltd are currently in the process of being voluntarily liquidated and deregistered in Israel.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES

a. Significant judgments and estimates

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that have an effect on the application of the accounting policies and on the reported amounts of assets, liabilities, revenues and expenses. These estimates and underlying assumptions are reviewed regularly. Changes in accounting estimates are reported in the period of the change in estimate.

Fair value of derivative financial instruments: Management assesses the fair value of the Company’s financial derivatives in accordance with the accounting policy stated in Note 3(j) to the consolidated financial statements. Fair value of the warrant liability has been measured using the Black-Scholes model, taking into account the terms and conditions upon which the warrants are granted. These calculations require the use of estimates and assumptions. Changes in assumptions concerning volatilities, interest rates, foreign exchange rates, and expected life could have a significant impact on the fair value attributed to the Company’s financial derivatives.

b. Translation of foreign currencies

The Company’s presentation currency is the U.S. dollar. The functional currency is the currency that best reflects the economic environment in which the Company operates and conducts its transactions, is separately determined for the Company and each of its subsidiaries, and is used to measure the financial position and operating results. The functional currency of the Company and its subsidiaries is the U.S. dollar. Transactions denominated in foreign currency (other than the functional currency) are recorded on initial recognition at the exchange rate at the date of the transaction. After initial recognition, monetary assets and liabilities denominated in foreign currency are translated at the end of each reporting period into the functional currency at the exchange rate at that date. Exchange differences, are recognized in profit or loss. Non-monetary assets and liabilities measured at cost are translated at the exchange rate at the date of the transaction.

c. Cash equivalents

Cash equivalents are considered as highly liquid investments, including unrestricted short-term bank deposits with an original maturity of three months or less from the date of acquisition or with a maturity of more than three months, but which are redeemable on demand without penalty and which form part of the Company's cash management.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Financial instruments

The Company's financial instruments consist of the following summarized accounts included within the consolidated statements of financial position:

Financial assets and liabilities	Classification
Cash and cash equivalents	Loans and receivables
Restricted deposits	Loans and receivables
Other receivables	Loans and receivables
Loan receivables	Loans and receivables
Trade payables	Other financial liabilities
Accounts payable and accrued liabilities	Other financial liabilities
Warrant liability	Fair value through profit and loss

Loans and receivables: Loans and receivables are financial assets with fixed or determinable payments not quoted in an active market. These assets are initially recognized at fair value plus transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment loss. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument to the net carrying amount on initial recognition.

Other financial liabilities: Other financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition, these other financial liabilities are measured at amortized cost using the effective interest method. Other financial liabilities are derecognized when the obligations are discharged, cancelled or expired.

Fair value through profit and loss: Derivative instruments include the warrant liability which is recorded at fair value on initial recognition and at each subsequent reporting period. Any gains or losses arising from changes in fair value are recorded in the statement of comprehensive profit and loss for the period.

Impairment of financial assets: Financial assets are assessed for indicators of impairment at the end of 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, the estimated future cash flows of the investments have been negatively impacted. Evidence of impairment could include financial difficulty of the counterparty, default or delinquency in interest or principal payment or the likelihood that the borrower will enter bankruptcy or financial reorganization.

The carrying amount of financial assets is reduced by any impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. When an accounts receivable balance is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Financial instruments

Financial instruments recorded at fair value: The Company classifies its financial instruments according to a three level hierarchy that reflects the significance of the inputs used in making fair value measurements. The three levels of the fair value hierarchy are as follows:

- Level 1 - Unadjusted quoted prices in active markets for identical assets and liabilities;
- Level 2 - Inputs other than quoted prices that are observable for assets or liabilities directly or indirectly; and
- Level 3 - Inputs for assets or liabilities that are not based on observable market data.

Management has determined that the warrant liability represents a level 2 input.

f. Property and equipment

Property and equipment are measured at cost, including directly attributable costs, less accumulated depreciation. Cost includes spare parts and auxiliary equipment that can be used only in connection with the machinery and equipment.

Depreciation is calculated on a straight-line basis over the useful life of the assets at annual rates as follows:

	%
Office furniture and equipment	10
Computers and peripheral equipment	33

The useful life, depreciation method and residual value of an asset are reviewed at least each year-end and any changes are accounted for prospectively as a change in accounting estimate.

g. Impairment of non-financial assets

The Company evaluates the need to record an impairment of the carrying amount of non-financial assets whenever events or changes in circumstances indicate that the carrying amount is not recoverable. If the carrying amount of non-financial assets exceeds their recoverable amount, the assets are reduced to their recoverable amount. The recoverable amount is the higher of fair value less costs of sale and value in use. In measuring value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects the risks specific to the asset. The recoverable amount of an asset that does not generate independent cash flows is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Income taxes

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent they relate to items recognized directly in equity or other comprehensive income.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net earnings and comprehensive income or equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced 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 recovered.

i. Share-based payment transactions

The Company's employees and other service providers are entitled to remuneration in the form of equity-settled share-based payment transactions.

The cost of equity-settled transactions with employees is measured at the fair value of the equity instruments granted at grant date. Fair value measurement of all options and warrants granted is determined using an appropriate pricing model. As for other service providers, the cost of the transactions is measured at the fair value of the goods or services received as consideration for equity instruments. In cases where the fair value of the goods or services received as consideration of equity instruments cannot be measured, they are measured by reference to the fair value of the equity instruments granted.

The cost of equity-settled transactions is recognized in profit or loss, together with a corresponding increase in equity, during the period which the performance and service conditions are to be satisfied, ending on the date on which the relevant employees become fully entitled to the award ("the vesting period"). The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The expense or income recognized in profit or loss represents the movement in the cumulative expense recognized at the end of the reporting period. No expense is recognized for awards that do not ultimately vest.

j. Warrant liability

As the warrants have an exercise and presentation price denominated in Canadian dollars which differs from the Company's functional currency they do not qualify for classification as equity. These warrants have been classified as warrant liability and are recorded initially at the fair value and revalued at each reporting date, using the Black-Scholes valuation method. Changes in fair value for each period are included in comprehensive profit and loss for the period.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (Continued)

k. Loss / income per share

Basic loss / income per share is computed by dividing the profit or loss for the period by the weighted average number of common shares outstanding during the period. Stock options and common share purchase warrants are not included in the calculation of diluted loss per share if their inclusion would be antidilutive.

l. Standards and amendments issued but not yet effective

The IASB issued new standards and amendments not yet effective.

IFRS 9, Financial Instruments ("IFRS 9") was initially issued by the IASB on November 12, 2009 and issued in its completed version in July 2014, and will replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for financial years beginning on or after January 1, 2018. The Company anticipates that this standard will be adopted in the Company's consolidated financial statements for the year beginning January 1, 2018, and has not yet considered the potential impact of the adoption of IFRS 9.

IAS 1, Disclosure Initiative: Amendments to IAS 1, was issued by the IASB on December 18, 2014 as part of its major initiative to improve presentation and disclosure in financial reports (the "Disclosure Initiative"). The amendments are effective for annual periods beginning on or after January 1, 2016. Early adoption is permitted. These amendments will not require any significant change to current practice, but should facilitate improved financial statement disclosure. The Company has not yet determined the impact of IAS 1 on its consolidated financial statements.

NOTE 4: CASH AND CASH EQUIVALENTS

	December 31,	
	2015	2014
In US dollars	$ 2	$ 249
In Canadian dollars	102	41
In new Israeli shekels ("NIS")	20	44
	$ 124	$ 334

NOTE 5: RESTRICTED CASH

Short-term restricted cash of $NIL as of December 31, 2015 (2014 - $9), relates to deposits held by a financial institution as security in connection with a guarantee against the Company's credit facility.

NOTE 6: LOAN RECIEVABLE

In connection with the Transaction, Adira has advanced $25 to SMAART to meet it's ongoing working capital requirements pending the completion of the transaction. It is anticipated that a further sum of up to $75 will be advanced upon receiving the approval of the TSXV following the submission of a filing package by Adira with respect to the Transaction. Finally, an additional $100 will be advanced to SMAART upon the receipt of the conditional approval of the TSXV with respect to the Transaction. The loan receivable is secured by the assets of SMAART. The loan receivable is interest free for 120 days post the release of the first tranche of the planned concurrent financing and thereafter interest shall be payable at 1.5% per month compounded as well as a penalty fee of $40.

NOTE 7: OTHER RECEIVABLES AND PREPAID EXPENSES

	December 31,	
	2015	2014
Government authorities	$ 2	$ 16
Prepaid expenses	12	48
	$ 14	$ 64

NOTE 8: PROPERTY AND EQUIPMENT, NET

Composition and movement:

2015

	Computer and peripheral equipment	Total
Cost:		
Balance at January 1, 2015	$ 3	$ 3
Disposals during the year	(3)	(3)
Balance at December 31, 2015	$ -	$ -
Accumulated depreciation:		
Balance at January 1, 2015	$ 1	$ 1
Depreciation for the year	-	-
Disposals during the year	(1)	(1)
Balance at December 31, 2015	$ -	$ -
Depreciated cost at December 31, 2015	$ -	$ -

During the year, Adira Israel disposed of assets with a net cost of $2, for which it received proceeds of $1 and recorded a net loss of $1, which is included in general and administrative expenses in the Consolidated Statements of Comprehensive Profit and Loss.

2014

	Office furniture and equipment	Computer and peripheral equipment	Total
Cost:			
Balance at January 1, 2014	$ 5	$ 285	$ 290
Disposals during the year	(5)	(282)	(287)
Balance at December 31, 2014	$ -	$ 3	$ 3
Accumulated depreciation:			
Balance at January 1, 2014	$ 4	$ 225	$ 229
Depreciation for the year	1	44	45
Disposals during the year	(5)	(268)	(273)
Balance at December 31, 2014	$ -	$ 1	$ 1
Depreciated cost at December 31, 2014	$ -	$ 2	$ 2

During the year, Adira Israel disposed of assets with a net cost of $14, for which it received proceeds of $11 and recorded a net loss of $3, which is included in general and administrative expenses in the Consolidated Statements of Comprehensive Profit and Loss.

NOTE 9: EXPLORATION AND EVALUATION ASSETS

The following is a description of activities in respect of the Company's licenses:

a. Gabriella:

The Gabriella License was awarded to the Company in July 2009. The license was issued for an initial three year period and could be renewed upon fulfillment of certain conditions for a further four year period with a further renewal option of two years in case of a reserve discovery.

On September 22, 2014, the Petroleum Commissioner advised that the Gabriella License expired, without further extension being granted, due to the milestones in their work program not being achieved.

b. Yitzhak:

The Yitzhak license was awarded to the Company in October 2009. The license was issued for an initial three-year period and may be renewed upon fulfillment of certain conditions for a further four-year period with a further renewal option of two years in case of a reserve discovery. In October 2013, the Company had received a renewal of the Yitzhak license to October 15, 2014, including extension of certain milestones. The Company did not meet the milestones on the license, which expired on October 15, 2014.

c. Yam Hadera:

The Company had an option (the "Yam Hadera Option") to acquire up to a 15% participating interest in the Yam Hadera license (the "Yam Hadera License") from Modiin Energy LP (“MELP”). The Yam Haera license is located 30 kilometers offshore Israel, between Hadera and Haifa. The Yam Hadera Option was exercisable until 14 days prior to the signing of a rig contract for the Yam Hadera License. On September 22, 2014, the Petroleum Commissioner advised MELP that the Yam Hadera License expired, without further extension being granted, due to the milestones in their work program not being achieved. On October 22, 2014, MELP sent a letter of appeal to the decision with the Minister of Energy and Water, however, in December 2015, MELP was notified that their appeal was denied and that the license had expired.

d. For the year ended December 31, 2014 Adira Israel recorded a gain on settlement of accounts payable and other payables in the amount of $1,374, arising from settlement agreements reached with suppliers which were lower than the obligations recorded as of December 31, 2014.

NOTE 10: TRADE PAYABLES

Trade payables are non-interest bearing and are normally settled on 60-day terms.

NOTE 11: OTHER ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31,	
	2015	2014
Employees in respect of payroll	$ -	$ 30
Accrued expenses	65	26
	$ 65	$ 56

NOTE 12: WARRANT LIABILITY

On May 7, 2015 Company issued 4,820,000 warrants in conjunction with a private placement (Note 15(b) (ii)). The warrants have an expiry period of 3 years from date of issuance and an exercise price of $0.05 CDN per common share.

The warrants were valued at $189 at the time of issuance and revalued at $112 as at December 31, 2015. A gain of $78 was recorded in the Consolidated Statement of Comprehensive Profit and Loss for the year ended December 31, 2015. The Black-Scholes option pricing model was used to measure the derivative warrant liability with the following assumptions:

	May 7, 2015	**December 31, 2015**
Expected life	3 years	2.35 years
Risk-free interest rate	0.64%	0.50%
Dividend yield	0.00%	0.00%
Foreign exchange rate (USD/CAD)	0.8276	0.7209
Expected volatility	222.04%	177.23%

NOTE 13: FINANCIAL INSTRUMENTS

The Company's activities expose it to various financial risks, such as market risks (foreign currency risk, consumer price index risk, interest risk and price risk), credit risk and liquidity risk. The Company's comprehensive risk management program focuses on actions to minimize potential adverse effects on the Company's financial performance.

a. Credit risk:

Concentration of credit risk exists with respect to the Company's cash and cash equivalents, restricted deposits balances and other receivables. The Company’s exposure as at December 31, 2015 and 2014 was for $151 and $359 respectively, which consisted of $124 (2014 - $334) in cash held in bank accounts, $Nil (2014 - $9) in restricted deposits, $2 (2014 - $16) in government authorities and $25 in loan receivables (2015 - $Nil).

The Company manages credit risk, in respect of cash and cash equivalents, and restricted cash, by holding them at major Canadian and Israeli financial institutions in accordance with the Company's investment policy. The Company places its temporary cash and cash equivalents with high credit quality financial institutions. The Company regularly monitors credit extended to customers and their general financial condition. The Company historically has not had significant past-due receivables.

b. Liquidity risk:

Liquidity risk is the risk that the Company will encounter difficulty in obtaining funds to meet current obligations and future commitments. The Company's approach to managing liquidity risk is to forecast cash requirements to determine whether it will have sufficient funds to meet its current liabilities when due. As of December 31, 2015, the Company had cash and cash equivalents of $124 (2014 - $334), restricted deposits of $Nil (2014 - $9), and other receivables, and prepaid expenses of $14 (2014 – $64) and loan receivable of $25 (2014 - $Nil) to settle current liabilities in the amount of $125 (2013 – $223) (Note 1(b)).

NOTE 13: FINANCIAL INSTRUMENTS (Continued)

c. Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of two types of risk: interest rate risk and foreign currency risk.

1. Interest rate risk:

The Company is not exposed to significant interest rate risk due to the short-term maturity of its cash equivalents.

2. Foreign currency risk:

The Company is exposed to financial risk related to the fluctuation of foreign exchange rates. The Company operates in Israel. Most of the Company's monetary assets are held in U.S. dollars and most of the Company's expenditures are made in U.S. dollars. However, the Company also has expenditures in new Israeli shekels ("NIS") and Canadian dollars. The Company has not hedged its exposure to currency fluctuations. An increase or decrease of 5% of the NIS relative to the U.S or the Canadian dollar would not have a significant effect on the Company.

NOTE 14: INCOME TAXES

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2014 – 26.5%) to the effective tax rates for the years ended December 31 is as follows:

		2015		**2014**
Income (loss) before recovery of income taxes	$	(269)	$	735
Expected income tax (recovery) expense	$	(71)	$	195
Difference in foreign tax rates		-		-
Tax rate changes and other adjustments		(7,423)		(1,208)
Non-deductible expenses		(16)		(343)
Unrealized foreign exchange		1,290		617
Change in tax benefits not recognized		6,220		739
Income tax (recovery) expense	$	-	$	-

Deferred tax

The following table summarizes the components of deferred tax:

		2015		**2014**
Deferred Tax Assets				
Non-capital losses carried forward	$	1,120	$	475
Deferred Tax Liabilities				
Note payable	$	(1,120)	$	(475)

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

NOTE 14: TAXES ON INCOME (Continued)

Unrecognized Deferred Tax Assets

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:

		2015		2014
Deferred income tax assets				
Property and equipment	$	1	$	1
Share issuance costs	$	286	$	874
Non-capital losses carried forward	$	2,931	$	5,887

The Canadian non-capital loss carry forwards expire as noted in the table below. Share issue and financing costs will be fully amortized in 2016. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

The Company’s Canadian non-capital income tax losses expire as follows:

2027	**$**	74
2028		400
2029		742
2030		935
2031		1,945
2032		574
2033		947
2034		802
2035		740
	$	**7,159**

As of December 31, 2015, carryforward losses in Israel are approximately $27 million and may be carried forward indefinitely.

NOTE 15: CAPITAL

a. Authorized

Unlimited number of Common shares without nominal or par value.

b. Issued and outstanding Common shares

(i) As at December 31, 2015, the Company had 17,112,022 (2014 - 12,292,022) shares issued and outstanding.

(ii) On July 23, 2014, the Company completed a non-brokered private placement by issuing 240,000 common shares at a price of $0.25 per common share for gross proceeds of $60.

(iii) On May 7, 2015, the Company completed a non-brokered private placement of 4,820,000 units ("Units") for gross proceeds of $202 ($241,000 CDN). Each Unit consisted of one Common Share and one warrant. Each warrant is exercisable to acquire one Common Share at a price of CAN$0.05 per Common Share until May 6, 2018.

As the warrants are exercisable in a currency other than the Company's functional currency they are treated as a derivative liability (Note 12). The fair value of the warrants was $189 and was first allocated to the liability with the residual balance of $7, net of $6 in share issuance costs, recorded in additional paid-in capital.

c. Stock Option Plan

Under the Company's August 31, 2009 Stock Option Plan ("the Incentive Stock Option Plan"), options may be granted to employees, officers, consultants, service providers and directors of the Company or its subsidiaries.

Stock options may be issued up to 10% of the Company's outstanding Common shares at a term and an exercise price to be determined by the Company's Board of Directors. The maximum term of the options is ten years from the date of grant.

As of December 31, 2015, an aggregate of 1,439,869 of the Company's options were still available for future grant.

The Company typically grants stock options with vesting periods of between two to four years, generally with the exercise price at the closing price of the stock on the date of the grant and an expiration date of five years from the date of grant.

A summary of the stock option plan and changes during the years ended December 31, 2015 and 2014 were as follows:

	Number of options outstanding	Weighted average exercise price
Balance, January 1, 2014	658,533	$ 5.45
Options forfeited	(242,533)	4.29
Balance, December 31, 2014	416,000	5.37
Options forfeited	(144,666)	8.34
Balance, December 31, 2015	271,334	$ 2.85

NOTE 15: CAPITAL (Continued)

c. Stock Option Plan (Continued)

The following tables summarize information about stock options outstanding and exercisable as of December 31, 2015:

Grant date	Expiry date	Grant date fair value	Exercise price	Number of options outstanding	Number of options exercisable	Average remaining contractual life
January 11, 2011	January 10, 2016	$ 9.90	$ 8.65	16,667	16,667	0.03
May 3, 2011 (*)	May 2, 2016	$ 7.80	$ 6.49	16,667	16,667	0.34
December 1, 2011 (*)	November 30, 2016	$ 3.30	$ 5.41	2,000	2,000	0.92
August 22, 2012 (*)	August 21, 2017	$ 1.05	$ 2.16	236,000	236,000	1.64
				271,334	271,334	

(*) The exercise price is denominated in Canadian dollars and was translated to USD in the table above using the exchange rate on December 31, 2015.

Stock options granted are expensed as share-based payments. For grants made until December 31, 2011, the Company used the Black-Scholes option pricing model to value stock options granted. For grants made from January 1, 2012, the Company uses the Binominal option pricing model to value stock options granted.

During the year ended December 31, 2015 the Company recorded a share-based compensation expense of $2 as a result of the vesting of previously granted stock options. During the year ended December 31, 2014 the Company recorded share-based compensation recovery of $32 as a result of stock options that had not fully vested being cancelled during the year.

d. Share purchase warrants

The Company has share purchase warrants outstanding entitling the holders to acquire Common shares as follows:

	Number of warrants (*)	Weighted average exercise price
Balance as of January 1, 2014	82,365,640	$ 0.20
Warrants expired	(3,353,000)	0.12
Balance as of December 31, 2014	79,012,640	0.17
Warrants granted	4,820,000	0.04
Warrants expired	(79,012,640)	0.14
Balance as of December 31, 2015	4,820,000	$ 0.04

NOTE 15: SHARE CAPITAL (Continued)

d. Share purchase warrants (Continued)

The following tables summarize information applicable to warrants outstanding as of December 31, 2015:

Issue date	Expiry date	Grant date fair value	Exercise price (*)	Number of warrants
May 7, 2015	May 6, 2018	$ 0.04	$ 0.04	4,820,000

(*) The exercise price of these warrants is denominated in Canadian dollars and was translated to USD in the table above using the exchange rate as of December 31, 2015.

NOTE 16: (LOSS) EARNINGS PER SHARE

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. Diluted loss per share is computed using the treasury stock method. Outstanding stock options of 271,334 (2014 – 416,000) and warrants of 4,820,000 (2014 - 5,267,509), after giving effect to share consolidations, were not included in the computation of diluted loss (2014 - earnings) per share as their inclusion would be anti-dilutive.

NOTE 17: CAPITAL MANAGEMENT

The Company is in the early stage of gas and petroleum exploration. The Company has negative cash flows from current operations. The Company's primary source of funds comes from the issuance of share capital. The Company does not use other sources of financing that require fixed payments of interest and principal and is not subject to any externally imposed capital requirements.

The Company defines its capital as share capital. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place. The Company supervises the actual expenditure against the budget to manage its costs and commitments.

The Company's capital management objective is to maximize investment returns for shareholders within the context of relevant opportunities and risks associated with the Company's operating segment. Achieving this objective requires management to consider the underlying nature of exploration activities, availability of capital, the cost of various capital alternatives and other factors. Establishing and adjusting capital requirements is a continuous administrative process.

NOTE 18: RELATED PARTY TRANSACTIONS

For the year ended December 31, 2015, the Company recognized $58 for advisory fees and operating expenses to private companies controlled by the directors or by officers of the Company (2014 - $233).

These transactions are in the ordinary course of business and are measured at the amount of consideration set and agreed by the related parties.

Compensation to directors and key management personnel:

The CEO, CFO, and V.P. Business Development, and the directors are considered key management personnel.

	Year ended December 31,		
	2015	**2014**	**2013**
Short-term employee benefits	$ 38	$ 212	$ 1,133
Share-based compensation	1	22	16
	$ 39	$ 234	$ 1,149
Number of people	2	2	6

Benefits in respect of key management persons (including directors) who are not employed by the Company:

	Year ended December 31,		
	2015	**2014**	**2013**
Board of directors fees	$ 45	$ 38	$ 32
Number of people	3	3	3

For the year ended December 31, 2015 Adira Energy Ltd recorded a gain on settlement of accounts payable and other payables in the amount of $25, arising from settlement agreements reached with related parties.

NOTE 19: COMMITMENTS AND CONTINGENCIES

As of December 31, 2015, the Company has no commitments or contingencies.

NOTE 20: GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended December 31,		
	2015	**2014**	**2013**
Payroll and related payments	$ -	$ 307	$ 945
Share-based compensation (recovery)	2	(32)	32
Professional fees	247	122	968
Rent and office expenses	46	90	280
Depreciation	-	45	88
Travel	-	-	18
Insurance	25	30	48
Others	29	40	434
	$ 349	$ 602	$ 2,813

NOTE 21: REVENUES AND OTHER INCOME

a. The Company operated in one segment, the oil and gas business and conducted its operations in Israel with its head office in Canada. Details on the Company's revenues and other income (all of which were derived from Israel) are as follows:

	Year ended December 31,		
	2015	**2014**	**2013**
Consulting	$ -	$ -	$ 7
Operator fees	-	-	5
Other income	-	-	5
	$ -	$ -	$ 17

b. For the year ended December 31, 2013, all $17 of revenues were derived from one customer.

NOTE 22: SUBSEQUENT EVENTS

On February 10, 2016, the Company completed the voluntarily liquidation and deregistration of Adira Energy Israel Services Limited.

ADIRA ENERGY LTD.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2014

U.S. DOLLARS IN THOUSANDS

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Independent Auditor's Report

To the Shareholders of Adira Energy Ltd.

We have audited the accompanying consolidated financial statements of Adira Energy Ltd., which comprise the consolidated statement of financial position as at December 31, 2014, and the consolidated statements of comprehensive profit and loss, changes in equity (deficit), and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Adira Energy Ltd. as at December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1(b) to the consolidated financial statements which highlights the existence of a material uncertainty relating to conditions that cast significant doubt on Adira Energy Ltd.'s ability to continue as a going concern.

Other Matters

The consolidated financial statements as at December 31, 2013 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their audit report dated April 30, 2014.

MNP LLP

Chartered Professional Accountants
Licensed Public Accountants

Mississauga, Ontario
April 29, 2015

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

U.S. dollars in thousands

	Note	December 31, 2014		December 31, 2013	
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	4	$	334	$	617
Restricted deposits	5		9		35
Other receivables and prepaid expenses	6		64		2,513
Total current assets			407		3,165
NON-CURRENT ASSETS:					
Property and equipment, net	7		2		61
Total assets		$	409	$	3,226
LIABILITIES AND EQUITY (DEFICIT)					
CURRENT LIABILITIES:					
Trade payables	9	$	167	$	2,817
Other accounts payable and accrued liabilities	10		56		986
Total current liabilities			223		3,803
EQUITY (DEFICIT):					
Share capital	13		-		-
Additional paid-in capital	13		34,051		34,023
Accumulated deficit			(33,865)		(34,600)
Total equity (deficit)			186		(577)
Total liabilities and equity		$	409	$	3,226

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

Approved on Behalf of the Board:

April 29, 2015	/s/ Dennis Bennie	/s/ Alan Friedman
Date of approval of the financial statements	Dennis Bennie Chairman of the Board	Alan Friedman Director

CONSOLIDATED STATEMENTS OF COMPREHENSIVE PROFIT AND LOSS

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

	Note	Year ended December 31, 2014	Year ended December 31, 2013
Revenues and other income	18	$ -	$ 17
Expenses:			
Exploration expenses	8	-	677
General and administrative expenses	19	602	2,813
Gain on settlement of accounts payable and other payables	8(e)	(1,374)	-
Impairment charge	8(e)	-	5,168
Total expenses		(772)	8,658
Profit (loss) before financing income and gain on foreign exchange		772	(8,641)
Financing income	20	-	3,027
Gain on foreign exchange		(37)	(30)
Profit (loss) before income taxes		735	(5,644)
Income taxes	12	-	-
Net profit (loss) and comprehensive profit (loss)		$ 735	$ (5,644)
Basic and diluted net earnings (loss) per share attributable to equity holders of the parent	14	$ 0.06	$ (0.47)
Weighted average number of Ordinary shares used in computing basic and diluted net loss per share		12,158,302	12,052,073

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIT)

U.S. dollars in thousands, except share data

		Attributable to equity holders of the parent				
	Number of shares	Share capital	Additional paid-in capital	Accumulated deficit	Total	Total equity (deficit)
Balance as of January 1, 2013	12,052,022	$ -	$ 33,966	$ (28,956)	$ 5,010	$ 5,010
Share-based compensation	-	-	57	-	57	57
Net loss	-	-	-	(5,644)	(5,644)	(5,644)
Balance as of December 31, 2013	12,052,022	-	34,023	(34,600)	(577)	(577)
Shares and warrants issued in private placement, net (Note 13(b))	240,000	-	60	-	60	60
Share-based compensation recovery	-	-	(32)	-	(32)	(32)
Net loss	-	-	-	735	735	735
Balance as of December 31, 2014	12,292,022	$ -	$ 34,051	$ (33,865)	$ 186	$ 186

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Year ended December 31, 2014	Year ended December 31, 2013
Cash flows from operating activities:		
Net profit (loss)	$ 735	$ (5,644)
Adjustments to reconcile net loss to net cash used in operating activities:		
Adjustments to the profit or loss items:		
Depreciation	45	88
Impairment charge	-	5,168
Loss on sale of fixed assets	3	-
Revaluation of warrants	-	(3,013)
Share-based compensation (recovery)	(32)	57
Gain on settlement of accounts payable and other payables	(1,374)	-
	(1,358)	2,300
Changes in operating asset and liability items:		
Decrease in accounts receivable, other receivables and prepaid expenses	2,449	4,847
Decrease in trade payables	(1,276)	(3,024)
Decrease in other accounts payable and accrued liabilities	(930)	(490)
	243	1,333
Net cash used in operating activities	(380)	(2,011)
Cash flows from investing activities:		
Expenditures on exploration and evaluation assets	-	(2,636)
Proceeds from sale of equipment	11	1,823
Decrease in restricted cash	26	1,047
Net cash provided by investing activities	37	234
Cash flows from financing activities:		
Proceeds from issue of shares	60	-
Net cash provided by financing activities	60	-
Decrease in cash and cash equivalents	(283)	(1,777)
Cash and cash equivalents at the beginning of the year	617	2,394
Cash and cash equivalents at the end of the year	$ 334	$ 617

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

NOTE 1: GENERAL

a. Nature of operations

Adira Energy Ltd. and its subsidiaries ("Adira" or "the Company"), is an oil and gas exploration company. Adira is a limited company, incorporated on April 8, 2009, and domiciled in Toronto, Ontario, Canada. The registered head office is located at 120 Adelaide Street West, Suite 800, Toronto, Ontario, M5H 1T1. The Company's shares are currently traded on the OTC market in the U.S. and the TSX Venture Exchange in Canada. The consolidated financial statements of the Company for the year ended December 31, 2014 were authorized for issue in accordance with a resolution of the directors on April 29, 2015.

During the years 2009-2010, Adira Israel was granted three offshore petroleum licenses in Israel. The Company's wholly-owned Canadian subsidiary, Adira Energy Holdings Corp. owns three wholly-owned Israeli subsidiaries as follows: (i) Adira Energy Israel Limited ("Adira Israel"), held two offshore petroleum license being the "Gabriella License No. 378" ("Gabriella"), which expired on September 1, 2014, of which it held 15% (see also Note 8(a) and the "Yitzhak License No. 380" ("Yitzhak"), which expired on October 30, 2014, of which it owned a 70% interest (see also Note 8(b); (ii) Adira Oil Technologies Limited ("AOT") which was granted a 23.25% interest in one offshore petroleum license, the "Samuel License No. 388" ("Samuel"), which was returned to the Ministry of Energy and Water of the State of Israel (the "Ministry") in October 2013 (see also Note 8(c) (Gabriella, Yitzhak and Samuel - collectively the "Offshore Licenses"); and (iii) Adira Energy Israel Services Ltd. provided services in respect of the entities described above, until December 31, 2013. Adira Energy Holdings Corp. also owns 60% of the subsidiary, Adira Geo Global Limited ("AGG"), which owned a 30% interest in Samuel. Adira Israel owns an option to farm into the Yam Hadera License (see also Note 8(d)).

b. Going concern

The accompanying consolidated financial statements have been prepared on the basis of a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company is currently in the exploration stage and has not commenced commercial operations. As at December 31, 2014, the Company had a working capital deficit of $184, an accumulated deficit of $33,865 and is not yet generating operating cash flows. As such, there is significant doubt regarding the Company’s ability to continue as a going concern.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The Company’s ability to continue operations is dependent on management’s ability to secure additional financing. Management is actively pursuing such additional sources of financing, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future. Accordingly, the consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying consolidated financial statements.

NOTE 2: BASIS OF PREPARATION

a. Statement of compliance

These consolidated financial statements 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 IFRS Interpretations Committee ("IFRIC").

b. Basis of presentation

The consolidated financial statements have been prepared on a historical cost basis, and are presented in U.S. dollars. All values are rounded to the nearest thousand ($000), except share and per share data or when otherwise indicated.

On August 9, 2013, the Company completed a consolidation of the Company's Common Shares on the basis of one post-consolidation Common Share for every three pre-consolidation Common Shares (the "Share Consolidation").

On September 29, 2014, the Company completed a second consolidation of the Company's Common Shares on the basis of one post-consolidation Common Share for every five pre-consolidation Common Shares (the "Second Share Consolidation"). All share and per share data for all periods presented have been adjusted to reflect the decrease in number of shares resulting from the Consolidation and the Second Consolidation.

c. Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries Adira Energy Holdings Corp., Adira Energy Israel Limited, Adira Oil Technologies Limited and Adira Energy Israel Services Ltd. In addition Adira Energy Holdings Corp. has a 60% ownership in Adira Geo Global Limited.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES

a. Significant judgments and estimates

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that have an effect on the application of the accounting policies and on the reported amounts of assets, liabilities, revenues and expenses. These estimates and underlying assumptions are reviewed regularly. Changes in accounting estimates are reported in the period of the change in estimate. In the preparation of these consolidated financial statements the Company has not identified any judgments or estimates which may have a significant effect on the amounts recognized in the consolidated financial statements.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (Cont.)

b. Unincorporated joint oil and gas ventures

The Company conducts petroleum and natural gas exploration activities jointly with other partners who each have direct ownership in the assets and each are directly obligated for the liabilities of the ventures. Consequently, these consolidated financial statements reflect only the Company's proportionate interest in such activities.

The Company accounts for its share of the joint venture's assets, liabilities it has incurred, income from the sale or use of its share of the joint venture's operations output, together with its share of the expenses incurred by the joint venture and any expenses it incurs in relation to its interest in the joint venture. As of December 31, 2014, all the joint ventures have ceased.

c. Farm-out arrangements in the exploration and evaluation phase

A farm-out is the transfer of part of an oil and gas interest in consideration for an agreement by the transferee ("farmee") to meet, absolutely, certain expenditures which would otherwise have to be undertaken by the owner ("farmor"). Farm-out transactions generally occur in the exploration or development phase and are characterized by the transferor (i.e. farmor) giving up future economic benefits, in the form of reserves, in exchange for a reduction in future funding obligations.

Accordingly, the farmee recognizes its expenditure under the arrangement in respect of its interest and that retained by the farmor, as and when the costs are incurred.

The Company (farmor) accounts for the farm-out arrangement as follows:

- The farmor does not record any expenditure made by the farmee on its behalf;
- The farmor does not recognize a gain or loss on the farm-out arrangement, but rather redesignates any costs previously capitalized in relation to the whole interest as relating to the partial interest retained; and
- any cash consideration received is credited against costs previously capitalized in relation to the whole interest with any excess accounted for by the farmor as a gain on disposal. As of December 31, 2014, the Company had no outstanding farm-out arrangements.

d. Translation of foreign currencies

The Company's presentation currency is the U.S. dollar. The functional currency which is the currency that best reflects the economic environment in which the Company operates and conducts its transactions, is separately determined for the Company and each of its subsidiaries, and is used to measure the financial position and operating results. The functional currency of the Company and its subsidiaries is the U.S. dollar. Transactions denominated in foreign currency (other than the functional currency) are recorded on initial recognition at the exchange rate at the date of the transaction. After initial recognition, monetary assets and liabilities denominated in foreign currency are translated at the end of each reporting period into the functional currency at the exchange rate at that date. Exchange differences, are recognized in profit or loss. Non-monetary assets and liabilities measured at cost are translated at the exchange rate at the date of the transaction.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (Cont.)

e. Cash equivalents

Cash equivalents are considered as highly liquid investments, including unrestricted short-term bank deposits with an original maturity of three months or less from the date of acquisition or with a maturity of more than three months, but which are redeemable on demand without penalty and which form part of the Company's cash management.

f. Financial instruments

The Company’s financial instruments consist of the following summarized accounts included within the consolidated statements of financial position:

Financial assets and liabilities	Classification
Cash and cash equivalents	Loans and receivables
Restricted deposits	Loans and receivables
Other receivables	Loans and receivables
Trade payables	Other financial liabilities
Accounts payable and accrued liabilities	Other financial liabilities

Loans and receivables: Loans and receivables are financial assets with fixed or determinable payments not quoted in an active market. These assets are initially recognized at fair value plus transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment loss. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument to the net carrying amount on initial recognition.

Other financial liabilities: Other financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition, these other financial liabilities are measured at amortized cost using the effective interest method. Other financial liabilities are derecognized when the obligations are discharged, cancelled or expired.

Impairment of financial assets: Financial assets are assessed for indicators of impairment at the end of 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, the estimated future cash flows of the investments have been negatively impacted. Evidence of impairment could include financial difficulty of the counterparty, default or delinquency in interest or principal payment or the likelihood that the borrower will enter bankruptcy or financial reorganization.

The carrying amount of financial assets is reduced by any impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. When an accounts receivable balance is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (Cont.)

f. Financial instruments (cont.)

Financial instruments recorded at fair value: The Company classifies its financial instruments according to a three level hierarchy that reflects the significance of the inputs used in making fair value measurements. The three levels of the fair value hierarchy are as follows:

- Level 1 - Unadjusted quoted prices in active markets for identical assets and liabilities;
- Level 2 - Inputs other than quoted prices that are observable for assets or liabilities directly or indirectly; and
- Level 3 - Inputs for assets or liabilities that are not based on observable market data.

g. Property and equipment

Property and equipment are measured at cost, including directly attributable costs, less accumulated depreciation. Cost includes spare parts and auxiliary equipment that can be used only in connection with the machinery and equipment.

Depreciation is calculated on a straight-line basis over the useful life of the assets at annual rates as follows:

	%
Drilling rig and related equipment	10
Office furniture and equipment	10
Computers and peripheral equipment	33

The useful life, depreciation method and residual value of an asset are reviewed at least each year-end and any changes are accounted for prospectively as a change in accounting estimate.

h. Impairment of non-financial assets

The Company evaluates the need to record an impairment of the carrying amount of non-financial assets whenever events or changes in circumstances indicate that the carrying amount is not recoverable. If the carrying amount of non-financial assets exceeds their recoverable amount, the assets are reduced to their recoverable amount. The recoverable amount is the higher of fair value less costs of sale and value in use. In measuring value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects the risks specific to the asset. The recoverable amount of an asset that does not generate independent cash flows is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (Cont.)

i. Exploration and evaluation assets

Pre-license costs:

Pre-license costs are expensed in the period in which they are incurred.

Exploration and evaluation costs:

Oil and natural gas exploration and development expenditure is accounted for using the successful efforts method of accounting. During the geological and geophysical exploration phase, costs are charged against income as incurred. Costs directly associated with an exploration well in its drilling phase, for which it has not yet been determined whether there are proved reserves or it is not commercially viable, are capitalized as exploration and evaluation intangible assets until the drilling of the well is complete and the results have been evaluated. These costs include employee remuneration, materials and fuel used, rig costs and payments made to contractors. If no reserves are found, the exploration asset is tested for impairment. If extractable hydrocarbons are found and, subject to further appraisal activity (e.g., by drilling further wells), are likely to be developed commercially, the costs continue to be carried as intangible assets while sufficient and continued progress is made in assessing the commerciality of the hydrocarbons. All such costs are subject to technical, commercial and management review as well as review for impairment at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off. When proved reserves of oil are determined and development sanctioned, the relevant expenditure is transferred to oil and gas properties after impairment is assessed and any resulting impairment loss is recognized.

j. Income taxes

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent they relate to items recognized directly in equity or other comprehensive income.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net earnings and comprehensive income or equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced 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 recovered.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (Cont.)

k. Share-based payment transactions

The Company's employees and other service providers are entitled to remuneration in the form of equity-settled share-based payment transactions.

The cost of equity-settled transactions with employees is measured at the fair value of the equity instruments granted at grant date. Fair value measurement of all options and warrants granted is determined using an appropriate pricing model. As for other service providers, the cost of the transactions is measured at the fair value of the goods or services received as consideration for equity instruments. In cases where the fair value of the goods or services received as consideration of equity instruments cannot be measured, they are measured by reference to the fair value of the equity instruments granted.

The cost of equity-settled transactions is recognized in profit or loss, together with a corresponding increase in equity, during the period which the performance and service conditions are to be satisfied, ending on the date on which the relevant employees become fully entitled to the award ("the vesting period"). The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The expense or income recognized in profit or loss represents the movement in the cumulative expense recognized at the end of the reporting period. No expense is recognized for awards that do not ultimately vest.

l. Revenue recognition

Revenues are recognized in the statement of comprehensive loss when the revenues can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Company's revenues are derived from:

Operator fees - the Company acted as the operator on the Offshore Licenses and was entitled to operator fees at a fixed rate of 7.5% of the total exploration costs incurred by the respective unincorporated joint venture’s (“UJV's”) or at a rate ranging from 1.2%-4.8% of the total exploration costs incurred by the respective UJV's depending on the annual expenditures in the UJV. Revenues from operator fees were recognized in accordance with the terms of the Joint Operating Agreements, as exploration costs are incurred in the UJV's.

Consulting fees - The Company provided consulting services in respect of the Offshore Licenses on a "time and materials" basis. Consulting fees were recognized as revenues as the services were rendered to the respective UJV's.

m. Loss per share

Basic loss per share is computed by dividing the profit or loss for the period by the weighted average number of common shares outstanding during the period. Stock options and common share purchase warrants are not included in the calculation of diluted loss per share if their inclusion would be antidilutive.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (Cont.)

n. Decommissioning liability

Decommissioning liability is recognized when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. A corresponding amount equivalent to the provision is also recognized as part of the cost of the related property and equipment. The amount recognized is the estimated cost of decommissioning, discounted to its present value. Changes in the estimated timing of decommissioning or decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to property and equipment. The unwinding of the discount on the decommissioning provision is included as a finance cost.

o. Standards and amendments issued but not yet effective

The IASB issued new standards and amendments not yet effective.

IFRS 9, Financial Instruments (“IFRS 9”) was initially issued by the IASB on November 12, 2009 and issued in its completed version in July 2014, and will replace IAS 39, "Financial Instruments: Recognition and Measurement" (“IAS 39”). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for financial years beginning on or after January 1, 2018. The Company anticipates that this standard will be adopted in the Company’s consolidated financial statements for the year beginning January 1, 2018, and has not yet considered the potential impact of the adoption of IFRS 9.

NOTE 4: CASH AND CASH EQUIVALENTS

	December 31,	
	2014	2013
In US dollars	$ 249	$ 436
In Canadian dollars	41	126
In new Israeli shekels (“NIS”)	44	55
	$ 334	$ 617

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

NOTE 5: RESTRICTED CASH

Short-term restricted cash of $9 as of December 31, 2014, relates to deposits held by a financial institution as security in connection with a guarantee against the Company's credit facility.

Short-term restricted cash of $25 as of December 31, 2013, relates to cash held by a financial institution as a guarantee for the Company's Israeli office rental obligation and $10 as security in connection with a guarantee against the Company's credit facility.

NOTE 6: OTHER RECEIVABLES AND PREPAID EXPENSES

	December 31,	
	2014	2013
Receivable from UJVs	$ -	$ 2,292
Government authorities	16	108
Prepaid expenses	48	86
Other receivables	-	27
	$ 64	$ 2,513

NOTE 7: PROPERTY AND EQUIPMENT, NET

Composition and movement:

2014

	Drilling rig and related equipment	Office furniture and equipment	Computer and peripheral equipment	Total
Cost:				
Balance at January 1, 2014	$ -	$ 5	$ 285	$ 290
Disposals during the year		(5)	(282)	(287)
Balance at December 31, 2014	-	-	3	3
Accumulated depreciation:				
Balance at January 1, 2014	-	4	225	229
Depreciation for the year		1	44	45
Disposals during the year	-	(5)	(268)	(273)
Balance at December 31, 2014	-	-	1	1
Depreciated cost at December 31, 2014	$ -	$ -	$ 2	$ 2

During the year, Adira Israel disposed of assets with a net cost of $14, for which it received proceeds of $11 and recorded a net loss of $3, which is included in general and administrative expenses in the Consolidated Statements of Comprehensive Profit and Loss.

NOTE 7: PROPERTY AND EQUIPMENT, NET (Cont.)

2013

	Drilling rig and related equipment	Office furniture and equipment	Computer and peripheral equipment	Total
Cost:				
Balance at January 1, 2013	$ 426	$ 83	$ 285	$ 794
Disposals during the year	(426)	(78)	-	(504)
Balance at December 31, 2013	-	5	285	290
Accumulated depreciation:				
Balance at January 1, 2013	348	30	140	518
Depreciation for the year	-	3	85	88
Disposals during the year	(348)	(29)	-	(377)
Balance at December 31, 2013	-	4	225	229
Depreciated cost at December 31, 2013	$ -	$ 1	$ 60	$ 61

NOTE 8: EXPLORATION AND EVALUATION ASSETS

The following is a description of activities in respect of the Company's licenses:

a. Gabriella:

The Gabriella License was awarded to the Company in July 2009. The license was issued for an initial three year period and could be renewed upon fulfillment of certain conditions for a further four year period with a further renewal option of two years in case of a reserve discovery.

Adira Israel, Modi'in Energy LP ("MELP") and Brownstone Energy Inc., the partners in the license entered into various agreements for the purpose of drilling an exploration well on the Gabriella License in January 2013. The drilling, however, was not accomplished and Adira Israel and MELP alleged that the other was in default of various obligations under the Gabriella Joint Operating Agreement ("JOA") and other agreements entered into on behalf of the Gabriella License participants. Accordingly, on February 11, 2013, Adira Israel, in its capacity as operator under the Gabriella JOA, suspended operations on the Gabriella License due to lack of funding and lack of reasonable expectation of funding to meet certain work program obligations.

Effective July 8, 2013 (the "Settlement Agreement Effective Date"), Adira Israel entered into a settlement and release agreement (the "Settlement Agreement") with MELP and Brownstone to resolve the abovementioned disputes and the related suspension of operations on the Gabriella License. Pursuant to the Settlement Agreement, the Gabriella License participants agreed to waive and release each other from any claims and demands that they may have had against each other with respect to the Gabriella License. The Agreement further provided that the Gabriella License participants will fund their proportionate share of costs incurred in connection with the attempted drilling of the first exploration well. As of June 30, 2013, Adira Israel's net share of the costs totaled approximately US$3.3 million, which has been paid as at December 31, 2013. Additionally, Adira Israel agreed to relinquish several entitlements, including, but not limited to, its management fee.

NOTE 8: EXPLORATION AND EVALUATION ASSETS (Cont.)

a. Gabriella (Cont.):

Pursuant to the Settlement Agreement, in the event that Adira Israel does not pay the Settlement Costs, at MELP's request, Adira Israel may withdraw from the Gabriella JOA, assign its participating interest in the Gabriella License to the remaining Gabriella License participants and relinquish its remaining ORRI.

On September 22, 2014, the Petroleum Commissioner advised MELP that license No. 378 (the “Gabriella License”) and the license No. 383 (the “Yam Hadera License”) expired, without further extension being granted, due to the milestones in their work program not being achieved.

b. Yitzhak:

The Yitzhak license was awarded to the Company in October 2009. The license was issued for an initial three year period and may be renewed upon fulfillment of certain conditions for a further four year period with a further renewal option of two years in case of a reserve discovery. In October 2013, the Company had received a renewal of the Yitzhak license to October 15, 2014, including extension of certain milestones. The Company did not meet the milestones on the license, which expired on October 15, 2014.

c. Samuel:

The Samuel license was issued in August 2010. The license was issued to a consortium led by the Company (through the Company's subsidiaries, AOT and AGG).

On October 14, 2013, AGG relinquished the Samuel license, offshore Israel, back to the State of Israel, as a result of challenging markets and difficulty in raising significant funds to drill multi well programs.

d. Yam Hadera:

The Company had an option (the "Yam Hadera Option") to acquire up to a 15% participating interest in the Yam Hadera license (the "Yam Hadera License"), located 30 kilometers offshore Israel, between Hadera and Haifa. The Yam Hadera Option has exercisable until 14 days prior to the signing of a rig contract for the Yam Hadera License. On September 22, 2014, the Petroleum Commissioner advised MELP that the Yam Hadera License expired, without further extension being granted, due to the milestones in their work program not being achieved and on October 22, 2014, MELP sent a letter of appeal to the decision with the Minister of Energy and Water, however, as of this date, no reply has been received.

e. For the year ended December 31, 2013, as a result of the relinquishment of the Samuel license and the cessation of operations on the Gabriella licenses and the lack of progress on the Yitzhak licenses, the Company recorded a $5,168 non-cash impairment charge arising from the write-off of exploration and evaluation assets in the statement of comprehensive profit and loss. For the year ended December 31, 2014 Adira Israel recorded a gain on settlement of accounts payable and other payables in the amount of $1,374, arising from settlement agreements reached with suppliers which were lower than the obligations recorded as of December 31, 2013.

NOTE 9: TRADE PAYABLES

Trade payables are non-interest bearing and are normally settled on 60-day terms.

NOTE 10: OTHER ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31,	
	2014	2013
Employees in respect of payroll	$ 30	$ 346
Accrued expenses	26	603
Other	-	37
	$ 56	$ 986

NOTE 11: FINANCIAL INSTRUMENTS

The Company's activities expose it to various financial risks, such as market risks (foreign currency risk, consumer price index risk, interest risk and price risk), credit risk and liquidity risk. The Company's comprehensive risk management program focuses on actions to minimize potential adverse effects on the Company's financial performance.

a. Credit risk:

Concentration of credit risk exists with respect to the Company's cash and cash equivalent, restricted deposits balances and other receivables. The Company’s exposure as at December 31, 2014 and 2013 was for $359 and $3,079 respectively, which consisted of $334 (2013 - $617) in cash held in bank accounts, $9 (2013 - $35) in restricted deposits and $16 (2013 - $2,427) in other receivables.

The Company manages credit risk, in respect of cash and cash equivalents, and restricted cash, by holding them at major Canadian and Israeli financial institutions in accordance with the Company's investment policy. The Company places its temporary cash and cash equivalents with high credit quality financial institutions. The Company regularly monitors credit extended to customers and their general financial condition. The Company historically has not had significant past-due receivables.

b. Liquidity risk:

Liquidity risk is the risk that the Company will encounter difficulty in obtaining funds to meet current obligations and future commitments. The Company's approach to managing liquidity risk is to forecast cash requirements to determine whether it will have sufficient funds to meet its current liabilities when due. As of December 31, 2014, the Company had cash and cash equivalents of $334 (2013 - $617), restricted deposits of $9 (2013 - $35), and other receivables and prepaid expenses of $64 (2013 – $2,513) to settle other payables in the amount of $223 (2013 – $3,803) (Note 1(b)).

NOTE 11: FINANCIAL INSTRUMENTS (Cont.)

c. Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of two types of risk: interest rate risk and foreign currency risk.

1. Interest rate risk:

The Company is not exposed to significant interest rate risk due to the short-term maturity of its cash equivalents.

2. Foreign currency risk:

The Company is exposed to financial risk related to the fluctuation of foreign exchange rates. The Company operates in Israel. Most of the Company's monetary assets are held in U.S. dollars and most of the Company's expenditures are made in U.S. dollars. However, the Company also has expenditures in new Israeli shekels ("NIS") and Canadian dollars. The Company has not hedged its exposure to currency fluctuations. An increase or decrease of 5% of the NIS relative to the U.S or the Canadian dollar would not have a significant effect on the Company.

NOTE 12: TAXES ON INCOME

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2013 – 26.5%) to the effective tax rates for the years ended December 31 is as follows:

	2014	2013
Income (loss) before recovery of income taxes	$ 735	$ (5,644)
Expected income tax recovery	$ 195	$ (1,496)
Difference in foreign tax rates	-	(134)
Tax rate changes and other adjustments	(1,208)	
Non-deductible expenses	(343)	925
Unrealized foreign exchange	617	-
Change in tax benefits not recognized	739	705
Income tax (recovery) expense	$ -	$ -

Deferred tax

The following table summarizes the components of deferred tax:

	2014	2013
Deferred Tax Assets		
Non-capital losses carried forward	$ 475	$ 162,748
Deferred Tax Liabilities		
Note payable	$ (475)	$ (162,748)

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

NOTE 12: TAXES ON INCOME (Cont.)

Unrecognized Deferred Tax Assets

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:

	2014	2013
Deferred income tax assets		
Property and equipment	$ 1	$ 1
Share issuance costs	$ 874	$ 1,468
Non-capital losses carried forward	$ 5,887	$ 4,492

The Canadian non-capital loss carry forwards expire as noted in the table below. Share issue and financing costs will be fully amortized in 2016. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

The Company's Canadian non-capital income tax losses expire as follows:

2027	$ 88
2028	476
2029	883
2030	1,112
2031	2,313
2032	683
2033	1,125
2034	1,001
	$ 7,681

As of December 31, 2014, carryforward losses in Israel are approximately $27.1 million and may be carried forward indefinitely.

NOTE 13: SHARE CAPITAL

a. Authorized

Unlimited number of Common shares without nominal or par value.

b. Issued and outstanding Common shares

On July 23, 2014, the Company completed a non-brokered private placement by issuing 240,000 common shares at a price of $0.25 per common share for gross proceeds of $60.

c. Stock Option Plan

Under the Company's August 31, 2009 Stock Option Plan ("the Incentive Stock Option Plan"), options may be granted to employees, officers, consultants, service providers and directors of the Company or its subsidiaries.

Stock options may be issued up to 10% of the Company's outstanding Common shares at a term and an exercise price to be determined by the Company's Board of Directors. The maximum term of the options is ten years from the date of grant.

As of December 31, 2014, an aggregate of 813,802 of the Company's options were still available for future grant.

The Company typically grants stock options with vesting periods of between two to four years, generally with the exercise price at the closing price of the stock on the date of the grant and an expiration date of five years from the date of grant.

A summary of the stock option plan and changes during the years ended December 31, 2014 and 2013 were as follows:

	Number of options outstanding	Weighted average exercise price
Balance, January 1, 2013	1,177,407	$ 5.10
Options forfeited	(518,874)	4.74
Balance, December 31, 2013	658,533	5.45
Options forfeited	(242,533)	4.29
Balance, December 31, 2014	416,000	$ 5.37

NOTE 13: SHARE CAPITAL

c. Stock Option Plan (Cont.)

The following tables summarize information about stock options outstanding and exercisable as of December 31, 2014:

Grant date	Expiry date	Grant date fair value	Exercise price (*)	Number of options outstanding	Number of options exercisable	Average remaining contractual life
January 28, 2010	January 27, 2015	$ 8.40	$ 9.00	58,000	58,000	0.07
July 22, 2010	July 21, 2015	$ 3.75	$ 9.00	16,667	16,667	0.56
January 11, 2011 (*)	January 10, 2016	$ 9.90	$ 10.32	70,000	64,583	1.03
March 18, 2011 (*)	March 17, 2016	$ 8.85	$ 9.29	6,667	5,833	1.21
May 3, 2011 (*)	May 2, 2016	$ 7.80	$ 7.74	16,667	14,583	1.34
December 1, 2011 (*)	November 30, 2016	$ 3.30	$ 6.45	2,000	1,500	1.92
August 22, 2012 (*)	August 21, 2017	$ 1.05	$ 2.58	246,000	246,000	2.64
				416,000	407,167	

(*) The exercise price is denominated in Canadian dollars and was translated to USD in the table above using the exchange rate on December 31, 2014.

Stock options granted are expensed as share-based payments. For grants made until December 31, 2011, the Company used the Black-Scholes option pricing model to value stock options granted. For grants made from January 1, 2012, the Company uses the Binominal option pricing model to value stock options granted.

During the year ended December 31, 2014 the Company recorded a net recovery of share-based compensation of $32 as a result of stock options that had not fully vested being cancelled during the year. During the year ended December 31, 2013 the Company recorded share-based compensation expense of $57 related to the vesting of stock options.

d. Share purchase warrants

The Company has share purchase warrants outstanding entitling the holders to acquire Common shares as follows:

	Number of warrants (*)	Weighted average exercise price
Balance as of January 1, 2013	97,423,015	$ 0.25
Warrants expired	(15,057,375)	0.54
Balance as of December 31, 2013	82,365,640	0.20
Warrants expired	(3,353,000)	0.12
Balance as of December 31, 2014	79,012,640	$ 0.17

NOTE 13: SHARE CAPITAL (Cont.)

d. Share purchase warrants (Cont.)

The following tables summarize information applicable to warrants outstanding as of December 31, 2014:

Issue date	Expiry date	Grant date fair value	Exercise price (**)	Number of warrants
August 9, 2012	August 9, 2015	$ 0.07	$ 0.17	79,012,640

(*) Following the Share Consolidation and the Second Share Consolidation, every 15 previously issued warrants will be convertible into one Common Share of the Company.

(**) The exercise price of these warrants is denominated in Canadian dollars and was translated to USD in the table above using the exchange rate as of December 31, 2014.

NOTE 14: EARNINGS (LOSS) PER SHARE

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. Diluted loss per share is computed using the treasury stock method. Outstanding stock options of 416,000 (2013 – 658,533) and 5,267,509 (2013 - 5,491,042) warrants, after giving effect to share consolidation, were not included in the computation of diluted earnings (2013 – loss) per share as their inclusion would be anti-dilutive.

NOTE 15: CAPITAL MANAGEMENT

The Company is in the early stage of gas and petroleum exploration. The Company has negative cash flows from current operations. The Company's primary source of funds comes from the issuance of share capital. The Company does not use other sources of financing that require fixed payments of interest and principal and is not subject to any externally imposed capital requirements.

The Company defines its capital as share capital. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place. The Company supervises the actual expenditure against the budget to manage its costs and commitments.

The Company's capital management objective is to maximize investment returns for shareholders within the context of relevant opportunities and risks associated with the Company's operating segment. Achieving this objective requires management to consider the underlying nature of exploration activities, availability of capital, the cost of various capital alternatives and other factors. Establishing and adjusting capital requirements is a continuous administrative process.

NOTE 16: RELATED PARTY TRANSACTIONS

For the year ended December 31, 2014, the Company recognized $233 for advisory fees and operating expenses to private companies controlled by the directors or by officers of the Company (2013 - $386).

These transactions are in the ordinary course of business and are measured at the amount of consideration set and agreed by the related parties.

Compensation to directors and key management personnel:

The CEO, CFO, COO, V.P. Business Development, Head Geologist, V.P. Contracts and Regulation, and the directors are considered key management personnel.

	Year ended December 31,	
	2014	**2013**
Short-term employee benefits	$ 212	$ 1,133
Share-based compensation	22	16
	$ 234	$ 1,149
Number of people	2	6

Benefits in respect of key management persons (including directors) who are not employed by the Company:

	Year ended December 31,	
	2014	**2013**
Share-based compensation	$ 38	$ 32
Number of people	3	3

NOTE 17: COMMITMENTS AND CONTINGENCIES

The Company has an agreement for the lease of the offices in Toronto, Canada for a period ending in 2015. In 2013, the lease agreement for the Company's office in Ramat Gan, Israel expired. The total future minimum lease payments under non-cancelable operating lease in Canada is $26.

NOTE 18: REVENUES AND OTHER INCOME

a. The Company operated in one segment, the oil and gas business and conducted its operations in Israel with its head office in Canada. Details of the Company's revenues and other income (all of which were derived from Israel) are as follows:

	Year ended December 31,	
	2014	**2013**
Consulting	$ -	$ 7
Operator fees	-	5
Other income	-	5
	$ -	$ 17

b. For the year ended December 31, 2013, all $17 of revenues were derived from one customer.

NOTE 19: GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended December 31,	
	2014	**2013**
Payroll and related payments	$ 307	$ 945
Share-based compensation (recovery)	(32)	32
Professional fees	122	968
Rent and office expenses	90	280
Depreciation	45	88
Travel	-	18
Insurance	30	48
Others	40	434
	$ 602	$ 2,813

NOTE 20: FINANCE INCOME

On August 9, 2012, the Company completed a prospectus offering of 26,337,546 units for gross proceeds of $11,099 (before issuance expenses of $1,298 including the fair value of broker warrants $ 219). Each unit was priced at CAN$0.42 and consists of one Common Share and one warrant. Each warrant is exercisable to acquire 15 Common Shares at a price of CAN$0.60 per Common Share until August 9, 2015.

The warrants are denominated in Canadian dollars, while the functional currency of the Company is US dollars; therefore the fair value of the warrants was classified as a financial liability and the fair value of the warrants on the date of issuance was approximately $5,312. This financial liability is remeasured to fair value at the end of each period and changes in fair value is recorded in profit or loss. For the year ended December 31, 2014, the Company recorded a gain in financing income of $Nil (2013 - $3,013) as a result of remeasuring the fair value of the warrants to their fair value of zero as of December 31, 2014 and 2013.

ADIRA ENERGY LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2017

UNAUDITED

U.S. DOLLARS IN THOUSANDS

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NOTICE TO SHAREHOLDERS

The accompanying unaudited condensed consolidated interim financial statements of Adira Energy Ltd. for the nine month period ended September 30, 2017 have been prepared by management in accordance with International Financial Reporting Standards applicable to consolidated interim financial statements (see note 2 to the unaudited condensed consolidated interim financial statements). Recognizing that the Company is responsible for both the integrity and objectivity of the unaudited condensed consolidated interim financial statements, management is satisfied that these unaudited condensed consolidated interim financial statements have been fairly presented.

Under National Instrument 51-102, part 4, sub-section 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

U.S. dollars in thousands

	September 30 2017	December 31 2016
	Unaudited	Audited
Assets		
Current assets		
Cash and cash equivalents	**$ 13**	$ 19
Loan Receivable	**-**	25
Other receivables and prepaid expenses	**-**	8
	$ 13	$ 52
Liabilities		
Current liabilities		
Trade payables	**$ 17**	$ 11
Accrued liabilities	**307**	263
Loan Payable	**4**	-
	328	274
Non-curremt Liabilities		
Warrant liability	**41**	67
	369	341
Equity		
Share capital	**-**	-
Additional paid-in capital	**34,060**	34,060
Accumulated deficit	**(34,416)**	(34,349)
Total deficit	**(356)**	(289)
Total liabilities and deficit	**$ 13**	$ 52

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

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE PROFIT AND LOSS

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

	Three Months ended September 30		Nine Months ended September 30	
	2017	**2016**	**2017**	**2016**
	Unaudited		**Unaudited**	
Expenses:				
General and administrative costs	**$ 67**	$ 20	**$ 117**	$ 71
Total expenses	**67**	20	**117**	71
Loss before gain on foreign exchange and gain on revaluation warrant liability	**(67)**	(20)	**(117)**	(71)
Gain on foreign exchange	**16**	1	**24**	3
Gain on revaluation of warrant liability	**11**	-	**26**	-
Net loss and comprehensive loss	**$ (40)**	$ (19)	**$ (67)**	$ (68)
Basic and diluted net loss per share attributable to equity holders of the parent	**$ (0.00)**	$ (0.00)	**$ (0.00)**	$ (0.00)
Weighted average number of ordinary shares used in computing basic and diluted net loss per share	**17,112,022**	17,112,022	**17,112,022**	17,112,022

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

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY (DEFICIT)

U.S. dollars in thousands, except share data

		Attributable to equity holders of the parent			
	Number of shares	Share capital	Additional paid-in capital	Accumulated deficit	Total Deficit
Balance as of December 31, 2015 (audited)	17,112,022	$ -	$ 34,060	$ (34,134)	$ (74)
Net loss for the year ended December 31, 2016	-	-	-	(215)	(215)
Balance as of December 31, 2016 (audited)	17,112,022	$ -	$ 34,060	$ (34,349)	$ (289)
Net loss for the nine month period ended September 30, 2017	-	-	-	(67)	(67)
Balance as of September 30, 2017 (	**17,112,022**	**$ -**	**$ 34,060**	**$ (34,416)**	**$ (356)**

	Number of shares	Share capital	Additioanl paid-in capital	Accumulated deficit	Total Defacit
Balance as of December 31, 2015 (audited)	17,112,022	$ -	$ 34,060	$ (34,134)	$ (74)
Net loss for the nine month period ended September 30, 2016	-		-	(68)	(68)
Balance as of September 30, 2016	17,112,022	$ -	$ 34,060	$ (34,202)	$ (142)

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

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Nine month period ended September 30	
	2017	**2016**
	Unaudited	
Cash flow from operating activities		
Net loss for the period	**$ (67)**	$ (68)
Items not affecting cash:		
Revaluation of warrants	**(26)**	-
Changes in non cash working capital:		
Decrease in accounts receivable, other receivables and prepaid expenses	**8**	(59)
Decrease in trade payables	**6**	(49)
Increase (decrease) in other accounts payable and accrued liabilities	**44**	89
	(35)	(87)
Cash flow from investing activities		
Cash provided from loan received from SMAART	**4**	-
Cash provided from repayment of loan from SMAART	**25**	-
	29	-
Decrease in cash and cash equivalents	**(6)**	(87)
Cash and cash equivalents, beginning of period	**19**	124
Cash and cash equivalents, end of period	**$ 13**	$ 37

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

NOTE 1:- GENERAL

a. Nature of operations

Adira Energy Ltd. and its subsidiaries ("Adira" or "the Company"), was an oil and gas exploration company with operations in Israel. Given the increasing challenging market conditions for oil and gas exploration, the Company’s management has been looking for additional business opportunities (see below). Adira is a limited company, incorporated on April 8, 2009, and domiciled in Toronto, Ontario, Canada. The registered head office is located at 4101 Yonge Street, Suite 706, Toronto,. Ontario, M2P 1N6. The Company's shares are currently listed on the OTC market in the U.S. and the TSX Venture Exchange (“TSX”) in Canada. The condensed consolidated interim financial statements of the Company for the three and nine months ended September 30, 2017 were authorized for issue in accordance with a resolution of the directors on November 29, 2017.

b. Letter of intent to complete a transaction

On November 4, 2015, the Company entered into a letter of intent with SMAART Holdings Inc. (“SMAART” or “Target”) whereby the Company will acquire SMAART through a three-cornered amalgamation between the Company and its wholly owned subsidiary (the “Transaction”). On August 9, 2017, Adira, the Target and the shareholders of the Target entered into a revised letter of intent (the "Revised LOI") pursuant to which the Target and Adira will complete a transaction (the "Transaction") in which it is intended that the resulting corporation (the "Resulting Issuer") will be listed on the Canadian Securities Exchange (the "CSE"). Concurrently with the completion of the Transaction and subject to obtaining shareholder approval, Adira intends to delist its common shares from trading on the TSX Venture Exchange (the "TSXV"). It is further anticipated that the trading in Adira's common shares will remain halted during this time.

Business of the Target

The Target's business operates under the name Empower Clinics ("Empower") in the United States and is a growing national network of physician-staffed medical cannabis clinics with a primary focus on enabling patients to improve and protect their health. In addition to the clinic business, Empower also garners royalties from the sale of proprietary medical cannabis products manufactured, dispensed, and delivered by third party channel partners. Through the rapid addition of both physical clinic locations, coupled with third party manufacturer distribution relationships, Empower seeks to create a leading nationwide brand of trusted products and services for the medical cannabis industry, enabling patients to more effectively and affordably address areas such as chronic pain, Epilepsy, PTSD, and more. Empower also intends to seek merger and acquisition opportunities where possible to accelerate its business expansion plans and drive value.

NOTE 1:- GENERAL (Continued)

b. Letter of intent to complete a transaction (continued)

The Transaction

Pursuant to the proposed terms of the Transaction, shareholders of the Target will exchange their common shares of the Target in exchange for common shares of Adira such that, following completion of the Transaction, shareholders of the Target will hold 95% of the outstanding common shares of the Resulting Issuer excluding any common shares issued pursuant to the Concurrent Financing (as defined below). Prior to the completion of the Transaction, Adira will seek shareholder approval for, amongst other things, the Transaction, a share consolidation and a name change to "Empower Clinics Inc."

Certain of the directors of Adira, specifically Dennis Bennie and Alan Rootenberg, are shareholders and, in the case of Mr. Rootenberg, an officer of the Target, and as such the Transaction is a non-arm's length transaction and may be a related party transaction under National Instrument 61-101. Adira has appointed Gadi Levin, currently Adira's CEO, as an additional director of Adira. Mr. Levin is considered independent for the purposes of the Transaction.

Conditions of the Transaction

The Transaction is subject to a number of conditions typical in a transaction of this nature, including, without limitation, the following approvals at an annual and special shareholder meeting to be held by Adira: majority of the minority shareholder approval for the Transaction and the delisting from the TSXV and approval by at least 66 2/3% of the votes cast by Adira shareholders to approve the change of name and share consolidation. The Transaction will also be subject to approval by the CSE. As Adira intends to delist from the TSXV, the TSXV will not have any involvement with respect to the approval of the Revised Transaction.

Private Placement

In addition, the Target intends to complete a financing to close concurrently with the completion of the Transaction (the "Concurrent Financing") whereby in it is anticipated that net proceeds of a minimum of $2,000 will be raised. Such funds will be available as working capital for the Resulting Issuer.

Management following the Completion of the Transaction

The Board of Directors of the Resulting Issuer will initially consist of four directorsthree of which shall be nominated by the Target and one of which shall be nominated by Adira. Further information with respect to these proposed directors and the management of the Resulting Issuer will be found in the listing statement to be prepared in connection with the proposed listing of the Resulting Issuer's common shares on the CSE.

NOTE 1:- GENERAL (Continued)

c. Financial position:

As reflected in the consolidated financial statements, as of September 30, 2017, the Company had an accumulated deficit of $34,416. The Company's revenues are currently insufficient to finance its future operating expenses and funding commitments.

The ability of the Company to continue as a going concern depends upon the ability of the Company to obtain financing and upon future profitable operations *(See 1b above)*. There can be no assurance that the Company will be able to continue to raise funds, in which case the Company may be unable to meet its obligations. These factors raise substantial doubts about the Company's ability to continue as a going concern. The financial statements do not include any adjustments to the carrying amounts and classifications of assets and liabilities that would result if the Company was unable to continue as a going concern.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

The interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles for the preparation of financial statements for interim periods, as prescribed in IAS 34, "Interim Financial Reporting".

The significant accounting policies and methods of computation adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the annual consolidated financial statements.

NOTE 3: LOAN RECEIVABLE AND LOANS PAYABLE

In connection with the Transaction, Adira had advanced $25 to SMAART to meet it's ongoing working capital requirements pending the completion of the transaction. During the nine months ended September 30, 2017, SMAART repaid the $25 loan and advanced the Company a loan of $4.

NOTE 4:- EQUITY

a. Stock Option Plan:

A summary of the stock option plan and changes during the year ended December 31, 2016 and the nine month period ended September 30, 2017, is as follows:

	Number of options outstanding	**Weighted average exercise price**
Balance, January 1, 2016	271,334	$ 2.85
Options forfeited	(35,334)	7.68
Balance, December 31, 2016	236,000	$ 2.23
Options expired	(236,000)	2.23
Balance, September 30, 2017	-	-

b. Share purchase warrants:

The following tables summarize information applicable to warrants outstanding as of September 30, 2017:

Issue date	**Expiry date**	**Grant date fair value**	**Exercise price (*)**	**Number of warrants**
May 7, 2015	May 6, 2018	$ 0.04	$ 0.03	4,820,000

(*) The exercise price of these warrants is denominated in Canadian dollars and was translated to USD in the table above using the exchange rate as of September 30, 2017.

NOTE 5:- RELATED PARTY TRANSACTIONS

During the nine month period ended September 30, 2017, the Company incurred $2 in consulting fees and operating expenses to private companies which are controlled by directors or officers of the Company, as compared to $5 during the nine month period ended September 30, 2016.

These transactions are in the ordinary course of business and are measured at the amount of consideration set and agreed by the related parties.

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SCHEDULE "B"
CONSOLIDATED FINANCIAL STATEMENTS OF SMAART HOLDINGS INC.

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

CONSOLIDATED FINANCIAL STATEMENTS
AS AT JUNE 30, 2017, DECEMBER 31, 2016 AND DECEMBER 31, 2015

(IN US DOLLARS)

Independent Auditors' Report

To the Shareholders of S.M.A.A.R.T. Holdings Inc.:

We have audited the accompanying consolidated financial statements of S.M.A.A.R.T. Holdings Inc. which comprise the consolidated statements of financial position as at June 30, 2017, December 31, 2016 and December 31, 2015, and the consolidated statements of deficiency, operations and comprehensive loss and cash flows for the six months ended June 30, 2017, the year ended December 31, 2016 and for the period June 12, 2015 to December 31, 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of S.M.A.A.R.T. Holdings Inc. as at June 30, 2017, December 31, 2016 and December 31, 2015 and its financial performance and its cash flows for the six months ended June 30, 2017, the year ended December 31, 2016 and for the period June 12, 2015 to December 31, 2015, in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes the existence of material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern.

MNP LLP

April 25, 2018
Toronto, Ontario

Chartered Professional Accountants
Licensed Public Accountants

MNP LLP

S.M.A.A.R.T HOLDINGS INC.
Consolidated Statements of Financial Position
Expressed in United States dollars

			June 30, 2017		December 31, 2016		December 31, 2015
Assets							
Current assets							
Cash		$	24,709	$	5,154	$	6,906
Accounts receivable			5,212		2,002		7,318
Prepaid expense			35,461		3,500		-
Due from a related party (note 15)			115,000		-		-
			180,382		10,656		14,224
Non-current assets							
Property, plant and equipment	**6**		14,648		8,398		423,378
Intangible assets	**7**		299,748		349,500		513,803
Assets held for sale	**8**		185,044		185,044		-
Total assets		$	679,822	$	553,598	$	951,405
Liabilities and Shareholders' Deficiency							
Current liabilities							
Accounts payable and accruals		$	1,382,506	$	1,182,741	$	581,492
Due to related parties			38,476		56,160		108,185
Notes payable	**9**		57,904		87,016		78,424
Convertible debentures payable	**10**		1,158,039		468,329		143,341
Secured loan payable	**11**		657,693		638,537		602,393
Secured property loan	**12**		-		-		188,597
Derivative liability	**10**		735,959		-		126,687
Total current liabilities			4,030,577		2,432,783		1,829,119
Total liabilities			4,030,577		2,432,783		1,829,119
Shareholders` Deficiency							
Share capital	**13**		550,744		248,500		800
Shares to be issued			-		120,000		-
Equity portion of convertible debentures payable	**10**		222,417		222,417		-
Accumulated deficit			(4,123,916)		(2,470,102)		(878,514)
Total shareholders' deficiency			(3,350,755)		(1,897,185)		(877,714)
Total liabilities and shareholders' deficiency		$	679,822	$	553,598	$	951,405

Nature of operations and going concern (Note 1)
Commitments (Note 20)
Contingent liabilities (Note 21)
Subsequent events (Note 22)

Approved and authorized by the Board of Directors on April 25, 2018:

_____*"Craig Snyder"*____Director ______*"Emily Davis"*______ Director

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

S.M.A.A.R.T HOLDINGS INC.
Consolidated Statements of Deficiency
Expressed in United States dollars

	Share Capital *(Note 12)*		Shares to be issued	Equity portion of convertible debentures payable	Accumulated Deficit	Total
	Number	Amount				
Balance, June 12, 2015	6,561,680	$ 800	$ -	$ -	$ -	$ 800
Net loss for the period	-	-	-	-	(878,514)	(878,514)
Balance, December 31, 2015	6,561,680	$ 800	$ -	$ -	$ (878,514)	$ (877,714)
Shares issued January 2016	104,987	3,000	-	-	-	3,000
Shares issued June 2016	7,666,667	191,700	-	-	-	191,700
Shares issued June 2016	1,000,000	30,000	-	-	-	30,000
Shares issued December 2016	766,667	23,000	-	-	-	23,000
Unissued Share subscription	-	-	120,000	-	-	120,000
Issuance of convertible debentures	-	-	-	222,417	-	222,417
Net loss for the period	-	-	-	-	(1,591,588)	(1,591,588)
Balance, December 31, 2016	16,100,000	$ 248,500	$ 120,000	$ 222,417	$ (2,470,102)	$ (1,879,185)
Shares issued January 2017	32,237,225	302,244	(120,000)	-	-	182,244
Net loss for the period	-	-	-	-	(1,653,814)	(1,653,814)
Balance, June 30, 2017	48,337,225	$ 550,744	$ -	$ 222,417	$ (4,123,916)	$ (3,350,755)

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

S.M.A.A.R.T HOLDINGS INC.
Consolidated Statements of Operations and Comprehensive Loss
Expressed in United States dollars

	Six months ended June 30, 2017	Six months ended June 30, 2016	Year ended December 31, 2016	Period June 12, 2015 to December 31, 2015
Revenues				
Clinic operations				
Clinic revenues	**$ 826,431**	$ 1,303,943	$ 2,134,857	$ 1,162,657
Direct clinic expenses				
Medical personnel costs	**(239,583)**	(290,498)	(556,246)	(278,572)
Travel clinic costs	**(108,945)**	(93,391)	(161,862)	(92,556)
Total direct clinic expenses	**(348,528)**	(383,889)	(718,108)	(371,128)
Net clinic revenues	**477,903**	920,054	1,416,749	791,529
Clinic operating expenses (Note 16)	**(1,303,489)**	(1,126,621)	(2,126,832)	(1,447,386)
Loss from clinic operations	**(825,586)**	(206,567)	(710,083)	(655,857)
Other expenses				
Legal expenses	**(404,333)**	(103,820)	(344,134)	(27,943)
Accretion expense	**(219,458)**	(113,296)	(189,922)	(61,736)
Interest expense	**(68,364)**	(53,791)	(83,705)	(35,335)
Depreciation expense	**(51,569)**	(53,091)	(120,768)	(72,316)
Other expenses	**(7,504)**	(21,311)	(63,646)	(25,327)
Impairment expenses	**-**	-	(79,300)	-
Audit fees	**(77,000)**	-	(60,000)	-
Loss on Disposal of Property	**-**	-	(18,176)	-
	(828,228)	(345,309)	(959,651)	(222,657)
Loss before income taxes	**(1,653,814)**	(551,876)	(1,669,734)	(878,514)
Deferred tax recovery	**-**	-	78,146	-
Net loss and comprehensive loss for the period	**$ (1,653,814)**	$ (551,876)	$ (1,591,588)	$ (878,514)
Loss per share				
Basic	**$ (0.03)**	$ (0.08)	$ (0.14)	$ (0.13)
Diluted	**$ (0.03)**	$ (0.08)	$ (0.14)	$ (0.13)
Weighted average number of shares outstanding				
Basic	**47,802,906**	7,296,574	11,746,166	6,561,680
Diluted	**47,802,906**	7,296,574	11,746,166	6,561,680

S.M.A.A.R.T HOLDINGS INC.
Consolidated Statements of Cash Flows
Expressed in United States dollars

	Six months ended June 30, 2017	Year ended December 31, 2016	Period June 12, 2015 to December 31, 2015
Operating activities			
Net loss for the period	**$ (1,653,814)**	$ (1,591,588)	$ (878,514)
Items not involving cash:			
Deferred tax recovery	**-**	(78,146)	-
Shares issued for service	**24,647**	56,000	-
Accretion expense	**219,458**	189,922	61,736
Interest expense	**65,177**	83,705	35,335
Depreciation expense	**51,569**	120,768	72,316
Impairment expense	**-**	79,300	-
Loss on disposition of assets	**-**	18,176	-
	(1,292,963)	(1,121,863)	(709,127)
Changes in working capital:			
Accounts receivable	**(3,210)**	5,316	(7,318)
Prepaid expenses	**(31,961)**	(3,500)	-
Accounts payable and accruals	**262,604**	596,220	580,057
Net cash (used in) operating activities	**(1,065,530)**	(523,827)	(136,388)
Investing activities			
Acquisition of property, plant and equipment	**(8,067)**	-	(817,397)
Proceeds on disposition of property, plant and equipment	**-**	-	-
Net cash (used in) investing activities	**(8,067)**	-	(817,397)
Financing activities			
Proceeds from issue of shares	**116,522**	191,700	-
Proceeds on shares to be issued	**-**	120,000	-
Repayment of secured property loan	**-**	(12,600)	(12,000)
Advance of notes payable	**-**	-	77,813
Repayment of notes payable	**(31,000)**	-	-
Advance of convertible debentures payable	**1,025,314**	275,000	200,000
Advance of secured loan payable	**-**	-	585,893
Advance from related party	**-**	-	108,985
Repayment to related party	**(17,684)**	(52,025)	-
Net cash provided by financing activities	**1,093,152**	522,075	960,691
Increase (Decrease) in cash	**19,555**	(1,752)	6,906
Cash, beginning of period	**5,154**	6,906	-
Cash, end of period	**$ 24,709**	$ 5,154	$ 6,906

1. Nature of Operations and Going Concern

SMAART Holdings Inc. ("SMAART" or the "Company") was incorporated under the laws of the Province of British Columbia on April 28, 2015. SMAART owns a Nevada, USA subsidiary, SMAART Holdings Corp., which in turn owns the following subsidiaries (the "Subsidiaries"):

a) Empower Healthcare Corporation ("**Empower**") is an Oregon based corporation that, through its clinics in Oregon, and Washington State, provides physician services to patients in those states. Empower acquired the operations of Presto Quality Care Corporation ("Presto") on July 12, 2015.

b) SMAART Inc. is an Oregon based company that currently does not have an active business.

c) The Hemp and Cannabis Company ("**THCC Oregon**") and The Hemp and Cannabis Company Access Points Oregon ("**THCF Access Points Oregon**"), These are Oregon companies that currently do not have active businesses.

d) The Hemp and Cannabis Company ("**THCC Washington**") and The Hemp and Cannabis Company Access Points Washington ("**THCF Access Points Washington**"), Washington companies that currently do not have active businesses.

e) CanMed Solutions Inc., is an Oregon corporation that was incorporated on January 27, 2017. The company does not have an active business.

During the period covered by these financial statements, the business of SMAART and its subsidiaries was limited to the provision of physician services through Empower in the states listed above.

At June 30, 2017, the Company had a working capital deficiency of $3,850,195 (2016 - $2,422,127; 2015 – $1,814,895) has not yet achieved profitable operations, has accumulated losses of $4,123,916 (2016 - $2,470,102; 2015 – $878,514). 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 may cast significant doubt on the Company's ability to continue as a going concern and ultimately the appropriateness of the use of accounting principles applicable to a going concern. These consolidated financial statements have been prepared using accounting principles applicable to a going concern and do not reflect adjustments, which could be material, to the carrying values of the assets and liabilities.

2. Basis of presentation:

a) Statement of compliance

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards and Interpretations (collectively, "IFRS") as issued by the International Accounting Standards Board ("IASB").

These financial statements were approved by the Company's board of directors on April 25, 2018.

b) Basis of presentation

These financial statements have been prepared on the historical cost basis except instruments that are measured at fair value, as detailed in the Company's accounting policies.

c) Functional and presentation currency

The Company's functional currency, as determined by management is the US dollar. These financial statements are presented in US dollars.

2. Basis of Presentation (continued):

d) Use of estimates and judgements

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets or liabilities in the event that actual results differ from the assumptions made, relate to, but are not limited to the following:

i) The inputs used in accounting for share based payments in the consolidate statements of operations and comprehensive loss;
ii) The inputs used in assessing the recoverability of deferred tax assets to the extent that the deductible temporary differences will reverse in the foreseeable future and that the Company will have future taxable income; and
iii) The bifurcation of the convertible debt into liability and equity components and the determination of a market rate of interest.

Significant judgments used in the preparation of these financial statements include, but are not limited to those relating to the assessment of the Company's ability to continue as a going concern, useful life of fixed assets, impairment of assets and valuation of the acquisition of the assets of Presto.

3. Significant Accounting Policies:

a) Basis of consolidation

The consolidated financial statements include the accounts of the Company and the subsidiaries.

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. The Company controls an entity when it is exposed, or has the rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. All significant inter-company transactions and balances are eliminated on consolidation

b) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for services rendered, stated net of discounts. The Company recognizes revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the Company, and when specific criteria have been met for each of the Company's activities, as described below. The Company recognizes revenue from the rendering of patient services in the accounting period in which the physicians services are rendered.

c) Clinic Expenses

The Company includes the costs of medical personal and the travel costs related to the travel medical clinics in Direct Clinic Expenses. The Company includes all other costs related to the clinics including the administrative and overhead costs of running the clinics in Clinic Operating Costs.

3. Significant Accounting Policies (continued):

d) Property, plant and equipment

Property, plant and equipment is measured at cost less accumulated amortization and impairment losses. Amortization is provided using the following terms and method:

Building Straight-line 15 years
Farm Equipment Straight-line 3 years
Farm Furniture Straight-line 5 years
Computer software and equipment Straight-line 3 years
Office equipment and furniture Straight-line 3 years

An asset's residual value, useful life and amortization method are reviewed at each financial year end and adjusted if appropriate. When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment. 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 profit or loss.

e) Impairment of long-lived assets

Long-lived assets, including equipment and intangible assets are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually 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 groups of assets (the cash generating unit, or "CGU"). The recoverable amount of an asset or a CGU 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. Where 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.

Intangible assets with a finite useful life are stated in historical cost, less any accumulated amortization and any accumulated impairment losses. Historical costs includes all costs directly attributable to the acquisition.
The patient records, trademarks, domain names and management software are amortized on a straight line basis over the estimated useful life of five years. Estimated useful lives and the amortization method are reviewed annually with the effect of any changes in estimates accounted for on a prospective basis.

f) Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in the statements of loss and comprehensive loss except to the extent that it relates to items recognized directly in shareholders' deficiency, in which case the income tax is also recognized directly in shareholders' deficiency.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted at the end of the reporting period, and any adjustments to tax payable in respect of previous years.

The Company uses the liability method to account for income taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities for accounting purposes, and their respective tax bases. Deferred tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in statutory tax rates is recognized in profit or loss in the year of change. Deferred tax assets are recorded when their recoverability is considered probable and are reviewed at the end of each reporting period.

Deferred tax assets and liabilities are presented as non-current.

3. Significant Accounting Policies (continued):

g) Loss per common share, basic and diluted

The Company presents basic and diluted earnings per share data for its common shares. Basic earnings per share is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares, which comprise warrants and share options issued. Items with an anti-dilutive impact are excluded from the calculation. The number of shares included with respect to options, warrants and similar instruments is computed using the treasury stock method.

h) Financial instruments

The Company classifies its financial assets and liabilities depending on the purpose for which the financial instruments were acquired, their characteristics, and management intent.

Transaction costs
Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to financial assets or liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets
The Company initially recognizes financial assets at fair value on the date that they are acquired, adjusted for transaction costs, if applicable. All financial assets (including assets designated at fair value through profit or loss) are recognized initially on the date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability. The Company classifies its financial assets as financial assets at fair value through profit and loss or loans and receivables. A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at adjusted fair value, adjusted for applicable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial instrument, or, where appropriate, a shorter period.

Financial liabilities
The Company initially recognizes financial liabilities at fair value on the date that they are originated, and are adjusted for transaction costs, if applicable. All financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company classifies its financial liabilities as either financial liabilities at fair value through profit and loss or other liabilities. Subsequent to initial recognition other liabilities are measured at amortized cost using the effective interest method. Financial liabilities at fair value are stated at fair value with changes being recognized in profit or loss.

3. Significant Accounting Policies (continued):

Impairment of financial assets
Financial assets, other than those classified at fair value through profit and loss, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be 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, and that the loss event (events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

The amount of the impairment loss in respect of a financial asset measured at amortized cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognized in the statements of loss and comprehensive loss.

i) Valuation of Equity Units issued in Private Placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the most easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The fair value of the common shares issued in private placements is determined to be the more easily measurable.

Compound financial instruments issued by the Company comprise convertible debt that can be converted to share capital at the option of the holder. The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity convertible option. The equity component is recognized initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest rate method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition. Interest, dividends, losses and gains relating to the financial liability are recognized in profit or loss.

j) 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.

k) 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 transactions when there is a transfer of resources or obligations between related parties.

3. Significant Accounting Policies (continued):

l) Convertible Debenture

The convertible debentures were determined to be compound instruments, comprising liability and equity (common shares and warrants). As the debentures are convertible into common shares, the liability and equity components are presented separately. The initial carrying amount of the equity component of the convertible debentures is determined by using the Black-Scholes option pricing model to estimate the fair value the equity component at the grant date. 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 equity component. The equity component, and any associated warrants recognized on conversion of the convertible debenture are recorded in reserves on the statement of financial position. The debentures, net of the equity components 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.

m) Business Combinations

Business combinations are accounted for under the acquisition method. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Company, if any, at the date control is obtained. The consideration transferred includes the fair value of any liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than share and debt issue costs incurred to issue financial instruments that form part of the consideration transferred, are expensed as incurred. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. If a business combination is achieved in stages, the Company remeasures its previously held interest in the acquiree at its acquisition-date fair value and recognizes the resulting gain or loss, if any, in net income. Contingent consideration is classified as a provision and is measured at fair value, with subsequent changes recognized in income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity. New information obtained during the measurement period, up to 12 months following the acquisition date, about facts and circumstances existing at the acquisition date affect the acquisition accounting.

4. New standards, Amendments and Interpretations not yet adopted

A number of new standards and amendments to standards and interpretations have been issued but have not yet been applied in preparing these financial statements, as set out below:

- IFRS 9, Financial Instruments, addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income (OCI) and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. The standard is effective for accounting periods beginning on or after January 1, 2018 and earlier adoption is permitted. The Company believes the adoption of this standard will not have a material impact on the consolidated financial statements.

4. New standards, Amendments and Interpretations not yet adopted (continued)

- IFRS 15, Revenue from Contracts with Customers, deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of goods or services and thus has the ability to direct the use and obtain the benefits from the goods or services. The standard replaces IAS 18, Revenue, and IAS 11, Construction Contracts, and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018 and earlier adoption is permitted. The Company believes the adoption of this standard will not have a material impact on the consolidated financial statements
- In January 2016, the IASB issued IFRS 16, Leases, which will replace IAS 17, Leases. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under IAS 17, lessees were required to make a distinction between a finance lease and an operating lease. IFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a right-of-use asset for virtually all lease contracts. There is an optional exemption for certain short-term leases and leases of low value assets; however, this exemption can only be applied by lessees. The standard is effective for annual periods beginning on or after January 1, 2019, with earlier application if IFRS 15 is also applied. The Company has yet to assessed the impact of this standard, however it is not expected to have a significant impact on the Company's consolidated financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued, but have future effective dates, are either not applicable or are not expected to have a significant impact on the Company's financial statements.

5. Acquisition of Presto

On June 12, 2015 (the "Effective Date") the Company, through Empower, purchased all of the assets of Presto as at the Effective Date. The acquisition of Presto was considered a business combination in accordance with IFRS 3. The consideration for the purchase was the assumption by the Company of Presto's note payable to Bayview Equities Ltd. in the amount of $550,000 plus accrued interest of $35,893 *(See Note 11).* The fair value of the intangibles was based on the market value of similar intangible assets. The purchase price allocation was finalized within one year from the date of acquisition.

The following was management's estimate of the purchase price allocation of Presto as at the Effective Date:

Patient records	$ 356,893
Trademarks and domain names	141,000
Management software	73,000
Furniture and equipment	15,000
Purchase Price	$ 585,893

6. Property, Plant and Equipment

The Company operates clinics in Oregon and Washington State.

Effective June 2015, the company acquired a parcel of land in Kettle Falls, Washington State, together with a building on the property. The purchase price was paid by issuing a note payable to the seller for the full purchase price of the property. In December 2016, the property was returned to the purchaser and the note payable in respect of the purchase of the property was cancelled *(See Note 12).*

6. Property, furniture and equipment (continued):

	Facility Portland	Land Portland	Total Portland	Facility Kettle Falls	Land Kettle Falls	Total Kettle Falls	Furniture and Equipment	Total
Cost								
Balance, June 12, 2015	-	-	-	-	-	-	-	-
Additions	70,297	119,703	190,000	178,985	27,119	206,104	42,500	**438,604**
Balance, December 31, 2015	70,297	119,703	190,000	178,985	27,119	206,104	42,500	**438,604**
Asset classified as Held for Sale *(Note 8)*	(70,297)	(119,703)	(190,00)	-	-	-	-	**(190,000)**
Disposal	-	-	-	(178,985)	(27,119)	(206,104)	**(13,000)**	**(219,104)**
Impairment	-	-	-	-	-	-	**(14,500)**	**(14,500)**
Balance, December 31, 2016	-	-	-	-	-	-	15,000	**15,000**
Additions	-	-	-	-	-	-	8,067	**8,067**
Balance, June 30, 2017	-	-	-	-	-	-	23,067	**23,067**
Accumulated Amortization								
Balance, June 12, 2015	-	-	-	-	-	-	-	-
Amortization	(2,343)	-	(2,343)	(5,966)	-	(5,966)	(6,917)	**(15,226)**
Balance, December 31, 2015	(2,343)	-	(2,343)	(5,966)	-	(5,966)	(6,917)	**(15,226)**
Amortization	-	-	-	(5,966)	-	(5,966)	(27,185)	**(33,151)**
Asset classified as Held for Sale *(Note 8)*	2,343	-	2,343	-	-	-	-	**2,343**
Disposal	-	-	-	11,932	-	11,932	27,500	**39,432**
Balance, December 31, 2016	-	-	-	-	-	-	(6,602)	**(6,602)**
Amortization	-	-	-	-	-	-	(1,817)	**(1,817)**
Balance, June 30, 2017	-	-	-	-	-	-	(8,419)	**(8,419)**

Net Book Value								
Balance, December 31, 2015	67,954	119,703	187,657	173,019	27,119	200,138	35,583	**423,378**
Balance, December 31, 2016	-	-	**-**	-	-	**-**	8,398	**8,398**
Balance, June 30, 2017	-	-	**-**	-	-	**-**	14,648	**14,648**

7. Intangible Assets

The Company has recorded various intangible assets consisting primarily of patient records, trademarks, domain names and management software. The intangible assets were acquired from Presto as indicated in Note 4 above.

	Patient Records	Trademarks and Domain Names	Management Software	Total
Cost				
Balance, June 12, 2015	**-**	**-**	**-**	**-**
Additions	356,893	141,000	73,000	**570,893**
Balance, December 31, 2015	$ 356,893	$ 141,000	$ 73,000	**$ 570,893**
Additions	**-**	**-**	**-**	**-**
Balance, December 31, 2016	$ 356,893	$ 141,000	$ 73,000	**$ 570,893**
Additions	**-**	**-**	**-**	**-**
Balance, June 30, 2017	$ 356,893	$ 141,000	$ 73,000	**$ 570,893**
Accumulated Amortization/Impairment				
Balance, June 12, 2015	-	-	-	**-**
Amortization	(35,690)	(14,100)	(7,300)	**(57,090)**
Balance, December 31, 2015	$ (35,690)	$ (14,100)	$ (7,300)	**$ (57,090)**
Amortization	(56,703)	(28,200)	(14,600)	**(99,503)**
Impairment	(64,800)	-	-	**(64,800)**
Balance, December 31, 2016	$ (157,193)	$ (42,300)	$ (21,900)	**$ (221,393)**
Amortization	(14,176)	(7,050)	(3,650)	**(24,876)**
Balance, June 30, 2017	$ (185,545)	$ (56,400)	$ (29,200)	**$ (271,145)**
Net Book Value				
Balance, December 31, 2015	$ 321,203	$ 126,900	$ 65,700	**$ 513,803**
Balance, December 31, 2016	$ 199,700	$ 98,700	$ 51,100	**$ 349,500**
Balance, June 30, 2017	$ 171,348	$ 84,600	$ 43,800	**$ 299,748**

8. Assets Held for Sale

As at June 30, 2017, the Company has listed the facility and land in Portland, Oregon for sale

The following table shows the major classes of assets recorded as held for sale:

	Facility Portland	Land Portland	Total
Cost			
Balance, June 12, 2015	-	-	-
Additions	-	-	-
Balance, December 31, 2015	$ -	$ -	$ -
Transfer from Property, Equipment and Plant	70,297	119,703	**190,000**
Balance, December 31, 2016	$ 70,297	$ 119,703	**$ 190,000**
Additions	-	-	-
Balance, June 30, 2017	$ 70,297	$ 119,703	**$ 190,000**
Accumulated Amortization			
Balance, June 12, 2015	-	-	-
Amortization	(2,343)	-	**(2,343)**
Balance, December 31, 2015	$ (2,343)	$ -	**$ (2,343)**
Amortization	(2,613)	-	**(2,613)**
Balance, December 31, 2016	$ (4,956)	$ -	**$ (4,956)**
Amortization	-	-	-
Balance, June 30, 2017	$ (4,956)	$ -	**$ (4,956)**
Net Book Value			
Balance, December 31, 2015	$ -	$ -	$ -
Balance, December 31, 2016	$ 65,341	$ 119,703	**$ 185,044**
Balance, June 30, 2017	$ 65,341	$ 119,703	**$ 185,044**

Prior to their classification as assets held for sale, the land and facility in Portland were reported under Property, plant and equipment. The assets held for sale are included at the lower of their carrying value and their fair market value. The fair market value was based on comparable assets in the market place and was greater than the carrying value.

9. Notes Payable

	June 30, 2017	December 31, 2016	December 31, 2015
Principal (a)(b)	**$ 54,677**	$ 78,463	$ 77,813
Interest	**3,227**	8,553	611
Total	**$ 57,904**	$ 87,016	$ 78,424

a) During the year ending December 31, 2015, the Company issued three separate notes payable of CDN $20,000, USD $20,000 and CDN $25,000 bearing interest at 6% per annum and repayable on demand

b) On November 6, 2015, the Company issued a USD $25,000 promissory note maturing 120 days from the date of issuance. Upon maturity, the promissory note will be repayable on demand and will bear interest at 1.5% compounding monthly. The note was repaid during the period ended June 30, 2017.

10. Convertible Debentures Payable

The Company has received the following proceeds net of costs, from the private placement issuance of convertible debentures.

	June 30, 2017	December 31, 2016	December 31, 2015
June 11, 2015	**$ -**	$ -	$ 200,000
January 1, 2016	**-**	75,000	-
February 10, 2016	**-**	200,000	-
March 1, 2017	**1,010,314**	-	-
June 26,2017	**130,000**	-	-
Total	**$ 1,140,314**	$ 275,000	$ 200,000

The debentures are due one year from the date of issuance and are repayable in full with accrued interest at 7.5% per annum on maturity. The holder may at any time during the term of the debenture convert all or part into units of equity at a conversion price equal to a 25% discount to the next round of equity financing undertaken by the Company. Each units of the Corporation consists of one common share and one share purchase warrant, with each Warrant entitling the holder thereof to acquire one Share at an exercise price equal to 125% of the price of the next round of equity financing.

Convertible debentures consist of the following:

	Loan component	**Derivative liability**	**Equity component**
Issue of convertible debt (a)	$ 73,313	$ 126,687	$ -
Interest expense	8,292	-	-
Accretion expense	61,736	-	-
Balance, December 31, 2015	$ 143,341	$ 126,687	$ -
Issue of convertible debt (b)(c)	101,124	173,876	-
Derivative liability transferred	-	-	
to equity component	-	(300,563)	300,563
Deferred tax			(78,156)
Interest expense	33,942	-	-
Accretion expense	189,922	-	-
Balance, December 31, 2016	$ 468,329	$ -	$ 222,417
Issue of convertible debt (d)(e)	405,075	735,959	-
Interest expense	65,177	-	-
Accretion expense	219,458	-	-
Balance, June 30, 2017	**$ 1,158,039**	**$ 735,959**	**$ 222,417**

a) On June 11, 2015, the Company issued a convertible debenture of $200,000, expiring on June 11, 2016. The fair value of the equity component of the convertible debenture at the grant date was estimated using the Black-Scholes option pricing model with the following assumptions: a one year expected average life, share price of $0.0142; 100% volatility; risk-free interest rate of 0.66%; and an expected dividend yield of 0%. The fair value assigned to the conversion feature was $126,687. The amount was recorded to derivative liability until the conversion price is determine. The amount was moved to equity in 2016.

b) On January 1, 2016, the Company issued a convertible debenture of $75,000, expiring on January 1, 2017. The fair value of the equity component of the convertible debenture at the grant date was estimated using the Black-Scholes option pricing model with the following assumptions: a one year expected average life, share price of $0.0142; 100% volatility; risk-free interest rate of 0.46%; and an expected dividend yield of 0%. The fair value assigned to the conversion feature was $47,446. The amount was recorded to derivative liability until the conversion price is determine. The amount was moved to equity in 2016.

c) In February 10, 2016, the Company issued two convertible debentures totaling $200,000, expiring on February 10, 2017. The fair value of the equity component of the convertible debentures at the grant date was estimated using the Black-Scholes option pricing model with the following assumptions: a one year expected average life, share price of $0.0142; 100% volatility; risk-free interest rate of 0.66%; and an expected dividend yield of 0%. The fair value assigned to the conversion feature was $126,430. The amount was recorded to derivative liability until the conversion price is determine. The amount was moved to equity in 2016.

10. Convertible Debentures Payable (continued)

d) On March 1, 2017, the Company raised $1,010,314 through the issue of convertible debentures net of finder fees, expiring on March 1, 2018. The fair value of the equity component of the convertible debentures at the grant date was estimated using the Black-Scholes option pricing model with the following assumptions: a one year expected average life, share price of $0.0056; 100% volatility; risk-free interest rate of 0.76%; and an expected dividend yield of 0%. The fair value assigned to the conversion feature was $653,626. The amount was recorded to derivative liability until the conversion price is determine.

e) On June 26, 2017, the Company raised $130,000 through the issue of convertible debentures, expiring on June 26, 2018. The fair value of the equity component of the convertible debentures at the grant date was estimated using the Black-Scholes option pricing model with the following assumptions: a one year expected average life, share price of $0.0056; 100% volatility; risk-free interest rate of 0.76%; and an expected dividend yield of 0%. The fair value assigned to the conversion feature was $82,332. The amount was recorded to derivative liability until the conversion price is determine.

11. Secured Loan Payable

As indicated in Note 4, on June 12, 2015, the Company through its wholly owned subsidiary Empower acquired all of the assets of Presto in consideration for the assumption by the Company of Presto's liability to Bayview Equities Ltd (the "Secured Party") in the amount of $550,000 plus accrued interest of $35,893. The liability is secured by a grant to the Secured Party of a security interest in the assets of Empower. The liability bears interest at 6% per annum.

The amounts payable are:

	June 30, 2017	December 31, 2016	December 31, 2015
Principal	**$ 550,000**	$ 550,000	$ 550,000
Interest	**107,693**	88,537	$ 52,393
Total	**$ 657,693**	$ 638,537	$ 602,393

12. Secured Property Loan

In June 2015, the Company purchased a property in Kettle Falls, Washington (the "Kettle Falls Property"). The consideration for the purchase was a promissory note payable to the vendor. In December 2016, title to the Kettle Falls Property was returned to the vendor of the property and the note payable was cancelled.

13. Share Capital

Authorized:

Unlimited number of common shares without nominal or par value.
The Issued and outstanding common share are:

	Share Capital	
	Number	**Amount**
Balance, June 12, 2015 (*)(**)	6,561,680	$ 800
	-	-
Balance, December 31, 2015	6,561,680	$ 800
Shares issued January 2016 (a)(*)(**)	104,987	3,000
Shares issued June 2016 (b) (*)(**)	7,666,667	191,700
Shares issued June 2016 (c) (*)(**)	1,000,000	30,000
Shares issued December 2016 (d) (*)(**)	766,667	23,000
Balance, December 31, 2016	16,100,000	$ 248,500
Shares issued January 2017 (e) (*)(**)	32,237,225	302,244
Balance, June 30, 2017	**48,337,225**	**$ 550,744**

13. Share Capital (continued)

a) In January 2016, 104,987 shares were issued to the former President and CEO of the Company at a cost of $0.0286 per share, as an inducement to accept the position of President and CEO.
b) In June 2016, the Company completed a rights offering whereby shareholders of the Company could acquire one share of the Company for each share held, at a cost of $0.025 per share. A total of 7,666,667 shares were issued as a result of the rights offering.
c) In June 2016, 1,000,000 shares were issued in connection with the sourcing of a shell company for the proposed reverse takeover and listing of the Company at a value of $0.03 per share.
d) In December 2016, 766,667 shares were issued to the current President and CEO of the Company at a cost of $0.03 per share, as an inducement to accept the position of President and CEO.
e) In January 2017, the Company raised $302,244 through the issue of 32,237,225 shares to its existing shareholders at a value of $0.0094 per share.

* On May 31, 2016, the shares of the Company were split on the basis of 19.6850 shares for each share held

**On March 16, 2017, the shares of the Company were consolidated on the basis of one share for every three shares held. Following the consolidation, there were 48,337,225 shares outstanding.

The consolidated financial statements have incorporated the share split and share consolidation in the number of shares presented and the per share values.

14. Share Based Payments

In August 2017, the Board of Directors issued a resolution granting 2,850,000 stock options to senior executives and consultants of the Company at an exercise price of $0.10. The vesting commencement dates ranged from February 1, 2016 to February 26, 2017. The options expire five years from their vesting commencement date. 250,000 options vested immediately, 866,667 vest on the first anniversary of their issue date, 866.667 vest on the second anniversary of their issue date and 866,667 vest on the third anniversary of their issue date. The fair value was determined to be $NIL using the Black-Scholes option pricing model. The following assumptions were used: risk-free interest rate – 0.76%; expected volatility 100; dividend yield – nil; expected life – 5 years; and share price - $0.006.

	Number of Stock Options	**Weighted Average Exercise Price**
Balance, June 12, 2015	-	$ -
Stock options with a vesting commencement date during the period	-	-
Balance, December 31, 2015	-	$ -
Stock options with a vesting commencement date during the year	1,250,000	0.10
Balance, December 31, 2016	-	$ -
Stock options with a vesting commencement date during the period	1,600,000	0.10
Balance, June 30, 2017	**2,850,000**	**$ 0.10**

14. Share Based Payments (continued)

As at June 30, 2017 the Corporation had the following stock options outstanding and exercisable:

Expiry Date	Number of Options Exercisable	Number of Options Outstanding	Remaining Contractual Life (years)	Exercise Price
February 1, 2021	250,000	250,000	3.51	$ 0.10
December 16, 2021	-	1,000,000	4.47	$ 0.10
January 20, 2022	-	200,000	4.56	$ 0.10
February 20, 2022	-	1,200,000	4.65	$ 0.10
February 26, 2022	-	200,000	4.66	$ 0.10

15. Related Party Transactions

The aggregate value of transactions and outstanding balances relating to key management personnel were as follows:

Related party transactions	Six month period ending June 30, 2017	Year ended December 31, 2016	Period ended December 31, 2015
Remuneration and benefits	$ 136,500	$ 195,000	$ 132,486
Amounts owed	$ 60,732	$ 104,131	$ 28,631

The Company has a loan receivable of $115,000 from another company with common directors and officers.

16. Clinic Operating Expenses

The Company includes medical personal and travel costs related to the medical clinics in Direct Clinic Expenses. The Company includes all other costs related to the clinics including the administrative and overhead costs of running the clinics in Clinic Operating Costs.

The following table summarizes the clinic operating expenses incurred for the periods ended as indicated below:

	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016	Year Ended December 31, 2016	Period Ended December 31, 2015
Advertising and promotion	$ 145,902	$ 42,125	$ 131,112	$ 60,353
Salaries	555,032	577,808	797,432	1,053,305
Rent and utilities	152,791	57,309	158,565	160,135
Professional fees	299,263	232,194	146,054	538,827
Administrative expenses	109,220	157,998	134,243	225,729
Travel and entertainment	41,281	59,187	79,979	88,485
	$ 1,303,489	$ 1,126,621	$ 1,447,386	$ 2,126,834

17. Deferred Tax

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26% (2016 - 26%) to the effective tax rate is as follows:

	Six Months Ended June 30, 2017	Year Ended December 31, 2016	Period Ended December 31, 2015
Net income (loss) before recovery of taxes	$ (1,653,814)	$ (1,669,734)	$ (878,514)
Expected income tax (recovery) expense	(429,992)	(434,130)	(228,414)
Difference in foreign tax rates	(70,618)	(52,060)	(71,320)
Tax rate changes and other adjustments	6,740	1,827	6,634
Share based compensation and non-deductible expenses	15,270	32390	1,090
Convertible debenture	-	78,150	-
Change in tax benefits not recognized	478,600	295,670	292,010
Income tax (recovery) expense	$ -	$ (78,146)	$ -

Unrecognized deferred tax assets

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:

	Six Months Ended June 30, 2017	Year Ended December 31, 2016	Period Ended December 31, 2015
Convertible debenture	$ 170,550	$ (48,905)	$ 61,740
Share issuance costs	12,000	18,000	24,000
Non-capital losses carried forward - Canada	1,936,510	1,097,640	152,510
Net operating loss – USA Federal	1,448,230	866,560	595,450
Net operating loss – USA State	1,093,810	654,260	449,470
Property, plant and equipment – USA	26,720	27,020	8,350
Intangible assets - USA	153,690	132,710	25,930

The Canadian non-capital loss carry forwards expire as noted in the table below. The net operating losses - USA Federal carry forwards expire in 2037 and Net operating loss - USA state will expire in 2032. Share issue and financing costs will be fully amortized in 2020. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

The Company's Canadian non-capital income tax losses expire as follows:

2035	$ 152,210
2036	994,040
2037	789,960
	$ 1,799,210

18. Capital management

Capital is comprised of the Company's shareholder's deficiency and any debt it may issue. As at June 30, 2017, the Company's shareholders' deficiency was $(3,350,755). (December 31, 2016 $(1,897,185). The Company's objective when managing capital is to safeguard its accumulated capital in order to provide adequate return to shareholders by maintaining a sufficient level of funds, in order to support its ongoing activities. 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.

The Company is dependent on cash flows generated from its clinical operations and from external financing to fund its activities. The Company will spend its existing working capital and raise additional amounts as needed. The Company is not subject to any externally imposed capital requirements.

19. Financial risk management

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – Inputs that are not based on observable market data.

At June 30, 2017, the Company's financial instruments consist of cash, accounts payable and accrued liabilities, convertible debt, notes payable and amounts due to related parties. The fair values of cash, accounts payable and accrued liabilities, notes payable and amounts due to related parties approximate their carrying values due to the relatively short-term to maturity. The Company classifies its cash as FVTPL and accounts payable and accrued liabilities, convertible debt, notes payable and due to related parties as other financial liabilities. The fair value of cash is based on level 1 inputs of the fair value hierarchy.

The Company is exposed to a variety of financial instrument related risks. The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk
Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash. To minimize the credit risk the Company places these instruments with a high credit quality financial institution.

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company typically settles its financial obligations out of cash. As at June 30, 2017, the Company had a cash balance of $24,709 and current liabilities of $4,030,577 (December 31, 2016 $5,154 and $2,432,783 respectively). The Company's current resources are not sufficient to settle its current liabilities.

The Company's accounts payable and accrued liabilities are due in the short term. The Company's notes payable are due on demand. The Company's convertible debt is due in fiscal 2017.

Interest rate risk
Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates.

20. Commitments

The Company has lease commitments as follows:

Fiscal 2017	$ 117,337
Fiscal 2018	$ 236,605
Fiscal 2019	$ 214,616
Fiscal 2020	$ 46,820

21. Contingent liabilities

The Company is involved in a number of legal actions with the former President and director of its subsidiary companies (the "Litigant") following the termination for cause of the Litigant in June 2016.

In one action, as the Litigant refused to comply with the termination, the Company received a temporary restraining order ("TRO") requiring the Litigant to comply with the termination and cease using company property. Later, following a full evidentiary hearing, the court issued a preliminary injunction consistent with the TRO. In June 2017, the Litigant, filed counterclaims against the company and its subsidiaries. The Litigant's counterclaims broadly allege that his written agreements with the Company and its subsidiaries were induced by fraud or mistake. He claims he believed he was promised that he would own 50% of the Company in perpetuity, and that his lack of control over the Corporation and its subsidiaries has caused him economic harm in the amount of $10 million. The Litigant seeks monetary damages or rescission of the agreements. The Company and its subsidiaries are prosecuting their claims against the Litigant, and are vigorously defending against all of his counterclaims.

In a second action, the Litigant filed a lawsuit on behalf of The Hemp and Cannabis Foundation ("THCF") for rescission of an agreement whereby THCF sold a parcel of residential real estate to one of the subsidiaries, The Hemp and Cannabis Company ("THCC"). In that case, THCF claims THCC has failed to make payments on a note. THCF's lawyer has withdrawn, and THCF has not hired replacement counsel. THCC's motion to dismiss is pending. THCC is vigorously defending against this.

22. Subsequent events

Subsequent to the period end the Company received subscriptions for debentures in the amount of $155,000

Subsequent to period end notes payable and accounts payable in the amount of $323,366 were converted into convertible debentures payable. The holder may at any time during the term of the debenture convert all or part into equity
at a conversion price equal to a 25% discount to the next round of equity financing undertaken by the Company, into units of the Company consisting of one common share and one warrant, with each warrant entitling the holder thereof to acquire one common share of the Company at an exercise price equal to 125% of the price of the next round of equity financing.

On August 1, 2017, the Company granted 200,000 stock options to an employee of the Company at an exercise price of $0.10. The options expire on August 1, 2022. 66,666 vest on the first anniversary of their issue date, 66.667 vest on the second anniversary of their issue and 66,667 vest on the third anniversary of their issue date.

On December 29, 2017, the Company granted 250,000 stock options to a consultant of the Company at an exercise price of CDN $0.10. The options expire on December 29, 2022. 83,333 vest on the first anniversary date of their issue date, 83,333 vest on the second anniversary date of their issue and 83,333 vest on the third anniversary date of their issue date.

In April 2018, the Company completed a private placement of 8,443,473 shares of the Company at a price of CDN $0.31 per share for gross proceeds of CDN $2,617,477.

Subsequent to period-end, $2,160,866 of the convertible debentures got converted into common shares of the Company.

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

Interim Consolidated Unaudited Financial Statements
As at September 30, 2017, and December 31, 2016

(IN US DOLLARS)

S.M.A.A.R.T HOLDINGS INC.
Interim Consolidated Statements of Financial Position
Expressed in United States dollars

	Note	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Assets			
Current assets			
Cash		$ 881	$ 5,154
Accounts receivable		4,704	2,002
Prepaid expense		30,890	3,500
Due from a related party (note 14)		115,000	-
		151,475	10,656
Non-current assets			
Property, plant and equipment	**6**	36,138	8,398
Intangible assets	**7**	274,872	349,500
Assets held for sale	**8**	185,044	185,044
Total assets		$ 647,529	$ 553,598
Liabilities and Shareholders' Deficiency			
Current liabilities			
Accounts payable and accruals		$ 1,140,065	$ 1,182,741
Due to related parties		13,586	56,160
Notes Payable	**9**	199,778	87,016
Convertible debentures payable	**10**	1,580,240	468,329
Secured loan payable	**11**	667,271	638,537
Derivative Liability		1,038,912	-
Total current liabilities		4,639,852	2,432,783
Total liabilities		4,639,852	2,432,783
Shareholders` deficiency			
Share capital	**12**	550,744	248,500
Shares to be issued		-	120,000
Equity portion of convertible debentures payable	**10**	222,417	222,417
Accumulated deficit		(4,765,484)	(2,470,102)
Total shareholders' deficiency		(3,992,323)	(1,879,185)
Total liabilities and shareholders' deficiency		$ 647,529	$ 553,598

Nature of operations and going concern (Note 1)
Commitments (Note 18)
Contingent liabilities (Note 19)
Subsequent events (Note 20)

Approved and authorized by the Board of Directors on April 25, 2018:

"Craig Snyder" Director *"Emily Davis"* Director

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

S.M.A.A.R.T HOLDINGS INC.
Unaudited Interim Consolidated Statements of Deficiency
Expressed in United States dollars

	Share Capital *(Note 12)*					
	Number	Amount	Shares to be issued	Equity portion of convertible debentures payable	Accumulated Deficit	Total
Balance, June 12, 2015	6,561,680	$ 800	$ -	$ -	$ -	$ 800
Net loss for the period	-	-	-	-	(878,514)	(878,514)
Balance, December 31, 2015	6,561,680	$ 800	$ -	$ -	$ (878,514)	$ (877,714)
Shares issued January 2016	104,987	3,000	-	-	-	3,000
Shares issued June 2016	7,666,667	191,700	-	-	-	191,700
Shares issued June 2016	1,000,000	30,000	-	-	-	30,000
Shares issued December 2016	766,667	23,000	-	-	-	23,000
Unissued Share subscription	-	-	120,000	-	-	120,000
Issuance of convertible debentures	-	-	-	222,417	-	300,563
Net loss for the period	-	-	-	-	(1,591,588)	(1,669,734)
Balance, December 31, 2016	16,100,000	$ 248,500	$ 120,000	$ 222,417	$ (2,470,102)	$ (1,879,185)
Shares issued January 2017	32,237,225	302,244	(120,000)	-	-	182,244
Net loss for the period	-	-	-	-	(2,295,382)	(2,295,382)
Balance, September 30, 2017	48,337,225	$ 550,744	$ -	$ 222,417	$ (4,765,484)	$ (3,992,323)

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

S.M.A.A.R.T HOLDINGS INC.
Unaudited Interim Consolidated Statements of Operations and Comprehensive Loss
Expressed in United States dollars

	Three Months Ended Sept 30, 2017	Three Months Ended Sept 30, 2016	Nine Months Ended Sept 30, 2017	Nine Months Ended Sept 30, 2016
Revenues				
Clinic operations				
Clinic revenues	**$ 388,898**	$ 557,954	$ 1,215,329	$ 1,861,897
Direct clinic expenses				
Medical personnel costs	**(128,042)**	(139,823)	(367,625)	(430,321)
Travel clinic costs	**(48,012)**	(37,286)	(156,957)	(130,677)
Total direct clinic expenses	**(176,054)**	(177,109)	(524,582)	(560,998)
Net clinic revenues	**212,844**	380,845	690,747	1,300,899
Clinic operating expenses	**(584,479)**	(718,752)	(1,894,933)	(1,845,373)
Loss from clinic operations	**(371,635)**	(337,907)	(1,204,186)	(544,474)
Other expenses				
Legal expenses	**(82,356)**	(164,124)	(441,237)	(267,944)
Accretion expense	**(202,901)**	(38,314)	(422,359)	(151,609)
Interest expense	**(51,441)**	(23,986)	(118,681)	(77,777)
Depreciation expense	**(25,902)**	(1,413)	(77,470)	(54,504)
Other expenses	**(5,271)**	(2,496)	(12,295)	(23,807)
Audit fees	**(47,799)**	-	(125,514)	-
Gain on debt settlement	**106,360**	-	106,360	-
	(309,310)	(230,333)	(1,091,196)	(575,641)
Loss before income taxes	**(680,945)**	(568,240)	(2,295,382)	(1,120,115)
Net loss and comprehensive loss for the period	**$ (680,945)**	$ (568,240)	$ (2,295,382)	$ (1,120,115)
Loss per share				
Basic	**$ (0.01)**	$ (0.03)	$ (0.05)	$ (0.08)
Diluted	**$ (0.01)**	$ (0.03)	$ (0.05)	$ (0.08)
Weighted average number of shares outstanding				
Basic	**48,337,225**	15,333,333	47,982,970	13,255,916
Diluted	**48,337,225**	15,333,333	47,982,970	13,255,916

S.M.A.A.R.T HOLDINGS INC.
Unaudited Interim Consolidated Statements of Cash Flows
Expressed in United States dollars

	Nine months ended September 30, 2017	Nine Months ended September 30, 2016
Operating activities		
Net loss for the period	$ (2,295,382)	$ (1,120,115)
Items not involving cash:		
Shares issued for service	24,647	
Accretion expense	422,359	151,609
Interest expense	111,683	77,777
Depreciation expense	77,470	54,504
Gain on debt settlement	(106,360)	-
Loss on disposition of assets	-	-
	(1,765,583)	(836,225)
Changes in working capital:		
Accounts receivable	(2,702)	(5,205)
Prepaid expenses	(27,390)	(5,268)
Accounts payable and accruals	399,399	485,211
Net cash (used in) operating activities	(1,396,276)	(361,487)
Investing activities		
Acquisition of property, plant and equipment	(30,582)	-
Proceeds on disposition of property, plant and equipment	-	-
Net cash (used in) investing activities	(30,582)	-
Financing activities		
Proceeds from issue of shares	116,522	191,700
Proceeds on shares to be issued	-	-
Repayment of secured property loan	-	(12,600)
Advance of notes payable	-	-
Repayment of notes payable	(31,000)	-
Advance of convertible debentures payable	1,180,314	275,000
Advance of notes payable	199,323	-
Advance from related party	-	-
Repayment to related party	(42,574)	(29,495)
Net cash provided by financing activities	1,422,585	424,605
Increase (Decrease) in cash	(4,273)	63,118
Cash, beginning of period	5,154	6,906
Cash, end of period	$ 881	$ 70,024

1. Nature of Operations and Going Concern

SMAART Holdings Inc. ("SMAART" or the "Company") was incorporated under the laws of the Province of British Columbia on April 28, 2015. SMAART owns a Nevada, USA subsidiary, SMAART Holdings Corp., which in turn owns the following subsidiaries (the "Subsidiaries"):

a) Empower Healthcare Corporation ("**Empower**") is an Oregon based corporation that, through its clinics in Oregon, and Washington State, provides physician services to patients in those states. Empower acquired the operations of Presto Quality Care Corporation ("Presto") on July 12, 2015.

b) SMAART Inc. is an Oregon based company that currently does not have an active business.

c) The Hemp and Cannabis Company ("**THCC Oregon**") and The Hemp and Cannabis Company Access Points Oregon ("**THCF Access Points Oregon**"), These are Oregon companies that currently do not have active businesses.

d) The Hemp and Cannabis Company ("**THCC Washington**") and The Hemp and Cannabis Company Access Points Washington ("**THCF Access Points Washington**"), Washington companies that currently do not have active businesses.

e) CanMed Solutions Inc., is an Oregon corporation that was incorporated on January 27, 2017. The company does not have an active business.

During the period covered by these interim consolidated financial statements, the business of SMAART and its subsidiaries was limited to the provision of physician services through Empower in the states listed above.

At September 30, 2017, the Company had a working capital deficiency of $4,488,376 (2016 - $2,422,127) has not yet achieved profitable operations, has accumulated losses of $4,765,484 (2016 - $2,470,102). 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 may cast significant doubt on the Company's ability to continue as a going concern and ultimately the appropriateness of the use of accounting principles applicable to a going concern. These consolidated financial statements have been prepared using accounting principles applicable to a going concern and do not reflect adjustments, which could be material, to the carrying values of the assets and liabilities.

2. Basis of presentation:

a) Statement of compliance

The interim consolidated financial statements have been prepared in conformity with IAS 34 interim Financial Reporting ("IAS 34") and do not include all the information required for full annual consolidated financial statements in accordance with IFRS and should be read in conjunction with the audited consolidated financials for the year ended December 31, 2016.

These financial statements were approved by the Company's board of directors on April 25, 2018.

b) Basis of presentation

These financial statements have been prepared on the historical cost basis except instruments that are measured at fair value, as detailed in the Company's accounting policies.

c) Functional and presentation currency

The Company's functional currency, as determined by management is the US dollar. These financial statements are presented in US dollars.

2. Basis of Presentation (continued):

d) Use of estimates and judgements

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets or liabilities in the event that actual results differ from the assumptions made, relate to, but are not limited to the following:

i) The inputs used in accounting for share based payments in the consolidate statements of operations and comprehensive loss;
ii) The inputs used in assessing the recoverability of deferred tax assets to the extent that the deductible temporary differences will reverse in the foreseeable future and that the Company will have future taxable income; and
iii) The bifurcation of the convertible debt into liability and equity components and the determination of a market rate of interest.

Significant judgments used in the preparation of these financial statements include, but are not limited to those relating to the assessment of the Company's ability to continue as a going concern, useful life of fixed assets, impairment of assets and valuation of the acquisition of the assets of Presto.

3. Significant Accounting Policies:

a) Basis of consolidation

The consolidated financial statements include the accounts of the Company and the subsidiaries.

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. The Company controls an entity when it is exposed, or has the rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. All significant inter-company transactions and balances are eliminated on consolidation

b) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for services rendered, stated net of discounts. The Company recognizes revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the Company, and when specific criteria have been met for each of the Company's activities, as described below. The Company recognizes revenue from the rendering of patient services in the accounting period in which the physicians' services are rendered.

c) Clinic Expenses

The Company includes the costs of medical personal and the travel costs related to the travel medical clinics in Direct Clinic Expenses. The Company includes all other costs related to the clinics including the administrative and overhead costs of running the clinics in Clinic Operating Costs.

3. Significant Accounting Policies (continued):

d) Property, plant and equipment

Property, plant and equipment is measured at cost less accumulated amortization and impairment losses. Amortization is provided using the following terms and method:

Leasehold improvements over the lease term
Building Straight-line 15 years
Farm Equipment Straight-line 3 years
Farm Furniture Straight-line 5 years
Computer software and equipment Straight-line 3 years
Office equipment and furniture Straight-line 3 years

An asset's residual value, useful life and amortization method are reviewed at each financial year end and adjusted if appropriate. When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment. 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 profit or loss.

e) Impairment of long-lived assets

Long-lived assets, including equipment and intangible assets are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually 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 groups of assets (the cash generating unit, or "CGU"). The recoverable amount of an asset or a CGU 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. Where 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.

Intangible assets with a finite useful life are stated in historical cost, less any accumulated amortization and any accumulated impairment losses. Historical costs include all costs directly attributable to the acquisition.
The patient records, trademarks, domain names and management software are amortized on a straight-line basis over the estimated useful life of five years. Estimated useful lives and the amortization method are reviewed annually with the effect of any changes in estimates accounted for on a prospective basis.

f) Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in the statements of loss and comprehensive loss except to the extent that it relates to items recognized directly in shareholders' deficiency, in which case the income tax is also recognized directly in shareholders' deficiency.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted at the end of the reporting period, and any adjustments to tax payable in respect of previous years.

The Company uses the liability method to account for income taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities for accounting purposes, and their respective tax bases. Deferred tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in statutory tax rates is recognized in profit or loss in the year of change. Deferred tax assets are recorded when their recoverability is considered probable and are reviewed at the end of each reporting period.

Deferred tax assets and liabilities are presented as non-current.

3. Significant Accounting Policies (continued):

g) Loss per common share, basic and diluted

The Company presents basic and diluted earnings per share data for its common shares. Basic earnings per share is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares, which comprise warrants and share options issued. Items with an anti-dilutive impact are excluded from the calculation. The number of shares included with respect to options, warrants and similar instruments is computed using the treasury stock method.

h) Financial instruments

The Company classifies its financial assets and liabilities depending on the purpose for which the financial instruments were acquired, their characteristics, and management intent.

Transaction costs
Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to financial assets or liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets
The Company initially recognizes financial assets at fair value on the date that they are acquired, adjusted for transaction costs, if applicable. All financial assets (including assets designated at fair value through profit or loss) are recognized initially on the date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability. The Company classifies its financial assets as financial assets at fair value through profit and loss or loans and receivables. A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at adjusted fair value, adjusted for applicable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial instrument, or, where appropriate, a shorter period.

Financial liabilities
The Company initially recognizes financial liabilities at fair value on the date that they are originated, and are adjusted for transaction costs, if applicable. All financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company classifies its financial liabilities as either financial liabilities at fair value through profit and loss or other liabilities. Subsequent to initial recognition other liabilities are measured at amortized cost using the effective interest method. Financial liabilities at fair value are stated at fair value with changes being recognized in profit or loss.

3. Significant Accounting Policies (continued):

Impairment of financial assets
Financial assets, other than those classified at fair value through profit and loss, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be 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, and that the loss event (events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

The amount of the impairment loss in respect of a financial asset measured at amortized cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognized in the statements of loss and comprehensive loss.

i) Valuation of Equity Units issued in Private Placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the most easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The fair value of the common shares issued in private placements is determined to be the more easily measurable.

Compound financial instruments issued by the Company comprise convertible debt that can be converted to share capital at the option of the holder. The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity convertible option. The equity component is recognized initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest rate method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition. Interest, dividends, losses and gains relating to the financial liability are recognized in profit or loss.

j) 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.

k) 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.

3. Significant Accounting Policies (continued):

l) Convertible Debenture

The convertible debentures were determined to be compound instruments, comprising liability and equity (common shares and warrants). As the debentures are convertible into common shares, the liability and equity components are presented separately. The initial carrying amount of the equity component of the convertible debentures is determined by using the Black-Scholes option pricing model to estimate the fair value the equity component at the grant date. 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 equity component. The equity component, and any associated warrants recognized on conversion of the convertible debenture are recorded in reserves on the statement of financial position. The debentures, net of the equity components 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.

m) Business Combinations

Business combinations are accounted for under the acquisition method. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Company, if any, at the date control is obtained. The consideration transferred includes the fair value of any liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than share and debt issue costs incurred to issue financial instruments that form part of the consideration transferred, are expensed as incurred. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. If a business combination is achieved in stages, the Company remeasures its previously held interest in the acquiree at its acquisition-date fair value and recognizes the resulting gain or loss, if any, in net income. Contingent consideration is classified as a provision and is measured at fair value, with subsequent changes recognized in income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity. New information obtained during the measurement period, up to 12 months following the acquisition date, about facts and circumstances existing at the acquisition date affect the acquisition accounting.

4. New standards, Amendments and Interpretations not yet adopted

A number of new standards and amendments to standards and interpretations have been issued but have not yet been applied in preparing these financial statements, as set out below:

- IFRS 9, Financial Instruments, addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income (OCI) and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. The standard is effective for accounting periods beginning on or after January 1, 2018 and earlier adoption is permitted. The Company believes the adoption of this standard will not have a material impact on the consolidated financial statements.

4. New standards, Amendments and Interpretations not yet adopted (continued)

- IFRS 15, Revenue from Contracts with Customers, deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of goods or services and thus has the ability to direct the use and obtain the benefits from the goods or services. The standard replaces IAS 18, Revenue, and IAS 11, Construction Contracts, and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018 and earlier adoption is permitted. The Company believes the adoption of this standard will not have a material impact on the consolidated financial statements.
- In January 2016, the IASB issued IFRS 16, Leases, which will replace IAS 17, Leases. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under IAS 17, lessees were required to make a distinction between a finance lease and an operating lease. IFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a right-of-use asset for virtually all lease contracts. There is an optional exemption for certain short-term leases and leases of low value assets; however, this exemption can only be applied by lessees. The standard is effective for annual periods beginning on or after January 1, 2019, with earlier application if IFRS 15 is also applied. The Company has yet to assessed the impact of this standard, however it is not expected to have a significant impact on the Company's consolidated financial statements

Other accounting standards or amendments to existing accounting standards that have been issued, but have future effective dates, are either not applicable or are not expected to have a significant impact on the Company's financial statements.

5. Acquisition of Presto

On June 12, 2015 (the "Effective Date") the Company, through Empower, purchased all of the assets of Presto as at the Effective Date. The acquisition of Presto was considered a business combination in accordance with IFRS 3. The consideration for the purchase was the assumption by the Company of Presto's note payable to Bayview Equities Ltd. in the amount of $550,000 plus accrued interest of $35,893 *(See Note 11).* The fair value of the intangibles was based on the market value of similar intangible assets. The purchase price allocation was finalized within one year from the date of acquisition.

The following was management's estimate of the purchase price allocation of Presto as at the Effective Date:

Patient records	$ 356,893
Trademarks and domain names	141,000
Management software	73,000
Furniture and equipment	15,000
Purchase Price	$ 585,893

6. Property, Plant and Equipment

The Company operates clinics in Oregon and Washington State.

Effective June 2015, the company acquired a parcel of land in Kettle Falls, Washington State, together with a building on the property. The purchase price was paid by issuing a note payable to the seller for the full purchase price of the property. In December 2016, the property was returned to the purchaser and the note payable in respect of the purchase of the property was cancelled.

6. Property, furniture and equipment (continued):

	Facility Portland	Land Portland	Total Portland	Facility Kettle Falls	Land Kettle Falls	Total Kettle Falls	Furniture and Equipment	Total
Cost								
Balance, December 31, 2015	70,297	119,703	190,000	178,985	27,119	206,104	42,500	**438,604**
Asset classified as Held for Sale *(Note 8)*	(70,297)	(119,703)	(190,00)	-	-	-	-	**(190,000)**
Disposal	-	-	-	(178,985)	(27,119)	(206,104)	**(13,000)**	**(219,104)**
Impairment	-	-	-	-	-	-	**(14,500)**	**(14,500)**
Balance, December 31, 2016	-	-	-	-	-	-	15,000	**15,000**
Additions	-	-	-	-	-	-	30,582	**30,582**
September 30, 2017 Balance	-	-	-	-	-	-	45,582	**45,582**
Accumulated Amortization								
Balance, December 31, 2015	(2,343)	-	(2,343)	(5,966)	-	(5,966)	(6,917)	**(15,226)**
Amortization	-	-	-	(5,966)	-	(5,966)	(27,185)	**(33,151)**
Asset classified as Held for Sale *(Note 8)*	2,343	-	2,343	-	-	-	-	**2,343**
Disposal	-	-	-	11,932	-	11,932	27,500	**39,432**
Balance, December 31, 2016	-	-	-	-	-	-	(6,602)	**(6,602)**
Amortization	-	-	-	-	-	-	(2,842)	**(2,842)**
Balance September 30, 2017	-	-	-	-	-	-	(9,444)	**(9,444)**

6. Property, furniture and equipment (continued):

Net Book Value								
Balance, December 31, 2015	67,954	119,703	187,657	173,019	27,119	200,138	35,583	**423,378**
Balance, December 31, 2016	-	-	-	-	-	-	8,398	**8,398**
Balance September 30, 2017	-	-	-	-	-	-	36,138	**36,138**

7. Intangible Assets

The Company has recorded various intangible assets consisting primarily of patient records, trademarks, domain names and management software. The intangible assets were acquired from Presto as indicated in Note 4 above.

	Patient Records	**Trademarks and Domain Names**	**Management Software**	**Total**
Cost				
Balance, December 31, 2015	$ 356,893	$ 141,000	$ 73,000	**$ 570,893**
Additions	-	-	-	-
Balance, December 31, 2016	$ 356,893	$ 141,000	$ 73,000	**$ 570,893**
Additions	-	-	-	-
Additions	-	-	-	-
Balance, September 30, 2017	$356,893	$141,000	$73,000	**$570,893**
Accumulated Amortization/Impairment				
Balance, December 31, 2015	$ (35,690)	$ (14,100)	$ (7,300)	**$ (57,090)**
Amortization	(56,703)	(28,200)	(14,600)	**(99,503)**
Impairment	(64,800)	-	-	**(64,800)**
Balance, December 31, 2016	$ (157,193)	$ (42,300)	$ (21,900)	**$ (221,393)**
Amortization	(42,528)	(21,150)	(10,950)	**(74,628)**
Balance, September 30, 2017	(199,721)	(63,450)	(32,850)	**(296,021)**
Net Book Value				
Balance, December 31, 2015	$ 321,203	$ 126,900	$ 65,700	**$ 513,803**
Balance, December 31, 2016	$ 199,700	$ 98,700	$ 51,100	**$ 349,500**
Balance, September 30, 2017	$ 157,172	$ 77,550	$ 40,150	**$ 274,872**

8. Assets Held for Sale

As at September 30, 2017, the Company has listed the facility and land in Portland, Oregon for sale

The following table shows the major classes of assets recorded as held for sale:

	Facility Portland	Land Portland	Total
Cost			
Balance, December 31, 2015	$ -	$ -	**$ -**
Transfer from Property, Equipment and Plant	70,297	119,703	**190,000**
Balance, December 31, 2016	$ 70,297	$ 119,703	**$ 190,000**
Additions	**-**	**-**	**-**
Balance, September 30, 2017	$ 70,297	$ 119,703	**$ 190,000**
Accumulated Amortization			
Balance, December 31, 2015	$ (2,343)	$ -	**$ (2,343)**
Amortization	(2,613)	-	**(2,613)**
Balance, December 31, 2016	$ (4,956)	$ -	**$ (4,956)**
Amortization	-	-	**-**
Balance, September 30, 2017	$ (4,956)	$ -	**$ (4,956)**
Net Book Value			
Balance, December 31, 2015	$ -	$ -	**$ -**
Balance, December 31, 2016	$ 65,341	$ 119,703	**$ 185,044**
Balance, September 30, 2017	$ 65,341	$ 119,703	**$ 185,044**

Prior to their classification as assets held for sale, the land and facility in Portland were reported under Property, plant and equipment. The assets held for sale are included at the lower of their carrying value and their fair market value. The fair market value was based on comparable assets in the market place and was greater than the carrying value.

9. Notes Payable

	September 30, 2017	December 31, 2016	December 31, 2015
Principal (a)(b)(c)	**$ 199,323**	$ 78,463	$ 77,813
Interest	**455**	8,553	611
Total	**$ 199,778**	$ 87,016	$ 78,424

a) During the year ending December 31, 2015, the Company issued three separate notes payable of CDN $20,000, USD $20,000 and CDN $25,000 bearing interest at 6% per annum and repayable on demand. These notes were converted to convertible debentures during the period ended September 30, 2017. See note 10(g).

b) On November 6, 2015, the Company issued a $25,000 promissory note maturing 120 days from the date of issuance. Upon maturity, the promissory note will be repayable on demand and will bear interest at 1.5% compounding monthly. The note was repaid during the period ended June 30, 2017.

c) On September 15, 2017, the Company acquired promissory notes that could be drawn down for up to $150,000 and $75,000 maturing on December 31, 2017. During the period ended September 30, 2017 $132,793 and $66,530 had been drawn respectively. Upon maturity, the promissory note will be repayable on demand and will bear interest at 6% per annum. See note 19.

10. Convertible Debentures Payable

The Company has received the following proceeds net of costs, from the private placement issuance of convertible debentures.

	September 30, 2017	December 31, 2016	December 31, 2015
June 11, 2015	**$ -**	$ -	$ 200,000
January 1, 2016	**-**	75,000	-
February 10, 2016	**-**	200,000	-
March 1, 2017	**1,010,314**	-	-
June 26,2017	**130,000**	-	-
July 31, 2017	**115,000**		
August 22, 2017	**40,000**		
Total	**$ 1,295,314**	$ 275,000	$ 200,000

The debentures are due one year from the date of issuance and are repayable in full with accrued interest at 7.5% per annum on maturity. The holder may at any time during the term of the debenture convert all or part into units of equity at a conversion price equal to a 25% discount to the next round of equity financing undertaken by the Company. Each units of the Corporation consists of one common share and one share purchase warrant, with each Warrant entitling the holder thereof to acquire one Share at an exercise price equal to 125% of the price of the next round of equity financing.

Convertible debentures consist of the following:

	Loan component	**Derivative liability**	**Equity component**
Issue of convertible debt (a)	$ 73,313	$ 126,687	$ -
Interest expense	8,292	-	-
Accretion expense	61,736	-	-
Balance, December 31, 2015	$ 143,341	$ 126,687	$ -
Issue of convertible debt (b)(c)	101,124	173,876	-
Derivative liability transferred to equity	-	-	
component	-	(300,563)	300,563
Deferred tax	-	-	(78,146)
Interest expense	33,942	-	-
Accretion expense	189,922	-	-
Balance, December 31, 2016	$ 468,329	$ -	$ 222,417
Issue of convertible debt (d)(e)(f)(g)(h)(i)	609,153	1,038,912	-
Interest expense	80,399	-	-
Accretion expense	422,359	-	-
Balance, June 30, 2017	**$ 1,580,240**	**$ 1,038912**	**$ 222,417**

a) On June 11, 2015, the Company issued a convertible debenture of $200,000, expiring on June 11, 2016. The debt is past due and due on demand. The fair value of the equity component of the convertible debenture at the grant date was estimated using the Black-Scholes option pricing model with the following assumptions: a one year expected average life, share price of $0.0142; 100% volatility; risk-free interest rate of 0.66%; and an expected dividend yield of 0%. The fair value assigned to the conversion feature was $126,687. The amount was recorded to derivative liability until the conversion price was determined. The amount was moved to equity in 2016.

b) On January 1, 2016, the Company issued a convertible debenture of $75,000, expiring on January 1, 2017. The debt is past due and due on demand. The fair value of the equity component of the convertible debenture at the grant date was estimated using the Black-Scholes option pricing model with the following assumptions: a one year expected average life, share price of $0.0142; 100% volatility; risk-free interest rate of 0.46%; and an expected dividend yield of 0%. The fair value assigned to the conversion feature was $47,446. The amount was recorded to derivative liability until the conversion price was determined. The amount was moved to equity in 2016.

10. Convertible Debentures Payable (continued)

c) In February 10, 2016, the Company issued two convertible debentures totaling $200,000, expiring on February 10, 2017. The debt is past due and due on demand. The fair value of the equity component of the convertible debentures at the grant date was estimated using the Black-Scholes option pricing model with the following assumptions: a one year expected average life, share price of $0.0142; 100% volatility; risk-free interest rate of 0.66%; and an expected dividend yield of 0%. The fair value assigned to the conversion feature was $126,430. The amount was recorded to derivative liability until the conversion price was determined. The amount was moved to equity in 2016.

d) On March 1, 2017, the Company raised $1,010,314 through the issue of convertible debentures net of finder fees, expiring on March 1, 2018. The fair value of the equity component of the convertible debentures at the grant date was estimated using the Black-Scholes option pricing model with the following assumptions: a one year expected average life, share price of $0.0056; 100% volatility; risk-free interest rate of 0.76%; and an expected dividend yield of 0%. The fair value assigned to the conversion feature was $653,626. The amount is recorded to derivative liability until the conversion price is determined.

e) On June 26, 2017, the Company raised $130,000 through the issue of convertible debentures, expiring on June 26, 2018. The fair value of the equity component of the convertible debentures at the grant date was estimated using the Black-Scholes option pricing model with the following assumptions: a one year expected average life, share price of $0.0056; 100% volatility; risk-free interest rate of 0.76%; and an expected dividend yield of 0%. The fair value assigned to the conversion feature was $82,332. The amount is recorded to derivative liability until the conversion price is determined.

f) On July 31, 2017, the Company raised $115,000 through the issue of convertible debentures, expiring on July 31, 2018. The fair value of the equity component of the convertible debentures at the grant date was estimated using the Black-Scholes option pricing model with the following assumptions: a one year expected average life, share price of $0.0056; 100% volatility; risk-free interest rate of 0.76%; and an expected dividend yield of 0%. The fair value assigned to the conversion feature was $72,831. The amount is recorded to derivative liability until the conversion price is determined.

g) On July 31, 2017, there were 3 outstanding notes payable in the aggregate amount of $58,111 that were converted into convertible debentures payable in the amount of $55,000 expiring on July 31, 2018. The fair value of the equity component of the convertible debentures at the grant date was estimated using the Black-Scholes option pricing model with the following assumptions: a one year expected average life, share price of $0.0056; 100% volatility; risk-free interest rate of 0.76%; and an expected dividend yield of 0%. The fair value assigned to the conversion feature was $34,832. The amount is recorded to derivative liability until the conversion price is determined.

h) On July 31, 2017, the Company converted accounts payable in the aggregate amount of $268,366 into convertible debentures payable expiring on July 31, 2018. The fair value of the equity component of the convertible debentures at the grant date was estimated using the Black-Scholes option pricing model with the following assumptions: a one year expected average life, share price of $0.0056; 100% volatility; risk-free interest rate of 0.76%; and an expected dividend yield of 0%. The fair value assigned to the conversion feature was $169,959. The amount is recorded to derivative liability until the conversion price is determined.

i) On August 22, 2017, the Company raised $40,000 through the issue of convertible debentures, expiring on August 22, 2018. The fair value of the equity component of the convertible debentures at the grant date was estimated using the Black-Scholes option pricing model with the following assumptions: a one year expected average life, share price of $0.0056; 100% volatility; risk-free interest rate of 0.76%; and an expected dividend yield of 0%. The fair value assigned to the conversion feature was $25,332. The amount is recorded to derivative liability until the conversion price is determined.

11. Secured Loan Payable

As indicated in Note 4, on June 12, 2015, the Company through its wholly owned subsidiary Empower acquired all of the assets of Presto in consideration for the assumption by the Company of Presto's liability to Bayview Equities Ltd (the "Secured Party") in the amount of $550,000 plus accrued interest of $35,893. The liability is secured by a grant to the Secured Party of a security interest in the assets of Empower. The liability bears interest at 6% per annum.

The amounts payable are:

	September 30, 2017	December 31, 2016	December 31, 2015
Principal	**$ 550,000**	$ 550,000	$ 550,000
Interest	**117,271**	88,537	$ 52,393
Total	**$ 667,271**	$ 638,537	$ 602,393

12. Share Capital

Authorized:

Unlimited number of common shares without nominal or par value.
The Issued and outstanding common share are:

	Share Capital	
	Number	**Amount**
Balance, June 12, 2015 (*)(**)	6,561,680	$ 800
	-	-
Balance, December 31, 2015	6,561,680	$ 800
Shares issued January 2016 (a)(*)(**)	104,987	3,000
Shares issued June 2016 (b) (*)(**)	7,666,667	191,700
Shares issued June 2016 (c) (*)(**)	1,000,000	30,000
Shares issued December 2016 (d) (*)(**)	766,667	23,000
Balance, December 31, 2016	16,100,000	$ 248,500
Shares issued January 2017 (e) (*)(**)	32,237,225	302,244
Balance, September 30, 2017	**48,337,225**	**$ 561,700**

a) In September 2015, 104,987 shares were issued to the former President and CEO of the Company at a cost of $0.0286 per share, as an inducement to accept the position of President and CEO.
b) In June 2016, the Company completed a rights offering whereby shareholders of the Company could acquire one share of the Company for each share held, at a cost of $0.025 per share. A total of 7,666,667 shares were issued as a result of the rights offering.
c) In June 2016, 1,000,000 shares were issued in connection with the sourcing of a shell company for the proposed reverse takeover and listing of the Company at a value of $0.03 per share.
d) In December 2016, 766,667 shares were issued to the current President and CEO of the Company at a cost of $0.03 per share, as an inducement to accept the position of President and CEO.
e) In January 2017, the Company raised $302,244 through the issue of 32,237,225 shares to its existing shareholders at a value of $0.0094 per share.

* On May 31, 2016, the shares of the Company were split on the basis of 19.6850 shares for each share held

**On March 16, 2017, the shares of the Company were consolidated on the basis of one share for every three shares held. Following the consolidation, there were 48,337,225 shares outstanding.

The consolidated financial statements have incorporated the share split and share consolidation in the number of shares presented and the per share values.

13. Share Based Payments

In August 2017, the Board of Directors issued a resolution granting 3,050,000 stock options to senior executives and consultants of the Company at an exercise price of $0.10. The vesting commencement dates ranged from February 1, 2016 to August 1, 2017. The options expire five years from their vesting commencement date. 250,000 options vested immediately, 933,333 vest on the first anniversary of their issue date, 933,333 vest on the second anniversary of their issue date and 933,333 vest on the third anniversary of their issue date. The fair value was determined to be $NIL using the Black-Scholes option pricing model. The following assumptions were used: risk-free interest rate – 0.76%; expected volatility 100; dividend yield – nil; expected life – 5 years; and share price - $0.006.

	Number of Stock Options	Weighted Average Exercise Price
Balance, December 31, 2015	-	$ -
Stock options with a vesting commencement date during the year	1,250,000	$ 0.10
Balance, December 31, 2016	-	$ -
Stock options with a vesting commencement date during the year	1,800,000	$ 0.10
September 30, 2017	**3,050,000**	**$ 0.10**

As at September 30, 2017 the Corporation had the following stock options outstanding and exercisable:

Expiry Date	Number of Options Exercisable	Number of Options Outstanding	Remaining Contractual Life (years)	Exercise Price
February 1, 2021	250,000	250,000	3.34	$ 0.10
December 16, 2021	-	1,000,000	4.21	$ 0.10
January 20, 2022	-	200,000	4.31	$ 0.10
February 20, 2022	-	1,200,000	4.39	$ 0.10
February 26, 2022	-	200,000	4.41	$ 0.10
August 1, 2022	-	200,000	4.84	$ 0.10

14. Related Party Transactions

The aggregate value of transactions and outstanding balances relating to key management personnel were as follows:

Related party transactions	Nine month period ending September 30, 2017	Year ended December 31, 2016	Period ended December 31, 2015
Remuneration and benefits	$ 191,700	$ 195,000	$ 132,486
Amounts owed	$ -	$ 104,131	$ 28,631

The Company has a loan receivable of $115,000 from another company with common directors and officers.

15. Capital management

Capital is comprised of the Company's shareholder's deficiency and any debt it may issue. As at September 30, 2017, the Company's shareholders' deficiency was $(3,992,323) (December 31, 2016 $(1,879,185). The Company's objective when managing capital is to safeguard its accumulated capital in order to provide adequate return to shareholders by maintaining a sufficient level of funds, in order to support its ongoing activities. 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.

The Company is dependent on cash flows generated from its clinical operations and from external financing to fund its activities. The Company will spend its existing working capital and raise additional amounts as needed. The Company is not subject to any externally imposed capital requirements.

16. Financial risk management

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – Inputs that are not based on observable market data.

At September 30, 2017, the Company's financial instruments consist of cash, accounts payable and accrued liabilities, convertible debt, notes payable and amounts due to related parties. The fair values of cash, accounts payable and accrued liabilities, notes payable and amounts due to related parties approximate their carrying values due to the relatively short-term to maturity. The Company classifies its cash as FVTPL and accounts payable and accrued liabilities, convertible debt, notes payable and due to related parties as other financial liabilities. The fair value of cash is based on level 1 inputs of the fair value hierarchy.

The Company is exposed to a variety of financial instrument related risks. The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk
Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash. To minimize the credit risk the Company places these instruments with a high credit quality financial institution.

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company typically settles its financial obligations out of cash. As at September 30, 2017, the Company had a cash balance of $881 and current liabilities of $4,639,852. (December 31, 2016 $5,154 and $2,432,783 respectively). The Company's current resources are not sufficient to settle its current liabilities.

The Company's accounts payable and accrued liabilities are due in the short term. The Company's notes payable are due on demand. The Company's convertible debt is due in fiscal 2017.

Interest rate risk
Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates.

17. Commitments

The Company has lease commitments as follows:

Fiscal 2017	$	58,688
Fiscal 2018	$	236,605
Fiscal 2019	$	214,616
Fiscal 2020	$	46,820

18. Contingent liabilities

The Company is involved in a number of legal actions with the former President and director of its subsidiary companies (the “Litigant”) following the termination for cause of the Litigant in June 2016.

In one action, as the Litigant refused to comply with the termination, the Company received a temporary restraining order (“TRO”) requiring the Litigant to comply with the termination and cease using company property. Later, following a full evidentiary hearing, the court issued a preliminary injunction consistent with the TRO. In June 2017, the Litigant, filed counterclaims against the company and its subsidiaries. The Litigant’s counterclaims broadly allege that his written agreements with the Company and its subsidiaries were induced by fraud or mistake. He claims he believed he was promised that he would own 50% of the Company in perpetuity, and that his lack of control over the Corporation and its subsidiaries has caused him economic harm in the amount of $10 million. The Litigant seeks monetary damages or rescission of the agreements. The Company and its subsidiaries are prosecuting their claims against the Litigant, and are vigorously defending against all of his counterclaims.

In a second action, the Litigant filed a lawsuit on behalf of The Hemp and Cannabis Foundation (“THCF”) for rescission of an agreement whereby THCF sold a parcel of residential real estate to one of the subsidiaries, The Hemp and Cannabis Company (“THCC”). In that case, THCF claims THCC has failed to make payments on a note. THCF’s lawyer has withdrawn, and THCF has not hired replacement counsel. THCC’s motion to dismiss is pending. THCC is vigorously defending against this.

19. Subsequent event

Subsequent to period end, the Company drew a further $125,000 and $50,000 respectively on the promissory notes payable as described in note 9c) under the same terms. The notes were not paid by the maturity date and are past due and due on demand.

On December 29, 2017, the Company granted 250,000 stock options to a consultant of the Company at an exercise price of CDN $0.10. The options expire on December 29, 2022. 83,333 vest on the first anniversary date of their issue date, 83,333 vest on the second anniversary date of their issue and 83,333 vest on the third anniversary date of their issue date.

In April 2018, the Company completed a private placement of 8,443,473 shares of the Company at a price of CDN $0.31 per share for gross proceeds of CDN $2,617,477.

Subsequent to period-end, $2,160,866 of the convertible debentures got converted into common shares of the Company.

SCHEDULE “C”
MANAGEMENT'S DISCUSSION AND ANALYSIS OF ADIRA ENERGY LTD. FOR THE NINE MONTHS ENDING SEPTEMBER 30, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS OF ADIRA ENERGY LTD. FOR THE YEARS ENDING DECEMBER 31, 2016, DECEMBER 31, 2015 AND DECEMBER 31, 2014

Adira Energy Ltd.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
For the year ended December 31, 2016

*The following is a discussion and analysis of the activities, consolidated results of operations and financial condition of Adira Energy Ltd. ("**Adira**", "**we**", "**our**", "**us**", or the "**Company**") for the year ended December 31, 2016, which has been prepared on the basis of information available up until April 25, 2017. This Management's Discussion and Analysis ("**MD&A**") should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2016, together with the notes thereto, available under the Company's profile on the System for Electronic Document Analysis and Retrieval (SEDAR) website at www.sedar.com.*

All monetary amounts are reported in United States dollars and in accordance with IFRS unless otherwise noted. This MD&A is dated, April 25, 2017.

Forward-Looking Statements

This MD&A (including, without limitation, the sections discussing Adira's Financial Conditions and Results of Operations) contains certain forward-looking statements. All statements other than statements of historical fact that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future are forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "contemplate", "target", "believe", "plan", "estimate", "expect" and "intend" and statements that an event or result "may", "will", "can", "should", "could" or "might" occur or be achieved and other similar expressions. These statements are based upon certain assumptions and analyses made by management in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors management believes are appropriate in the circumstances. However, whether actual results and developments will conform with management's expectations is subject to a number of risks and uncertainties, including the considerations discussed herein and in other documents filed from time to time by the Company with Canadian security regulatory authorities, general economic, market or business conditions, the opportunities (or lack thereof) that may be presented to and pursued by management, competitive actions by other companies, changes in laws or regulations and other factors, many of which are beyond the Company's control. These factors may cause the actual results of the Company to differ materially from those discussed in the forward-looking statements and there can be no assurance that the actual results or developments anticipated by management will be realized or, even if substantially realized, that they will have the expected results on Adira. All of the forward-looking statements made herein are qualified by the foregoing cautionary statements. The Company expressly disclaims any obligation to update or revise any such forward-looking statements.

Business overview and Significant Developments during the period

Adira was initially incorporated as an oil and gas exploration company with a focus on early-stage exploration in the State of Israel. The focus of the Company has changed as detailed below. The Company's current trading symbol on the TSX Venture Exchange (the "**Exchange**") is "ADL". The Company also trades on the OTC Bulletin Board with the trading symbol "ADENF" and on the Frankfurt Stock Exchange with the trading symbol "OAM1".

Letter of Intent

Given the increasing challenging market conditions for oil and gas exploration throughout 2015 and 2016, our Company's management had been looking for additional business opportunities. On November 5, 2015, the Company and SMAART Holdings Inc. ("**SMAART**") and the shareholders of SMAART entered into a letter of intent (the "**LOI**") pursuant to which SMAART and Adira will complete a transaction (the "**Transaction**"), pursuant to which the resulting corporation (the "**Resulting Issuer**") will continue to be listed on the TSX Venture Exchange (the "**TSXV**").

SMAART is a British Columbia based corporation that owns a Nevada, USA subsidiary, SMAART Holdings Corp., which in turn owns the following active subsidiaries:

(i) Empower Healthcare Corporation ("**EHC**") is an Oregon based corporation that provides physician services to patients. EHC focuses on pain management services and is a pioneer in the recommendation of cannabis based products to its patients.

(ii) The Hemp & Cannabis Company ("**THCC**") is an Oregon corporation. THCC owns and leases real estate that was used to cultivate cannabis with state licenses in both Oregon and Washington.

(iii) SMAART Inc. is an Oregon corporation that provides administrative services to SMAART owned companies.

The Transaction is subject to a number of conditions typical in a transaction of this nature, including without limitation, the approval by at least 66 2/3% of the votes cast by Adira shareholders at a special meeting of Adira shareholders to approve the Transaction and the approval of the TSXV. On closing of the Transaction, it is expected that current shareholders of Adira will own 10% of the Resulting Issuer, while the current shareholders of SMAART will own the remaining 90%.

In addition, SMAART will complete a financing to close concurrently with the completion of the Transaction. Such funds will be available as working capital for the Resulting Issuer.

The Board of Directors of the Resulting Issuer will initially consist of seven directors, five of which shall be nominated by SMAART and two of which shall be nominated by Adira.

Capital Expenditures and Divestitures

During the year ended December 31, 2016, the Company did not incur any capital expenditures and did not dispose of property and equipment.

The Company's currently has no planned capital expenditures for the next twelve months.

Selected Annual Information

The following table includes selected financial information for the year ended December 31, 2016, and the two prior financial years:

	Year ended December 31,		
	2016	2015	2014
	U.S. dollars in thousands, except per share data		
Revenues	$ -	$ -	$ -
Net (loss) profit and comprehensive (loss) profit for the period	$ (215)	$ (269)	$ 735
Basic and diluted net (loss) profit per share	$ (0.01)	$ (0.02)	$ 0.06
Total assets	$ 52	$ 163	$ 409
Total liabilities	$ 341	$ 237	$ 223
Dividends	-	-	-

The Company has provided details of the above mentioned movements under the headings "Discussion of Operations," "Summary of Quarterly Results," "Liquidity," and "Capital Resources," herein.

Additional Disclosure for Venture Issuers without Significant Revenues:

	Year ended December 31,		
	2016	2015	2014
	U.S. dollars in thousands		
Capitalized and expensed Exploration costs	$ -	$ -	$ -
General and administrative expenses (including share based compensation)	$ 268	$ 349	$ 602

Discussion of Operations

The following is a discussion of the results of operations which have been derived from the consolidated financial statements of the Company for the year ended December 31, 2016:

	Year ended December 31,		
	2016	2015	2014
	U.S. dollars in thousands, except per share data		
Revenues and other income	-	-	-
Expenses:			
General and administrative expenses	268	349	602
Gain on settlement of accounts payable and others payables	-	(25)	(1,374)
Total expenses	268	324	(772)
Operating (loss) profit	(268)	(324)	772
Financing income	-	-	-
Gain (loss) on foreign exchange	8	(23)	(37)
Gain on revaluation of warrant liability	45	78	-
Profit (loss) before income taxes	(215)	(269)	735
Income taxes	-	-	-
Net profit (loss) and comprehensive profit (loss)	(215)	(269)	735
Basic and diluted net profit (loss) per share attributable to equity holders of the parent	(0.01)	(0.02)	(0.06)
Weighted average number of Ordinary shares used in computing basic and diluted net loss per share	17,112,022	15,439,508	12,158,302

Consolidated results of operations for the year ended December 31, 2016 compared to the year ended December 31, 2015.

General and Administrative Expenses

For the year ended December 31, 2016, general and administrative expenses amounted to $217 thousand as compared to $349 thousand for year ended December 31, 2015. The decrease in general and administrative expenses in 2016 resulted primarily from the continued significant reduction in compensation to officers of the Company.

Gain on settlement of accounts payable and others payables

For the year ended December 31, 2016 the Company recorded a gain on settlement of $Nil as compared to $25 thousand for year ended December 31, 2015. The amount in 2015 was from settlement agreements reached with suppliers which were lower than the obligations recorded as of December 31, 2014.

Financing Income/Expense and Gain on Foreign Exchange

For the year ended December 31, 2016, gain on foreign exchange was $8 thousand as compared to a loss of $23 thousand for the year ended December 31, 2015. The Company is exposed to financial risk related to the fluctuation of foreign exchange rates. Most of its monetary assets are held in Canadian, however, the Company inures expenditures in NIS, US Dollars and Canadian dollars. The Company has not hedged its exposure to currency fluctuations.

The gain on revaluation of warrant liability for the year ended December 31, 2016 was $45 as compares to $78 thousand for the year ended December 31, 2015 and results from the warrants issued in May 2015 that are denominated in Canadian dollars, while our functional currency is US dollars; therefore the fair value of the warrants are classified as a financial liability which is re-measured to fair value at the end of each period. The changes in fair value are included in gain on revaluation of warrant liability.

Net Loss

The Company reported a net loss and comprehensive loss for the year ended December 31, 2016 of $215 thousand as compared to $269 thousand for year ended December 31, 2015. The losses in 2016 and 2015 is as a result of the Company incurring general and administrative expenses with no corresponding income.

Inflation

During the years ended December 31, 2016 and 2015, inflation has not had a material impact on our operations.

Summary of Quarterly Results

		Quarter ended			
		December 31, 2016	**September 30, 2016**	**June 30, 2016**	**March 31, 2016**
		U.S dollars in thousands, except per share data			
Revenues	$	-	-	-	-
Net Profit (loss)	$	(147)	(19)	(29)	(20)
Net Profit (loss) per share*	$	(0.01)	(0.00)	(0.00)	(0.00)

*Attributable to equity holders of the Company, post share consolidation

		Quarter ended			
		December 31, 2015	**September 30, 2015**	**June 30, 2015**	**March 31, 2015**
		U.S dollars in thousands, except per share data			
Revenues	$	-	-	-	-
Net Profit (loss)	$	(16)	(20)	(155)	(78)
Net Profit (loss) per share*	$	(0.00)	(0.00)	(0.01)	(0.01)

*Attributable to equity holders of the Company, post Consolidation

Net profit (loss) per quarter is a function of the exploration and operational activity during that quarter. There is no seasonal trend. During each of the quarters of 2015 and 2016 the Company recorded losses as a result of general and administration expenses incurred. The level of such expenses decreased during the quarters as the Company reduced its expenses.

Liquidity

Liquidity is a measure of a company's ability to meet potential cash requirements. The Company has historically met its capital requirements through the issuance of common shares.

The Company has an accumulated deficit of $34.3 million as of December 31, 2016 ($34.1 million as of December 31, 2015), and the Company had negative cash flows from operations of $105 thousand during the year ended December 31, 2016 (negative cash flows of $391 thousand during the year ended December 31, 2015). The ability of the Company to continue as a going concern depends upon the ability of the Company to complete the transaction with SMAART and complete obtain financing to continue our operations.

There can be no assurance that the Company will be able to continue to raise funds, in which case the Company may be unable to meet its obligations. The Company is considering various alternatives with respect to raising additional capital to remedy any future shortfall in capital, but to date has made no specific plans or arrangements.

Year ended December 31, 2016 compared to year ended December 31, 2015

During the year ended December 31, 2016, the Company's overall position of cash and cash equivalents decreased by $105 thousand. This decrease in cash can be attributed to the following activities:

The Company's net cash used in operating activities during the year ended December 31, 2016 was $105 thousand as compared to $391 thousand for the year ended December 31, 2015. This decrease is primarily as a result of an increase in accounts payable.

Cash used in investing activities during the year ended December 31, 2016 was $Nil as compared $15 thousand during the year ended December 31, 2015. The cash provided in 2015 relates primarily to the granting of a loan receivable in the amount of $25 thousand to Smaart as part of the Transaction, off-set by the decrease of restricted cash during the year.

Cash provided by financing activities for the year ended December 31, 2016 was Nil as compared to $196 thousand during the year ended December 31, 2015. The cash provided in 2015 is as a result of the completion of a private placements of shares.

Capital Resources

At December 31, 2016, the Company's cash and cash equivalents were $19 thousand (December 31, 2015 - $124 thousand). The majority of this balance is being held in Canadian Dollars. Our working capital at December 31, 2016 was negative $171 thousand as compared to negative $38 thousand at December 31, 2015. The Company decreased its working capital as a result of a large increase in accounts payable. Subsequent to the year-end a significant service provider has agreed to accept settle their accounts payable balance in the amount $155 in return for shares to be issued as part of the SMAART transaction.

Commitments

The Company's share of the remaining contractual commitments as of December 31, 2016.

Disclosure of Outstanding Share Data

As of the date hereof, the Company has 17,112,022 common shares outstanding, 4,820,000 warrants outstanding and 236,000 outstanding options granted to directors, officers and employees.

Management of Capital

The Company currently does not generate significant cash flows from operations. The Company's primary source of funds comes from the issuance of share capital. The Company does not use other sources of financing that require fixed payments of interest and principal and is not subject to any externally imposed capital requirements.

The Company defines its capital as share capital plus warrants. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to ensure that adequate funds are available to meet its strategic goals. The Company monitors actual expenses to budget to manage its costs and commitments.

The Company's capital management objective is to maximize investment returns to its equity-linked stakeholders within the context of relevant opportunities and risks associated with the Company's operations. Achieving this objective requires management to consider the underlying nature of exploration activities, the availability of capital, the cost of various capital alternatives and other factors. Establishing and adjusting capital requirements is a continuous management process.

Although the Company has been successful at raising funds in the past through the issuance of share capital, there can be no assurance that future financings will be successful.

Off-Balance Sheet arrangements

See "Commitments" above.

Transactions with Related Parties

No director or senior officer of the Company, and no associate or affiliate of the foregoing persons, and no insider has or has had any material interest, direct or indirect, in any transactions, or in any proposed transactions, which in either such case has materially affected or will materially affect the Company or the Company's predecessors since the beginning of the Company's last completed fiscal year except as follows:

During the year ended December 31, 2016, the Company incurred $6 thousand in advisory fees and operating expenses to private companies which are controlled by directors or officers of the Company, as compared to $58 thousand during the year ended December 31, 2015.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Compensation to directors and key management personnel:

The CEO, CFO, and V.P. Business Development, and the directors are considered key management personnel.

	Year ended December 31,		
	2016	2015	2014
Short-term employee benefits	$ -	$ 38	$ 212
Share-based compensation	-	1	22
	$ -	$ 39	$ 234
Number of people	2	2	2

Benefits in respect of key management persons (including directors) who are not employed by the Company:

	Year ended December 31,		
	2016	2015	2014
Board of directors fees	$ 5	$ 45	$ 38
Number of people	3	3	3

Critical Accounting Policies and Estimates

Our results of operation and financial condition are based on our consolidated financial statements, which are presented in accordance with IFRS. Certain accounting principles require us to make certain estimates, judgments and assumptions. We believe that the estimates, judgments and assumptions upon which we rely are reasonable based upon information available to us at that time. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements, as well as the reported amounts of revenues and expenses during the periods presented. To the extent there are material differences between these estimates, judgments or assumptions and actual results, our financial statements will be affected. The significant accounting policies and estimates that we believe are the most critical to aid in fully understanding and evaluating our reported financial results include the following:

- Share-based payment transactions;
- Impairment of financial assets; and
- Warranty liability

The key assumptions made in the financial statements concerning uncertainties at the end of the reporting period and the critical estimates computed by the Group that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Share-based payment transactions

The Company's employees and other service providers are entitled to remuneration in the form of equity-settled share-based payment transactions.

The cost of equity-settled transactions with employees is measured at the fair value of the equity instruments granted at grant date. Fair value measurement of all options and warrants granted is determined using an appropriate pricing model. As for other service providers, the cost of the transactions is measured at the fair value of the goods or services received as consideration for equity instruments. In cases where the fair value of the goods or services received as consideration of equity instruments cannot be measured, they are measured by reference to the fair value of the equity instruments granted.

The cost of equity-settled transactions is recognized in profit or loss, together with a corresponding increase in equity, during the period which the performance and service conditions are to be satisfied, ending on the date on which the relevant employees become fully entitled to the award ("the vesting period"). The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The expense or income recognized in profit or loss represents the movement in the cumulative expense recognized at the end of the reporting period. No expense is recognized for awards that do not ultimately vest.

Impairment of financial assets

At the end of each reporting period, the Company assesses whether there is objective evidence of impairment of a financial asset or group of financial assets carried at amortized cost.

As of the date hereof, there is objective evidence of impairment of debt instruments and receivables as a result of one or more events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows. Evidence of impairment may include indications that the debtor is experiencing financial difficulties, including liquidity difficulty and default in interest or principal payments. The amount of the loss recorded in profit or loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate (the effective interest rate computed at initial recognition). If the financial asset has a variable interest rate, the discount rate is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account (see allowance for doubtful accounts above). In a subsequent period, the amount of the impairment loss is reversed if the recovery of the asset can be related objectively to an event occurring after the impairment was recognized. The amount of the reversal, up to the amount of any previous impairment, is recorded in profit or loss.

Warranty liability

As the warrants have an exercise and presentational price denominated in Canadian dollars which differs from the Company's functional currency they do not qualify for classification as equity. These warrants have been classified as a warrant liability and are recorded initially at fair value and revalued at each reporting date, using the Black Scholes valuation model. Changes in fair value for each year are included in comprehensive profit and loss for the year.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

There were no changes to the Company's internal controls over financial reporting during the year ended December 31, 2016, which have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

As of December 31, 2016, the Company evaluated its disclosure controls and procedures and internal control over financial reporting, as defined by the Canadian Securities Administrators. These evaluations were carried out under the supervision of and with the participation of management, including the Company's chief financial officer. Based on these evaluations, the chief financial officer concluded that the design of these disclosure controls and procedures and internal control over financial reporting were effective.

Financial Instruments and Other Instruments

The Company's financial instruments have been designated as follows:

Financial assets and liabilities	*Classification*
Cash and cash equivalents	Loans and receivables
Other receivables	Loans and receivables
Loan receivables	Loans and receivables
Trade payables	Other financial liabilities
Accrued liabilities	Other financial liabilities
Warrant liability	Fair value through profit and loss

The carrying values of cash and cash equivalents, restricted deposits, other receivables, loan receivable, trade payables, accounts payable and accrued liabilities and warrant liability approximate their fair values due to the short-term maturity of these financial instruments.

Risks and Uncertainties

Credit risk

The Company manages credit risk, in respect of cash and cash equivalents and restricted deposits, by holding them at major Canadian and Israeli financial institutions in accordance with the Company's investment policy. The Company places its cash and cash equivalents with high credit quality Israeli and Canadian financial institutions. Concentration of credit risk exists with respect to the Company's cash and cash equivalents, other receivables and prepaid expenses and loans receivable. The Company's exposure as at December 31, 2016 and 2015 was for $52 and $163 respectively, which consisted of $19 (2015 - $124) in cash held in bank accounts, $8 (2015 - $14) in other receivables and prepaid expenses and $25 in loan receivables (2015 - $25).

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in obtaining funds to meet current obligations and future commitments. The Company's approach to managing liquidity risk is to forecast cash requirements to provide reasonable assurance that it will have sufficient funds to meet its liabilities when due. As of December 31, 2016, the Company had cash and cash equivalents of $19 (2015 - $124), other receivables, and prepaid expenses of $8 (2015 – $14) and loan receivable of $25 (2015 - $25) to settle current liabilities in the amount of $274 (2015 – $125).

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of two types of risk: interest rate risk, and foreign currency risk.

(i) Interest rate risk

The Company is not exposed to significant interest rate risk due to the short-term maturity of its cash equivalents.

(ii) Foreign currency risk

The Company is exposed to financial risk related to the fluctuation of foreign exchange rates. Most of the Company's monetary assets are held in Canadian dollars and most of the Company's expenditures are made in Canadian Dollars. However, the Company also has expenditures in NIS and US dollars. The Company has not hedged its exposure to currency fluctuations. An increase or decrease of 5% of the NIS or the Canadian Dollar relative to the U.S dollar would not have a significant effect on the Company.

Environmental Risk

Environmental regulations affect the cost of exploration and development, as well as future development operations; however, management does not believe that any provision against environmental regulations is currently required.

For a complete discussion on risk factors, please refer to the Company's Form 20-F dated April 25, 2017, filed on www.sedar.com.

Other Information

Additional information about the Company, the Company's quarterly and annual consolidated financial statements, annual information form, technical reports and other disclosure documents, is accessible at the Company's website www.adiraenergy.com or through the Company's public filings at www.sedar.com.

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Adira Energy Ltd.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
For the year ended December 31, 2015

*The following is a discussion and analysis of the activities, consolidated results of operations and financial condition of Adira Energy Ltd. ("**Adira**", "**we**", "**our**", "**us**", or the "**Company**") for the year ended December 31, 2015, which has been prepared on the basis of information available up until April 28, 2016. This Management's Discussion and Analysis ("**MD&A**") should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2015, together with the notes thereto, available under the Company's profile on the System for Electronic Document Analysis and Retrieval (SEDAR) website at www.sedar.com.*

All monetary amounts are reported in United States dollars and in accordance with IFRS unless otherwise noted. This MD&A is dated, April 28, 2016.

Forward-Looking Statements

This MD&A (including, without limitation, the sections discussing Adira's Financial Conditions and Results of Operations) contains certain forward-looking statements. All statements other than statements of historical fact that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future are forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "contemplate", "target", "believe", "plan", "estimate", "expect" and "intend" and statements that an event or result "may", "will", "can", "should", "could" or "might" occur or be achieved and other similar expressions. These statements are based upon certain assumptions and analyses made by management in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors management believes are appropriate in the circumstances. However, whether actual results and developments will conform with management's expectations is subject to a number of risks and uncertainties, including the considerations discussed herein and in other documents filed from time to time by the Company with Canadian security regulatory authorities, general economic, market or business conditions, the opportunities (or lack thereof) that may be presented to and pursued by management, competitive actions by other companies, changes in laws or regulations and other factors, many of which are beyond the Company's control. These factors may cause the actual results of the Company to differ materially from those discussed in the forward-looking statements and there can be no assurance that the actual results or developments anticipated by management will be realized or, even if substantially realized, that they will have the expected results on Adira. All of the forward-looking statements made herein are qualified by the foregoing cautionary statements. The Company expressly disclaims any obligation to update or revise any such forward-looking statements.

Business overview and Significant Developments during the period

Adira was initially incorporated as an oil and gas exploration company with a focus on early-stage exploration in the State of Israel. The focus of the Company has changed as detailed below. The Company's current trading symbol on the TSX Venture Exchange (the "**Exchange**") is "ADL". The Company also trades on the OTC Bulletin Board with the trading symbol "ADENF" and on the Frankfurt Stock Exchange with the trading symbol "OAM1".

On May 7, 2015, the Company completed a non-brokered private placement of 4,820,000 units (the "**Units**") for gross proceeds of $202 thousand ($241 thousand CDN). Each Unit consists of one Common Share and one warrant. Each warrant is exercisable to acquire one Common Share at a price of CAN$0.05 per Common Share until May 6, 2018. The funds raised were for working capital purposes.

On August 9, 2015, 79,012,640 warrants expired. During the year ended December 31, 2015, 144,666 options expired or were forfeited.

The Company had an option (the "**Yam Hadera Option**") to acquire up to a 15% participating interest in the Yam Hadera license (the "**Yam Hadera License**") from Modiin Energy LP ("**MELP**"). The Yam Hadera Option was exercisable until 14 days prior to the signing of a rig contract for the Yam Hadera License. On September 22, 2014, the Petroleum Commissioner advised MELP that the Yam Hadera License expired, without further extension being

granted, due to the milestones in their work program not being achieved. On October 22, 2014, MELP sent a letter of appeal to the decision with the Minister of Energy and Water, however, in December 2015, MELP was notified that their appeal was denied and that the license has expired.

Letter of Intent

In anticipation of the possibility that MELP's appeal in respect of the Yam Hadera License would be denied by the Minister of Energy and Water, and given the increasing challenging market conditions for oil and gas exploration throughout 2015, our Company's management had been looking for additional business opportunities. On November 5, 2015, the Company and SMAART Holdings Inc. ("**SMAART**") and the shareholders of SMAART entered into a letter of intent (the "**LOI**") pursuant to which SMAART and Adira will complete a transaction (the "**Transaction**"), pursuant to which the resulting corporation (the "**Resulting Issuer**") will continue to be listed on the TSX Venture Exchange (the "**TSXV**").

SMAART is a British Columbia based corporation that owns a Nevada, USA subsidiary, SMAART Holdings Corp., which in turn owns the following active subsidiaries:

(i) Empower Healthcare Corporation ("**EHC**") is an Oregon based corporation that provides physician services to patients. EHC focuses on pain management services and is a pioneer in the recommendation of cannabis based products to its patients.

(ii) The Hemp & Cannabis Company ("**THCC**") is an Oregon corporation. THCC owns and leases real estate that was used to cultivate cannabis with state licenses in both Oregon and Washington.

(iii) SMAART Inc. is an Oregon corporation that provides administrative services to SMAART owned companies.

(iv) The Hemp & Cannabis Company (Washington) owns a property in Washington state that previously was used to cultivate cannabis on behalf of clinic patients.

The Transaction is subject to a number of conditions typical in a transaction of this nature, including without limitation, the approval by at least 66 2/3% of the votes cast by Adira shareholders at a special meeting of Adira shareholders to approve the Transaction and the approval of the TSXV. On closing of the Transaction, it is expected that current shareholders of Adira will own 10% of the Resulting Issuer, while the current shareholders of SMAART will own the remaining 90%.

In addition, SMAART will complete a financing to close concurrently with the completion of the Transaction whereby net proceeds of at least $2,400,000 CDN are raised. Such funds will be available as working capital for the Resulting Issuer.

The Board of Directors of the Resulting Issuer will initially consist of seven directors, five of which shall be nominated by SMAART and two of which shall be nominated by Adira.

Capital Expenditures and Divestitures

During the year ended December 31, 2015, the Company did not incur any capital expenditures and disposed of property and equipment in the net amount of approximately $3 thousand which relates to computer equipment.

The Company's currently has no planned capital expenditures for the next twelve months.

Selected Annual Information

The following table includes selected financial information for the year ended December 31, 2015, and the two prior financial years:

	Year ended December 31,		
	2015	2014	2013
	U.S. dollars in thousands, except per share data		
	Audited		
Revenues	$ -	$ -	$ 17
Net profit (loss) and comprehensive profit (loss) for the period	$ (269)	$ 735	$ (5,644)
Basic and diluted net profit (loss) per share	$ (0.02)	$ 0.06	$ (0.47)
Total assets	$ 163	$ 409	$ 3,226
Total liabilities	$ 125	$ 223	$ 3,803
Dividends	-	-	-

The Company has provided details of the above mentioned movements under the headings "Discussion of Operations," "Summary of Quarterly Results," "Liquidity," and "Capital Resources," herein.

Additional Disclosure for Venture Issuers without Significant Revenues:

	Year ended December 31,		
	2015	2014	2013
	U.S. dollars in thousands		
	Audited		
Capitalized and expensed Exploration costs	$ -	$ -	$ 677
General and administrative expenses (including share based compensation)	$ 349	$ 602	$ 2,813

Discussion of Operations

The following is a discussion of the results of operations which have been derived from the interim consolidated financial statements of the Company for the year ended December 31, 2015:

	Year ended December 31,		
	2015	**2014**	**2013**
	U.S. dollars in thousands, except per share data		
	Audited		
Revenues and other income	-	-	17
Expenses:			
Exploration expenses	-	-	677
General and administrative expenses	349	602	2,813
Gain on settlement of accounts payable and others payables	(25)	(1,374)	-
Impairment charge	-	-	5,168
Total expenses	324	(772)	8,658
Operating profit (loss)	(324)	772	(8,641)
Financing income	-	-	3,027
Gain (loss) on foreign exchange	(23)	(37)	(30)
Gain on revaluation of warrant liability	78	-	-
Profit (loss) before income taxes	(269)	735	(5,644)
Income taxes	-	-	-
Net profit (loss) and comprehensive profit (loss)	(269)	735	(5,644)
Basic and diluted net profit (loss) per share attributable to equity holders of the parent	(0.02)	(0.06)	(0.47)
Weighted average number of Ordinary shares used in computing basic and diluted net loss per share	15,439,508	12,158,302	12,052,073

Consolidated results of operations for the year ended December 31, 2015 compared to the year ended December 31, 2014.

General and Administrative Expenses

For the year ended December 31, 2015, general and administrative expenses amounted to $349 thousand as compared to $602 thousand for year ended December 31, 2014. The decrease in general and administrative expenses in 2015 resulted primarily from significant reduction in compensation to officers of the Company and a decrease in rent.

Gain on settlement of accounts payable and others payables

For the year ended December 31, 2015 the Company recorded a gain on settlement of $25 thousand, arising from settlement agreements reached with suppliers which were lower than the obligations recorded as of December 31, 2014 (The gain in 2014 was 1,374 thousand.)

Financing Income/Expense and Gain on Foreign Exchange

For the year ended December 31, 2015, loss on foreign exchange was $23 thousand as compared to $37 thousand for the year ended December 31, 2014. The Company is exposed to financial risk related to the fluctuation of foreign exchange rates. The Company operates in Israel, most of its monetary assets are held in U.S. dollars and most of its expenditures are made in U.S. dollars. However, it also has expenditures in NIS and Canadian dollars. The Company has not hedged its exposure to currency fluctuations.

The gain on revaluation of warrant liability for the year ended December 31, 2015 was $78 thousand and results from the warrants issued in May 2015 that are denominated in Canadian dollars, while our functional currency is US dollars; therefore the fair value of the warrants are classified as a financial liability which is re-measured to fair value at the end of each period. The changes in fair value are included in gain on revaluation of warrant liability. For the year ended December 31, 2014, the amount was Nil.

Net Profit

The Company reported a net loss and comprehensive loss for the year ended December 31, 2015 of $269 thousand as compared to a net profit and comprehensive profit of $735 thousand for year ended December 31, 2014. The loss in 2015 is as a result of the Company incurring general and administrative expenses with no corresponding income. The primary reason for profit in 2014 is as a result of the Company's ability to significantly reduce general and administration expenses, and for Adira Israel to obtain significant discounts from settlement agreements reached with suppliers which were lower than the obligations recorded as of December 31, 2013.

Inflation

During the years ended December 31, 2015 and 2014, inflation has not had a material impact on our operations.

Summary of Quarterly Results

		Quarter ended			
		December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015
		U.S dollars in thousands, except per share data			
Revenues	$	-	-	-	-
Net Profit (loss)	$	(16)	(20)	(155)	(78)
Net Profit (loss) per share*	$	(0.00)	(0.00)	(0.01)	(0.01)

*Attributable to equity holders of the Company, post Consolidation

		Quarter ended			
		December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014
		U.S dollars in thousands, except per share data			
Revenues	$	-	-	-	-
Net Profit (loss)	$	(143)	(84)	516	446
Net Profit (loss) per share*	$	(0.01)	(0.01)	0.04	0.04

*Attributable to equity holders of the Company, post Consolidation

Net profit (loss) per quarter is a function of the exploration and operational activity during that quarter. There is no seasonal trend. The profit during the first and second quarters of 2014 is due primarily to the gain on settlement of accounts payable and others payables during the periods. The loss during the third and fourth quarter of 2014 is as a result of general and administrative expenses incurred during the periods. During each of the four quarters of 2015 the Company recorded losses as a result of general and administration expenses incurred. The level of such expenses decreased during the quarters as the Company reduced its expenses.

Liquidity

Liquidity is a measure of a company's ability to meet potential cash requirements. The Company has historically met its capital requirements through the issuance of common shares.

The Company has an accumulated deficit of $34.1 million as of December 31, 2015 ($33.9 million as of December 31, 2014), and the Company had negative cash flows from operations of $391 thousand during the year ended December 31, 2015 (negative cash flows of $380 thousand during the year ended December 31, 2014). The ability of the Company to continue as a going concern depends upon the ability of the Company to complete the transaction with SMAART and complete obtain financing to continue our operations.

There can be no assurance that the Company will be able to continue to raise funds, in which case the Company may be unable to meet its obligations. The Company is considering various alternatives with respect to raising additional capital to remedy any future shortfall in capital, but to date has made no specific plans or arrangements.

Year ended December 31, 2015 compared to year ended December 31, 2014

During the year ended December 31, 2014, the Company's overall position of cash and cash equivalents decreased by $210 thousand. This decrease in cash can be attributed to the following activities:

The Company's net cash used in operating activities during the year ended December 31, 2015 was $391 thousand as compared to $380 thousand for the year ended December 31, 2014. This increase is primarily as a result of a decrease in accounts payable.

Cash used in investing activities during the year ended December 31, 2015 was $15 thousand as compared to cash generated from investing activities of $37 thousand during the year ended December 31, 2014. The use of cash in 2015 relates primarily to the granting of a loan receivable in the amount of $25 thousand to Smaart as part of the Transaction, off-set by the decrease of restricted cash during the year.

Cash provided by financing activities for the year ended December 31, 2015 was $197 thousand as compared to $60 thousand during the year ended December 31, 2014. The cash provided in 2015 and 2014 is as a result of the completion of two separate private placements of shares.

Capital Resources

At December 31, 2015, the Company’s cash and cash equivalents were $124 thousand (December 31, 2014 - $334 thousand). The majority of this balance is being held in US Dollars. Our working capital at December 31, 2015 was $38 thousand as compared to $184 thousand at December 31, 2014. The Company decreased its working capital as a result of a large decrease in accounts payable.

Commitments

The Company’s share of the remaining contractual commitments as of December 31, 2015, for the Licenses is nil.

Disclosure of Outstanding Share Data

As of the date hereof, the Company has 17,112,022 common shares outstanding, 4,820,000 warrants outstanding and 271,334 outstanding options granted to directors, officers and employees.

Management of Capital

The Company currently does not generate significant cash flows from operations. The Company’s primary source of funds comes from the issuance of share capital. The Company does not use other sources of financing that require fixed payments of interest and principal and is not subject to any externally imposed capital requirements.

The Company defines its capital as share capital plus warrants. To effectively manage the Company’s capital requirements, the Company has a planning and budgeting process in place to ensure that adequate funds are available to meet its strategic goals. The Company monitors actual expenses to budget to manage its costs and commitments.

The Company’s capital management objective is to maximize investment returns to its equity-linked stakeholders within the context of relevant opportunities and risks associated with the Company’s operations. Achieving this objective requires management to consider the underlying nature of exploration activities, the availability of capital, the cost of various capital alternatives and other factors. Establishing and adjusting capital requirements is a continuous management process.

Although the Company has been successful at raising funds in the past through the issuance of share capital, there can be no assurance that future financings will be successful.

Off-Balance Sheet arrangements

See “Commitments” above.

Transactions with Related Parties

No director or senior officer of the Company, and no associate or affiliate of the foregoing persons, and no insider has or has had any material interest, direct or indirect, in any transactions, or in any proposed transactions, which in either such case has materially affected or will materially affect the Company or the Company's predecessors since the beginning of the Company's last completed fiscal year except as follows:

During the year ended December 31, 2015, the Company incurred $58 thousand in advisory fees and operating expenses to private companies which are controlled by directors or officers of the Company, as compared to $233 thousand during the year ended December 31, 2014.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Compensation to directors and key management personnel:

The CEO, CFO, and V.P. Business Development, and the directors are considered key management personnel.

	Year ended December 31,		
	2015	2014	2013
Short-term employee benefits	$ 38	$ 212	$ 1,133
Share-based compensation	1	22	16
	$ 39	$ 234	$ 1,149
Number of people	2	2	6

Benefits in respect of key management persons (including directors) who are not employed by the Company:

	Year ended December 31,		
	2015	2014	2013
Board of directors fees	$ 45	$ 38	$ 32
Number of people	3	3	3

For the year ended December 31, 2015 Adira Energy Ltd recorded a gain on settlement of accounts payable and other payables in the amount of $25, arising from settlement agreements reached with related parties.

Critical Accounting Policies and Estimates

Our results of operation and financial condition are based on our consolidated financial statements, which are presented in accordance with IFRS. Certain accounting principles require us to make certain estimates, judgments and assumptions. We believe that the estimates, judgments and assumptions upon which we rely are reasonable based upon information available to us at that time. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements, as well as the reported amounts of revenues and expenses during the periods presented. To the extent there are material differences between these estimates, judgments or assumptions and actual results, our financial statements will be affected. The significant accounting policies and estimates that we believe are the most critical to aid in fully understanding and evaluating our reported financial results include the following:

- Share-based payment transactions;
- Impairment of financial assets; and
- Warranty liability

The key assumptions made in the financial statements concerning uncertainties at the end of the reporting period and the critical estimates computed by the Group that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Share-based payment transactions

The Company's employees and other service providers are entitled to remuneration in the form of equity-settled share-based payment transactions.

The cost of equity-settled transactions with employees is measured at the fair value of the equity instruments granted at grant date. Fair value measurement of all options and warrants granted is determined using an appropriate pricing model. As for other service providers, the cost of the transactions is measured at the fair value of the goods or services received as consideration for equity instruments. In cases where the fair value of the goods or services received as consideration of equity instruments cannot be measured, they are measured by reference to the fair value of the equity instruments granted.

The cost of equity-settled transactions is recognized in profit or loss, together with a corresponding increase in equity, during the period which the performance and service conditions are to be satisfied, ending on the date on which the relevant employees become fully entitled to the award ("the vesting period"). The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The expense or income recognized in profit or loss represents the movement in the cumulative expense recognized at the end of the reporting period. No expense is recognized for awards that do not ultimately vest.

Impairment of financial assets

At the end of each reporting period, the Company assesses whether there is objective evidence of impairment of a financial asset or group of financial assets carried at amortized cost.

As of the date hereof, there is objective evidence of impairment of debt instruments and receivables as a result of one or more events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows. Evidence of impairment may include indications that the debtor is experiencing financial difficulties, including liquidity difficulty and default in interest or principal payments. The amount of the loss recorded in profit or loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate (the effective interest rate computed at initial recognition). If the financial asset has a variable interest rate, the discount rate is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account (see allowance for doubtful accounts above). In a subsequent period, the amount of the impairment loss is reversed if the recovery of the asset can be related objectively to an event occurring after the impairment was recognized. The amount of the reversal, up to the amount of any previous impairment, is recorded in profit or loss.

Warranty liability

As the warrants have an exercise and presentational price denominated in Canadian dollars which differs from the Company’s functional currency they do not qualify for classification as equity. These warrants have been classified as a warrant liability and are recorded initially at fair value and revalued at each reporting date, using the Black Scholes valuation model. Changes in fair value for each year are included in comprehensive profit and loss for the year.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

There were no changes to the Company’s internal controls over financial reporting during the year ended December 31, 2015, which have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

As of December 31, 2015, the Company evaluated its disclosure controls and procedures and internal control over financial reporting, as defined by the Canadian Securities Administrators. These evaluations were carried out under the supervision of and with the participation of management, including the Company’s chief financial officer. Based on these evaluations, the chief financial officer concluded that the design of these disclosure controls and procedures and internal control over financial reporting were effective.

Financial Instruments and Other Instruments

The Company's financial instruments have been designated as follows:

Financial assets and liabilities	*Classification*
Cash and cash equivalents	Loans and receivables
Restricted deposits	Loans and receivables
Other receivables	Loans and receivables
Loan receivable	Loans and receivables
Trade payables	Other financial liabilities
Accounts payable and accrued liabilities	Other financial liabilities
Warrant liability	Fair value through profit and loss

The carrying values of cash and cash equivalents, restricted deposits, other receivables, loan receivable, trade payables, accounts payable and accrued liabilities and warrant liability approximate their fair values due to the short-term maturity of these financial instruments.

Risks and Uncertainties

Credit risk

The Company manages credit risk, in respect of cash and cash equivalents and restricted deposits, by holding them at major Canadian and Israeli financial institutions in accordance with the Company's investment policy. The Company places its cash and cash equivalents with high credit quality Israeli and Canadian financial institutions. Concentration of credit risk exists with respect to the Company's cash and cash equivalents and other receivables. The Company's exposure as at December 31, 2015 and 2014 was for $151 thousand and $359 thousand respectively, which consisted of $124 thousand (2014 - $334 thousand) in cash held in bank accounts, Nil (2014 - $9 thousand) in restricted deposits, $2 (2014 - $16) in government authorities and $25 thousand in loans receivable (2014 – Nil). None of the Company's accounts receivable are overdue as at December 31, 2015.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in obtaining funds to meet current obligations and future commitments. The Company's approach to managing liquidity risk is to forecast cash requirements to provide reasonable assurance that it will have sufficient funds to meet its liabilities when due. As of December 31, 2015, the Company had cash and cash equivalents of $124 thousand, loans receivable of $25 thousand and accounts and other receivables and prepaid of $14 thousand to settle other payables in the amount of $125 thousand.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of two types of risk: interest rate risk, and foreign currency risk.

(i) Interest rate risk

The Company is not exposed to significant interest rate risk due to the short-term maturity of its cash equivalents.

(ii) Foreign currency risk

The Company is exposed to financial risk related to the fluctuation of foreign exchange rates. The Company operates in Israel. Most of the Company's monetary assets are held in US dollars and most of the Company's expenditures are made in US dollars. However, the Company also has expenditures in NIS and Canadian dollars. The Company has not hedged its exposure to currency fluctuations. An increase or decrease of 5% of the NIS or the Canadian Dollar relative to the U.S dollar would not have a significant effect on the Company.

Environmental Risk

Environmental regulations affect the cost of exploration and development, as well as future development operations; however, management does not believe that any provision against environmental regulations is currently required.

For a complete discussion on risk factors, please refer to the Company's Form 20-F dated April 28, 2016, filed on www.sedar.com.

Subsequent Events

On February 10, 2016, the Company completed the voluntarily liquidation and deregistration of Adira Energy Israel Services Limited.

Other Information

Additional information about the Company, the Company's quarterly and annual consolidated financial statements, annual information form, technical reports and other disclosure documents, is accessible at the Company's website www.adiraenergy.com or through the Company's public filings at www.sedar.com.

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Adira Energy Ltd.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
For the year ended December 31, 2014

*The following is a discussion and analysis of the activities, consolidated results of operations and financial condition of Adira Energy Ltd. ("**Adira**", "**we**", "**our**", "**us**", or the "**Company**") for the year ended December 31, 2014, which has been prepared on the basis of information available up until April 29, 2015. This Management's Discussion and Analysis ("**MD&A**") should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2014, together with the notes thereto, available under the Company's profile on the System for Electronic Document Analysis and Retrieval (SEDAR) website at www.sedar.com.*

All monetary amounts are reported in United States dollars and in accordance with IFRS unless otherwise noted. This MD&A is dated April 29, 2015.

Forward-Looking Statements

This MD&A (including, without limitation, the sections discussing Adira's Financial Conditions and Results of Operations) contains certain forward-looking statements. All statements other than statements of historical fact that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future are forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "contemplate", "target", "believe", "plan", "estimate", "expect" and "intend" and statements that an event or result "may", "will", "can", "should", "could" or "might" occur or be achieved and other similar expressions. These statements are based upon certain assumptions and analyses made by management in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors management believes are appropriate in the circumstances. However, whether actual results and developments will conform with management's expectations is subject to a number of risks and uncertainties, including the considerations discussed herein and in other documents filed from time to time by the Company with Canadian security regulatory authorities, general economic, market or business conditions, the opportunities (or lack thereof) that may be presented to and pursued by management, competitive actions by other companies, changes in laws or regulations and other factors, many of which are beyond the Company's control. These factors may cause the actual results of the Company to differ materially from those discussed in the forward-looking statements and there can be no assurance that the actual results or developments anticipated by management will be realized or, even if substantially realized, that they will have the expected results on Adira. All of the forward-looking statements made herein are qualified by the foregoing cautionary statements. The Company expressly disclaims any obligation to update or revise any such forward-looking statements.

Business overview and Significant Developments during the period

Adira is a Canadian oil and gas exploration company with a focus on early-stage exploration in the State of Israel. The Company's current trading symbol on the TSX Venture Exchange (the "**Exchange**") is "ADL". The Company also trades on the OTC Bulletin Board with the trading symbol "ADENF" and on the Frankfurt Stock Exchange with the trading symbol "OAM1".

On October 30, 2014, the Yitzhak License No 380, offshore (the "**Yitzhak License**") expired.

On September 1, 2014, the Petroleum Commissioner of Israel (the "**Commissioner**") advised Modiin Energy Limited Partnership ("**MELP**"), one of the Company's joint operating partners, that license No. 378 (the "**Gabriella License**") and the license No. 383 (the "**Yam Hadera License**") expired, without further extension being granted, due to the milestones in their work program not being achieved and on October 22, 2014, MELP sent a letter of appeal to the decision with the Minister of Energy and water, however, as of this date, no reply has been received.

Adira Israel held a 15% working interest in the Gabriella License and had an option to acquire up to a 15% participating interest on the Yam Hadera License.

Effective September 29, 2014, the Company completed a consolidation of its issued and outstanding common shares on the basis of one post-consolidation common share for every five pre-consolidation common shares (the "**Consolidation**"). As a result, the Company's 61,460,318 pre-Consolidation Shares were reduced to 12,292,022 post-Consolidation common shares.

Capital Expenditures and Divestitures

During the year ended December 31, 2014, the Company did not incur any capital expenditures and disposed of property and equipment in the net amount of approximately $14 thousand which relates primarily to office furniture and computer equipment.

The Company's currently has no planned capital expenditures for the next twelve months.

Selected Annual Information

The following table includes selected financial information for the year ended December 31, 2014, and the two prior financial years:

	Year ended December 31,		
	2014	**2013**	**2012**
	U.S. dollars in thousands, except per share data		
	Audited		
Revenues	$ -	$ 17	$ 1,889
Net profit (loss) and comprehensive profit (loss) for the period	$ 735	$ (5,644)	$ (10,557)
Basic and diluted net profit (loss) per share	$ 0.06	$ (0.47)	$ (1.19)
Total assets	$ 409	$ 3,226	$ 15,340
Total liabilities	$ 223	$ 3,803	$ 10,330
Dividends	-	-	-

The Company has provided details of the above mentioned movements under the headings "Discussion of Operations," "Summary of Quarterly Results," "Liquidity," and "Capital Resources," herein.

Additional Disclosure for Venture Issuers without Significant Revenues:

	Year ended December 31,		
	2014	**2013**	**2012**
	U.S. dollars in thousands		
	Audited		
Capitalized and expensed Exploration costs	$ -	$ 677	$ 11,680
General and administrative expenses (including share based compensation)	$ 602	$ 2,813	$ 5,304

Discussion of Operations

The following is a discussion of the results of operations which have been derived from the interim consolidated financial statements of the Company for the year ended December 31, 2014:

	Year ended December 31,		
	2014	**2013**	**2012**
	U.S. dollars in thousands, except per share data		
	Audited		
Revenues and other income	-	17	1,889
Expenses:			
Exploration expenses	-	677	1,026
General and administrative expenses	602	2,813	5,304
Gain on settlement of accounts payable and others payables	(1,374)	-	-
Impairment charge	-	5,168	7,810
Total expenses	(772)	8,658	14,140
Operating profit (loss)	772	(8,641)	(12,251)
Financing income	-	3,027	2,480
Gain on foreign exchange	(37)	(30)	(745)
Profit (loss) before income taxes	735	(5,644)	(10,516)
Income taxes	-	-	(41)
Net profit (loss) and comprehensive profit (loss)	735	(5,644)	(10,557)
Net loss and comprehensive loss attributed to:			
Equity holders of the parent	735	(5,644)	(8,554)
Non-controlling interests	-	-	(2,003)
	735	(5,644)	(10,557)
Basic and diluted net profit (loss) per share attributable to equity holders of the parent	(0.06)	(0.47)	(1.19)
Weighted average number of Ordinary shares used in computing basic and diluted net loss per share	12,158,302	12,052,073	8,862,723

Consolidated results of operations for the year ended December 31, 2014 compared to the year ended December 31, 2013.

Revenues and Other Income

	Year ended December 31,			
	2014		2013	
	U.S. dollars in thousands			
Consulting	$	-	$	7
Operator fees		-		5
Income from farm-out		-		-
Other Income		-		5
	$	-	$	17

Due to the fact that Adira Israel ceased operations, the Company did not earn any Revenues or Income in 2014.

Consulting fees relate to consulting services in respect of the Offshore Licenses on a "time and materials" basis. For the year ended December 31, 2013, Adira Israel earned consulting fees of $7,000 from operations prior to the time that Adira Israel ceased the drilling program on Gabriella.

Operator fees relate to fees received as the operator on the Offshore Licenses at a fixed rate of the total exploration costs incurred by the respective Unincorporated Joint Ventures ("UJVs"). For the year ended December 31, 2013, Adira Israel earned operator fees of $5,000.

Expenses

Exploration Expenses

For the year ended December 31, 2014, exploration expenses amounted to nil as compared to $677 thousand for year ended December 31, 2013. The decrease in exploration expenses in 2014 reflects our decision to suspend operations on all of our licenses in early 2013.

General and Administrative Expenses

For the year ended December 31, 2014, general and administrative expenses amounted to $602 thousand as compared to $2.8 million for year ended December 31, 2013. The decrease in general and administrative expenses in 2014 resulted primarily from the decrease of our exploration activities since the suspension of operations on all of Adira Israel's licenses. The Company has taken active steps to reduce all general and administrative expenses, including salaries, rent and other office expenses.

Gain on settlement of accounts payable and others payables

For the year ended December 31, 2014 the Company recorded a gain on settlement of $1.4 million, arising from settlement agreements reached with suppliers which were lower than the obligations recorded as of December 31, 2013.

Impairment Charge

For the year ended December 31, 2014, the impairment charge was nil as compared to $5.2 million for the year ended December 31, 2013. During 2014 there was no exploration activity, and therefore no impairment charge. The impairment in 2013 relates primarily to costs that had been capitalized to exploration and evaluation assets prior to the suspension of operations on the Gabriella License, and which have subsequently been written–off, and the Company's decision to write off expenses on the Yitzhak License due to the low probability of realization of the asset from either the successful development or sale of the Yitzhak License in the near future.

Financing Income/Expense and Gain on Foreign Exchange

For the year ended December 31, 2014, financing income was nil as compared to $3.0 million for the year ended December 31, 2013, and gain on foreign exchange was $37 thousand for the year ended December 31, 2014 as compared to $30 thousand for the year ended December 31, 2013.

Financing Income results from the warrants issued in the August Offering (as defined below) that are denominated in Canadian dollars, while our functional currency is US dollars; therefore the fair value of the warrants are classified as a financial liability which is remeasured to fair value at the end of each period. The changes in fair value are included in financing income/expenses. For the year ended December 31, 2013, the amount is income of $3.0 million.

In addition, the Company is exposed to financial risk related to the fluctuation of foreign exchange rates. The Company operates in Israel, most of its monetary assets are held in U.S. dollars and most of its expenditures are made in U.S. dollars. However, it also has expenditures in NIS and Canadian dollars. The Company has not hedged its exposure to currency fluctuations.

Net Profit

The Company reported a net profit and comprehensive profit for the year ended December 31, 2014 of $735 thousand as compared to a net loss and comprehensive loss of $5.6 million for year ended December 31, 2013. The primary reason for profit is as a result of the Company's ability to significantly reduce general and administration expenses, and for Adira Israel to obtain significant discounts from settlement agreements reached with suppliers which were lower than the obligations recorded as of December 31, 2013. The profit for 2014 was an exceptional result that we do not believe is sustainable at this time.

Inflation

During the years ended December 31, 2014 and 2013, inflation has not had a material impact on our operations.

Government Regulation

The Licenses have been granted to us, through various subsidiaries, by the State of Israel under the Israeli Petroleum Law, and our evaluation and exploration activities in the areas covered by the Licenses must be undertaken in compliance with work plans approved by the Commissioner.

Summary of Quarterly Results

		Quarter ended			
		December 31, 2014	**September 30, 2014**	**June 30, 2014**	**March 31, 2014**
		U.S dollars in thousands, except per share data			
Revenues	$	-	-	-	-
Net Profit (loss)	$	(143)	(84)	516	446
Net Profit (loss) per share*	$	(0.01)	(0.01)	0.04	0.04

*Attributable to equity holders of the Company, post Consolidation

		Quarter ended			
		December 31, 2013	**September 30, 2013**	**June 30, 2013**	**March 31, 2013**
		U.S dollars in thousands, except per share data			
Revenues	$	-	-	4	13
Net Profit (loss)	$	(70)	(2,478)	32	(3,128)
Net Profit (loss) per share*	$	(0.05)	(0.21)	0.05	(0.26)

*Attributable to equity holders of the Company, post Consolidation

Net profit (loss) per quarter is a function of the exploration and operational activity during that quarter. There is no seasonal trend. The net loss for the first quarter of 2013 resulted primarily from an impairment charge in respect of the Gabriella license and the net profit for the second quarter of 2013 is due to reduced general and administrative expenses and finance income recorded in respect of the re-measurement of the warrants issued in August 2012. The net loss for the quarter ended September 30, 2013, resulted primarily from an impairment charge in respect of the Yitzhak License and the net loss for the quarter ended December 31, 2013, was significantly reduced in line with the reduced activities of the Company. The profit during the first and second quarters of 2014 is due primarily to the Gain on settlement of accounts payable and others payables. The loss during the third and fourth quarter of 2014 is as a result of no change in the gain on settlement of accounts payable and others payables, and no revenues to offset against general and administrative expenses.

Liquidity

Liquidity is a measure of a company's ability to meet potential cash requirements. The Company has historically met its capital requirements through the issuance of common shares.

The Company has an accumulated deficit of $33.9 million as of December 31, 2014 ($34.6 million as of December 31, 2013), and the Company had negative cash flows from operations of $380 thousand during the year ended December 31, 2014 (negative cash flows of $2.0 million during the year ended December 31, 2013). The ability of the Company to continue as a going concern depends upon the ability of the Company to obtain financing to complete development, and upon future profitable operations from the properties or proceeds from their disposition. The Company is an exploration stage company and has not earned any revenues from its oil and gas properties to date.

There can be no assurance that the Company will be able to continue to raise funds, in which case the Company may be unable to meet its obligations. The Company is considering various alternatives with respect to raising additional capital to remedy any future shortfall in capital, but to date has made no specific plans or arrangements. Because of the early stage of the Company's operations and the Company's absence of any material oil and natural gas reserves, there can be no assurance this capital will be available and if it is not, the Company may be forced to substantially curtail or cease exploration, appraisal and development expenditures.

Year ended December 31, 2014 compared to year ended December 31, 2013

During the year ended December 31, 2014, the Company's overall position of cash and cash equivalents decreased by $283 thousand. This decrease in cash can be attributed to the following activities:

The Company's net cash used in operating activities during the year ended December 31, 2014 was $380 thousand as compared to $2.0 million for the year ended December 31, 2013. This decrease is in line with significantly reduced activities in the Company in 2014 as compared to 2013.

Cash generated from investing activities during the year ended December 31, 2014 was $37 thousand as compared to $234 thousand during the year ended December 31, 2013. The generation of cash from investment activities in 2014 relates primarily from the decrease in restricted cash and the sale of equipment by Adira Israel.

Cash provided by financing activities for the year ended December 31, 2014 was $60 thousand as compared to nil during the year ended December 31, 2013. The cash provided in 2014 is as a result of the completion of a private placement of shares.

Capital Resources

At December 31, 2014, the Company's cash and cash equivalents were $334 thousand (December 31, 2012 - $617 thousand). The majority of this balance is being held in US Dollars. Our working capital at December 31, 2014 was $184 thousand as compared to negative $638 thousand at December 31, 2013. The Company increased its working capital by negotiating discounts on amounts owed to suppliers at December 31, 2013.

Commitments

The Company's share of the remaining contractual commitments as of December 31, 2014, for the Licenses is nil. The Company has an agreement for the lease of the offices in Toronto, Canada for a period ending in 2015. In 2013, the lease agreement for the Company's office in Ramat Gan, Israel expired. The total future minimum lease payments under non-cancelable operating lease in Canada is $26 thousand.

Disclosure of Outstanding Share Data

As of the date hereof, the Company has 12,292,022 common shares outstanding, 79,012,640 warrants outstanding and 358,000 options granted to directors, officers and employees. Each warrant entitles the right of the holder thereof to acquire 1/15 of a common share.

Management of Capital

	December 31, 2014	December 31, 2013
	U.S. dollars in thousands	
	Audited	
EQUITY		
Share capital	$ -	$ -
Additional paid-in capital	34,051	34,023
Accumulated deficit	(33,865)	(34,600)
Total equity (deficit)	$ 186	$ (577)

The Company is an early-stage exploration company and currently does not generate significant cash flows from operations. The Company's primary source of funds comes from the issuance of share capital. The Company does not use other sources of financing that require fixed payments of interest and principal and is not subject to any externally imposed capital requirements.

The Company defines its capital as share capital plus warrants. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to ensure that adequate funds are available to meet its strategic goals. The Company monitors actual expenses to budget to manage its costs and commitments.

The Company's capital management objective is to maximize investment returns to its equity-linked stakeholders within the context of relevant opportunities and risks associated with the Company's operations. Achieving this objective requires management to consider the underlying nature of exploration activities, the availability of capital, the cost of various capital alternatives and other factors. Establishing and adjusting capital requirements is a continuous management process.

Although the Company has been successful at raising funds in the past through the issuance of share capital, there can be no assurance that future financings will be successful.

Off-Balance Sheet arrangements

See “Commitments” above.

Transactions with Related Parties

No director or senior officer of the Company, and no associate or affiliate of the foregoing persons, and no insider has or has had any material interest, direct or indirect, in any transactions, or in any proposed transactions, which in either such case has materially affected or will materially affect the Company or the Company's predecessors since the beginning of the Company's last completed fiscal year except as follows:

During the year ended December 31, 2014, the Company incurred $233 thousand in consulting fees and operating expenses to private companies which are controlled by directors or officers of the Company, as compared to $386 thousand during the year ended December 31, 2013.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Critical Accounting Policies and Estimates

Our results of operation and financial condition are based on our consolidated financial statements, which are presented in accordance with IFRS. Certain accounting principles require us to make certain estimates, judgments and assumptions. We believe that the estimates, judgments and assumptions upon which we rely are reasonable based upon information available to us at that time. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements, as well as the reported amounts of revenues and expenses during the periods presented. To the extent there are material differences between these estimates, judgments or assumptions and actual results, our financial statements will be affected. The significant accounting policies and estimates that we believe are the most critical to aid in fully understanding and evaluating our reported financial results include the following:

- Exploration and evaluation assets;
- Share-based payment transactions;
- Joint oil and gas ventures;
- Farm out arrangements in the exploration and evaluation phase;
- Impairment of financial assets; and
- Revenue recognition.

The key assumptions made in the financial statements concerning uncertainties at the end of the reporting period and the critical estimates computed by the Group that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Exploration and evaluation assets

Pre-license costs

Pre-license costs are expensed in the period in which they are incurred.

Exploration and evaluation costs

Oil and natural gas exploration and development expenditure is accounted for using the successful efforts method of accounting.

During the geological and geophysical exploration phase, costs are charged against income as incurred. Costs directly associated with an exploration well in its drilling phase, for which it has not yet been determined whether there are proved reserves or it is not commercially viable, are capitalized as exploration and evaluation intangible assets until the drilling of the well is complete and the results have been evaluated. These costs include employee remuneration, materials and fuel used, rig costs and payments made to contractors. If no reserves are found, the exploration asset is tested for impairment. If extractable hydrocarbons are found and, subject to further appraisal activity (e.g., by drilling further wells), are likely to be developed commercially, the costs continue to be carried as an intangible assets while sufficient and continued progress is made in assessing the commerciality of the hydrocarbons. All such costs are subject to technical, commercial and management review as well as review for impairment at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off. When proved reserves of oil are determined and development sanctioned, the relevant expenditure is transferred to oil and gas properties after impairment is assessed and any resulting impairment loss is recognized.

Share-based payment transactions

The Company's employees and other service providers are entitled to remuneration in the form of equity-settled share-based payment transactions.

The cost of equity-settled transactions with employees is measured at the fair value of the equity instruments granted at grant date. Fair value measurement of all options and warrants granted is determined using an appropriate pricing model. As for other service providers, the cost of the transactions is measured at the fair value of the goods or services received as consideration for equity instruments. In cases where the fair value of the goods or services received as consideration of equity instruments cannot be measured, they are measured by reference to the fair value of the equity instruments granted.

The cost of equity-settled transactions is recognized in profit or loss, together with a corresponding increase in equity, during the period which the performance and service conditions are to be satisfied, ending on the date on which the relevant employees become fully entitled to the award ("the vesting period"). The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The expense or income recognized in profit or loss represents the movement in the cumulative expense recognized at the end of the reporting period. No expense is recognized for awards that do not ultimately vest.

Unincorporated joint oil and gas ventures

The Company conducts petroleum and natural gas exploration activities jointly with other partners who each have direct ownership in the assets and each are directly obligated for the liabilities of the ventures. Consequently, these consolidated financial statements reflect only the Company's proportionate interest in such activities.

The Company accounts for its share of the joint venture’s assets, liabilities it has incurred, income from the sale or use of its share of the joint venture’s operations output, together with its share of the expenses incurred by the joint venture and any expenses it incurs in relation to its interest in the joint venture. As of December 31, 2014, all the joint ventures have ceased.

Farm-out arrangements in the exploration and evaluation phase

A farm-out is the transfer of part of an oil and gas interest in consideration for an agreement by the transferee ("farmee") to meet, absolutely, certain expenditures which would otherwise have to be undertaken by the owner ("farmor"). Farm-out transactions generally occur in the exploration or development phase and are characterized by the transferor (i.e. farmor) giving up future economic benefits, in the form of reserves, in exchange for a reduction in future funding obligations.

Accordingly, the farmee recognizes its expenditure under the arrangement in respect of its interest and that retained by the farmor, as and when the costs are incurred.

The Company (farmor) accounts for the farm-out arrangement as follows:

- The farmor does not record any expenditure made by the farmee on its behalf;
- The farmor does not recognize a gain or loss on the farm-out arrangement, but rather redesignates any costs previously capitalized in relation to the whole interest as relating to the partial interest retained; and
- Any cash consideration received is credited against costs previously capitalized in relation to the whole interest with any excess accounted for by the farmor as a gain on disposal. As of December 31, 2014, the Company had no outstanding farm-out arrangements.

Impairment of financial assets

At the end of each reporting period, the Company assesses whether there is objective evidence of impairment of a financial asset or group of financial assets carried at amortized cost.

As of the date hereof, there is objective evidence of impairment of debt instruments and receivables as a result of one or more events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows. Evidence of impairment may include indications that the debtor is experiencing financial difficulties, including liquidity difficulty and default in interest or principal payments. The amount of the loss recorded in profit or loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate (the effective interest rate computed at initial recognition). If the financial asset has a variable interest rate, the discount rate is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account (see allowance for doubtful accounts above). In a subsequent period, the amount of the impairment loss is reversed if the recovery of the asset can be related objectively to an event occurring after the impairment was recognized. The amount of the reversal, up to the amount of any previous impairment, is recorded in profit or loss.

Revenue recognition

Revenues are recognized in the statement of comprehensive loss when the revenues can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Company's revenues are derived from:

1. Operator fees - the Company acted as the operator on the Offshore Licenses and was entitled to operator fees at a fixed rate of 7.5% of the total exploration costs incurred by the respective unincorporated joint venture's ("UJV's") or at a rate ranging from 1.2%-4.8% of the total exploration costs incurred by the respective UJV's depending on the annual expenditures in the UJV. Revenues from operator fees were recognized in accordance with the terms of the Joint Operating Agreements, as exploration costs are incurred in the UJV's.

   Consulting fees - The Company provided consulting services in respect of the Offshore Licenses on a "time and materials" basis. Consulting fees were recognized as revenues as the services were rendered to the respective UJV's.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

There were no changes to the Company's internal controls over financial reporting during the year ended December 31, 2014, which have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

As of December 31, 2014, the Company evaluated its disclosure controls and procedures and internal control over financial reporting, as defined by the Canadian Securities Administrators. These evaluations were carried out under the supervision of and with the participation of management, including the Company's chief financial officer. Based on these evaluations, the chief financial officer concluded that the design of these disclosure controls and procedures and internal control over financial reporting were effective.

Financial Instruments and Other Instruments

The Company's financial instruments have been designated as follows:

Financial assets and liabilities	*Classification*
Cash and cash equivalents	Loans and receivables
Restricted deposits	Loans and receivables
Other receivables	Loans and receivables
Trade payables	Other financial liabilities
Accounts payable and accrued liabilities	Other financial liabilities

The carrying values of cash and cash equivalents, restricted deposits, other receivables, trade payables and accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments.

Risks and Uncertainties

Credit risk

The Company manages credit risk, in respect of cash and cash equivalents and restricted deposits, by holding them at major Canadian and Israeli financial institutions in accordance with the Company's investment policy. The Company places its cash and cash equivalents with high credit quality Israeli and Canadian financial institutions. Concentration of credit risk exists with respect to the Company's cash and cash equivalents and other receivables. The Company's exposure as at December 31, 2014 and 2013 was for $359 thousand and $3,079 thousand respectively, which consisted of $334 thousand (2013 - $617 thousand) in cash held in bank accounts, $9 thousand (2013 - $35 thousand) in restricted deposits and $16 thousand (2013 - $2 thousand) in other receivables. None of the Company's accounts receivable are overdue as at December 31, 2014.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in obtaining funds to meet current obligations and future commitments. The Company's approach to managing liquidity risk is to forecast cash requirements to provide reasonable assurance that it will have sufficient funds to meet its liabilities when due. As of December 31, 2014, the Company had cash and cash equivalents of $334 thousand, restricted deposits of $9 thousand and accounts and other receivables and prepaids of $64 thousand to settle other payables in the amount of $223 thousand.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of two types of risk: interest rate risk, and foreign currency risk.

(i) Interest rate risk

The Company is not exposed to significant interest rate risk due to the short-term maturity of its cash equivalents.

(ii) Foreign currency risk

The Company is exposed to financial risk related to the fluctuation of foreign exchange rates. The Company operates in Israel. Most of the Company's monetary assets are held in US dollars and most of the Company's expenditures are made in US dollars. However, the Company also has expenditures in NIS and Canadian dollars. The Company has not hedged its exposure to currency fluctuations. An increase or decrease of 5% of the NIS or the Canadian Dollar relative to the U.S dollar would not have a significant effect on the Company.

Environmental Risk

Environmental regulations affect the cost of exploration and development, as well as future development operations; however, management does not believe that any provision against environmental regulations is currently required.

For a complete discussion on risk factors, please refer to the Company's Form 20-F dated April 29, 2015, filed on www.sedar.com.

Other Information

Additional information about the Company, the Company's quarterly and annual consolidated financial statements, annual information form, technical reports and other disclosure documents, is accessible at the Company's website www.adiraenergy.com or through the Company's public filings at www.sedar.com.

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Adira Energy Ltd.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
For the nine month period ended September 30, 2017

*The following is a discussion and analysis of the activities, consolidated results of operations and financial condition of Adira Energy Ltd. ("**Adira**", "**we**", "**our**", "**us**", or the "**Company**") for the nine month period ended September 30, 2017, which has been prepared on the basis of information available up until November 29, 2017. This Management's Discussion and Analysis ("**MD&A**") should be read in conjunction with the Company's interim consolidated financial statements for the nine month period ended September 30, 2017, as well as the annual consolidated financial statements for the year ended December 31, 2016, together with the notes thereto, available under the Company's profile on the System for Electronic Document Analysis and Retrieval (SEDAR) website at www.sedar.com.*

All monetary amounts are reported in United States dollars and in accordance with IFRS unless otherwise noted. This MD&A is dated November 29, 2017.

Forward-Looking Statements

This MD&A (including, without limitation, the sections discussing Adira's Financial Conditions and Results of Operations) contains certain forward-looking statements. All statements other than statements of historical fact that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future are forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "contemplate", "target", "believe", "plan", "estimate", "expect" and "intend" and statements that an event or result "may", "will", "can", "should", "could" or "might" occur or be achieved and other similar expressions. These statements are based upon certain assumptions and analyses made by management in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors management believes are appropriate in the circumstances. However, whether actual results and developments will conform with management's expectations is subject to a number of risks and uncertainties, including the considerations discussed herein and in other documents filed from time to time by the Company with Canadian security regulatory authorities, general economic, market or business conditions, the opportunities (or lack thereof) that may be presented to and pursued by management, competitive actions by other companies, changes in laws or regulations and other factors, many of which are beyond the Company's control. These factors may cause the actual results of the Company to differ materially from those discussed in the forward-looking statements and there can be no assurance that the actual results or developments anticipated by management will be realized or, even if substantially realized, that they will have the expected results on Adira. All of the forward-looking statements made herein are qualified by the foregoing cautionary statements. The Company expressly disclaims any obligation to update or revise any such forward-looking statements.

Business overview and Significant Developments during the period

Adira was initially incorporated as an oil and gas exploration company with a focus on early-stage exploration in the State of Israel. The focus of the Company has changed as detailed below. The Company's current trading symbol on the TSX Venture Exchange (the "**Exchange**") is "ADL". The Company also trades on the OTC Bulletin Board with the trading symbol "ADENF" and on the Frankfurt Stock Exchange with the trading symbol "OAM1".

Letter of Intent

On November 4, 2015, the Company entered into a letter of intent with SMAART Holdings Inc. ("**SMAART**" or "**Target**") whereby the Company will acquire SMAART through a three-cornered amalgamation between the Company and its wholly owned subsidiary (the "**Transaction**"). On August 9, 2017, Adira, the Target and the shareholders of the Target entered into a revised letter of intent (the "**Revised LOI**") pursuant to which the Target and Adira will complete a transaction (the "**Transaction**") in which it is intended that the resulting corporation (the "**Resulting Issuer**") will be listed on the Canadian Securities Exchange (the "**CSE**"). Pursuant to the Transaction, all of the issued and outstanding SMAART Shares and certain of the SMAART debentures will be exchanged for Resulting Issuer Shares and debentures and the Resulting Issuer will carry on the business currently carried on by SMAART. Concurrently with the completion of the Transaction and subject to obtaining shareholder approval, Adira intends to delist its common shares from trading on the TSX Venture Exchange (the "**TSXV**"). It is further anticipated that the trading in Adira's common shares will remain halted during this time.

Business of the Target

The Target's business operates under the name Empower Clinics ("Empower") in the United States and is a growing national network of physician-staffed medical cannabis clinics with a primary focus on enabling patients to improve and protect their health. In addition to the clinic business, Empower also garners royalties from the sale of proprietary medical cannabis products manufactured, dispensed, and delivered by third party channel partners. Through the rapid addition of both physical clinic locations, coupled with third party manufacturer distribution relationships, Empower seeks to create a leading nationwide brand of trusted products and services for the medical cannabis industry, enabling patients to more effectively and affordably address areas such as chronic pain, Epilepsy, PTSD, and more. Empower also intends to seek merger and acquisition opportunities where possible to accelerate its business expansion plans and drive value.

The Transaction

Pursuant to the proposed terms of the Transaction, shareholders of the Target will exchange their common shares of the Target in exchange for common shares of Adira such that, following completion of the Transaction, shareholders of the Target will hold 95% of the outstanding common shares of the Resulting Issuer excluding any common shares issued pursuant to the Concurrent Financing (as defined below). Prior to the completion of the Transaction, Adira will seek shareholder approval for, amongst other things, the Transaction, a share consolidation and a name change to "Empower Clinics Inc."

Certain of the directors of Adira, specifically Dennis Bennie and Alan Rootenberg, are shareholders and, in the case of Mr. Rootenberg, an officer of the Target, and as such the Transaction is a non-arm's length transaction and may be a related party transaction under National Instrument 61-101. Adira has appointed Gadi Levin, currently Adira's CEO, as an additional director of Adira. Mr. Levin is considered independent for the purposes of the Transaction.

Conditions of the Transaction

The Transaction is subject to a number of conditions typical in a transaction of this nature, including, without limitation, the following approvals at an annual and special shareholder meeting to be held by Adira: majority of the minority shareholder approval for the Transaction and the delisting from the TSXV and approval by at least 66 2/3% of the votes cast by Adira shareholders to approve the change of name and share consolidation. The Transaction will also be subject to approval by the CSE. As Adira intends to delist from the TSXV, the TSXV will not have any involvement with respect to the approval of the Revised Transaction.

Private Placement

In addition, the Target intends to complete a financing to close concurrently with the completion of the Transaction (the "Concurrent Financing") whereby in it is anticipated that net proceeds of a minimum of US$2,000,000 will be raised. Such funds will be available as working capital for the Resulting Issuer.

Management following the Completion of the Transaction

The Board of Directors of the Resulting Issuer will initially consist of four directors, three of which shall be nominated by the Target and one of which shall be nominated by Adira. Further information with respect to these proposed directors and the management of the Resulting Issuer will be found in the listing statement to be prepared in connection with the proposed listing of the Resulting Issuer's common shares on the CSE.

Capital Expenditures and Divestitures

During the nine month period ended September 30, 2017, the Company did not incur any capital expenditures or disposals.

The Company's currently has no planned capital expenditures in connection with its prior operations for the next twelve months.

Additional Disclosure for Venture Issuers without Significant Revenues:

	Three month Period Ended September 30,		**Nine Month Period Ended September 30,**	
	2017	**2016**	**2017**	**2016**
	U.S. dollars in thousands			
General and administrative expenses	$ 67	$ 20	$117	$ 71

Discussion of Operations

The following is a discussion of the results of operations which have been derived from the interim consolidated financial statements of the Company for the nine month period ended September 30, 2017 (in thousands of US Dollars, except per share data):

	Three Months ended September 30		Nine Months ended September 30	
	2017	**2016**	**2017**	**2016**
	Unaudited		**Unaudited**	
Expenses:				
General and administrative costs	**$ 67**	$ 20	**$ 117**	$ 71
Total expenses	**67**	20	**117**	71
Loss before gain on foreign exchange and gain on revaluation warrant liability	**(67)**	(20)	**(117)**	(71)
Gain on foreign exchange	**16**	1	**24**	3
Gain on revaluation of warrant liability	**11**	-	**26**	-
Net loss and comprehensive loss	**$ (40)**	$ (19)	**$ (67)**	$ (68)
Basic and diluted net loss per share attributable to equity holders of the parent	**$ (0.00)**	$ (0.00)	**$ (0.00)**	$ (0.00)
Weighted average number of ordinary shares used in computing basic and diluted net loss per share	**17,112,022**	17,112,022	**17,112,022**	17,112,022

Three month period ended September 30, 2017, compared to the three month period ended September 30, 2016

Expenses

General and Administrative Expenses

For the three month period ended September 30, 2017, general and administrative expenses amounted to $67 thousand as compared to $20 thousand for the three month period ended September 30, 2016. General and administrative expenses remain relatively low as the Company seeks additional source of finance to fund its operations. The expenses incurred are primarily to advance the Transaction with the Target.

Financing Income/Expense

For the three month period ended September 30, 2017, the foreign exchange gain amounted to $16 thousand as compared to a gain of $1 thousand for the three month period ended September 30, 2016. The Company is exposed to financial risk related to the fluctuation of foreign exchange rates. Most of the Company's assets are held in Canadian dollars and most of its expenditures are made in Canadian dollars. However, it also has expenditures in US Dollars. The Company has not hedged its exposure to currency fluctuations.

The gain on revaluation of warrant liability for the three month period ended September 30, 2017 was $11 thousand as compares to Nil for the nine month period ended September 30, 2016 and results from the warrants issued in May 2015 that are denominated in Canadian dollars, while our functional currency is US dollars; therefore the fair value of the warrants are classified as a financial liability which is re-measured to fair value at the end of each period. The changes in fair value are included in gain on revaluation of warrant liability.

Net Profit/Loss

The Company reported a net loss and comprehensive loss for the three month period ended September 30, 2017 of $40 thousand as compared to a net loss and comprehensive loss of $19 thousand for the three month period ended September 30, 2016.

Inflation

During the three month periods ended September 30, 2017 and September 30, 2016, inflation has not had a material impact on the Company's operations.

<u>Nine month period ended September 30, 2017, compared to the Nine month period ended September 30, 2016</u>

Expenses

<u>General and Administrative Expenses</u>

For the nine month period ended September 30, 2017, general and administrative expenses amounted to $117 thousand as compared to $71 thousand for the nine month period ended September 30, 2016. General and administrative expenses remain relatively low as the Company seeks additional source of finance to fund its operations. The expenses incurred are primarily to advance the Transaction with the Target.

<u>Financing Income/Expense</u>

For the nine month period ended September 30, 2017, the foreign exchange gain amounted to $24 thousand as compared to a gain of $3 thousand for the nine month period ended September 30, 2016. The Company is exposed to financial risk related to the fluctuation of foreign exchange rates. Most of the Company's assets are held in Canadian dollars and most of its expenditures are made in Canadian dollars. However, it also has expenditures in US Dollars. The Company has not hedged its exposure to currency fluctuations.

The gain on revaluation of warrant liability for the nine month period ended September 30, 2017 was $26 thousand as compared to Nil for the nine month period ended September 30, 2016 and results from the warrants issued in May 2015 that are denominated in Canadian dollars, while our functional currency is US dollars; therefore the fair value of the warrants are classified as a financial liability which is re-measured to fair value at the end of each period. The changes in fair value are included in gain on revaluation of warrant liability.

Net Profit/Loss

The Company reported a net loss and comprehensive loss for the nine month period ended September 30, 2017 of $67 thousand as compared to a net loss and comprehensive loss of $68 thousand for the nine month period ended September 30, 2016. The primary reason for reduction in the loss in 2016 is due to a reduction in activities.

Inflation

During the nine month periods ended September 30, 2017 and September 30, 2016, inflation has not had a material impact on the Company's operations.

Summary of Quarterly Results

		Quarter ended			
		September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016
		U.S dollars in thousands, except per share data			
Revenues	$		-	-	-
Net loss	$	(40)	(18)	(9)	(147)
Net loss per share*	$	(0.00)	(0.00)	(0.00)	(0.01)

		Quarter ended			
		September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015
		U.S dollars in thousands, except per share data			
Revenues	$	-	-	-	-
Net loss	$	(19)	(29)	(20)	(16)
Net loss per share*	$	(0.00)	(0.00)	(0.00)	(0.00)

Net loss per quarter is a function of the operational activity during that quarter. There is no seasonal trend. The loss during the last eight quarters as been in decline as the company reduced its exploration activities.

Liquidity

Liquidity is a measure of a company's ability to meet potential cash requirements. The Company has historically met its capital requirements through the issuance of common shares.

The Company has an accumulated deficit of $34,416 thousand as of September 30, 2017 ($34,349 thousand as of December 31, 2016), and the Company had negative cash flows from operations of $6 thousand during the nine month period ended September 30, 2017 (negative cash flows of $87 thousand during the nine month period ended September 30, 2016). The ability of the Company to continue a going concern depends upon the ability of the Company to obtain financing and upon future profitable operations. The Company has not earned any significant revenues from its operations to date.

There can be no assurance that the Company will be able to continue to raise funds, in which case the Company may be unable to meet its obligations. The Company is considering various alternatives with respect to raising additional capital to remedy any future shortfall in capital, but to date has made no specific plans or arrangements.

During the nine month period ended September 30, 2017, the Company's overall position of cash and cash equivalents decreased by $6 thousand. This decrease in cash can be attributed to the following:

The Company's net cash used in operating activities during the nine month period ended September 30, 2017 was $35 thousand as compared of $87 thousand for the nine month period ended September 30, 2017.

Cash generated in investing activities during the nine month period ended September 30, 2017 and was $29 thousand as compared to nil during the nine month period ended September 30, 2016. In 2017, the generation of cash was as a result of the repayment of the Loan granted to SMAART in the amount of $25 thousand and the receipt of a loan from SMAART in the amount of $4 thousand.

Cash provided by financing activities for the nine month periods ended September 30, 2017and September 30, 2016, was nil.

Capital Resources

At September 30, 2017, the Company's cash and cash equivalents were $13 thousand (December 31, 2016 - $19 thousand). The majority of this balance is being held in Canadian Dollars. Our working capital at September 30, 2017 was negative $315 thousand as compared to negative $222 thousand at December 31, 2016. A significant service provider agreed to settle their accounts payable balance in the amount $155 thousand in return for shares to be issued as part of the SMAART transaction.

Commitments

The Company no outstanding commitments other than those reflected in the balance sheet.

Disclosure of Outstanding Share Data

As of the date hereof, the Company has 17,112,022 common shares outstanding and 4,820,000 warrants.

Management of Capital

The Company currently does not generate significant cash flows from operations. The Company's primary source of funds comes from the issuance of share capital. The Company does not use other sources of financing that require fixed payments of interest and principal and is not subject to any externally imposed capital requirements.

The Company defines its capital as share capital plus warrants. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to ensure that adequate funds are available to meet its strategic goals. The Company monitors actual expenses to budget to manage its costs and commitments.

The Company's capital management objective is to maximize investment returns to its equity-linked stakeholders within the context of relevant opportunities and risks associated with the Company's operations. Achieving this objective requires management to consider the underlying nature of exploration activities, the availability of capital, the cost of various capital alternatives and other factors. Establishing and adjusting capital requirements is a continuous management process.

Although the Company has been successful at raising funds in the past through the issuance of share capital, there can be no assurance that future financings will be successful.

Off-Balance Sheet arrangements

The Company has no off balance sheet arrangements.

Transactions with Related Parties

No director or senior officer of the Company, and no associate or affiliate of the foregoing persons, and no insider has or has had any material interest, direct or indirect, in any transactions, or in any proposed transactions, which in either such case has materially affected or will materially affect the Company or the Company's predecessors since the beginning of the Company's last completed fiscal year except as follows:

During the nine month period ended September 30, 2017, the Company incurred $2 thousand in consulting fees and operating expenses to private companies which are controlled by directors or officers of the Company, as compared to $5 during the nine month period ended September 30, 2016.

These transactions are in the ordinary course of business and are measured at the amount of consideration set and agreed by the related parties.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Proposed Transactions

There are currently no proposed transactions other than the Transaction discussed above, that are expected to affect the financial condition, results of operations and cash flows of the Company.

Critical Accounting Policies and Estimates

Our results of operation and financial condition are based on our consolidated financial statements, which are presented in accordance with IFRS. Certain accounting principles require us to make certain estimates, judgments and assumptions. We believe that the estimates, judgments and assumptions upon which we rely are reasonable based upon information available to us at that time. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements, as well as the reported amounts of revenues and expenses during the periods presented. To the extent there are material differences between these estimates, judgments or assumptions and actual results, our financial statements will be affected. The significant accounting policies and estimates that we believe are the most critical to aid in fully understanding and evaluating our reported financial results include the following:

- Share-based payment transactions;
- Impairment of financial assets; and
- Warranty liability

The key assumptions made in the financial statements concerning uncertainties at the end of the reporting period and the critical estimates computed by the Group that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Share-based payment transactions

The Company's employees and other service providers are entitled to remuneration in the form of equity-settled share-based payment transactions.

The cost of equity-settled transactions with employees is measured at the fair value of the equity instruments granted at grant date. Fair value measurement of all options and warrants granted is determined using an appropriate pricing model. As for other service providers, the cost of the transactions is measured at the fair value of the goods or services received as consideration for equity instruments. In cases where the fair value of the goods or services received as consideration of equity instruments cannot be measured, they are measured by reference to the fair value of the equity instruments granted.

The cost of equity-settled transactions is recognized in profit or loss, together with a corresponding increase in equity, during the period which the performance and service conditions are to be satisfied, ending on the date on which the relevant employees become fully entitled to the award ("the vesting period"). The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The expense or income recognized in profit or loss represents the movement in the cumulative expense recognized at the end of the reporting period. No expense is recognized for awards that do not ultimately vest.

Impairment of financial assets

At the end of each reporting period, the Company assesses whether there is objective evidence of impairment of a financial asset or group of financial assets carried at amortized cost.

As of the date hereof, there is no objective evidence of impairment of debt instruments and receivables as a result of one or more events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows. Evidence of impairment may include indications that the debtor is experiencing financial difficulties, including liquidity difficulty and default in interest or principal payments. The amount of the loss recorded in profit or loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate (the effective interest rate computed at initial recognition). If the financial asset has a variable interest rate, the discount rate is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account (see allowance for doubtful accounts above). In a subsequent period, the amount of the impairment loss is reversed if the recovery of the asset can be related objectively to an event occurring after the impairment was recognized. The amount of the reversal, up to the amount of any previous impairment, is recorded in profit or loss.

Warranty liability

As the warrants have an exercise and presentational price denominated in Canadian dollars which differs from the Company's functional currency they do not qualify for classification as equity. These warrants have been classified as a warrant liability and are recorded initially at fair value and revalued at each reporting date, using the Black Scholes valuation model. Changes in fair value for each year are included in comprehensive profit and loss for the year.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

There were no changes to the Company's internal controls over financial reporting during the period ended September 30, 2017, which have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

As of September 30, 2017, the Company evaluated its disclosure controls and procedures and internal control over financial reporting, as defined by the Canadian Securities Administrators. These evaluations were carried out under the supervision of and with the participation of management, including the Company's chief financial officer. Based on these evaluations, the chief financial officer concluded that the design of these disclosure controls and procedures and internal control over financial reporting were effective.

Financial Instruments and Other Instruments

The Company's financial instruments have been designated as follows:

Financial assets and liabilities	*Classification*
Cash and cash equivalents	Loans and receivables
Other receivables	Loans and receivables
Loan receivables	Loans and receivables
Trade payables	Other financial liabilities
Accrued liabilities	Other financial liabilities
Warrant liability	Fair value through profit and loss

The carrying values of cash and cash equivalents, restricted deposits, other receivables, trade payables and accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments.

Risks and Uncertainties

Credit risk

The Company manages credit risk, in respect of cash and cash equivalents, and restricted cash, by holding them at major Canadian and Israeli financial institutions in accordance with the Company's investment policy. The Company places its cash and cash equivalents with high credit quality Israeli and Canadian financial institutions.
Concentration of credit risk exists with respect to the Company's cash and cash equivalents and accounts receivable.

As of September 30, 2017, the Company's exposure is for cash held in bank accounts in the amount of $13 thousand and other receivables and prepaid expenses of Nil.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in obtaining funds to meet current obligations and future commitments. The Company's approach to managing liquidity risk is to forecast cash requirements to provide reasonable assurance that it will have sufficient funds to meet its liabilities when due. As of September 30, 2017, the Company had cash and cash equivalents of $13 thousand, and other receivables and prepaid expenses of nil against current trade and other payables in the amount of $328 thousand. A significant service provider agreed to settle their accounts payable balance in the amount $155 thousand in return for shares to be issued as part of the SMAART transaction.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of two types of risk: interest rate risk, and foreign currency risk.

(i) Interest rate risk

The Company is not exposed to significant interest rate risk due to the short-term maturity of its cash equivalents.

(ii) Foreign currency risk

The Company is exposed to financial risk related to the fluctuation of foreign exchange rates. Most of the Company's monetary assets are held in US dollars and most of the Company's expenditures are made in US dollars. However, the Company also has expenditures in Canadian dollars. The Company has not hedged its exposure to currency fluctuations. An increase or decrease of 5% of the Canadian Dollar relative to the U.S dollar would not have a significant effect on the Company.

Environmental Risk

Environmental regulations affect the cost of exploration and development, as well as future development operations; however, management does not believe that any provision against environmental regulations is currently required.

For a complete discussion on risk factors, please refer to the Company's Form 20-F dated April 28, 2017, filed on www.sedar.com.

Other Information

Additional information about the Company, the Company's quarterly and annual consolidated financial statements, annual information form, technical reports and other disclosure documents, is accessible at the Company's website www.adiraenergy.com or through the Company's public filings at www.sedar.com.

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SCHEDULE "D"

MANAGEMENT'S DISCUSSION & ANALYSIS – PERIOD ENDED SEPTEMBER 30, 2017, YEAR ENDED DECEMBER 31, 2016 AND PERIOD ENDED DECEMBER 31, 2015

SMAART HOLDINGS INC.

Management Discussion and Analysis

The following Management Discussion and Analysis ("MD&A") of S.M.A.A.R.T Holdings Inc. ("the Company" or the "Company") for the six month period ended June 30, 2017 should be read in conjunction with the Company's consolidated financial statements and notes for the six months ended June 30, 2017, year ended December 31, 2016 and period June 12, 2015 to December 31, 2015 (the "**Financial Statements**"). The Financial Statements, together with this MD&A are intended to provide investors with a reasonable basis for assessing the financial performance of the Company as well as forward-looking statements relating to future performance. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("**IFRS**"). All figures expressed in United States dollars unless indicated.

This MD&A contains disclosure of material changes occurring up to and including • 2017.

Forward-Looking Statements

This MD&A contains certain information that may constitute "forward-looking information" and "forward-looking statements" (collectively, "**forward-looking statements**") which are based upon the Company's current internal expectations, estimates, projections, assumptions and beliefs. Such statements can be identified by the use of forward-looking terminology such as "expect," "likely", "may," "will," "should," "intend," or "anticipate", "potential", "proposed", "estimate" and other similar words, including negative and grammatical variations thereof, or statements that certain events or conditions "may" or "will" happen, or by discussions of strategy. Forward-looking statements include estimates, plans, expectations, opinions, forecasts, projections, targets, guidance, or other statements that are not statements of fact. The forward-looking statements included in this MD&A are made only as of the date of this MD&A. Forward-looking statements in this MD&A include, but are not limited to, statements with respect to:

- licensing risks;
- regulatory risks;
- change in laws, regulations and guidelines;
- market risks;
- expansion of facilities;
- history of net losses; and
- competition.

Certain of the forward-looking statements and forward-looking information and other information contained herein concerning the medical cannabis industry and the general expectations of the Company concerning the medical cannabis industry and concerning the Company are based on estimates prepared by the Company using data from publicly available governmental sources as well as from market research and industry analysis and on assumptions based on data and knowledge of this industry which the Company believe to be reasonable. While the Company is not aware of any misstatement regarding any industry or government data presented herein, the medical cannabis industry involves risks and uncertainties that are subject to change based on various factors and the Company has not independently verified such third party information.

Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. The Company's forward-looking statements are expressly qualified in their entirety by this cautionary statement. In particular, but without limiting the foregoing, disclosure in this MD&A under "*Overview of the Business*" as well as statements regarding the Company's objectives, plans and goals, including future operating results, economic performance and patient acquisition efforts may make reference to or involve forward-looking statements. A number of factors could cause actual events, performance or results to differ materially from what is projected in the forward-looking statements. See "Risk Factors" for further details. The purpose of forward-looking statements is to provide the reader with a description of management's expectations, and such forward-looking statements may not be appropriate for any other purpose. You should not place undue reliance on

forward- looking statements contained in this MD&A. The Company undertakes no obligation to update or revise any forward- looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

Overview of the Business

The Company is a British Columbia incorporated Canadian company which operates a growing network of physician-staffed medical cannabis clinics with a primary focus on enabling patients to improve and protect their health.

On June 12, 2015 the Company, through its wholly owned subsidiary Empower Healthcare Corp, purchased all of the assets of Presto Quality Care Corporation ("Presto"), an Oregon company that had owned and operated the business of the Company. The consideration for the purchase was the assumption by the Company of a note payable by Presto to Bayview Equities Ltd in the amount of $550,000 plus accrued interest of $35,893. The Company continues to operate the business acquired.

Beyond its primary public service business, the Company's business plan is to garner royalties from the sale of proprietary medical cannabis products manufactured, dispensed, and delivered by third party channel partners. Through the rapid addition of both physical clinic locations, coupled with third party manufacturer distribution relationships, the Company seeks to create a leading nationwide brand of trusted products and services for the medical cannabis industry. The Company intends to seek M&A opportunities where possible to accelerate these business expansion plans and drive incremental value.

The CEO, a graduate of the U.S. Naval Academy and Georgetown University's Graduate school International Finance and Global Markets and senior leadership experience at Pepsi Cola and Citibank. He brings with him a 20-year career around the opening and rolling out of national franchises, driving same store sales, M&A, and highly successful IPO launches.

The Company currently operates four clinics located across the states of Oregon and Washington and has a Chicago based clinic scheduled to open in Q1 2018 With the sole ownership of an approximate 89,000 person medical cannabis patient database, including any/all historical associated medical data and contact information, the Company's patient foundation is strong. In the state of Oregon alone, the Company has an active patient base of approximately 25,000 patients, representing over 37% of the total in-state market.

Patients pay on average of $135 USD per visit with a physician to get a medical cannabis license. Generally, the license granted to patients is for one year, upon which time they must return for a visit with a physician and pay the annual fee. Currently, the Company employs 6 medical physicians, who, along with a streamlined non-medical clinic staff, consult with patients and provide guidance with regards to medical cannabis healthcare options.

The incentive for patients to acquire a medical cannabis license is three-fold. First, in states where recreational cannabis is not permitted, having a medical cannabis card allows patients to legally access the associated flower and cannabis infused medical products. In states where recreational cannabis is permitted, the products can carry sales taxes of up to 40%. Having a medical cannabis license eliminates these sales taxes, providing significant savings to the cardholder on an annual basis. Third, in some states where recreational cannabis is permitted, by having a medical cannabis license patients are given access to a greater variety of products, higher strengths, and larger quantities of products.

The Company seeks to embark on a national clinic expansion in states where medical cannabis is permitted. The current priority states for expansion over the short to mid-term are Arizona, California, Florida, Illinois, Ohio, and Michigan. This list is highly fluid based on ever-changing state ballot initiatives and license availability.

The Company has developed a leading strategy in the area of medicinal cannabis products. While the company does not "touch the plant" it has developed "processor" relationships that allow it to use its data and knowledge to create a branded line of products that are manufactured, infused, packaged and distributed by licensed state processors. Through its branded product, Sollievo, the company seeks to create processor relationships in each of the 29 states that currently support medical cannabis through which the company will provide the formulas and branding and the processor will provide the manufacture, distribution and merchandising. This allows the company to leverage its learnings and data and reach all medical states, at the outset the clear majority of which do not contain Empower Clinics.

The Company's history and data represent a valuable resource as it relates to product effectiveness. The Company seeks to partner with the best processing channel partners in each respective state to ensure patients get access to the highest quality products and technology in the market.

Through third party processors, the Company, will provide medical cannabis products under the Sollievo label. The Company's processing partner uses an exclusive, proprietary, and patentable formula in its medical products, paying the Company a product royalty on the wholesale of the products sold to dispensaries or delivery services. The Company

seeks to expand the brand state by state through processor relationships, thereby creating a national line of data driven medical cannabis products tailored to patient's needs.

The Company will be paid royalties varying between 10% and 25% depending on processor relationship, product type, and the state that the products are being sold in.

The Company seeks to be active and opportunistic with respect to mergers and acquisitions, allowing for the company to advance its business plan or increase shareholder value where possible. Acquiring existing Clinics within states where the Company is either already operating, or seek to operate in the future, can help accelerate the expansion of its geographical presence. Additionally, the Company may seek to acquire third party channel partners to increase its patient base, margin per patient, and to increase shareholder value through the accretion of these operations and/or assets.

Currently, the market for both clinics and medical cannabis products in the United States remains highly fragmented with very few nationwide competitors. The Company seeks to take advantage of this by using its light capital expenditure model around opening clinics, to create highly valuable patient relationships. This will serve to couple customers with channel partners in each state it operates, with the goal of providing medical products. This will allow the Company to create a national brand for both its clinics and medical products. The Company has a unique business model that will allow the company to quickly expand and achieve a coast to coast presence without having to take on the capital expenditures of building facilities from scratch on a state by state basis.

Medical cannabis is regulated on a state by state basis and currently 28 states permit the use of medical cannabis and 8 states permit the use of recreational cannabis. The Company seeks to be at the forefront of this movement toward medical cannabis as a treatment both at the clinical level and on the product side.

Highlights from the period

During the period ended December 31, 2015, the Company raised aggregate proceeds of $200,000 from the private placement issuance of convertible notes payable. The convertible notes payable are due one year from the date of issuance and are repayable in full with accrued interest at 7.5% per annum on maturity. The holder may at any time during the term of the convertible notes payable convert all or part into equity at a conversion price equal to a 25% discount to the next round of equity financing undertaken by the Company, into units of the Corporation consisting of one common share (each, a "Share") and one share purchase warrant (each, a "Warrant"), with each Warrant entitling the holder thereof to acquire one Share at an exercise price equal to 125% of the price of the next round of equity financing.

The convertible notes payable were determined to be compound instruments, comprising liability, conversion feature, and warrants. As the convertible notes payable are convertible into common shares, the liability and equity components are presented separately. The initial carrying amount of the financial liability was determined by discounting the stream of future payments of interest and principal at a market interest rate of 10%. Using the residual method, the carrying amount of the conversion feature and the warrants issued is the difference between the principal amount and the initial carrying value of the financial liability. The equity component, and warrants are recorded in reserves on the statement of financial position. The convertible notes payable, net of the equity components are accreted using the effective interest rate method over the term of the convertible notes payable, such that the carrying amount of the financial liability will equal the principal balance at maturity.

The Company also received advances of notes payable of $77,813, advances of secured notes payable of $585,893 and advances from related parties of $108,985 during the period.

During the period ended December 31, 2016, the Company raised proceeds of $275,000 from the advance of convertible notes payable. The convertible notes are due one year from the date of issuance and are repayable in full with accrued interest at 7.5% per annum on maturity. The Holder may at any time during the term of the note convert all or part into equity at a conversion price equal to a 25% discount to the next round of equity financing undertaken by the Company, into units of the Corporation consisting of one common share (each, a "Share") and one share purchase warrant (each, a "Warrant"), with each Warrant entitling the holder thereof to acquire one Share at an exercise price equal to 125% of the price of the next round of equity financing.

During the six months ended June 30, 2017, the Company raised net proceeds of $1,140,314 from the advance of convertible notes payable. The convertible notes are due one year from the date of issuance and are repayable in full with accrued interest at 7.5% per annum on maturity. The holder may at any time during the term of the convertible notes payable convert all or part into equity at a conversion price equal to a 25% discount to the next round of equity financing

undertaken by the Company, into units of the Company consisting of one common share (each, a "Share") and one share purchase warrant (each, a “Warrant”), with each Warrant entitling the holder thereof to acquire one Share at an exercise price equal to 125% of the price of the next round of equity financing.

A further $155,000 was received after June 30, 2017.

Share capital

In January 2016, 104,987 shares were issued to the former President and CEO of the Company at a cost of $0.0286 per share, as an inducement to accept the position of President and CEO.

In June 2016, 1,000,000 shares were issued in connection with the sourcing of a shell company for the proposed reverse takeover and listing of the Company at a cost of $0.03 per share.

In June 2016, the Company made a rights offering whereby shareholders of the Company could acquire one share of the Company for each share held, at a cost of $0.025 per share. A total of 7,666,667 shares were issued during the rights offering.

In December 2016, 766,667 shares were issued to the current President and CEO of the Company at a cost of $0.03 per share, as an inducement to accept the position of President and CEO.

In January 2017, the Company raised $302,244 through the issue of 32,237,225 shares to its existing shareholders at a cost of $0.0094 per share.

In May 2016, the shares of the Company were split on the basis of 19.6850 shares for each share held.

On March 31, 2017, the shares of the Company were consolidated on the basis of one share for every three shares held. Following the consolidation, there were 48,337,225 shares outstanding.

Results of Operations

As at June 30, 2017 the Company had a working capital shortfall of $3,850,195.

As at December 31 2016 the Company had a working capital shortfall of $2,422,127 and at December 31, 2015 a shortfall of $1,814,895.

During the six months ended June 30, 2017, the Company successfully completed a rights issue for proceeds of $116,522 and raised net proceeds of $895,314 from the advance of convertible notes payable (June 30, 2016: $191,700).

During the year ended December 31, 2016, the Company successfully completed a rights issue for gross proceeds of $191,700 and raised $275,000 through the issue of convertible notes payable. The Company also received proceeds of $120,000 on shares to be issued.

During the year ended December 31, 2015, the Company raised $200,000 through the issue of convertible notes payable.

During the six months ended June 30, 2017, the Company incurred a net loss and comprehensive loss of $1,653,814 (June 30, 2016: $551,876).

During the year ended December 31, 2016, the Company incurred a net loss and comprehensive loss of $1,669,734 and had an accumulated deficit of $2,548,248.

During the period ended December 31, 2015, the Company incurred a net loss and comprehensive loss of $878,514 and had an accumulated deficit of $878,514.

During the six months ended June 30, 2017, the Company’s expenses on legal fees were $404,333 (June 30, 2016: $103,820). The increase in legal expenses relate primarily to a legal dispute with a former President and CEO of the Company.

During the six months ended June 30, 2017, the Company recorded an accretion charge of $219,458 in connection with its convertible notes payable. (June 30, 2016: $113,296).

The weighted average number of common shares, basic and diluted, outstanding for the six months ended June 30, 2017 is 47,802,906 (June 30, 2016: 7,296,574).

For the year ended December 31, 2016, the Company's expenses on legal fees were $344,134 (Period ended December 31, 2015: $27,943). The increase in legal expenses relate primarily to a legal dispute with a former President and CEO of the Company.

For the year ended December 31, 2016, the Company recorded an accretion charge of $189,922 in connection with its convertible notes payable. (Period ended December 31, 2015: $61,736). Also during the year, the Company incurred an expense of $64,800 in connection with the write-down of intangible assets as a result of the Company's change in focus of its business activities.

The weighted average number of common shares, basic and diluted, outstanding for the year ended December 31, 2016 was 11,746,166. (December 31, 2015: 6,561,680).

Selected Annual Information

	Six month period ended June 30, 2017 (Audited)	**Six month period ended June 30, 2016 (Unaudited)**	**Year ended December 31, 2016 (Audited)**	**Period ended December 31, 2015 (Audited)**
Net Loss before taxes	$ (1,653,814)	$ (551,876)	$ (1,669,734)	$ (878,514)
Net loss after taxes	$ (1,653,814)	$ (551,876)	$ (1,591,588)	$ (878,514)
Total assets	$ 679,882	$ 994,983	$ 553,598	$ 951,405
Total long-term liabilities	$ -	$ -	$ -	$ -
Dividends declared per share	$ -	$ -	$ -	$ -

The table below sets out selected quarterly information for the last completed fiscal quarters of the Company:

	June 30 2017	**Mar 31 2017**	**Dec 31 2016**	**Sept 30 2016**	**June 30 2016**	**Mar 31 2016**	**Dec 31 2015**	**Sept 30 2015**
Net Sales/ Revenue	$417,646	$ 408,785	$ 340,442	$ 490,472	$ 674,563	$ 629,380	$ 521,933	$ 640,724
Net Loss	$(877,058)	$ (776,756)	$ (780,946)	$(258,766)	$ (288,949)	$ (262,927)	$ (509,081)	$ (369,433)
Basic and diluted loss per share	$ (0.04)	$ (0.02)	$ (0.07)	$ (0.02)	$ (0.02)	$ (0.03)	$ (0.07)	$ (0.06)

The company has a limited operating history, which can make it difficult for investors to evaluate the Issuer's operations and prospects and may increase the risks associated with investment into the Issuer.

The company has generated revenues since its inception in 2015. The revenue profile reflects Q3 2015 – Q2 2017. Because of this timeframe an investor may have only a limited operating history upon which prospects may be evaluated.

The company is expected to remain subject to many of the risks common to early-stage enterprises for the foreseeable future, including challenges related to laws, regulations, licensing, integrating and retaining qualified employees; making effective use of limited resources; achieving market acceptance of existing and future solutions; competing against companies with greater financial and technical resources; acquiring and retaining customers; and developing new solutions.

REVENUE: Revenues from the company began being generated in June of 2015 and are as follows. For 2015 Q3 & Q4 revenues were $1,162,657. For full year 2016 revenues were $2,314,857. The first 2 full quarters of 2017 reflect $826,431. Currently the company receives one revenue stream which is patient visits to existing clinics. The company expects to expand that revenue stream in 2018 when the Chicago clinic comes online and the Sollievo product brand is

rolled out. The company has seen a decline in revenues 2016-2017 due to the 3 factors. The introduction of recreational cannabis to Oregon, a reduction in marketing spend while we reposition our brand and its treatment through online, social and mobile upgrades and competitive introduction and pressure. The company believes all three areas are being addressed effectively and will be reflected in future revenues.

OPERATING EXPENSES: The company's major expense categories include professional service fees, real estate, labor related to its employees and doctors and their associated travel. These costs include professional services incurred to provide legal, accounting and public transaction counsel. These expenditures are consistent with the company's view that a clear and well protected structure is critical to future growth. The company expects professional service fees to drop markedly over time as many are related to successful prior litigation or "one time" events such as the fees associated with the expected RTO. Professional fees for the six months ended June 30, 2017 and 2016 were $481,333 and $103,820 respectively. Real estate costs are directly tied to existing lease obligations and have stayed consistent except for the Chicago lease addition and its expected opening in Q1 2018. The company's future lease obligations are expected to track directly to any new clinic openings for which the company has provided their financial expectations. The company has future lease obligations in 2018 of $236,605. Labor expense is a function of our doctor roster and clinic staff to run their clinics. The company employs both medical doctors and nurses and clinic staff to run their clinics. These costs increased from 2016 to 2017 due to a change in doctor pay policy in Q4 2016. The company expects to revert the pay system to a more economical one in early 2018 and at the same time add doctors and nurses in the clinic operating areas thereby cutting down on medical travel expenses. Medical personnel and travel costs for the six months ended June 30, 2017 and 2016 were $348,528 and $383,889 respectively. The company did add an experienced management team to their staff throughout 2017 in preparation for RTO including the current CEO, VP of Business Development, VP of Corporate Development and Controller. This staff adds to the labor costs but is essential for the company's future growth plans.

Liquidity

The company has historically financed its operations through its existing revenue stream, rights offerings to existing shareholders, and equity and convertible debt financing. During the prior six months ended, sales funded 30% of operating costs.

The company has a working capital deficiency of $3,850,195 and an accumulated deficit of $4,123,916. The company's goal of this equity financing will be to capitalize the business for profitability and growth. The company anticipates all or majority of the convertible debt to be converted to equity upon the completion of the transaction and expects that the remaining debt will be restructured or eliminated with the proceeds thereof.

The company has begun restructuring internal processes to increase efficiency to drive greater revenue, and reduce operating expenses. The company anticipates the introduction of additional streams of revenue through its product brand, Sollievo, and by expanding to new markets where they do not yet have an existing presence. As the company is in an early stage and is introducing new products, revenues may be materially affected by market risk factors, including, but not limited to, seasonality, market immaturity and a highly fluid environment related to state and federal law passage and regulations. There can be no assurance that the company will be successful in addressing these risks, and the failure to do so in any one area could have a material adverse effect on the company's business, prospects, financial condition and results of operations.

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.

Cash used in operating activities during the six months ended June 30, 2017 is $1,065,530 (June 30, 2016: $331,906).

Cash used in investing activities during the six months ended June 30, 2017 is $8,067 (June 30, 2016: $Nil).

Cash provided by financing activities during the six months ended June 30, 2017 is $1,093,152 (June 30, 2016: $275,000).

Capital Resources

The Company constantly monitors and manages its capital resources to assess the liquidity necessary to fund operations and capacity expansion. As at June 30, 2017 the Company had a cash balance of $24,709 and current liabilities of $4,030,577. (June 30, 2016: $149,368 and $1,985,013).

As at December 31, 2016, the Company had a cash balance of $5,154 and current liabilities of $2,432,783.

As at December 31, 2015, the Company had a cash balance of $6,906 and current liabilities of $1,829,119.

The Company expects to complete a reverse takeover arrangement with a company currently listed on the TSX Venture Exchange and transfer this listing to the Canadian Securities Exchange. Concurrent with the reverse takeover, the Company will seek to raise additional funds through the issuance of shares. All of the Company's liabilities are due within the next twelve months. The Company's convertible debt is expected to be converted to common shares in conjunction with the reverse takeover.

Related Party Transactions

The company maintains a related party receivable from Adira. This receivable is not subject to any terms.

The aggregate value of transactions and outstanding balances relating to key management personnel were as follows:

Related party transactions	**Six month period ending June 30, 2017**	**Six month period ending June 30, 2016**	**Year ended December 31, 2016**	**Period ended December 31, 2016**
Remuneration and benefits	$136,500	$60,000	$195,000	$132,486
Amounts Owed				
Amount owed	$60,732	$54,410	$104,131	$28,631

Risks and Uncertainties

Overview

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.

Beyond its primary public service business, the Company also garners royalties from the sale of proprietary medical cannabis products manufactured, dispensed, and delivered by third party channel partners. The Company will be dependent on its third party clients and channel partners for the success of this aspect of its business.

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.

Share Price Volatility and Price Fluctuations. In recent years, the securities markets in Canada have experienced a high level of price and volume volatility, and the market prices of securities of many corporations have experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. Such volatility has been particularly evident with regards to the share price of medical cannabis companies, which are public issuers in Canada.

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.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements that would potentially affect current of future operations or the financial condition of the Company.

Investor Relations

The Company has engaged Pointer PR LLC for public relations services. The Company has not entered into any other investor relations contracts and primarily all investor relation activity is carried out by the directors and officers of the Company.

Critical accounting estimates

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statements of financial position date, could result in a material adjustment to the carry amounts of assets or liabilities. In the event that actual results differ from the assumptions made, relate to, but are not limited to the following:

a) The inputs used in assessing the recoverability of deferred tax assets to the extent that the deductible temporary differences will reverse in the foreseeable future and that the Company will have future taxable income; and

b) Bifurcation of the convertible debt.

Significant judgments used in the preparation of these financial statements include, but are not limited to those relating to the assessment of the Company's ability to continue as a going concern and matters related to the acquisition the assets from Presto.

e) Impairment of Intangible Assets

Judgement involved in determining whether an intangible assets useful life is finite or indefinite. The inputs used in assessing the potential impairment of indefinite life intangibles.

New Standards, Amendments and Interpretations not yet Adopted

A number of new standards and amendments to standards and interpretations have been issued but have not yet been applied in preparing these financial statements, as set out below:

- IFRS 9, Financial Instruments, addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income (OCI) and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. The standard is effective for accounting periods beginning on or after January 1, 2018 and earlier adoption is permitted.
- IFRS 15, Revenue from Contracts with Customers, deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of goods or services and thus has the ability to direct the use and obtain the benefits from the goods or services. The standard replaces IAS 18, Revenue, and IAS 11, Construction Contracts, and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018 and earlier adoption is permitted.
- In January 2016, the IASB issued IFRS 16, Leases, which will replace IAS 17, Leases. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under IAS 17, lessees were required to make a distinction between a finance lease and an operating lease. IFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a right-of-use asset for virtually all lease contracts. There is an optional exemption for certain short-term leases and leases of low value assets; however, this exemption can only be applied by lessees. The standard is effective for annual periods beginning on or after January 1, 2019, with earlier application if IFRS 15 is also applied.

The Company has yet to assess the impact of these standards, however they are not expected to have a significant impact on the Company's financial statements at this time as the Company does not generate any revenue at this time. Other accounting standards or amendments to existing accounting standards that have been issued, but have future effective dates, are either not applicable or are not expected to have a significant impact on the Company's financial statements.

Other MD&A requirements

As specified by National Instrument 51-102, the Company advises readers of this MD&A that important additional information about the Company is available on the SEDAR website – www.sedar.com.

The Company's President & Chief Executive Officer (CEO) and Chief Financial Officer (CFO) are responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting for the Company.

Outstanding share data

The authorized capital of the Company consists of an unlimited number of common shares without par value. The Company had 62,523,485 common shares issued and outstanding as at April 16, 2018.

Management Discussion and Analysis

The following Management Discussion and Analysis ("MD&A") of S.M.A.A.R.T Holdings Inc. ("the Company" or the "Company") for the nine month period ended September 30, 2017 should be read in conjunction with the Company's consolidated financial statements and notes for the nine months ended September 30, 2017, year ended December 31, 2016 and period June 12, 2015 to December 31, 2015 (the "**Financial Statements**"). The Financial Statements, together with this MD&A are intended to provide investors with a reasonable basis for assessing the financial performance of the Company as well as forward-looking statements relating to future performance. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("**IFRS**"). All figures expressed in United States dollars unless indicated.

This MD&A contains disclosure of material changes occurring up to and including September 30, 2017.

Forward-Looking Statements

This MD&A contains certain information that may constitute "forward-looking information" and "forward-looking statements" (collectively, "**forward-looking statements**") which are based upon the Company's current internal expectations, estimates, projections, assumptions and beliefs. Such statements can be identified by the use of forward-looking terminology such as "expect," "likely", "may," "will," "should," "intend," or "anticipate", "potential", "proposed", "estimate" and other similar words, including negative and grammatical variations thereof, or statements that certain events or conditions "may" or "will" happen, or by discussions of strategy. Forward-looking statements include estimates, plans, expectations, opinions, forecasts, projections, targets, guidance, or other statements that are not statements of fact. The forward-looking statements included in this MD&A are made only as of the date of this MD&A. Forward-looking statements in this MD&A include, but are not limited to, statements with respect to:

- licensing risks;
- regulatory risks;
- change in laws, regulations and guidelines;
- market risks;
- expansion of facilities;
- history of net losses; and
- competition.

Certain of the forward-looking statements and forward-looking information and other information contained herein concerning the medical cannabis industry and the general expectations of the Company concerning the medical cannabis industry and concerning the Company are based on estimates prepared by the Company using data from publicly available governmental sources as well as from market research and industry analysis and on assumptions based on data and knowledge of this industry which the Company believe to be reasonable. While the Company is not aware of any misstatement regarding any industry or government data presented herein, the medical cannabis industry involves risks and uncertainties that are subject to change based on various factors and the Company has not independently verified such third party information.

Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. The Company's forward-looking statements are expressly qualified in their entirety by this cautionary statement. In particular, but without limiting the foregoing, disclosure in this MD&A under "*Overview of the Business*" as well as statements regarding the Company's objectives, plans and goals, including future operating results, economic performance and patient acquisition efforts may make reference to or involve forward-looking statements. A number of factors could cause actual events, performance or results to differ materially from what is projected in the forward-looking statements. See "Risk Factors" for further details. The purpose of forward-looking statements is to provide the reader with a description of management's expectations, and such forward-looking statements may not be appropriate for any other purpose. You should not place undue reliance on

forward- looking statements contained in this MD&A. The Company undertakes no obligation to update or revise any forward- looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

Overview of the Business

The Company is a British Columbia incorporated Canadian company which operates a growing network of physician-staffed medical cannabis clinics with a primary focus on enabling patients to improve and protect their health.

On June 12, 2015 the Company, through its wholly owned subsidiary Empower Healthcare Corp, purchased all of the assets of Presto Quality Care Corporation ("Presto"), an Oregon company that had owned and operated the business of the Company. The consideration for the purchase was the assumption by the Company of a note payable by Presto to Bayview Equities Ltd in the amount of $550,000 plus accrued interest of $35,893. The Company continues to operate the business acquired.

Beyond its primary public service business, the Company's business plan is to garner royalties from the sale of proprietary medical cannabis products manufactured, dispensed, and delivered by third party channel partners. Through the rapid addition of both physical clinic locations, coupled with third party manufacturer distribution relationships, the Company seeks to create a leading international brand of trusted products and services for the medical cannabis industry. The Company intends to seek M&A opportunities where possible to accelerate these business expansion plans and drive incremental value.

The CEO, a graduate of the U.S. Naval Academy and Georgetown University's School of International Finance and Global Markets combined with senior leadership experience at Pepsi Cola and Citibank. He brings with him a 20-year career around the opening and rolling out of national franchises, driving same store sales, M&A, and highly successful IPO launches.

The Company currently operates 14 clinics located across the states of Oregon and Washington and has a Chicago based clinic scheduled to open in Q1 2018 With the sole ownership of an approximate 89,000 person medical cannabis patient database, including any/all historical associated medical data and contact information, the Company's patient foundation is strong. In the state of Oregon alone, the Company has an active patient base of approximately 24,000 patients, representing over 37% of the total in-state market.

Patients pay on average of $135 USD per visit with a physician to get a medical cannabis license. Generally, the license granted to patients is for one year, upon which time they must return for a visit with a physician and pay the annual fee. Currently, the Company employs 6 medical physicians, and two nurses who, along with a streamlined non-medical clinic staff, consult with patients and provide guidance with regards to medical cannabis healthcare options.

The incentive for patients to acquire a medical cannabis license is three-fold. First, in states where recreational cannabis is not permitted, having a medical cannabis card allows patients to legally access the associated flower and cannabis infused medical products. In states where recreational cannabis is permitted, the products can carry sales taxes of up to 40%. Having a medical cannabis license eliminates these sales taxes, providing significant savings to the cardholder on an annual basis. Third, in some states where recreational cannabis is permitted, by having a medical cannabis license patients are given access to a greater variety of products, higher strengths, and larger quantities of products.

The Company seeks to embark on a national clinic expansion in states where medical cannabis is permitted. The current priority states for expansion over the short to mid-term are Arizona, California, Florida, Illinois, Ohio, and Michigan. This list is highly fluid based on ever-changing state ballot initiatives and license availability.

The Company has developed a leading strategy in the area of medicinal cannabis products. While the company does not "touch the plant" it has developed "processor" relationships that allow it to use its data and knowledge to create a branded line of products that are manufactured, infused, packaged and distributed by licensed state processors. Through its branded product, Sollievo, the company seeks to create processor relationships in each of the 29 states that currently support medical cannabis through which the company will provide the formulas and branding and the processor will provide the manufacture, distribution and merchandising. This allows the company to leverage its learnings and data and reach all medical states, at the outset the clear majority of which do not contain Empower Clinics.

The Company's history and data represent a valuable resource as it relates to product effectiveness. The Company seeks to partner with the best processing channel partners in each respective state to ensure patients get access to the highest quality products and technology in the market.

Through third party processors, the Company, will provide medical cannabis products under the Sollievo label. The Company's processing partner uses an exclusive, proprietary, and patentable formula in its medical products, paying the Company a product royalty on the wholesale of the products sold to dispensaries or delivery services. The Company

seeks to expand the brand state by state through processor relationships, thereby creating a national line of data driven medical cannabis products tailored to patient's needs.

The Company will be paid royalties varying between 10% and 25% depending on processor relationship, product type, and the state that the products are being sold in.

The Company seeks to be active and opportunistic with respect to mergers and acquisitions, allowing for the company to advance its business plan or increase shareholder value where possible. Acquiring existing Clinics within states where the Company is either already operating, or seek to operate in the future, can help accelerate the expansion of its geographical presence. Additionally, the Company may seek to acquire third party channel partners to increase its patient base, margin per patient, and to increase shareholder value through the accretion of these operations and/or assets.

Currently, the market for both clinics and medical cannabis products in the United States remains highly fragmented with very few nationwide competitors. The Company seeks to take advantage of this by using its light capital expenditure model around opening clinics, to create highly valuable patient relationships. This will serve to couple customers with channel partners in each state it operates, with the goal of providing medical products. This will allow the Company to create a national brand for both its clinics and medical products. The Company has a unique business model that will allow the company to quickly expand and achieve a coast to coast presence without having to take on the capital expenditures of building facilities from scratch on a state by state basis.

Medical cannabis is regulated on a state by state basis and currently 29 states permit the use of medical cannabis and 8 states permit the use of recreational cannabis. The Company seeks to be at the forefront of this movement toward medical cannabis as a treatment both at the clinical level and on the product side.

Highlights from the period

During the period ended December 31, 2015, the Company raised aggregate proceeds of $200,000 from the private placement issuance of convertible notes payable. The convertible notes payable are due one year from the date of issuance and are repayable in full with accrued interest at 7.5% per annum on maturity. The holder may at any time during the term of the convertible notes payable convert all or part into equity at a conversion price equal to a 25% discount to the next round of equity financing undertaken by the Company, into units of the Corporation consisting of one common share (each, a "Share") and one share purchase warrant (each, a "Warrant"), with each Warrant entitling the holder thereof to acquire one Share at an exercise price equal to 125% of the price of the next round of equity financing.

The convertible notes payable were determined to be compound instruments, comprising liability, conversion feature, and warrants. As the convertible notes payable are convertible into common shares, the liability and equity components are presented separately. The initial carrying amount of the financial liability was determined by discounting the stream of future payments of interest and principal at a market interest rate of 10%. Using the residual method, the carrying amount of the conversion feature and the warrants issued is the difference between the principal amount and the initial carrying value of the financial liability. The equity component, and warrants are recorded in reserves on the statement of financial position. The convertible notes payable, net of the equity components are accreted using the effective interest rate method over the term of the convertible notes payable, such that the carrying amount of the financial liability will equal the principal balance at maturity.

The Company also received advances of notes payable of $77,813, advances of secured notes payable of $585,893 and advances from related parties of $108,985 during the period.

During the period ended December 31, 2016, the Company raised proceeds of $275,000 from the advance of convertible notes payable. The convertible notes are due one year from the date of issuance and are repayable in full with accrued interest at 7.5% per annum on maturity. The Holder may at any time during the term of the note convert all or part into equity at a conversion price equal to a 25% discount to the next round of equity financing undertaken by the Company, into units of the Corporation consisting of one common share (each, a "Share") and one share purchase warrant (each, a "Warrant"), with each Warrant entitling the holder thereof to acquire one Share at an exercise price equal to 125% of the price of the next round of equity financing.

During the nine months ended September 30, 2017, the Company raised net proceeds of $1,295,314 from the advance of convertible notes payable. The convertible notes are due one year from the date of issuance and are repayable in full with accrued interest at 7.5% per annum on maturity. The holder may at any time during the term of the convertible notes payable convert all or part into equity at a conversion price equal to a 25% discount to the next round of equity financing

undertaken by the Company, into units of the Company consisting of one common share (each, a "Share") and one share purchase warrant (each, a “Warrant”), with each Warrant entitling the holder thereof to acquire one Share at an exercise price equal to 125% of the price of the next round of equity financing.

The Company also received advances of notes payable of $199,778.

Share capital

In January 2016, 104,987 shares were issued to the former President and CEO of the Company at a cost of $0.0286 per share, as an inducement to accept the position of President and CEO.

In June 2016, 1,000,000 shares were issued in connection with the sourcing of a shell company for the proposed reverse takeover and listing of the Company at a cost of $0.03 per share.

In June 2016, the Company made a rights offering whereby shareholders of the Company could acquire one share of the Company for each share held, at a cost of $0.025 per share. A total of 7,666,667 shares were issued during the rights offering.

In December 2016, 766,667 shares were issued to the current President and CEO of the Company at a cost of $0.03 per share, as an inducement to accept the position of President and CEO.

In January 2017, the Company raised $302,244 through the issue of 32,237,225 shares to its existing shareholders at a cost of $0.0094 per share.

In May 2016, the shares of the Company were split on the basis of 19.6850 shares for each share held.

On March 31, 2017, the shares of the Company were consolidated on the basis of one share for every three shares held. Following the consolidation, there were 48,337,225 shares outstanding.

Results of Operations

As at September 30, 2017 the Company had a working capital shortfall of $4,488,376.

As at December 31 2016 the Company had a working capital shortfall of $2,422,127 and at December 31, 2015 a shortfall of $1,814,895.

During the nine months ended September 30, 2017, the Company successfully completed a rights issue for proceeds of $116,522 and raised net proceeds of $895,314 from the advance of convertible notes payable.

During the year ended December 31, 2016, the Company successfully completed a rights issue for gross proceeds of $191,700 and raised $275,000 through the issue of convertible notes payable. The Company also received proceeds of $120,000 on shares to be issued.

During the year ended December 31, 2015, the Company raised $200,000 through the issue of convertible notes payable.

During the nine months ended September 30, 2017, the Company incurred a net loss and comprehensive loss of $2,295,382 (September 30, 2016: $1,120,115).

During the year ended December 31, 2016, the Company incurred a net loss and comprehensive loss of $1,669,734 and had an accumulated deficit of $2,548,248.

During the period ended December 31, 2015, the Company incurred a net loss and comprehensive loss of $878,514 and had an accumulated deficit of $878,514.

During the nine months ended September 30, 2017, the Company’s expenses on legal fees were $441,237 (September 30, 2016: $267,944). The increase in legal expenses relate primarily to a legal dispute with a former President and CEO of the Company.

During the nine months ended September 30, 2017, the Company recorded an accretion charge of $422,359 in connection with its convertible notes payable. (September 30, 2016: $151,609).

The weighted average number of common shares, basic and diluted, outstanding for the nine months ended September 30, 2017 is 47,982,970 (September 30, 2016: 13,255,916).

For the year ended December 31, 2016, the Company's expenses on legal fees were $344,134 (Period ended December 31, 2015: $27,943). The increase in legal expenses relate primarily to a legal dispute with a former President and CEO of the Company.

For the year ended December 31, 2016, the Company recorded an accretion charge of $189,922 in connection with its convertible notes payable. (Period ended December 31, 2015: $61,736). Also during the year, the Company incurred an expense of $64,800 in connection with the write-down of intangible assets as a result of the Company's change in focus of its business activities.

The weighted average number of common shares, basic and diluted, outstanding for the year ended December 31, 2016 was 11,746,166. (December 31, 2015: 6,561,680).

Selected Annual Information

	Nine Month period ended September 30, 2017 (Unaudited)	Nine month period ended September 30, 2016 (Unaudited)	Year ended December 31, 2016 (Audited)	Period ended December 31, 2015 (Audited)
Net Loss before taxes	$ (2,295,382)	$ (1,120,115)	$ (1,669,734)	$ (878,514)
Net loss after taxes	$ (2,295,382)	$ (1,120,115)	$ (1,591,588)	$ (878,514)
Total assets	$ 647,529	$ 553,598	$ 553,598	$ 951,405
Total long-term liabilities	$ -	$ -	$ -	$ -
Dividends declared per share	$ -	$ -	$ -	$ -

The table below sets out selected quarterly information for the last completed fiscal quarters of the Company:

	Sept 30 2017	June 30 2017	Mar 31 2017	Dec 31 2016	Sept 30 2016	June 30 2016	Mar 31 2016	Dec 31 2015	Sept 30 2015
Net Sales/ Revenue	388,898	$417,646	$ 408,785	$ 340,442	$ 490,472	$ 674,563	$ 629,380	$ 521,933	$ 640,724
Net Loss	(641,568)	$(877,058)	$ (776,756)	$ (859,092)	$(258,766)	$ (288,949)	$ (262,927)	$ (509,081)	$ (369,433)
Basic and diluted loss per share	(0.01)	$ (0.04)	$ (0.02)	$ (0.07)	$ (0.02)	$ (0.02)	$ (0.03)	$ (0.07)	$ (0.06)

The company has a limited operating history, which can make it difficult for investors to evaluate the Issuer's operations and prospects and may increase the risks associated with investment into the Issuer.

The company has generated revenues since its inception in 2015. The revenue profile reflects Q3 2015 – Q3 2017. Because of this timeframe an investor may have only a limited operating history upon which prospects may be evaluated.

The company is expected to remain subject to many of the risks common to early-stage enterprises for the foreseeable future, including challenges related to laws, regulations, licensing, integrating and retaining qualified employees; making effective use of limited resources; achieving market acceptance of existing and future solutions; competing against companies with greater financial and technical resources; acquiring and retaining customers; and developing new solutions.

REVENUE: Revenues from the company began being generated in June of 2015 and are as follows. For 2015 Q3 & Q4 revenues were $1,162,657. For full year 2016 revenues were $2,314,857. The first 3 full quarters of 2017 reflect $1,215,329. Currently the company receives one revenue stream which is patient visits to existing clinics. The company expects to expand that revenue stream in 2018 when the Chicago clinic comes online and the Sollievo product brand is rolled out. The company has seen a decline in revenues 2016-2017 due to the 3 factors. The introduction of recreational cannabis to Oregon, a reduction in marketing spend while we reposition our brand and its treatment through online,

social and mobile upgrades and competitive introduction and pressure. The company believes all three areas are being addressed effectively and will be reflected in future revenues.

OPERATING EXPENSES: The company's major expense categories include professional service fees, real estate, labor related to its employees and doctors and their associated travel. These costs include professional services incurred to provide legal, accounting and public transaction counsel. These expenditures are consistent with the company's view that a clear and well protected structure is critical to future growth. The company expects professional service fees to drop markedly over time as many are related to successful prior litigation or "one time" events such as the fees associated with the expected RTO. Professional fees for the nine months ended September 30, 2017 and 2016 were $566,751 and $267,944 respectively. Real estate costs are directly tied to existing lease obligations and have stayed consistent except for the Chicago lease addition and its expected opening in Q1 2018. The company's future lease obligations are expected to track directly to any new clinic openings for which the company has provided their financial expectations. The company has future lease obligations in 2018 of $236,605. Labor expense is a function of our doctor roster and clinic staff to run their clinics. The company employs both medical doctors and nurses and clinic staff to run their clinics. These costs increased from 2016 to 2017 due to a change in doctor pay policy in Q4 2016. The company expects to revert the pay system to a more economical one in early 2018 and at the same time add doctors and nurses in the clinic operating areas thereby cutting down on medical travel expenses. Medical personnel and travel costs for the nine months ended September 30, 2017 and 2016 were $524,582 and $560,998 respectively. The company did add an experienced management team to their staff throughout 2017 in preparation for RTO including the current CEO, VP of Business Development, VP of Corporate Development and Controller. This staff adds to the labor costs but is essential for the company's future growth plans.

Liquidity

The company has historically financed its operations through its existing revenue stream, rights offerings to existing shareholders, and equity and convertible debt financing. During the prior nine months ended, sales funded 36% of operating costs.

The company has a working capital deficiency of $4,488,376, and an accumulated deficit of $4,765,484. The company's goal of this equity financing will be to capitalize the business for profitability and growth. The company anticipates all or majority of the convertible debt to be converted to equity upon the completion of the transaction and expects that the remaining debt will be restructured or eliminated with the proceeds thereof.

The company has begun restructuring internal processes to increase efficiency to drive greater revenue, and reduce operating expenses. The company anticipates the introduction of additional streams of revenue through its product brand, Sollievo, and by expanding to new markets where they do not yet have an existing presence. As the company is in an early stage and is introducing new products, revenues may be materially affected by market risk factors, including, but not limited to, seasonality, market immaturity and a highly fluid environment related to state and federal law passage and regulations. There can be no assurance that the company will be successful in addressing these risks, and the failure to do so in any one area could have a material adverse effect on the company's business, prospects, financial condition and results of operations.

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.

Cash used in operating activities during the nine months ended September 30, 2017 is $1,396,276 (September 30, 2016: $361,487).

Cash used in investing activities during the nine months ended September 30, 2017 is $30,582 (September 30, 2016: $Nil).

Cash provided by financing activities during the nine months ended September 30, 2017 is $1,422,585 (September 30, 2016: $424,605).

Capital Resources

The Company constantly monitors and manages its capital resources to assess the liquidity necessary to fund operations and capacity expansion. As at September 30, 2017 the Company had a cash balance of $881 and current liabilities of $4,639,852. (September 30, 2016: $70,024 and $2,436,247).

As at December 31, 2016, the Company had a cash balance of $5,154 and current liabilities of $2,432,783.

As at December 31, 2015, the Company had a cash balance of $6,906 and current liabilities of $1,829,119.

The Company expects to complete a reverse takeover arrangement with a company currently listed on the TSX Venture Exchange and transfer this listing to the Canadian Securities Exchange. Concurrent with the reverse takeover, the Company will seek to raise additional funds through the issuance of shares. All of the Company's liabilities are due within the next twelve months. The Company's convertible debt is expected to be converted to common shares in conjunction with the reverse takeover.

Related Party Transactions

The company maintains a related party receivable from Adira. This receivable is not subject to any terms.

The aggregate value of transactions and outstanding balances relating to key management personnel were as follows:

Related party transactions	Nine month period ending September 30, 2017	Year ended December 31, 2016	Period ended December 31, 2016
Remuneration and benefits	$191,700	$195,000	$132,486
Amounts Owed			
Amount owed	-	$104,131	$28,631

Risks and Uncertainties

Overview

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.

Beyond its primary public service business, the Company also garners royalties from the sale of proprietary medical cannabis products manufactured, dispensed, and delivered by third party channel partners. The Company will be dependent on its third party clients and channel partners for the success of this aspect of its business.

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.

Share Price Volatility and Price Fluctuations. In recent years, the securities markets in Canada have experienced a high level of price and volume volatility, and the market prices of securities of many corporations have experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. Such volatility has been particularly evident with regards to the share price of medical cannabis companies, which are public issuers in Canada.

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.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements that would potentially affect current of future operations or the financial condition of the Company.

Investor Relations

The Company has engaged Pointer PR LLC for public relations services. The Company has not entered into any other investor relations contracts and primarily all investor relation activity is carried out by the directors and officers of the Company.

Critical accounting estimates

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statements of financial position date, could result in a material adjustment to the carry amounts of assets or liabilities. In the event that actual results differ from the assumptions made, relate to, but are not limited to the following:

a) The inputs used in assessing the recoverability of deferred tax assets to the extent that the deductible temporary differences will reverse in the foreseeable future and that the Company will have future taxable income; and

b) Bifurcation of the convertible debt.

Significant judgments used in the preparation of these financial statements include, but are not limited to those relating to the assessment of the Company's ability to continue as a going concern and matters related to the acquisition the assets from Presto.

e) Impairment of Intangible Assets

Judgement involved in determining whether an intangible assets useful life is finite or indefinite. The inputs used in assessing the potential impairment of indefinite life intangibles.

New Standards, Amendments and Interpretations not yet Adopted

A number of new standards and amendments to standards and interpretations have been issued but have not yet been applied in preparing these financial statements, as set out below:

- IFRS 9, Financial Instruments, addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income (OCI) and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. The standard is effective for accounting periods beginning on or after January 1, 2018 and earlier adoption is permitted.
- IFRS 15, Revenue from Contracts with Customers, deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of goods or services and thus has the ability to direct the use and obtain the benefits from the goods or services. The standard replaces IAS 18, Revenue, and IAS 11, Construction Contracts, and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018 and earlier adoption is permitted.
- In January 2016, the IASB issued IFRS 16, Leases, which will replace IAS 17, Leases. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under IAS 17, lessees were required to make a distinction between a finance lease and an operating lease. IFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a right-of-use asset for virtually all lease contracts. There is an optional exemption for certain short-term leases and leases of low value assets; however, this exemption can only be applied by lessees. The standard is effective for annual periods beginning on or after January 1, 2019, with earlier application if IFRS 15 is also applied.

The Company has yet to assess the impact of these standards, however they are not expected to have a significant impact on the Company's financial statements at this time as the Company does not generate any revenue at this time. Other accounting standards or amendments to existing accounting standards that have been issued, but have future effective dates, are either not applicable or are not expected to have a significant impact on the Company's financial statements.

Other MD&A requirements

As specified by National Instrument 51-102, the Company advises readers of this MD&A that important additional information about the Company is available on the SEDAR website – www.sedar.com.

The Company's President & Chief Executive Officer (CEO) and Chief Financial Officer (CFO) are responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting for the Company.

Outstanding share data

The authorized capital of the Company consists of an unlimited number of common shares without par value. The Company had 62,523,485 common shares issued and outstanding as at April 16, 2018.

SCHEDULE "E"

PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS OF THE ISSUER AS AT SEPTEMBER 30, 2017

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

PROFORMA CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2017

(IN US DOLLARS)

S.M.A.A.R.T Holdings Inc.
Pro Forma Consolidated Statement of Financial Position
As at September 30, 2017
(Unaudited)

		30-Sep-17 S.M.A.A.R.T Holdings Inc.	30-Sep-17 Adira Energy Inc.	Reference	Pro Forma adjustments		Pro Forma consolidated
Assets							
Current							
Cash	$	881	13,000	B	2,083,380	$	2,272,261
				D	175,000		
Accounts Receivable		4,704	-				4,704
Prepaid expenses		30,890	-				30,890
Due from a related party		115,000	-	A	(115,000)		-
Current assets		151,475	13,000				2,307,855
Non-current							
Property, plant and equipment		36,138	-				36,138
Intangible assets		274,872	-				274,872
Assets held for sale		185,044	-				185,044
Total assets	$	647,529	13,000			$	2,803,909
Liabilities							
Current							
Accounts payable and accrued liabilities	$	1,140,065	324,000	A	(115,000)	$	1,349,065
Due to related parties		13,586	-				13,586
Notes payable		199,778	4,000	D	175,000		378,778
Convertible notes payable		1,580,240	-	C	(1,580,240)		-
Secured loan payable		667,271	-				667,271
Derivative liability		1,038,912	-	C	(1,038,912)		-
Current liabilities		4,639,852	328,000				2,408,700
Non-current							
Warrant liability		-	41,000	A	(41,000)		52,114
				A	52,114		
Total liabilities		4,639,852	369,000				2,460,814
Shareholders' Equity							
Share capital		550,744	-	A	788,660		6,264,353
				B	2,083,380		
				C	1,580,240		
				C	222,417		
				C	1,038,912		
Equity portion of notes payable		222,417	-	C	(222,417)		-
Additional paid-in capital		-	34,060,000	A	(34,060,000)		-
Accumulated deficit		(4,765,484)	(34,416,000)	A	34,416,000		(5,921,258)
				A	(1,155,774)		
Total shareholders' equity		(3,992,323)	(356,000)				343,095
Total liabilities and shareholders' equity	$	647,529	13,000			$	2,803,909

S.M.A.A.R.T Holdings Inc.
Pro Forma Consolidated Statement of Operations and Comprehensive Loss
As at September 30, 2017
(Unaudited)

	30-Sep-17 S.M.A.A.R.T Holdings Inc.	30-Sep-17 Adira Energy Inc.	Reference	Pro Forma adjustments	Pro Forma consolidated
Revenue					
Clinic revenues	$ 1,215,329	-			$ 1,215,329
Direct clinic expenses					
Medical personnel costs	367,625	-			367,625
Travel clinic costs	156,957	-			156,957
Net clinic revenues	690,747	-			690,747
Clinic operating expenses	1,894,933	-			1,894,933
Loss from clinic operations	(1,204,186)	-			(1,204,186)
Expenses					
Legal expenses	441,237	-			441,237
Accretion expense	422,359	-			422,359
Interest expense	118,681	-			118,681
Deprecition expense	77,470	-			77,470
Other expenses	12,295	117,000			129,295
Audit fees	125,514	-			125,514
Gain on debt settlement	(106,360)	-			(106,360)
Listing expense	-	-	A	1,155,774	1,155,774
	1,091,196	117,000			1,189,042
Other Income					
Gain on foreign exchange	-	24,000			24,000
Gain on revaluation of warrant liability		26,000			26,000
	-	50,000			50,000
Net loss and comprehensive loss	$ (2,295,382)	(67,000)			$ (2,362,382)
Weighted average number of outstanding shares (Basic and diluted)	47,982,970	17,112,022			47,982,970 -
Net loss per share, basic and diluted	$ (0.05)	(0.00)			$ (0.05)

1. Basis of Presentation

The accompanying unaudited pro forma consolidated financial statements of S.M.A.A.R.T Holdings Inc. ("SMAART" or "Target") and Adira Energy Ltd. ("Adira" or "Shell") have been prepared by management to reflect the proposed transactions as described in Note 2.

The pro forma consolidated financial statements have been prepared from information derived from and should be read in conjunction with the following:

1. The unaudited financial statements of SMAART as at and for the nine-month period ended September 30, 2017.

2. The unaudited financial statements of Adira as at and for the nine-month period ended September 30, 2017.

The unaudited pro forma consolidated statement of financial position and consolidated statement of operations and comprehensive loss of SMAART as at September 30, 2017 and Adira as at September 30, 2017 has been presented assuming the Transaction had been completed as at September 30, 2017.

The Share Exchange (see note 2) has been accounted for in accordance with IFRS 2, Share Based-Payments. The Transaction is considered to be a reverse takeover of Adira by SMAART. A reverse takeover transaction involving a non-public operating entity and a non-operating company is in substance a share-based payment transaction, rather than a business combination. The transaction is equivalent to the issuance of equity instruments (shares, stock options and warrants) by SMAART for the net assets and the eventual public listing status of the non-operating company, Adira. The fair value of the shares issued was determined based on the fair value of the common shares issued by SMAART.

The unaudited pro forma consolidated statement of financial position and consolidated statement of operations and comprehensive loss has been prepared by management, and, in the opinion of management, includes all adjustments necessary for fair presentation. No adjustments have been made to reflect additional costs or cost savings that could result from the combination of the operations of SMAART and Adira, as management does not anticipate any material costs or cost savings as a result of the Transaction.

The unaudited pro forma consolidated statement of financial position and consolidated statement of operations and comprehensive loss has been prepared for illustration purposes only and may not be indicative of the combined results or financial position had the Transactions been in effect at the date and for the period indicated.

The consolidated entity would be subject to an effective income tax rate of 26%.

2. Pro Forma Assumptions and Adjustments

Adira and SMAART entered into a Share Exchange Agreement, pursuant to which Adira, subject to a number of conditions, will amalgamate with SMAART to form a newly amalgamated entity (the "Share Exchange"), which will be Adira (the "Resulting Issuer").

The unaudited pro forma consolidated statement of financial position gives effect to the following assumptions and adjustments:

a) On closing of the Share Exchange, the additional paid-in capital of Adria and accumulated deficit are eliminated.

The fair value of the consideration is as follows:

Deemed issuance of 2,544,160 common shares to the former shareholders of Adria	$ 788,660
Shell warrants converted to Target warrants	52,114
Net working capital deficit	315,000
Other listing costs	-
Listing expense	$ 1,155,774

b) In connection with the closing of the transaction with SMAART, Adria is expected to complete a non-brokered placement raising aggregate grossed proceeds of CDN$2,600,000 through the sale of approximately 8,387,097 common shares of the Adira.

c) In connection with the closing of the transaction with SMAART, the outstanding convertible debt is expected to be converted for shares.

d) Subsequent to September 30, 2017, there were additional promissory notes in the aggregate amount of $175,000 issued.

3. Share Capital

The following details the share capital of SMAART prior to the Share Exchange

Shares issued as at September 30, 2017	48,337,225
Total shares issued in SMAART prior to concurrent financing and Share Exchange	48,337,225
Shares issued as part of concurrent financing	8,387,097
Shares issued as part of debt conversions	5,762,309
Total shares issued prior to Share Exchange	62,486,631

The following details the share capital of Adria prior to Share Exchange

Shares issued as at September 30, 2017	17,112,022
Shares issued pre- consolidation and prior to Share Exchange	17,112,022
Consolidation ratio	6.7263
	2,544,064
Shares issued post consolidation and prior to Share Exchange	2,544,064

The following details the share capital of the Issuer following the Share Exchange

Total shares issued - SMAART	62,486,631
Total shares issued - Adria	2,544,064
Total shares following the Share Exchange	65,030,695

CERTIFICATE OF ADIRA ENERGY LTD.

Pursuant to a resolution duly passed by its Board of Directors, Adira hereby applies for the listing of the above mentioned securities on CSE. The foregoing contains full, true and plain disclosure of all material information relating to the Issuer. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at Toronto, Ontario, the 16th of April, 2018.

(signed) *"Gadi Levin"*

Gadi Levin
Chief Executive Officer and Chief Financial Officer

(signed) *"Alan Friedman"*

Alan Friedman
Director

(signed) "*Alan Rootenberg"*

Alan Rootenberg
Director

CERTIFICATE OF S.M.A.A.R.T HOLDINGS INC.

The foregoing contains full, true and plain disclosure of all material information relating to S.M.A.A.R.T Holdings Inc. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at Vancouver, British Columbia, the 16th of April, 2018.

(signed) *"Craig Snyder"*
Craig Snyder
Chief Executive Officer

(signed) *"Alan Rootenberg"*
Alan Rootenberg
Chief Financial Officer

(signed) *"Dan Ballister"*
Dan Ballister
Director

(signed) "*Paul Uhlir"*
Paul Uhlir
Director