

**FORM 51-102F4  
BUSINESS ACQUISITION REPORT**

**Item 1 Identity of Company**

**1.1 Name and Address of Company**

Empower Clinics Inc. (the “**Company**”)  
Suite 907 – 1030 West Georgia Street  
Vancouver, BC, V6E 2Y3

**1.2 Executive Officer**

Steve McAuley  
Chief Executive Officer  
(604) 789-2146

**Item 2 Details of Acquisition**

**2.1 Nature of Business Acquired**

Effective April 30, 2019, the Company acquired all of the membership interest of Sun Valley Certification Clinics Holdings, LLC (“**Sun Valley**”), an Arizona Limited Liability Company (the “**Acquisition**”).

Through its subsidiaries, Sun Valley operates a network of professional medical cannabis and pain management practices, with five clinics in Arizona, one clinic in Las Vegas, a tele-medicine platform serving California, and a fully developed franchise business model for the domestic cannabis industry. Subsidiaries include the following:

- Sun Valley Alternative Health Centers, LLC;
- Sun Valley Alternative Health Centers West, LLC;
- Sun Valley Alternative Health Centers NV, LLC;
- Sun Valley Alternative Health Centers Tucson, LLC;
- Sun Valley Alternative Health Centers Mesa, LLC; and
- Sun Valley Certification Clinics Franchising, LLC

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

**2.2 Date of Acquisition**

April 30, 2019

## 2.3 Consideration

On the closing of the Acquisition, the Company acquired 100% of Sun Valley and Subsidiary membership interest, in exchange for cash, common shares of the Company and a promissory note having an aggregate value of \$3,960,000 as summarized below:

1. A cash payment of US\$775,000, of which US\$150,000 is being held back by the Company, half of which is to be released six months from the date of Closing and the other half of which is to be release twelve months from the date of Closing;
2. Issuance of 22,058,823 common shares of the Company (each a "**Share**") at a deemed price of US\$0.136 (\$0.183) per Share, representing the average daily closing price of the Shares on the Canadian Securities Exchange for the 10-day trading period ended April 26, 2019. Pursuant to an escrow agreement dated April 30,2019, 14,705,882 of the Shares will be held in escrow by Odyssey Trust Company, and will vest in quarterly installments over 36 months from the date of the Closing;
3. A cash payment of US\$12,318 and issuance of 350,602 Shares at a deemed price of US\$0.136 (CAD\$0.183) per Share, representing the average daily closing price of the Shares on the Canadian Securities Exchange for the 10-day trading period ended April 26, 2019 to a minority shareholder of one of the Sun Valley subsidiaries in order to acquire their minority interest therein; and
4. A promissory note of US\$125,000 bearing interest at a rate of 4% per annum and due July 31, 2019, to a minority shareholder of one of the Sun Valley subsidiaries in order to acquire their minority interest therein.

The cash payments were funded through an unsecured convertible debenture offering which raised gross proceeds of \$779,500 on April 1, 2019.

## 2.4 Effect on Financial Position

The effect of the Acquisition on the Company's financial position is outlined in the Company's unaudited proforma condensed consolidated financial statements which are attached to this Business Acquisition Report ("**Report**") and referred to in Item 3 below.

On the closing of the Acquisition, the Company appointed Dustin Klein, a former director of Sun Valley, to the Company's board of directors.

The Company does not presently have any plans or proposals for any other material changes in its business affairs, or the affairs of Sun Valley which may have a significant effect on the financial performance or position of the Company, including any proposal to liquidate the business of the Company or Sun Valley, to sell, lease or exchange all or a substantial parts of its assets, to amalgamate the business organization or to make any other material changes to the business of the Company or Sun Valley.

## 2.5 Prior Valuations

No valuation opinions were obtained in the last 12 months by the Company, or Sun Valley required by securities legislation or a Canadian exchange or market to support the consideration paid by the Company in connection with the Acquisition.

## 2.6 Parties to Transaction

The Acquisition was not with an informed person (as such term is defined in section 1.1 of National Instrument 51-102 *Continuous Disclosure Obligations*), associate or affiliate of the Company.

## 2.7 Date of Report

July 15, 2019.

## Item 3 Financial Statements

Pursuant to Part 8 of National Instrument 51-102, the audited consolidated financial statements of Sun Valley for the year ended December 31, 2018, together with the notes thereto and the auditor's report thereon (the "**Annual Financial Statements**"), are incorporated by reference herein and attached as Schedule A. Sun Valley's auditors have given their consent to include their audit report contained in the Annual Financial Statements in this Report.

In addition, pursuant to Part 8 of National Instrument 51-102, the following financial statements are attached as Schedule B and Schedule C to this Report, respectively, and are included as part of this Report:

- (a) Unaudited interim condensed consolidated financial statements of Sun Valley for the three months ended March 31, 2019 and 2018; and
- (b) Unaudited *pro-forma* consolidated financial statements of the Company for the year ended December 31, 2018 and the three months ended March 31, 2019, together with the notes thereto.

**SCHEDULE A**

**SUN VALLEY CERTIFICATION CLINICS HOLDINGS, LLC  
AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017

Together with Independent Auditors' Report

## INDEPENDENT AUDITORS' REPORT

To the Members of Sun Valley Certification Clinics Holdings, LLC and Subsidiaries  
Phoenix, Arizona

### ***Report on the Financial Statements***

We have audited the accompanying consolidated financial statements of *Sun Valley Certification Clinics Holdings, LLC and Subsidiaries*, which comprise the consolidated balance sheet as of December 31, 2018, and the related consolidated statements of income, members' equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### ***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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 auditing standards generally accepted in the United States of America. Those standards require that we 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 auditor's 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant 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 referred to above present fairly, in all material respects, the financial position of *Sun Valley Certification Clinics Holdings, LLC and Subsidiaries* as of December 31, 2018, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

Without modifying our opinion, we draw attention the fact that, as described in Note 1, the consolidated financial statements carve-out Sun Valley Alternative Health Centers Hollywood, FL, LLC and Sun Valley Science LLC and, therefore, are not necessarily indicative of results that would have occurred if these entities were included.

***Other Matter - 2017 Financial Statements***

Management is responsible for the accompanying consolidated financial statements of *Sun Valley Certification Clinics Holdings, LLC and Subsidiaries*, which comprise the balance sheet as of December 31, 2017, and the related statements of income, members' equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the consolidated financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on the 2017 consolidated financial statements.

Barry & Moore CPAs, PLC  
Phoenix, Arizona  
July 8, 2019

*Barry & Moore CPAs, PLC*

SUN VALLEY CERTIFICATION CLINICS HOLDINGS, LLC AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2018 AND 2017

	<u>(Audited)</u> 2018	<u>(Compiled)</u> 2017
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash	\$ 32,664	\$ 107,601
Employee receivable	1,450	-
Due from affiliates	<u>12,597</u>	<u>36,726</u>
Total current assets	46,711	144,327
SECURITY DEPOSITS	15,017	15,017
PROPERTY AND EQUIPMENT, net	<u>138,417</u>	<u>179,234</u>
TOTAL ASSETS	<u><u>\$ 200,145</u></u>	<u><u>\$ 338,578</u></u>
<u>LIABILITIES AND MEMBERS' EQUITY</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 114,524	\$ 89,945
Accrued liabilities	22,218	31,680
Deferred rent, current portion	10,816	6,575
Loans payable	<u>17,571</u>	<u>16,224</u>
Total current liabilities	165,129	144,424
DEFERRED RENT, noncurrent portion	<u>40,043</u>	<u>50,604</u>
Total liabilities	<u>205,172</u>	<u>195,028</u>
MEMBERS' EQUITY:		
Members of the Company	(278,424)	(136,469)
Noncontrolling interests	<u>273,397</u>	<u>280,019</u>
Total members' equity	<u>(5,027)</u>	<u>143,550</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u><u>\$ 200,145</u></u>	<u><u>\$ 338,578</u></u>

*See accompanying notes and independent auditors' report.*

SUN VALLEY CERTIFICATION CLINICS HOLDINGS, LLC AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>(Audited)</u> 2018	<u>(Compiled)</u> 2017
INCOME	<u>\$ 2,735,587</u>	<u>\$ 2,598,896</u>
EXPENSES:		
Payroll and related	1,776,419	1,654,428
Rent	220,038	160,146
Advertising	87,265	116,928
General and administrative	86,357	158,397
Office supplies	75,618	129,358
Bank charges	56,960	52,608
Utilities	56,460	50,116
Depreciation	40,817	24,423
Product cost	38,385	3,865
Professional fees	35,166	34,758
Interest	20,672	2,794
Travel	5,029	29,137
Repair and maintenance	<u>3,901</u>	<u>21,129</u>
Total expenses	<u>2,503,087</u>	<u>2,438,087</u>
NET INCOME	232,500	160,809
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	<u>(45,566)</u>	<u>(93,266)</u>
NET INCOME ATTRIBUTABLE TO MEMBERS OF THE COMPANY	<u>\$ 278,066</u>	<u>\$ 254,075</u>

*See accompanying notes and independent auditors' report.*



SUN VALLEY CERTIFICATION CLINICS HOLDINGS, LLC AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2018 (Audited) AND 2017 (Compiled)

	<u>Members of the Company</u>	<u>Noncontrolling Interests</u>	<u>Total</u>
BALANCE, December 31, 2016	\$ 97,585	\$ 174,742	\$ 272,327
NET INCOME (LOSS)	254,075	(93,266)	160,809
CONTRIBUTIONS	238,342	236,312	474,654
DISTRIBUTIONS	<u>(726,471)</u>	<u>(37,769)</u>	<u>(764,240)</u>
BALANCE, December 31, 2017	(136,469)	280,019	143,550
NET INCOME (LOSS)	278,066	(45,566)	232,500
CONTRIBUTIONS	204,921	71,648	276,569
DISTRIBUTIONS	<u>(624,942)</u>	<u>(32,704)</u>	<u>(657,646)</u>
BALANCE, December 31, 2018	<u>\$ (278,424)</u>	<u>\$ 273,397</u>	<u>\$ (5,027)</u>

*See accompanying notes and independent auditors' report.*

SUN VALLEY CERTIFICATION CLINICS HOLDINGS, LLC AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>(Audited)</u> 2018	<u>(Compiled)</u> 2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 232,500	\$ 160,809
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation	40,817	24,423
Changes in operating assets and liabilities:		
Employee receivable	(1,450)	-
Security deposits	-	(7,594)
Accounts payable	24,579	65,696
Accrued liabilities	(9,462)	22,273
Deferred rent	(6,320)	22,328
Net cash flows from operating activities	<u>280,664</u>	<u>287,935</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Net repayments on due from affiliates	24,129	96,306
Purchases of property and equipment	-	(156,081)
Net cash flows from investing activities	<u>24,129</u>	<u>(59,775)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net borrowings on loans payable	1,347	16,224
Contributions	276,569	474,654
Distributions	(657,646)	(764,240)
Net cash flows from financing activities	<u>(379,730)</u>	<u>(273,362)</u>
DECREASE IN CASH	(74,937)	(45,202)
CASH, beginning of year	<u>107,601</u>	<u>152,803</u>
CASH, end of year	<u>\$ 32,664</u>	<u>\$ 107,601</u>

*See accompanying notes and independent auditors' report.*

SUN VALLEY CERTIFICATION CLINICS HOLDINGS, LLC AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2018 (Audited) AND 2017 (Compiled)

(1) COMPANY OPERATIONS:

The accompanying financial statements present the consolidated financial position, results of operations, and cash flows of Sun Valley Certification Clinics Holdings, LLC and Subsidiaries (collectively, the “Company”). The Company consists of the following entities:

- Sun Valley Certification Clinics Holdings, LLC (“Holdings”) - This entity was organized in Arizona on July 28, 2016 to be the sole or majority member of all entities discussed below.
- Sun Valley Alternative Health Centers, LLC - Organized in Arizona on September 25, 2013 and wholly owned by Holdings, this entity operates two medical marijuana patient testing clinics in Phoenix, Arizona.
- Sun Valley Alternative Health Centers West, LLC - Organized in Arizona on May 21, 2014 and owned 90% by Holdings, this entity operates a medical marijuana patient testing clinic in Surprise, Arizona.
- Sun Valley Certification Clinics Franchising, LLC - Organized in Arizona on August 5, 2016 and wholly owned by Holdings, this entity has completed a franchise disclosure document and is marketing franchising opportunities to own and operate a Sun Valley Certification Clinic branded business in any state that has legalized medical marijuana.
- Sun Valley Alternative Health Centers NV, LLC - Organized in Nevada on August 12, 2016 and owned 70% by Holdings, this entity operates a medical marijuana patient testing clinic in Las Vegas, Nevada.
- Sun Valley Alternative Health Centers Mesa, LLC - Organized in Arizona on January 4, 2017 and owned 70% by Holdings, this entity operates a medical marijuana patient testing clinic in Mesa, Arizona.
- Sun Valley Alternative Health Centers Tucson, LLC - Organized in Arizona on January 4, 2017 and owned 70% by Holdings, this entity operates a medical marijuana patient testing clinic in Tucson, Arizona.

The Company, including all noncontrolling interests, was acquired by Empower Healthcare Assets, Inc. on April 30, 2019 for \$3,960,000. The acquisition price consisted of \$787,318 of cash, a \$125,000 promissory note, and \$3,047,682 of share consideration in Empower Clinics Inc., Empower Healthcare Assets, Inc.’s parent company and a publicly traded Canadian company. The share consideration vests quarterly over three years. Empower Clinics Inc. intends to finance the Company’s operations and planned expansion.

The consolidated financial statements carve-out Sun Valley Alternative Health Centers Hollywood, FL, LLC and Sun Valley Science LLC, both of which are wholly owned by Holdings, as these two entities were excluded from the acquisition discussed above. Therefore, the consolidated financial statements are not necessarily indicative of the financial position, results of operations, and cash flows that would have occurred if Sun Valley Alternative Health Centers Hollywood, FL, LLC and Sun Valley Science LLC were included.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Recognition of Income and Expenses-

Income and expenses are recognized on the accrual method of accounting. Under this method, income is recognized when earned rather than when collected and expenses are recognized when incurred rather than when paid.

Estimates-

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

Property and Equipment-

Property and equipment are recorded at cost. Depreciation is provided on the straight-line method over a five-year estimated useful life.

Valuation of Long-Lived Assets-

The Company periodically evaluates the carrying value of long-lived assets when events and circumstances warrant such a review. If the carrying value of a long-lived asset is considered impaired, a loss is recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived asset. As of December 31, 2018, there were no impairments to any long-lived assets.

Advertising-

Advertising costs are expensed as incurred.

Income Taxes-

As the Company is organized as a partnership for income tax purposes, the Company's income is includable in the income tax returns of its members. Therefore, no provision or liability for income taxes is included in the accompanying consolidated financial statements.

As of December 31, 2018, the Company had no uncertain tax positions that qualify for either recognition or disclosure in the consolidated financial statements. Additionally, the Company had no interest or penalties related to income taxes.

(3) PROPERTY AND EQUIPMENT:

Property and equipment consisted of the following as of December 31:

	(Audited) 2018	(Compiled) 2017
	<u>2018</u>	<u>2017</u>
Leasehold improvements	\$ 150,657	\$ 150,657
Office furnishings	25,000	25,000
Signs	24,444	24,444
Equipment	<u>3,986</u>	<u>3,986</u>
Property and equipment, gross	204,087	204,087
Less: accumulated depreciation	<u>(65,670)</u>	<u>(24,853)</u>
Property and equipment, net	<u>\$ 138,417</u>	<u>\$ 179,234</u>

(4) OPERATING LEASES:

The Company leases medical office space for its six clinics under six separate operating lease agreements, which expire at various dates through 2022. The lease agreements contain certain rent abatement and escalation clauses as well as certain lease inducements. Rent expense is recognized on a straight-line basis over the lease term. The difference between the rent due under the stated periods of the lease compared to the straight-line basis is recorded as deferred rent in the accompanying consolidated balance sheets. Deferred rent consisted of the following as of December 31:

	(Audited) 2018	(Compiled) 2017
	<u>2018</u>	<u>2017</u>
Abated and escalated rent	\$ 26,689	\$ 30,081
Lease inducements	<u>24,170</u>	<u>27,098</u>
Deferred rent, total	50,859	57,179
Deferred rent, current portion	<u>10,816</u>	<u>6,575</u>
Deferred rent, noncurrent portion	<u>\$ 40,043</u>	<u>\$ 50,604</u>

The Company's rent expense for 2018 and 2017, including charges for common area maintenance and rental taxes, totaled \$220,038 and \$160,146, respectively.

(4) OPERATING LEASES (Continued):

At December 31, 2018, future minimum lease payments under non-cancelable operating leases were as follows:

<u>Year Ending December 31,</u>	
2019	\$ 171,099
2020	167,661
2021	115,482
2022	<u>67,570</u>
Total	<u>\$ 521,812</u>

(5) RELATED PARTY TRANSACTIONS:

The Company entered into agreements with affiliates for the Company to provide certain management services. Management fees charged by the Company totaled \$2,000 and \$6,000 for 2018 and 2017, respectively. Due from affiliates include management fees charged by the Company and expenses incurred by the affiliates but paid by the Company. Amounts due from affiliate are due on demand and do not accrue interest.

(6) RISKS AND CONCENTRATIONS:

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash deposits in banks. The Company places its cash with high credit quality financial institutions. As of December 31, 2018, the Company's cash did not exceed federally insured limits.

(7) FAIR VALUE OF FINANCIAL INSTRUMENTS:

The carrying amounts reported in the balance sheet for current assets and current liabilities approximate fair values due to the short maturity of these instruments.

(8) SUBSEQUENT EVENTS:

Management has evaluated all subsequent events through the date the financial statements were available to be issued on July 8, 2019. No subsequent events occurred during this period which require adjustment to or disclosure in the financial statements, except as disclosed in Note 1.

**SCHEDULE B**

**SUN VALLEY CERTIFICATION CLINICS  
HOLDINGS, LLC AND SUBSIDIARIES**

INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS  
MARCH 31, 2019 AND 2018

SUN VALLEY CERTIFICATION CLINICS HOLDINGS, LLC AND SUBSIDIARIES  
INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS  
MARCH 31, 2019 AND DECEMBER 31, 2018

	<u>(Unaudited)</u> March 31, 2019	<u>(Unaudited)</u> December 31, 2018
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash	\$ 91,009	\$ 32,664
Employee receivable	710	1,450
Due from affiliates	6,915	12,597
Total current assets	<u>98,634</u>	<u>46,711</u>
SECURITY DEPOSITS	15,017	15,017
PROPERTY AND EQUIPMENT, net	<u>128,213</u>	<u>138,417</u>
TOTAL ASSETS	<u>\$ 241,864</u>	<u>\$ 200,145</u>
<u>LIABILITIES AND MEMBERS' EQUITY</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 147,232	\$ 136,742
Deferred rent, current portion	11,949	10,816
Loans payable	815	17,571
Total current liabilities	159,996	165,129
DEFERRED RENT, noncurrent portion	<u>36,207</u>	<u>40,043</u>
Total liabilities	<u>196,203</u>	<u>205,172</u>
MEMBERS' EQUITY:		
Members of the Company	(296,080)	(278,424)
Noncontrolling interests	341,741	273,397
Total members' equity	<u>45,661</u>	<u>(5,027)</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u>\$ 241,864</u>	<u>\$ 200,145</u>

*See accompanying notes.*



SUN VALLEY CERTIFICATION CLINICS HOLDINGS, LLC AND SUBSIDIARIES  
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2019 AND 2018

	<u>(Unaudited)</u> 2019	<u>(Unaudited)</u> 2018
INCOME	<u>\$ 735,453</u>	<u>\$ 744,531</u>
EXPENSES:		
Payroll and related	400,505	438,581
Rent	58,145	51,988
Advertising	7,772	24,710
General and administrative	34,364	22,002
Office supplies	14,136	22,818
Bank charges	12,365	15,369
Utilities	12,602	13,782
Depreciation	10,204	10,204
Product cost	11,833	9,516
Professional fees	27,744	5,331
Interest	5,028	4,690
Repair and maintenance	-	1,499
Travel	<u>1,022</u>	<u>640</u>
Total expenses	<u>595,720</u>	<u>621,130</u>
NET INCOME	139,733	123,401
NET INCOME (LOSS) ATTRIBUTABLE TO NONCONTROLLING INTERESTS	<u>1,919</u>	<u>(42,476)</u>
NET INCOME ATTRIBUTABLE TO MEMBERS OF THE COMPANY	<u>\$ 137,814</u>	<u>\$ 165,877</u>

*See accompanying notes.*

SUN VALLEY CERTIFICATION CLINICS HOLDINGS, LLC AND SUBSIDIARIES  
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY  
FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2019 AND 2018

	<u>Members of the Company</u>	<u>Noncontrolling Interests</u>	<u>Total</u>
BALANCE, December 31, 2017	\$ (136,469)	\$ 280,019	\$ 143,550
NET INCOME (LOSS)	165,877	(42,476)	123,401
CONTRIBUTIONS	-	99,609	99,609
DISTRIBUTIONS	<u>(279,809)</u>	<u>-</u>	<u>(279,809)</u>
BALANCE, March 31, 2018	<u>\$ (250,401)</u>	<u>\$ 337,152</u>	<u>\$ 86,751</u>
BALANCE, December 31, 2018	\$ (278,424)	\$ 273,397	\$ (5,027)
NET INCOME	137,814	1,919	139,733
CONTRIBUTIONS	-	66,425	66,425
DISTRIBUTIONS	<u>(155,470)</u>	<u>-</u>	<u>(155,470)</u>
BALANCE, March 31, 2019	<u>\$ (296,080)</u>	<u>\$ 341,741</u>	<u>\$ 45,661</u>

*See accompanying notes.*

SUN VALLEY CERTIFICATION CLINICS HOLDINGS, LLC AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2019 AND 2018

	<u>(Unaudited)</u> 2019	<u>(Unaudited)</u> 2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 139,733	\$ 123,401
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation	10,204	10,204
Changes in operating assets and liabilities:		
Employee receivable	740	-
Accounts payable	10,490	(27,575)
Deferred rent	(2,703)	(1,581)
Net cash flows from operating activities	<u>158,464</u>	<u>104,449</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Net repayments on due from affiliates	<u>5,682</u>	<u>35,757</u>
Net cash flows from investing activities	<u>5,682</u>	<u>35,757</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net repayment of loans payable	(16,756)	(7,584)
Contributions	66,452	89,626
Distributions	<u>(155,497)</u>	<u>(269,826)</u>
Net cash flows used in financing activities	<u>(105,801)</u>	<u>(187,784)</u>
<b>INCREASE (DECREASE) IN CASH</b>	58,345	(47,578)
CASH, beginning of period	<u>32,664</u>	<u>107,601</u>
CASH, end of period	<u>\$ 91,009</u>	<u>\$ 60,023</u>

*See accompanying notes.*

SUN VALLEY CERTIFICATION CLINICS HOLDINGS, LLC AND SUBSIDIARIES  
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2019 AND 2018

(1) COMPANY OPERATIONS:

The accompanying financial statements present the consolidated financial position, results of operations, and cash flows of Sun Valley Certification Clinics Holdings, LLC and Subsidiaries (collectively, the “Company”). The Company consists of the following entities:

- Sun Valley Certification Clinics Holdings, LLC (“Holdings”) - This entity was organized in Arizona on July 28, 2016 to be the sole or majority member of all entities discussed below.
- Sun Valley Alternative Health Centers, LLC - Organized in Arizona on September 25, 2013 and wholly owned by Holdings, this entity operates two medical marijuana patient testing clinics in Phoenix, Arizona.
- Sun Valley Alternative Health Centers West, LLC - Organized in Arizona on May 21, 2014 and owned 90% by Holdings, this entity operates a medical marijuana patient testing clinic in Surprise, Arizona.
- Sun Valley Certification Clinics Franchising, LLC - Organized in Arizona on August 5, 2016 and wholly owned by Holdings, this entity has completed a franchise disclosure document and is marketing franchising opportunities to own and operate a Sun Valley Certification Clinic branded business in any state that has legalized medical marijuana.
- Sun Valley Alternative Health Centers NV, LLC - Organized in Nevada on August 12, 2016 and owned 70% by Holdings, this entity operates a medical marijuana patient testing clinic in Las Vegas, Nevada.
- Sun Valley Alternative Health Centers Mesa, LLC - Organized in Arizona on January 4, 2017 and owned 70% by Holdings, this entity operates a medical marijuana patient testing clinic in Mesa, Arizona.
- Sun Valley Alternative Health Centers Tucson, LLC - Organized in Arizona on January 4, 2017 and owned 70% by Holdings, this entity operates a medical marijuana patient testing clinic in Tucson, Arizona.

The Company, including all noncontrolling interests, was acquired by Empower Healthcare Assets, Inc. on April 30, 2019 for \$3,960,000. The acquisition price consisted of \$787,318 of cash, a \$125,000 promissory note, and \$3,047,682 of share consideration in Empower Clinics Inc., Empower Healthcare Assets, Inc.’s parent company and a publicly traded Canadian company. The share consideration vests quarterly over three years. Empower Clinics Inc. intends to finance the Company’s operations and planned expansion.

The consolidated financial statements carve-out Sun Valley Alternative Health Centers Hollywood, FL, LLC and Sun Valley Science LLC, both of which are wholly owned by Holdings, as these two entities were excluded from the acquisition discussed above. Therefore, the consolidated financial statements are not necessarily indicative of the financial position, results of operations, and cash flows that would have occurred if Sun Valley Alternative Health Centers Hollywood, FL, LLC and Sun Valley Science LLC were included.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Recognition of Income and Expenses-

Income and expenses are recognized on the accrual method of accounting. Under this method, income is recognized when earned rather than when collected and expenses are recognized when incurred rather than when paid.

Estimates-

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

Property and Equipment-

Property and equipment are recorded at cost. Depreciation is provided on the straight-line method over a five-year estimated useful life.

Valuation of Long-Lived Assets-

The Company periodically evaluates the carrying value of long-lived assets when events and circumstances warrant such a review. If the carrying value of a long-lived asset is considered impaired, a loss is recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived asset. As of December 31, 2018, there were no impairments to any long-lived assets.

Advertising-

Advertising costs are expensed as incurred.

Income Taxes-

As the Company is organized as a partnership for income tax purposes, the Company's income is includable in the income tax returns of its members. Therefore, no provision or liability for income taxes is included in the accompanying consolidated financial statements.

As of March 31, 2019, the Company had no uncertain tax positions that qualify for either recognition or disclosure in the consolidated financial statements. Additionally, the Company had no interest or penalties related to income taxes.

(3) PROPERTY AND EQUIPMENT:

Property and equipment consisted of the following as of March 31, 2019 and December 31, 2018:

	(Unaudited) March 31, 2019	(Audited) December 31, 2018
	<u>                    </u>	<u>                    </u>
Office furnishings	\$ 150,657	\$ 150,657
Equipment	25,000	25,000
Signs	24,444	24,444
Leasehold improvements	<u>3,986</u>	<u>3,986</u>
Property and equipment, gross	204,087	204,087
Less: accumulated depreciation	<u>(75,874)</u>	<u>(65,670)</u>
Property and equipment, net	<u>\$ 128,213</u>	<u>\$ 138,417</u>

(4) OPERATING LEASES:

The Company leases medical office space for its six clinics under six separate operating lease agreements, which expire at various dates through 2022. The lease agreements contain certain rent abatement and escalation clauses as well as certain lease inducements. Rent expense is recognized on a straight-line basis over the lease term. The difference between the rent due under the stated periods of the lease compared to the straight-line basis is recorded as deferred rent in the accompanying consolidated balance sheets. Deferred rent consisted of the following as of March 31, 2019 and December 31, 2018:

	(Unaudited) March 31, 2019	(Audited) December 31, 2018
	<u>                    </u>	<u>                    </u>
Abated and accelerated rent	\$ 21,790	\$ 26,689
Lease inducements	<u>26,366</u>	<u>24,170</u>
Deferred rent, total	48,156	50,859
Deferred rent, current portion	<u>11,949</u>	<u>10,816</u>
Deferred rent, noncurrent portion	<u>\$ 36,207</u>	<u>\$ 40,043</u>

(4) OPERATING LEASES (Continued):

At December 31, 2018, future minimum lease payments under non-cancelable operating leases were as follows:

<u>Year Ending December 31,</u>	
2019	\$ 42,775
2020	167,661
2021	115,482
2022	<u>67,570</u>
Total	<u>\$ 393,488</u>

(5) RELATED PARTY TRANSACTIONS:

The Company entered into agreements with affiliates for the Company to provide certain management services. For the three months ended March 31, 2019 and 2018, management fees charged by the Company totaled \$nil and \$nil, respectively. Due from affiliates include management fees charged by the Company and expenses incurred by the affiliates but paid by the Company. Amounts due from affiliate are due on demand and do not accrue interest.

(6) RISKS AND CONCENTRATIONS:

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash deposits in banks. The Company places its cash with high credit quality financial institutions. As of March 31, 2019, the Company's cash did not exceed federally insured limits.

(7) FAIR VALUE OF FINANCIAL INSTRUMENTS:

The carrying amounts reported in the balance sheet for current assets and current liabilities approximate fair values due to the short maturity of these instruments.

(8) SUBSEQUENT EVENTS:

Management has evaluated all subsequent events through the date the financial statements were available to be issued on July 12, 2019. No subsequent events occurred during this period which require adjustment to or disclosure in the financial statements, except as disclosed in Note 1.

**SCHEDULE C**



**PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended December 31, 2018 and the three months ended March 31, 2019

(Unaudited)



## UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited pro forma consolidated financial statements give effect to the transaction between Empower Clinics Inc. (“Empower” or the “Corporation”) and Sun Valley Certification Clinics Holdings, LLC (“Sun Valley”) under the acquisition method of accounting. The unaudited pro forma consolidated statement of financial position gives effect to the acquisition (the “Acquisition”) as if it had closed on March 31, 2019. The unaudited pro forma consolidated statements of loss and comprehensive loss for the year ended December 31, 2018 and three months ended March 31, 2019 give effect to the Acquisition as if it had closed on January 1, 2018. The actual closing date of the transaction was April 30, 2019.

The unaudited pro forma consolidated financial statements are based on the audited and unaudited consolidated financial statements of Empower as at and for the year ended December 31, 2018 and the three months ended March 31, 2019, respectively, and the audited and unaudited consolidated financial statements of Sun Valley as at and for the year ended December 31, 2018 and the three months ended March 31, 2019, respectively.

The unaudited pro forma consolidated financial statements are presented for informational purposes only. The pro forma adjustments are based upon available information and certain assumptions that the Corporation believes are reasonable in the circumstances, as described in the notes to the unaudited pro forma consolidated financial statements. The unaudited pro forma consolidated financial statements do not give effect to any potential cost savings and operating synergies, if any, that may result from the Acquisition.

The unaudited pro forma information presented, including allocation of purchase price, is based on preliminary estimates of fair values of assets acquired and liabilities assumed, available information and assumptions and may be revised as additional information becomes available. The actual adjustments to the consolidated financial statements upon the closing of the Acquisition will depend on a number of factors, including additional information available and the net assets of Sun Valley on the closing date of the Acquisition. Therefore, the actual adjustments will differ from the preliminary pro forma adjustments and the differences may be material. For example, the final purchase price allocation is dependent on, among other things, the finalization of asset and liability valuations including but not limited to the valuation of intangible assets acquired. Any final adjustment may change the allocation of purchase price, which could affect the fair value assigned to the assets and liabilities and could result in a change to the unaudited pro forma consolidated financial statements, including a change to goodwill.

**EMPOWER CLINICS INC.****PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at March 31, 2019

(Unaudited) (United States dollars, except share numbers)

	Empower	Sun Valley	Pro forma adjustments	Notes	Pro forma consolidated
<b>ASSETS</b>					
Current					
Cash	\$ 1,974,483	\$ 91,009	\$ (637,318)	4(a)	\$ 1,428,174
Accounts receivable	-	7,625	-		7,625
Prepaid expenses	17,600	-	-		17,600
<b>Total current assets</b>	<b>1,992,083</b>	<b>98,634</b>	<b>(637,318)</b>		<b>1,453,399</b>
Promissory note	124,118	-	-		124,118
Security deposits	-	15,017	-		15,017
Property and equipment	123,436	128,213	-		251,649
Intangible assets	53,773	-	-		53,773
Right-of-use assets	123,689	-	351,373	4(c)	475,062
Goodwill	-	-	3,284,284	4(b)	3,284,284
<b>Total assets</b>	<b>\$ 2,417,099</b>	<b>\$ 241,864</b>	<b>\$ 2,998,339</b>		<b>\$ 5,657,302</b>
<b>LIABILITIES</b>					
Current					
Accounts payable and accrued liabilities	\$ 1,318,744	\$ 147,232	\$ 150,000	4(a)	\$ 1,615,976
Share subscriptions	2,024,082	-	-		2,024,082
Current portion of notes payable	614,989	-	-		614,989
Due to related parties	12,575	-	-		12,575
Convertible debentures payable	302,924	-	-		302,924
Secured loan payable	728,127	-	-		728,127
Current portion of lease liability	107,814	-	140,992	4(c)	248,806
Deferred rent	-	11,949	(11,949)	4(c)	-
Loan payable	-	815	-		815
Promissory Note	-	-	125,000	4(a)	125,000
Conversion feature	55,927	-	-		55,927
Current portion of warrant liability	6,173	-	-		6,173
<b>Total current liabilities</b>	<b>5,171,355</b>	<b>158,996</b>	<b>404,043</b>		<b>5,735,394</b>
Lease liability	22,290	-	254,213	4(c)	276,503
Notes payable	189,735	-	-		189,735
Deferred rent	-	36,207	(36,207)	4(c)	-
Warrant liability	81,443	-	-		81,443
<b>Total liabilities</b>	<b>5,464,823</b>	<b>196,203</b>	<b>622,049</b>		<b>6,283,075</b>
<b>EQUITY</b>					
Issued capital	5,258,081	-	3,047,682	4(a)	8,305,763
Members Interest	-	(296,080)	296,080	7	-
Non-controlling interest	-	341,741	(341,741)	4(b)	-
Reserves	987,657	-	-		987,657
Retained earnings (deficit)	(9,293,462)	-	(627,731)	4(c),7	(9,919,193)
<b>Total shareholders' equity (deficit)</b>	<b>(3,047,724)</b>	<b>45,661</b>	<b>2,376,290</b>		<b>(625,773)</b>
<b>Total liabilities and shareholders' equity (deficit)</b>	<b>\$ 2,417,099</b>	<b>\$ 241,864</b>	<b>\$ 2,998,339</b>		<b>\$ 5,657,302</b>

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

**EMPOWER CLINICS INC.****PRO FORMA CONSOLIDATED STATEMENT OF LOSS AND TOTAL COMPREHENSIVE INCOME**

For the year ended December 31, 2018

(Unaudited) (United States dollars, except share numbers)

	Empower	Sun Valley	Pro forma adjustments	Notes	Pro forma consolidated
<b>Revenues</b>					
Clinic operations	\$ 152,846	\$ 2,735,587	\$ -	\$	2,888,433
<b>Direct clinic expenses</b>					
Medical personnel costs	27,304	38,385	-		65,689
Travel clinic costs	12,109	-	-		12,109
Total direct clinic expenses	39,413	38,385	-		77,798
<b>Earnings from clinic operations</b>	113,433	2,697,202	-		2,810,635
Operating expenses	218,627	2,368,047	-		2,586,674
Legal and professional fees	113,011	35,166	-		148,177
Depreciation and amortization expense	46,143	40,817	-		86,960
Share-based payments	14,960	-	-		14,960
<b>Income (loss) from operations</b>	(279,308)	253,172	-		(26,136)
<b>Other expenses (income)</b>					
Accretion expense	29,914	-	-		29,914
Interest income	(1,618)	(1)	-		(1,619)
Interest expense	33,372	20,673	-		54,045
Loss on change in fair value of warrant liability	190	-	-		190
Loss on change in fair value of conversion feature	33,362	-	-		33,362
Other expense, net	24,013	-	-		24,013
	119,233	20,672	-		139,905
<b>Net income (loss) and comprehensive income (loss)</b>	\$ (398,541)	\$ 232,500	-	\$	(166,041)
<b>Income (loss) per share</b>					
Basic	\$ (0.01)	\$	\$	\$	(0.00)
Diluted	\$ (0.01)	\$	\$	\$	(0.00)
<b>Weighted average number of shares outstanding</b>					
Basic	66,670,041		22,409,425	6	89,079,466
Diluted	66,670,041		22,409,425	6	89,079,466

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

**EMPOWER CLINICS INC.****PRO FORMA CONSOLIDATED STATEMENT OF LOSS AND COMPREHENSIVE LOSS**

For the three months ended March 31, 2019

(Unaudited) (United States dollars, except share numbers)

	Empower	Sun Valley	Pro forma adjustments	Notes	Pro forma consolidated
<b>Revenues</b>					
Clinic operations	\$ 152,846	\$ 735,453	\$ -		\$ 888,299
<b>Direct clinic expenses</b>					
Medical personnel costs	27,304	11,833	-		39,137
Travel clinic costs	12,109	-	-		12,109
Total direct clinic expenses	39,413	11,833	-		51,246
<b>Earnings from clinic operations</b>	113,433	723,620	-		837,053
Operating expenses	218,627	540,911	(42,015)	4(c)	717,523
Legal and professional fees	113,011	27,744	-		140,755
Depreciation and amortization expense	46,143	10,204	32,705	4(c)	89,052
Share-based payments	14,960	-	-		14,960
<b>Income (loss) from operations</b>	(279,308)	144,761	9,310		(125,237)
<b>Other expenses (income)</b>					
Accretion expense	29,914	-	-		29,914
Interest income	(1,618)	-	-		(1,618)
Interest expense	33,372	5,028	6,118	4(c)	44,518
Loss on change in fair value of warrant liability	190	-	-		190
Loss on change in fair value of conversion feature	33,362	-	-		33,362
Other expense, net	24,013	-	-		24,013
	119,233	5,028	6,118		130,379
<b>Net income (loss) and comprehensive income (loss)</b>	\$ (398,541)	\$ 139,733	3,192		\$ (255,616)
<b>Income (loss) per share</b>					
Basic	\$ (0.01)	\$ -	\$ -		\$ (0.00)
Diluted	\$ (0.01)	\$ -	\$ -		\$ (0.00)
<b>Weighted average number of shares outstanding</b>					
Basic	77,503,337		22,409,425	6	99,912,762
Diluted	77,503,337		22,409,425	6	99,912,762

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

## **EMPOWER CLINICS INC.**

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

(Unaudited) (Tabular amounts are expressed in United States dollars, except where noted)

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#### **1. NATURE OF OPERATIONS**

Empower Clinics Inc. (“Empower” or the “Company”) was incorporated under the laws of the Province of British Columbia on April 28, 2015. The Company is a leading owner and operator of medical cannabis clinics and developer of medical products in the US, focused on enabling individuals to improve and protect their health. This business is conducted through Empower’s wholly-owned Nevada, USA subsidiary, SMAART Holdings Corp., which in turn owns wholly-owns the following subsidiaries:

- i. Empower Healthcare Corporation (“EHC”) is an Oregon based company that, through its clinics in Oregon, and Washington State, provides physician services to patients in those states. EHC acquired the assets of Presto Quality Care Corporation (“Presto”) on June 12, 2015 and acquired the operations of Presto on July 12, 2015.
- ii. SMAART Inc. is an Oregon based company that does not have an active business.
- iii. The Hemp and Cannabis Company (“THCC Oregon”) and The Hemp and Cannabis Company Access Points Oregon (“THCF Access Points Oregon”), These are Oregon based companies that do not have active businesses.
- iv. The Hemp and Cannabis Company (“THCC Washington”) and The Hemp and Cannabis Company Access Points Washington (“THCF Access Points Washington”), are Washington based companies that do not have active businesses.
- v. CanMed Solutions Inc., is an Oregon based company that was incorporated on January 27, 2017. The Company does not have an active business.

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

On April 16, 2019, the Company incorporated a wholly-owned Delaware Corporation, Empower Healthcare Assets Inc. (“Empower Healthcare”). On April 30, 2019, the Empower Healthcare acquired all the outstanding membership interest of Sun Valley Certification Clinics Holdings, LLC and its subsidiaries Sun Valley Alternative Health Centers, LLC, Sun Valley Alternative Health Centers West, LLC, Sun Valley Alternative Health Centers NV, LLC, Sun Valley Alternative Health Centers Tucson, LLC, Sun Valley Alternative Health Centers Mesa, LLC, and Sun Valley Certification Clinics Franchising, LLC (“Subsidiaries”)

#### **2. BASIS OF PREPARATION**

The accompanying unaudited pro forma consolidated financial statements give effect to the acquisition by Empower of Sun Valley Certification Clinics Holdings, LLC and its Subsidiaries (collectively, “Sun Valley”) as described in the Business Acquisition Report (“BAR”) dated July 12, 2019 (the “Acquisition”). The accompanying unaudited pro forma consolidated financial statements have been prepared by management of Empower and are derived from the unaudited and audited consolidated financial statements of Empower as at and for the three months ended March 31, 2019 and for the year ended December 31, 2018, respectively, and the unaudited and audited consolidated financial statements of Sun Valley as at and for the three months ended March 31, 2019 and for the year ended December 31, 2018, respectively.

The accompanying unaudited pro forma consolidated financial statements should be read in conjunction with the description of the Acquisition provided in the BAR, the audited and unaudited consolidated financial statements of Sun Valley, including the notes thereto, incorporated by reference in the BAR, and the historical unaudited and audited consolidated financial statements of Empower, including the notes thereto.

The accompanying unaudited pro forma consolidated financial statements may not be indicative of the results that would have been achieved if the transactions reflected therein had been completed on the dates indicated or the results which may be obtained in the future. For instance, the actual purchase price allocation will reflect the fair value, at the purchase date, of the assets acquired and liabilities assumed based upon the Corporation’s evaluation of such assets and liabilities following the closing of the Acquisition.

## EMPOWER CLINICS INC.

### NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited) (Tabular amounts are expressed in United States dollars, except where noted)

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#### 2. BASIS OF PREPARATION (Continued)

Accordingly, the final purchase price allocation may differ materially from the preliminary allocation reflected herein. The underlying assumptions for the pro forma adjustments provide a reasonable basis for presenting the significant financial effects directly attributable to the Acquisition. These pro forma adjustments are preliminary and are based on currently available financial information and certain estimates and assumptions. Empower has performed a preliminary valuation analysis of Sun Valley's assets to be acquired and liabilities to be assumed. This preliminary valuation has been used to prepare pro forma adjustments in the preliminary purchase price allocation presented in the unaudited pro forma consolidated financial statements. The final purchase price allocation will be determined when the Corporation has completed the detailed valuations and necessary calculations. The actual adjustments to the unaudited pro forma consolidated financial statements will depend on a number of factors. Therefore, it is expected that the actual adjustments will differ from the preliminary pro forma adjustments, and the differences may be material.

#### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of these unaudited pro forma consolidated financial statements are those set out in Empower's audited consolidated financial statements as at December 31, 2018 and interim condensed consolidated financial statements as at March 31, 2019. In preparing the unaudited pro forma consolidated financial statements, a review was undertaken to identify accounting policy differences between Empower and Sun Valley where the impact was potentially material. The significant accounting policies of Sun Valley conform in all material respects to those of Empower except as noted below in note 4(c).

#### 4. PRELIMINARY PRO FORMA PURCHASE PRICE ALLOCATION

On April 30, 2019, the Company completed the 100% acquisition of Sun Valley Certification Clinics Holdings, LLC, for total fair value consideration of \$3,960,000 comprised of cash of \$787,318, 22,409,425 common shares of the Company at a fair value of \$0.14 (C\$0.183) per share and a \$125,000 promissory note.

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

##### a) Purchase Price

The following is the purchase price. These figures have been reflected in the accompanying unaudited pro forma consolidated financial statements.

Fair value of 22,409,425 common shares issued	\$	3,047,682
Cash		787,318
Promissory note		125,000
<b>Total consideration</b>	<b>\$</b>	<b>3,960,000</b>

Common shares of the Company were issued on the Closing Date with 14,705,882 common shares being held in escrow ("Escrow Shares"). The Escrow Shares will vest in quarterly instalments over 36 months from the Closing Date.

Initial cash payment of \$637,318 was made on the Closing Date with \$150,000 held back as security for contingent liabilities of Sun Valley. Pro forma accounts payable and accrued liabilities include the \$150,000 holdback, of which \$75,000 is expected to be released on the six-month anniversary of the Closing Date with the remaining \$75,000 to be released on the one-year anniversary of the Closing Date.

The promissory note bears interest at a rate of 4% per annum and matures on July 31, 2019.

**EMPOWER CLINICS INC.**

## NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited) (Tabular amounts are expressed in United States dollars, except where noted)

**4. PRELIMINARY PRO FORMA PURCHASE PRICE ALLOCATION (Continued)****b) Preliminary Pro Forma Purchase Price Allocation**

The total consideration was allocated to the assets acquired and liabilities assumed based on their relative fair values on the Closing Date as follows:

<b>Assets Acquired</b>	
Cash and cash equivalents	\$ 93,745
Accounts receivable	366
Total current assets	\$ 94,111
Security deposits	\$ 15,017
Property and equipment	124,812
	\$ 233,940
<b>Liabilities Assumed</b>	
Accounts payable and accrued liabilities	\$ 44,531
Total current liabilities	\$ 44,531
Non-controlling interest	(486,307)
<b>Net assets at fair value, as at April 30, 2019</b>	<b>\$ 675,716</b>
Estimated Purchase Price	\$ 3,960,000
Goodwill	\$ 3,284,284

**c) Adoption of IFRS 16 Leases**

Effective January 1, 2019, the Company adopted IFRS 16 Leases (IFRS 16) using the modified retrospective approach as disclosed in the March 31, 2019 interim condensed consolidated financial statements. Sun Valley reports under US Generally Accepted Accounting Principles and has not adopted IFRS 16.

**Deferred Rent**

IFRS does not recognize deferent rent and as such, the current portion of deferred rent liability and long-term portion deferred rent liability have eliminated with a corresponding charge to deficit and rent expense.

	Deferred Rent Liability, Current	Deferred Rent Liability, Long-term	Deficit	Rent Expense
Balance, January 1, 2019	\$ 10,816	\$ 40,043	\$ (50,859)	\$ -
<b>Balance, March 31, 2019</b>	<b>\$ 11,949</b>	<b>\$ 36,207</b>	<b>\$ (50,859)</b>	<b>\$ 2,703</b>

**Leases**

The Sun Valley lease liabilities as at January 1, 2019 can be reconciled to the operating lease commitments as of December 31, 2018 as follows:

Operating lease commitments as at December 31, 2018	\$ 521,812
Weighted average incremental borrowing rate as at January 1, 2019	6%
<b>Lease liability as at January 1, 2019</b>	<b>\$ 428,399</b>

## EMPOWER CLINICS INC.

### NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited) (Tabular amounts are expressed in United States dollars, except where noted)

#### 4. PRELIMINARY PRO FORMA PURCHASE PRICE ALLOCATION (Continued)

On January 1, 2019, as a result of the initial application of IFRS 16, in relation to the leases that were previously classified as operating leases, the Company recognized right-of-use assets of \$384,078, lease liability of \$428,399 and charge to deficit of \$44,321.

The Company has recognized depreciation and interest cost instead of rent expense. During the three months ended March 31, 2019, the Sun Valley recognized depreciation expense of \$32,705 and interest expense of \$6,118 in relation to the leases.

The right-of-use asset consists of the following:

<b>Cost</b>	
Balance, January 1, 2019	\$ 663,783
<b>Balance, March 31, 2019</b>	<b>\$ 663,783</b>

  

<b>Accumulated Depreciation</b>	
Balance, January 1, 2019	\$ (279,705)
Depreciation	(32,705)
<b>Balance, March 31, 2019</b>	<b>\$ (312,410)</b>

  

<b>Carrying amount</b>	
Balance, January 1, 2019	\$ 384,078
<b>Balance, March 31, 2019</b>	<b>\$ 351,373</b>

The lease liability consists of the following:

Balance, January 1, 2019	\$ 428,399
Interest Expense	6,118
Payments	(39,312)
Balance, March 31, 2019	395,205
Less: non-current portion of lease liability	(140,992)
<b>Current portion of lease liability</b>	<b>\$ 254,213</b>

#### 5. PRO FORMA EARNINGS PER SHARE

Net income (loss) per common share is calculated by dividing the pro forma net income (loss) applicable to common shares by the weighted average number of common shares outstanding for the year ended December 31, 2018 and three months ended March 31, 2019 and reflects the issuance of 22,409,425 Empower common shares, as if the issuance had taken place on January 1, 2018.



**EMPOWER CLINICS INC.**

## NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited) (Tabular amounts are expressed in United States dollars, except where noted)

**6. ISSUED CAPITAL**

Empowers' issued and outstanding common shares as at December 31, 2018, assuming the additional shares resulting from transactions described in note 4 had taken place on January 1, 2018, are as follows:

	<b>Number of shares</b>		<b>Amount</b>
Balance, December 31, 2018	66,670,041	\$	5,401,024
Share consideration issued in connection with:			
Sun Valley membership interest	22,058,823		3,000,000
Sun Valley non-controlling interest	350,602		47,682
Pro forma balance, December 31, 2018	<b>89,079,466</b>	<b>\$</b>	<b>8,448,706</b>

Empowers' issued and outstanding common shares as at March 31, 2019, assuming the additional shares resulting from transactions described in note 4 had taken place on January 1, 2018, are as follows:

	<b>Number of shares</b>		<b>Amount</b>
Balance, March 31, 2019	77,503,337	\$	5,258,081
Share consideration issued in connection with:			
Sun Valley membership interest	22,058,823		3,000,000
Sun Valley non-controlling interest	350,602		47,682
Pro forma balance, March 31, 2019	<b>99,912,762</b>	<b>\$</b>	<b>8,305,763</b>

**7. SUN VALLEY HISTORICAL MEMBERS INTEREST**

The historical member interest of Sun Valley, which includes retained earnings and member units, has been eliminated on consolidation.