Empower Clinics Inc.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended
September 30, 2019 and 2018
(Unaudited)

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

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

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

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

November 14, 2019

EMPOWER CLINICS INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in United States dollars) - Unaudited

	Note		**September 30, 2019**		December 31, 2018
ASSETS					
Current					
Cash		**$**	**178,578**	$	157,668
Accounts receivable			**67,300**		-
Prepaid expenses			**71,667**		29,475
Total current assets			**317,545**		187,143
Promissory note	5		**125,000**		-
Property and equipment			**115,410**		127,060
Intangible assets			**18,083**		71,617
Right-of-use assets	3		**569,491**		-
Assets held for sale			**-**		127,972
Goodwill	4		**3,797,496**		-
Total assets		**$**	**4,943,025**	$	513,792
LIABILITIES					
Current					
Accounts payable and accrued liabilities	4,6	**$**	**1,262,106**	$	1,554,892
Share subscriptions			**-**		61,167
Current portion of notes payable	7		**767,085**		610,444
Due to related parties	15		**-**		12,575
Convertible debentures payable	9		**724,705**		274,466
Secured loan payable	8		**750,307**		717,460
Current portion of lease liability	3		**210,072**		-
Conversion feature	9		**49,112**		22,565
Current portion of warrant liability	10		**5,455**		4,474
Total current liabilities			**3,768,842**		3,258,043
Lease liability	3		**404,342**		-
Notes payable	7		**-**		150,271
Warrant liability	10		**556,128**		101,698
Total liabilities			**4,729,312**		3,510,012
EQUITY					
Issued capital	11		**7,540,860**		5,401,024
Reserves	11		**3,474,141**		972,697
Deficit			**(10,801,288)**		(9,369,941)
Total shareholders' equity (deficit)			**213,713**		(2,996,220)
Total liabilities and shareholders' equity (deficit)		**$**	**4,943,025**	$	513,792

Nature of operations and going concern (note 1)

Approved and authorized by the Board of Directors:

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

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

EMPOWER CLINICS INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
For the three and nine months ended September 30, 2019 and 2018
(in United States dollars, except share numbers) - Unaudited

	Note	Three months ended September 30, **2019**	2018	Nine months ended September 30, **2019**	2018
Revenues					
Clinic services		**$ 663,003**	$ 279,850	**$ 1,406,872**	$ 894,477
Direct clinic expenses					
Medical personnel costs		**30,643**	64,338	**114,481**	226,285
Travel clinic costs		**24,754**	24,618	**63,079**	75,107
Total direct clinic expenses		**55,397**	88,956	**177,560**	301,392
Earnings from clinic operations		**607,606**	190,894	**1,229,312**	593,085
Operating expenses	3,12,15	**1,042,785**	91,534	**2,343,660**	2,523,318
Legal and professional fees		**321,835**	495,774	**755,514**	850,655
Depreciation and amortization expense		**79,495**	8,634	**197,906**	43,169
Share-based payments	11	**7,388**	-	**479,508**	892,417
Loss from operations		**(843,897)**	(405,048)	**(2,547,276)**	(3,716,474)
Other expenses (income)					
Listing fee	4	**-**	-	**-**	1,143,660
Accretion expense	9	**91,432**	-	**207,031**	214,680
Interest income		**(1,905)**	-	**(4,771)**	-
Interest expense	3,7,8,9	**53,430**	2,378	**129,089**	86,803
Loss on disposal of property and equipment	3	**-**	-	**114,516**	-
Gain on change in fair value of warrant liability	10	**(512,415)**	-	**(673,289)**	-
Gain on change in fair value of conversion feature	9	**(126,542)**	-	**(190,968)**	-
Restructuring		**169,606**	-	**169,606**	-
Other expense (income), net		**(12,972)**	(28,769)	**61,089**	(28,769)
		(339,366)	(26,391)	**(187,697)**	1,416,374
Net loss and comprehensive loss for the period		**$ (504,531)**	$ (378,657)	**$ (2,359,579)**	$ (5,132,848)
Loss per share					
Basic		**$ (0.00)**	$ (0.01)	**$ (0.02)**	$ (0.09)
Diluted		**$ (0.00)**	$ (0.01)	**$ (0.02)**	$ (0.09)
Weighted average number of shares outstanding					
Basic		**118,294,875**	64,208,488	**109,317,994**	56,727,856
Diluted		**118,294,875**	64,208,488	**109,317,994**	56,727,856

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

EMPOWER CLINICS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
For the nine months ended September 30, 2019 and 2018
(in United States dollars) - Unaudited

	Note		2019		2018
Operating activities					
Net loss and comprehensive loss for the period		**$**	**(2,359,579)**	$	(5,132,848)
Items not involving cash:					
Depreciation and amortization expense			**197,906**		43,169
Share-based payments	11(b)		**479,508**		892,417
Accretion expense	9		**207,031**		214,680
Interest expense	3,7,8,9		**129,089**		86,760
Loss on disposal of property and equipment	3		**114,516**		-
Gain on change in fair value of warrant liability	10		**(673,289)**		-
Gain on change in fair value of conversion feature	9		**(190,968)**		-
Warrants issued for services			**208,846**		-
Common shares issued for services			**134,635**		-
Share-based compensation	15		**287,784**		551,511
Listing fee			**-**		1,143,660
Other			**(18,357)**		-
			(1,482,878)		(2,200,651)
Changes in working capital:					
Accounts receivable			**(66,934)**		10,541
Prepaid expenses			**(22,439)**		(589,463)
Accounts payable and accrued liabilities			**(247,419)**		(350,010)
Net cash used in operating activities			**(1,819,670)**		(3,129,583)
Investing activities					
Acquisition of property and equipment			**(3,828)**		(108,800)
Cash acquired in reverse take-over transaction			**-**		8,573
Investment in Sun Valley	4		**(625,808)**		-
Net cash used in investing activities			**(629,636)**		(100,227)
Financing activities					
Proceeds from share issuance	11(a)		**1,825,214**		2,801,996
Advance of convertible debentures payable	9		**717,851**		373,504
Cash acquired in the acquisition of Sun Valley	4		**94,090**		-
Advance of notes payable	7		**33,842**		345,000
Advance from related party			**-**		(3,750)
Cash on sale of assets held for sale			**5,472**		-
Share issue costs	11(a)		**(70,097)**		-
Payment of lease liability	3		**(136,156)**		-
Bank indebtedness			**-**		(7,148)
Net cash provided by financing activities			**2,470,216**		3,509,602
Increase in cash			**20,910**		279,792
Cash, beginning of period			**157,668**		-
Cash, end of period		**$**	**178,578**	$	279,792

Supplemental disclosure with respect to cash flows (note 13)

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

EMPOWER CLINICS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the nine months ended September 30, 2019 and 2018
(in United States dollars, except share numbers) - Unaudited

	Note	Number		Issued capital		Reserves		Equity component of convertible debentures		Deficit		Total
Balance, December 31, 2017		48,337,225	$	550,744	$	-	$	222,417	$	(5,580,023)	$	(4,806,862)
Shares issued - Transaction consideration	3,11	2,544,075		614,559		-		-		-		614,559
Shares issued for cash	11	8,443,473		2,039,645		80,280		-		-		2,119,925
Shares issued on conversion of convertible debentures	9,11	11,427,130		755,824		-		(222,417)		-		533,407
Shares issued on conversion of notes payable	7,11	215,054		14,224		-		-		-		14,224
Shares issued to former CEO	11,15	2,000,000		477,180		-		-		-		477,180
Shares-based payments	11	-		-		892,417		-		-		892,417
Shares issued for services	11,15	2,000,000		189,219		-		-		-		189,219
Net loss and comprehensive loss for the period		-		-		-		-		(4,754,191)		(4,754,191)
Balance, September 30, 2018		**74,966,957**	**$**	**4,641,395**	**$**	**972,697**	**$**	**-**	**$**	**(10,334,214)**	**$**	**(4,720,122)**
Balance, December 31, 2018		**77,847,598**	**$**	**5,401,024**	**$**	**972,697**	**$**	**-**	**$**	**(9,369,941)**	**$**	**(2,996,220)**
Adjustment on application of IFRS 16	3	-		-		-		-		(4,997)		(4,997)
Adjusted balance, January 1, 2019		**77,847,598**		**5,401,024**		**972,697**		**-**		**(9,374,938)**		**(3,001,217)**
Shares issued for Sun Valley acquisition	4,11	22,409,425		3,047,682		-		-		-		3,047,682
Shares issued for cash	11	24,452,500		1,016,779		-		-		-		1,016,779
Shares issued for conversion of notes payable	7,11	2,500,000		118,330		-		-		-		118,330
Shares issued for conversion of convertible debentures	9,11	3,991,524		161,382		-		-		-		161,382
Shares issued for compensation	11,15	7,400,000		772,731		-		-		-		772,731
Shares held in escrow	11	-		(2,501,241)		2,000,000						(501,241)
Shares issued for services	11	3,186,861		480,323		-		-		-		480,323
Shares cancelled	11	(4,657,553)		(954,277)		-		-		954,277		-
Shares issued for exercise of warrants	10,11	431,075		80,033		-		-		-		80,033
Shares issued as finders fee	11	136,000		10,127		-		-		-		10,127
Share issue costs	11	-		(92,033)		21,936		-		-		(70,097)
Share-based payments	11,15	-		-		479,508		-		-		479,508
Purchase of Sun Valley non-controlling interest	4	-		-		-		-		(21,048)		(21,048)
Net loss and comprehensive loss for the period		-		-		-		-		(2,359,579)		(2,359,579)
Balance, September 30, 2019		**137,697,430**	**$**	**7,540,860**	**$**	**3,474,141**	**$**	**-**	**$**	**(10,801,288)**	**$**	**213,713**

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

1. NATURE OF OPERATIONS AND GOING CONCERN

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

On April 16, 2019, the Company incorporated a wholly-owned Delaware corporation, Empower Healthcare Assets Inc. ("EHA"). Through a series of transactions on April 30, 2019 and May 1, 2019, EHA acquired all the outstanding membership interest of Sun Valley Certification Clinics Holdings, LLC and its subsidiaries Sun Valley Alternative Health Centers, LLC, Sun Valley Alternative Health Centers West, LLC, Sun Valley Alternative Health Centers NV, LLC, Sun Valley Alternative Health Centers Tucson, LLC, Sun Valley Alternative Health Centers Mesa, LLC, and Sun Valley Certification Clinics Franchising, LLC (collectively "Sun Valley") (note 4).

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

Reverse takeover

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

Share consolidation

On April 19, 2018, in anticipation of the completion of the RTO, Adira filed articles of amendment to complete an approved share consolidation of the Adira's issued and outstanding common shares on the basis of 6.726254 pre-consolidated common shares for one post-consolidated common share. The share consolidation affects all issued and outstanding common shares, options and warrants. All information relating to basic and diluted earnings per share, issued and outstanding common shares (note 11(a)), share options (note 11(b)) and warrants (note 10), and per share amounts in these condensed interim consolidated financial statements have been adjusted retrospectively to reflect the share consolidation.

1. NATURE OF OPERATIONS AND GOING CONCERN (continued)

Going concern

At September 30, 2019, the Company had a working capital deficiency of $3,396,730 (December 31, 2018 - $3,043,861), has not yet achieved profitable operations, and has accumulated deficit of $10,801,288 (December 31, 2018 - $9,369,941). 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 condensed interim 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. See note 16 for events after the reporting period.

2. BASIS OF PREPARATION

a) Statement of compliance

These condensed interim consolidated financial statements ("interim financial statements") were approved by the Board of Directors and authorized for issue on November 13, 2019.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

i. Shares held in escrow

The Company has issued common shares held in escrow as a part of a compensation arrangement. The fair value of the escrowed shares is recognized as salaries and benefits expense with a corresponding credit to reserves as the common shares vest. Upon release from escrow, the amounts previously recognized in reserves are recorded as an increase to share capital. The Company revises the estimated period over which the salaries and benefits expense is recorded if subsequent information indicates this period differs from previous estimates. Any change is accounted for prospectively as a change in estimate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

ii. Leases

Effective January 1, 2019, the Company adopted IFRS 16 - *Leases* (IFRS 16) using the modified retrospective approach. The new standard requires a lessee to recognize a liability to make lease payments (the lease liabilities) and an asset to recognize the right to use the underlying asset during the lease term (the right-of-use assets) in the statement of financial position. The Company recognized the after-tax cumulative effect of initially applying IFRS 16 as an adjustment to opening retained earnings at January 1, 2019. Comparative information has not been restated and continues to be reported under IAS 17 - *Leases* (IAS 17) and IFRIC 4 - *Determining Whether an Arrangement Contains a Lease* (IFRIC 4).

The Company used the practical expedient not to reassess whether a contract is or contains a lease at January 1, 2019. Instead, the Company applied IFRS 16 only to contracts previously identified as leases under IAS 17 and IFRIC 4.

The Company also used the following practical expedients to account for leases at January 1, 2019:

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Relied on the Company's assessment of whether leases are onerous immediately before January 1, 2019.
- Applied recognition exemptions for operating leases when the underlying asset was of low value or the lease term ends within 12 months. The payments associated with these leases are recognized as an expense in operating expenses.
- Excluded initial direct costs when measuring the right-of-use asset at January 1, 2019.
- Used hindsight to determine the lease term when the contract contained options to extend or terminate the lease.

These policies apply to contracts entered into or changed on or after January 1, 2019. A contract is a lease or contains a lease if it conveys the right to control the use of an asset for a time period in exchange for consideration.

To identify a lease, the Company (1) considers whether an explicit or implicit asset is specified in the contract and (2) determines whether the Company obtains substantially all the economic benefits from the use of the underlying asset by assessing numerous factors, including but not limited to substitution rights and the right to determine how and for what purpose the asset is used.

When assessing the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or to not exercise a termination option. This judgment is based on factors such as contract rates compared to market rates, economic reasons, significance of leasehold improvements, termination and relocation costs, installation of specialized assets, residual value guarantees, and any sublease term.

The Company has elected not to recognize right-of-use assets and lease liabilities for low-value assets or short-term leases with a term of 12 months or less. These lease payments are recognized in operating expenses over the lease term.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid. The Company elected to not separate non-lease components from lease components and to account for the non-lease and lease components as a single lease component. Lease payments generally include fixed payments less any lease incentives receivable. The lease liability is discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The Company estimates the incremental borrowing rate based on the lease term, collateral assumptions, and the economic environment in which the lease is denominated. The lease liability is subsequently measured at amortized cost using the effective interest method. The lease liability is remeasured when the expected lease payments change as a result of new assessments of contractual options and residual value guarantees.

The right-of-use asset is recognized at the present value of the liability at the commencement date of the lease less any incentives received from the lessor. Added to the right-of-use asset are initial direct costs, payments made before the commencement date, and estimated restoration costs. The right-of-use asset is subsequently depreciated on a straight-line basis from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

For leases previously classified as operating leases, lease liabilities were measured at the present value of the remaining lease payments, discounted using the Company's weighted-average incremental borrowing rate, calculated in accordance with IFRS 16, at January 1, 2019, of 6%. Associated right-of-use assets for certain property leases, elected on a lease-by-lease basis, were measured retrospectively as though IFRS 16 had been applied since the commencement date. Other right-of-use assets were measured at the amount equal to the lease liabilities. The right-of-use asset was adjusted by the amount of any prepaid, accrued lease payments, or acquisition lease advantages or disadvantages relating to that lease and recognized in the statements of financial position as at December 31, 2018.

The 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	$	172,040
Weighted average incremental borrowing rate as at January 1, 2019		6%
Lease liability as at January 1, 2019	**$**	**153,361**

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 $148,364 and lease liabilities of $153,361 as at January 1, 2019. The right-of-use asset consists of the following:

		Empower clinics		Sun Valley clinics		CBD extraction facility		Total
Cost								
Balance, January 1, 2019	$	336,334	$	-	$	-	$	336,334
Additions		-		663,783		277,434		941,217
Termination of lease		(255,859)		-		-		(255,859)
Balance, September 30, 2019	**$**	**80,475**	**$**	**663,783**	**$**	**277,434**	**$**	**1,021,692**

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

	Empower clinics	Sun Valley clinics	CBD extraction facility	Total
Accumulated Depreciation				
Balance, January 1, 2019	$ (187,970)	$ -	$ -	$ (187,970)
Additions	-	(323,312)	-	(323,312)
Termination of lease	177,680	-	-	177,680
Depreciation	(45,595)	(54,508)	(18,496)	(118,599)
Balance, September 30, 2019	**$ (55,885)**	**$ (377,820)**	**$ (18,496)**	**$ (452,201)**

	Empower clinics	Sun Valley clinics	CBD extraction facility	Total
Carrying amount				
Balance, January 1, 2019	$ 148,364	$ -	$ -	$ 148,364
Balance, September 30, 2019	**$ 24,590**	**$ 285,963**	**$ 258,938**	**$ 569,491**

The lease liability consists of the following:

	Empower clinics	Sun Valley clinics	CBD extraction facility	Total
Balance, January 1, 2019	$ 153,361	$ -	$ -	$ 153,361
Additions	-	383,833	272,434	656,267
Interest expense	3,849	8,839	5,264	17,952
Payments	(49,879)	(66,277)	(20,000)	(136,156)
Termination of lease	(77,010)	-	-	(77,010)
Balance, September 30, 2019	$ 30,321	$ 326,395	$ 257,698	$ 614,414
Less: non-current portion of lease liability	14,552	178,690	211,100	404,342
Current portion of lease liability	**$ 15,769**	**$ 147,705**	**$ 46,598**	**$ 210,072**

On May 9, 2019, the Company terminated the lease for the Chicago clinic. As a result of the lease termination, the Company derecognized the right-of-use asset and associated lease liability and recorded a loss of $1,169 representing the excess of the right-of-use asset above the lease liability. The Company paid a final settlement payment of $27,390. The net loss on lease termination of $28,559 is included in operating expenses on the consolidated statements of loss and comprehensive loss.

In addition, the Company recognized a loss of $114,516 representing the carrying value of leasehold improvements for the Chicago clinic.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

iii. Critical judgements and estimates

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

Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively. The Company's interim results are not necessarily indicative of its results for a full year. The critical judgements and estimates applied in the preparation of these interim financial statements are consistent with those applied and disclosed in notes 2(d) and 2(e) to the annual financial statements with exception of the following:

Leases as a result of adopting IFRS 16

Identifying whether a contract includes a lease

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

Estimate of lease term

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

Business combinations

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

iv. Basis of consolidation

These interim financial statements include the accounts of the Company and its subsidiaries. All amounts are presented in United States dollars, which is the functional currency of the Company and each of the Company's subsidiaries, except as otherwise noted. References to C$ are to Canadian dollars. All inter-company balances, transactions, revenues and expenses have been eliminated.

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

4. ACQUISITION OF SUN VALLEY

On April 30, 2019, the Company obtained control of Sun Valley for consideration with a fair value of $3,775,000 comprised of cash of $775,000, 22,058,823 common shares of the Company at $0.136 (C$0.183) per common 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.

The following table summarizes the preliminary purchase price allocation:

Assets Acquired		
Cash and cash equivalents	$	94,090
Accounts receivable		366
Total current assets		94,456
Security deposits		19,753
Property and equipment		124,811
Right-of-use assets		340,471
		579,491
Liabilities Assumed		
Accounts payable and accrued liabilities		54,202
Total current liabilities		54,202
Lease liability		383,833
Non-controlling interest		163,952
Net liabilities at fair value, as at April 30, 2019		**(22,496)**
Consideration		
Fair value of 22,058,823 common shares issued		3,000,000
Cash		775,000
Total Consideration		**3,775,000**
Goodwill	**$**	**3,797,496**

Common shares of the Company were issued on the Closing Date with 14,705,882 common shares at a deemed price of $0.136 (CAD$0.183) per common share being held in escrow (“Escrow Shares”). The Escrow Shares will vest in quarterly instalments over 36 months from the Closing Date. The total deemed value of the Escrow Shares of $2,000,000 has been recorded in reserves. The reserve will be released as the common shares vest. 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. 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.

In addition to obtaining control on April 30, 2019, the Company entered into two agreements dated April 30, 2019 and May 1, 2019 to purchase the non-controlling interest via a cash payment of $12,318, the issuance of 350,602 Shares at a deemed price of $0.136 (CAD$0.183) per common 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 and a promissory note of $125,000 bearing interest at a rate of 4% per annum and due July 31, 2019. The total consideration paid to the non-controlling interest of $185,000 was more than the non-controlling interest of $163,952 and therefore $21,048 has been charged to deficit.

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

4. ACQUISITION OF SUN VALLEY (continued)

Had the business combination been affected at January 1, 2019, management estimates that the revenue of the Company would have been $999,968 higher and the net loss after income taxes of the Company would have decreased by $176,477 for the nine-month period ended September 30, 2019.

Goodwill arose in this acquisition because the consideration paid for the combination reflected the benefit of expected revenue growth, additional patients and future market development. Management is assessing whether these benefits meet the recognition criteria for identifiable intangible assets which could reduce the amount of goodwill. The accounting for these acquisitions has been provisionally determined at September 30, 2019. The fair value of net assets acquired and total consideration have been determined provisionally and subject to adjustment. Upon completion of a comprehensive valuation and finalization of the purchase price allocation, goodwill may be adjusted retrospectively to the acquisition date in future reporting periods.

5. PROMISSORY NOTE

On January 11, 2019, pursuant to the completion of the sale of assets held for sale, the Company acquired a promissory note in the amount of $122,500. Interest revenue for the three and nine months ended September 30, 2019 was $1,905 and $4,771 respectively (three and nine months ended September 30, 2018 - $nil). The promissory note accrues interest at a rate of 6% per annum and is due in full on February 1, 2021. The amount is secured by the land and building sold.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		September 30, 2019		December 31, 2018
Trade payables and accrued liabilities	**$**	**1,070,810**	$	1,274,885
Payroll liabilities		**191,296**		280,007
	$	**1,262,106**	$	1,554,892

7. NOTES PAYABLE

		September 30, 2019		December 31, 2018
Balance, beginning of period	**$**	**760,715**	$	404,370
Issue of notes payable (a)(b)(c)(d)(e)(f)(g)		**158,842**		495,449
Converted to shares (a)(b)(e)(f)		**(187,084)**		(167,000)
Realized foreign exchange gain		**(2,267)**		-
Unrealized foreign exchange loss		**2,573**		-
Interest expense		**34,306**		27,896
Balance, end of period		**767,085**		760,715
Less: non-current portion of notes payable (e)(f)		**-**		(150,271)
Current portion of notes payable	**$**	**767,085**	$	610,444

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

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

7. NOTES PAYABLE (continued)

b) On December 29, 2017, the Company issued a $50,000 promissory note payable maturing on the date a go public transaction is completed. The unpaid principal of this promissory note payable shall not accrue interest, but rather shall convert into common shares in the capital of the Debtor at the maximum permissible discount allowed pursuant to the rules of the Canadian Securities Exchange. On April 23, 2018, as part of the Transaction, the debt was converted into units of the Company consisting of one common share and one share purchase warrant.

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

d) On August 10, 2018 the Company issued a promissory note payable in the amount of $140,000. This promissory note payable is repayable on demand and bears interest at 7% per annum.

e) On December 31, 2018 the Company issued a promissory note payable in the amount of $150,449 (C$205,000). This promissory note payable is due December 31, 2020 and bears interest at 6% per annum. On April 1, 2019, 2018, the Company converted the promissory note plus $1,984 (C$2,652) of interest into units of the Company consisting of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to acquire one common share at an exercise price equal to $0.14 (C$0.19) (Note 11(a)).

f) On January 21, 2019 the Company issued a promissory note payable in the amount of $33,842 (C$45,000). This promissory note payable is due December 31, 2020 and bears interest at 6% per annum. On April 1, 2019, 2018, the Company converted the promissory note plus $667 (C$892) of interest into units of the Company consisting of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to acquire one common share at an exercise price equal to $0.14 (C$0.19) (Note 11(a)).

g) On May 1, 2019 the Company issued a promissory note payable in the amount of $125,000. The promissory note is due July 31, 2019 and bears interest at a rate of 4% per annum (Note 4).

8. SECURED LOAN PAYABLE

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

	September 30, 2019	December 31, 2018
Principal	**$ 550,000**	$ 550,000
Interest expense	**200,307**	167,460
	$ 750,307	$ 717,460

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

9. CONVERTIBLE DEBENTURES

Convertible debentures consist of the following:

		September 30, 2019		December 31, 2018
Balance, beginning of period	**$**	**274,466**	$	1,835,225
Proceeds from Issuance of convertible debentures, net (a)(b)(c)		**717,851**		442,437
Amount allocated to conversion option (a)(b)(c)(d)(e)		**(260,248)**		(172,386)
Amount converted to units (a)(b)		**(252,413)**		(2,129,728)
Unrealized foreign exchange gain		**(709)**		-
Interest expense		**38,727**		57,397
Accretion expense		**207,031**		241,521
	$	**724,705**	$	274,466

a) On September 27, 2018, the Company raised $442,437 (C$575,060) through the issue of convertible debentures which expired on September 27, 2019 and remain outstanding. Despite expiring, the holder may at convert all or part into units of the Company consisting of one common share and one share purchase warrant. Each warrant entitles the holder to acquire one common share at an exercise price equal to $0.14 (C$0.19). The fair value of the conversion feature at the grant date was estimated at $172,386 using the Black-Scholes option pricing model with the following assumptions: a one year expected average life, share price of $0.14 (C$0.18); 100% volatility; risk-free interest rate of 1.66%; and an expected dividend yield of 0%. During the year ended December 31, 2018, $57,980 (C$75,060) was converted into units of the Company consisting of one common share and one share purchase warrant (Note 11(a)).

b) On April 1, 2019, the Company raised $599,460 (C$799,500) through the issue of convertible debentures, expiring on April 2, 2020. The Company incurred transaction costs of $35,977 (C$47,983) comprised of 40,000 common shares issued to agents with a deemed cost of $0.07 (C$0.10) for consideration of $2,983 (C$4,000) (Note 11(a)), 295,590 share purchase warrants issued to agents with an exercise price of $0.12 (C$0.16) and a deemed value of $8,172 (Note 11(c)) and cash of $24,822 (C$33,427). The holder may at any time during the term of the convertible debenture convert all or part into units of the Company consisting of one common share and one share purchase warrant. Each warrant entitles the holder to acquire one common share at an exercise price equal to $0.16 (C$0.21). The fair value of the conversion feature at the grant date was estimated at $170,227 using the Black-Scholes option pricing model with the following assumptions: a one year expected average life, share price of $0.0927 (C$0.12); 100% volatility; risk-free interest rate of 1.66%; and an expected dividend yield of 0%. During the three months ended September 30, 2019, $326,210 (C$432,000) was converted into units of the Company consisting of one common share and one share purchase warrant (Note 11(a)).

c) On May 3, 2019, the Company raised $154,368 (C$207,270) through the issue of convertible debentures, expiring on September 27, 2019. The holder may at any time during the term of the convertible debenture convert all or part into units of the Company consisting of one common share and one share purchase warrant. Each warrant entitles the holder to acquire one common share at an exercise price equal to $0.16 (C$0.21). The fair value of the conversion feature at the grant date was estimated at $90,021 using the Black-Scholes option pricing model with the following assumptions: a 0.51-0.59 year expected average life, share price of $0.566 (C$0.075); 100% volatility; risk-free interest rate of 1.59%; and an expected dividend yield of 0%.

d) The conversion feature as at September 30, 2019 was valued at $49,112 using the Black Scholes option pricing model with the following assumptions: 0.50 year expected average life, share price of C$0.13; 100% volatility; risk-free interest rate of 1.52%; and an expected dividend yield of 0%. The gain on change in fair value of conversion feature since December 31, 2018 of $190,968 has been recorded on the statement of loss and comprehensive loss.

9. CONVERTIBLE DEBENTURES (continued)

e) The conversion feature as at December 31, 2018 was valued at $22,565 using the Black Scholes option pricing model with the following assumptions: 0.75 year expected average life, share price of C$0.095; 100% volatility; risk-free interest rate of 1.85%; and an expected dividend yield of 0%.

10. WARRANT LIABILITY

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

					Warrants outstanding as at	
Issuance	Expiry date	Exercise price	Warrants issued	Common shares upon exercise	**September 30, 2019**	December 31, 2018
Convertible debt conversion (1)	April 23, 2020	C$0.39 $0.30	11,373,368	11,373,368	**11,373,368**	11,373,368
Note conversion (2)	April 23, 2020	C$0.39 $0.30	268,817	268,817	**268,817**	268,817
Shares issued (3)	June 11, 2019	C$0.36 $0.28	2,000,000	2,000,000	**-**	2,000,000
Note conversion (4)	October 22, 2019	C$0.36 $0.28	517,132	517,132	**517,132**	517,132
Shares issued (5)	October 22, 2019	C$0.36 $0.28	312,903	312,903	**312,903**	312,903
Convertible debt conversion (6)	December 14, 2020	C$0.19 $0.14	422,678	422,678	**-**	422,678
Shares issued (7)	April 1, 2021	C$0.16 $0.12	21,115,000	21,115,000	**21,115,000**	312,903
Shares issued (8)	May 3, 2021	C$0.16 $0.12	5,762,500	5,762,500	**5,762,500**	312,903
Convertible debt conversion (9)	July 22, 2021	C$0.16 $0.12	1,018,245	1,018,245	**1,018,245**	-
Convertible debt conversion (10)	August 12, 2021	C$0.16 $0.12	928,417	928,417	**928,417**	-
Convertible debt conversion (11)	August 19, 2021	C$0.16 $0.12	949,864	949,864	**949,864**	-
Convertible debt conversion (12)	August 26, 2021	C$0.16 $0.12	909,090	909,090	**909,090**	-
Convertible debt conversion (13)	September 13, 2021	C$0.16 $0.12	102,696	102,696	**102,696**	-
Convertible debt conversion (14)	September 20, 2021	C$0.16 $0.12	102,812	102,812	**102,812**	-
Marketing services agreement (15)	September 22, 2022	C$0.31 $0.24	3,746,080	3,746,080	**3,746,080**	-
			49,530,002	**49,530,002**	**47,107,324**	14,894,898

10. WARRANT LIABILITY (continued)

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

(2) On April 23, 2018, as part of the RTO, the Company converted $50,000 of notes payable into 268,817 units; each consists of one common share and one common share purchase warrant (note 11(a)).

(3) On June 11, 2018, the Company issued 2,000,000 units; each consists of one common share and one common share purchase warrant (note 11(a)). The share purchase warrants expired on June 11, 2019.

(4) On October 23, 2018, the Company converted $122,030 of notes payable into 517,132 units; each consists of one common share and one common share purchase warrant (note 11(a)).

(5) On October 23, 2018, the Company issued 312,903 units; each consists of one common share and one common share purchase warrant (note 11(a)).

(6) On December 31, 2018, the Company issued 422,678 units; consisting of 422,678 common shares and 422,678 common share purchase warrant (note 11(a)). The warrants were exercised on March 22, 2019.

(7) On April 1, 2019, the Company issued 21,115,000 units; each consists of one common share and one common share purchase warrant (note 11(a)).

(8) On May 3, 2019, the Company issued 5,762,500 units; each consists of one common share and one common share purchase warrant (note 11(a)).

(9) On July 22, 2019, pursuant to the conversion of convertible debentures, the Company issued 1,018,245 units; consisting of 1,018,245 common shares and 1,018,245 common share purchase warrant (note 11(a)). The warrants expire July 22, 2021.

(10) On August 12, 2019, pursuant to the conversion of convertible debentures, the Company issued 928,817 units; consisting of 928,817 common shares and 928,817 common share purchase warrant (note 11(a)). The warrants expire August 12, 2021.

(11) On August 19, 2019, pursuant to the conversion of convertible debentures, the Company issued 949,864 units; consisting of 949,864 common shares and 949,864 common share purchase warrant (note 11(a)). The warrants expire August 19, 2021.

(12) On August 26, 2019, pursuant to the conversion of convertible debentures, the Company issued 909,090 units; consisting of 909,090 common shares and 909,090 common share purchase warrant (note 11(a)). The warrants expire August 26, 2021.

(13) On September 13, 2019, pursuant to the conversion of convertible debentures, the Company issued 102,696 units; consisting of 102,696 common shares and 102,696 common share purchase warrant (note 11(a)). The warrants expire September 13, 2021.

(14) On September 30, 2019, pursuant to the conversion of convertible debentures, the Company issued 102,812 units; consisting of 102,812 common shares and 102,812 common share purchase warrant (note 11(a)). The warrants expire September 20, 2021.

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

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

10. WARRANT LIABILITY (continued)

The total fair values of the warrants at September 30, 2019 and December 31, 2018 are as follows:

		September 30, 2019		December 31, 2018
Balance, beginning of period	**$**	**106,172**	$	-
Convertible debt conversion [(1)]		**133,864**		1,317,916
Shares issued [(1)]		**1,013,682**		303,427
Note conversion [(1)]		**-**		83,254
Warrants exercised		**(18,847)**		-
Change in fair value of warrant liability [(2)(3)]		**(673,289)**		(1,598,425)
Total warrant liability		**561,583**		106,172
Less: non-current portion		**(566,128)**		(101,698)
Current portion of warrant liability	**$**	**5,455**	$	4,474

[(1)] Fair value at issuance based on the following assumptions for the Black-Scholes option pricing:

Risk-free interest rate	1.39% - 2.25%
Expected life	1 – 3 years
Expected volatility	100.0%
Forfeiture rate	0.0%
Dividend rate	0.0%

[(2)] Fair value at December 31, 2018 based on the following assumptions for the Black-Scholes option pricing:

Risk-free interest rate	1.85%
Expected life	0.44 – 1.96 years
Expected volatility	100.0%
Forfeiture rate	0.0%
Dividend rate	0.0%

[(3)] Fair value at September 30, 2019 based on the following assumptions for the Black-Scholes option pricing:

Risk-free interest rate	1.59%
Expected life	0.06 – 2.98 years
Expected volatility	100.0%
Forfeiture rate	0.0%
Dividend rate	0.0%

During the nine months ended September 30, 2019 and 2018, the Company recognized the following gain on revaluation of the share purchase warrant liability:

		Three months ended September 30,			Nine months ended September 30,		
		2019	2018		**2019**		2018
Convertible debt conversion	**$**	**102,201**	-	**$**	**151,126**	$	-
Shares issued		**410,160**	-		**521,310**		-
Note conversion		**54**	-		**853**		-
	$	**512,415**	**-**	**$**	**673,289**	$	-

11. EQUITY

a) Authorized share capital

- Unlimited number of common shares without nominal or par value.

The Company had the following common share transactions during the nine months ended September 30, 2019:

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

- On March 3, 2019, pursuant to the termination agreement with the former CEO, the Company cancelled 2,651,875 common shares.

- On March 8, 2019, pursuant to a service agreement, the Company issued 1,500,000 common shares at a deemed price of $0.17 (C$0.23) per common share for total fair value consideration of $257,041 (C$345,000).

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

- On April 1, 2019, pursuant to a private placement financing, the Company issued 21,115,000 units for $0.07 (C$0.10) per unit for gross proceeds of $1,583,189 (C$2,115,000) comprised of cash of $1,396,105 (C$1,865,000) and the settlement of notes payable in the amount of $184,291 (C$250,000) (Note 7). Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of $0.12 (C$0.16) per share for a period of twelve months following the closing date of the financing (note 11). Share issue costs included cash payments of $31,814 (C$42,455) and the issuance of 93,900 share purchase warrants valued at $2,596 using the Black-Scholes option pricing model with the following assumptions: a one year expected average life, share price of $0.0927 (C$0.12); 100% volatility; risk-free interest rate of 1.66%; and an expected dividend yield of 0%.

- On April 30, 2019, pursuant to the acquisition of Sun Valley, the Company issued 22,409,425 common shares at a deemed price of $0.136 (C$0.18) per common share.

- On May 3, 2019, pursuant to a private placement financing, the Company issued 5,762,500 units for $0.07 (C$0.10) per unit for gross proceeds of $429,109 (C$576,250). Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of $0.12 (C$0.16) per share for a period of twelve months following the closing date of the financing (note 10). Share issue costs included cash payments of $24,928 (C$33,428) and the issuance of 217,950 share purchase warrants valued at $11,168 using the Black-Scholes option pricing model with the following assumptions: a one year expected average life, share price of $0.139 (C$0.18); 100% volatility; risk-free interest rate of 1.67%; and an expected dividend yield of 0%.

- On May 3, 2019, pursuant to the terms on the private placement financing, the Company issued 96,000 common shares to agents for a deemed value of $0.07 (C$0.10) per common share for consideration of $7,144 (C$9,600). The amount is included in share issue costs.

- On May 3, 2019, pursuant to the terms on the debenture financing, the Company issued 40,000 common shares to agents for a deemed value of $0.07 (C$0.10) per common share for consideration of $2,983 (C$4,000). The amount is included as debenture finance cost.

11. EQUITY (continued)

- On June 17, 2019, pursuant to obligations under an employment contract, the Company issued 7,000,000 common shares to the CEO, for a deemed value of $0.10 (C$0.14) per common share for total consideration paid to the CEO of $730,961 (C$980,000). Of the 7,000,000 common shares, 2,000,000 common shares vested immediately and the remaining 5,000,000 common shares are held in escrow and vest quarterly with 555,500 common shares vesting each quarter commencing on September 17, 2019. The common shares are subject to a four-month holding period from the date of vesting.

- On June 17, 2019, pursuant to obligations under a consulting agreement, the Company issued 400,000 common shares to the CIO, for a deemed value of $0.10 (C$0.14) per common share for total consideration paid to the CIO of $41,769 (C$56,000). The 400,000 common shares are held in escrow and vest quarterly with 44,400 common shares vesting each quarter commencing September 17, 2019.

- On July 3, 2019, the Company cancelled 2,000,000 common shares with a deemed price of C$0.31 ($0.24) per common share. The common shares were reacquired and cancelled as the Company cancelled the marketing services agreement, pursuant to which the common shares and warrants were originally issued, due to non-performance of services by the marketing company.

- On July 22, 2019, pursuant to the conversion of convertible debentures with a face value of $83,063 (C$110,000) and accrued interest of C$1,529 (C$2,025), the Company issued 1,018,245 common shares and 1,018,245 common share purchase warrants. Each warrant entitles the holder to acquire one common share at a price of C$0.16 ($0.12) for a period of two years following the closing date of the conversion.

- On July 22, 2019, the Company issued 75,000 common shares at a deemed price of $0.02 (C$0.03) per common share for consideration received from a June 16, 2016 subscription agreement.

- On July 22, 2019, the Company issued 1,409,938 common shares at a deemed price of $0.14 (C$0.18) per common share for services received for total fair value consideration of $195,944 (C$258,019).

- On July 22, 2019, the Company issued 276,923 common shares at a deemed price of $0.13 (C$0.10) per common share for services received for total fair value consideration of $27,339 (C$36,000).

- On August 12, 2019, pursuant to the conversion of convertible debentures with a face value of $75,512 (C$100,000) and accrued interest of $1,651 (C$2,186), the Company issued 928,817 common shares and 928,817 common share purchase warrants. Each warrant entitles the holder to acquire one common share at a price of $0.16 (C$0.12) for a period of two years following the closing date of the conversion.

- On August 19, 2019, pursuant to the conversion of convertible debentures with a face value of $75,512 (C$100,000) and accrued interest of $1,738 (C$2,301), the Company issued 929,864 common shares and 929,864 common share purchase warrants. Each warrant entitles the holder to acquire one common share at a price of $0.16 (C$0.12) for a period of two years following the closing date of the conversion.

- On August 26, 2019, pursuant to the conversion of convertible debentures with a face value of $75,512 (C$100,000), the Company issued 909,090 common shares and 909,090 common share purchase warrants. Each warrant entitles the holder to acquire one common share at a price of $0.16 (C$0.12) for a period of two years following the closing date of the conversion.

- On September 13, 2019, pursuant to the conversion of convertible debentures with a face value of $8,306 (C$11,000) and accrued interest of C$225 ($298), the Company issued 102,696 common shares and 102,696 common share purchase warrants. Each warrant entitles the holder to acquire one common share at a price of $0.16 (C$0.12) for a period of two years following the closing date of the conversion.

11. EQUITY (continued)

- On September 30, 2019, pursuant to the conversion of convertible debentures with a face value of $8,306 (C$11,000) and accrued interest of $249 (C$329), the Company issued 102,812 common shares and 102,812 common share purchase warrants. Each warrant entitles the holder to acquire one common share at a price of C$0.16 ($0.12) for a period of two years following the closing date of the conversion.

The Company had the following common share transactions during the year ended December 31, 2018:

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

- On April 23, 2018, pursuant to the conversion of 11,373,368 units of convertible debentures with a face value of $2,089,495, the Company issued 11,373,368 common shares and 11,373,368 common share purchase warrants. Each warrant entitles the holder to acquire one common share at a price of $0.30 (C$0.39) per share for a period of two years following the closing date of the conversion (note 9).

- On April 23, 2018, pursuant to the conversion of $50,000 in promissory notes payable, the Company issued 268,817 common shares and 268,817 common share purchase warrants. Each warrant entitles the holder to acquire one common share at a price of $0.30 (C$0.39) per share for a period of two years following the closing date of the conversion (note 9).

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

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

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

- On October 23, 2018, pursuant to the conversion of $122,030 notes payable, the Company issued 517,132 units. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of $0.28 (C$0.36) per share for a period of twelve months following the closing date of the conversion (note 7).

- On October 23, 2018, pursuant to a private placement financing, the Company issued 312,903 units for $0.24 (C$0.31) per unit for gross proceeds of $71,938 (C$97,000). Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of $0.28 (C$0.36) per share for a period of twelve months following the closing date of the financing (note 10).

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

11. EQUITY (continued)

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

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

- On December 14, 2018, pursuant to the conversion of 422,678 units of convertible debentures with a face value of $57,980 (C$75,060), the Company issued 422,678 common shares and 422,678 common share purchase warrants. Each warrant entitles the holder to acquire one common share at a price of $0.14 (C$0.19) per share for a period of two years following the closing date of the conversion (note 10).

At September 30, 2019, there were 137,697,430 issued and outstanding common shares (December 31, 2018 - 77,847,598). The Company does not currently pay dividends and entitlement will only arise upon declaration.

b) Share options

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

Share option transactions and the number of share options outstanding during the nine months ended September 30, 2019, and year ended December 31, 2018 are summarized as follows:

	Number of share options	Weighted average exercise price (C$)
Outstanding, December 31, 2017	3,300,000	$0.10
Granted	4,300,000	$0.38
Outstanding, December 31, 2018	7,600,000	$0.25
Cancelled	(4,850,000)	$0.27
Granted	7,700,000	$0.14
Outstanding, September 30, 2019	**10,450,000**	**$0.16**
Exercisable, September 30, 2019	**9,839,573**	**$0.16**

Share options outstanding and exercisable at September 30, 2019, are as follows:

Exercise price (C$)	Number of options outstanding	Weighted average exercise price (C$)	Weighted average life of options (years)	Number of options exercisable	Weighted average exercise price (C$)	Weighted average life of options (years)
$0.10	1,400,000	$0.10	2.27	1,133,333	$0.10	2.24
$0.14	7,700,000	$0.14	4.54	7,400,000	$0.14	4.72
$0.26	450,000	$0.26	4.05	406,240	$0.26	4.05
$0.38	900,000	$0.38	3.65	900,000	$0.38	3.65
	10,450,000	**$0.16**	**4.13**	**9,839,573**	**$0.16**	**4.30**

The fair value of share options recognized as an expense during the three and nine months ended September 30, 2019, was $7,388 and $479,508 respectively (three and nine months ended September 30, 2018 - $nil and $1,443,928).

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

11. EQUITY (continued)

The following are the assumptions used for the Black Scholes option pricing model valuation of share options granted during the nine months ended September 30, 2019 and 2018:

	Nine months ended September 30,	
	2019	2018
Risk-free rate	**1.34%**	2.19%-2.37%
Expected life	**3-5 years**	5 years
Expected volatility	**100.0%**	100.0%
Forfeiture rate	**0.0%**	0.0%
Dividend rate	**0.0%**	0.0%

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

c) Share purchase warrants

Share purchase warrant transactions and the number of share purchase warrants outstanding are summarized as follows:

	Number of share purchase warrants	Weighted average exercise price (C$)
Outstanding, December 31, 2017	-	-
Granted (1)	627,378	$0.31
Outstanding, December 31, 2018	627,378	$0.31
Granted (2)(3)(4)	607,440	$0.16
Outstanding, September 30, 2019	**1,234,818**	**$0.24**
Exercisable, September 30, 2019	**1,234,818**	**$0.24**

(1) On April 23, 2018, as part of the RTO, the Company issued 627,378 share purchase warrants to agents involved in the transaction. The share purchase warrants have an exercise price of $0.24 (C$0.31) and expire on April 23, 2020.

(2) On April 1, 2019, as part of a private placement financing, the Company issued 93,900 share purchase warrants to agents. The share purchase warrants have an exercise price of $0.12 (C$0.16) and expire on April 2, 2021.

(3) On April 1, 2019, as part of a debenture financing, the Company issued 295,590 share purchase warrants to agents. The share purchase warrants have an exercise price of $0.12 (C$0.16) and expire on April 2, 2021.

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

The fair value of share purchase warrants recognized in reserves during the nine months ended September 30, 2019, was $21,936 (nine months ended September 30, 2019 - $80,280). The following are the assumptions used for the Black Scholes option pricing model valuation of share options granted during nine months ended September 30, 2019 and 2018:

	Nine months ended September 30,	
	2019	2018
Risk-free interest rate	**1.66%-1.67%**	1.87%
Expected life	**2 years**	2 years
Expected volatility	**100.0%**	100.0%
Forfeiture rate	**0.0%**	0.0%
Dividend rate	**0.0%**	0.0%

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

12. OPERATING EXPENSES

	Three months ended September 30,		Nine months ended September 30	
	2019	2018	**2019**	2018
Salaries and benefits	**$ 720,829**	$ 25,980	**$ 1,713,074**	$ 1,815,721
Rent	**5,634**	79,906	**78,325**	230,290
Advertising and promotion	**258,137**	40,840	**349,417**	80,991
Telephone and internet	**40,389**	26,603	**93,189**	60,647
Other expense (recovery)	**17,796**	(81,795)	**109,655**	335,669
	$ 1,042,785	$ 91,534	**$ 2,343,660**	$ 2,523,318

13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions were as follows:

		Nine months ended September 30,	
	Note	**2019**	2018
Shares issued for acquisition of Sun Valley	4,11	**$ 3,047,682**	$ -
Shares issued for compensation	11,15	**271,490**	477,180
Shares returned to treasury (1)	11	**(480,017)**	-
Shares returned to treasury (2)	11	**(474,260)**	-
Shares issued as settlement of note payable	7,11	**187,084**	167,000
Shares issued as settlement of convertible debenture	8,11	**161,382**	-
Shares issued to agents	9,11	**21,936**	-
Shares issued for services	11	**287,784**	189,219

(1) Pursuant to the termination agreement with the former CEO, the Company cancelled 2,651,875 common shares.

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

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value measurement of financial assets and liabilities

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

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

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

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

The carrying values of cash, accounts receivable, prepaid expenses, accounts payable and accrued liabilities, and amounts due to related parties approximate their carrying values due to their short-term nature.

The carrying values of the conversion liability (note 9) and warrant liability (note 10) are both categorized as Level 3 in the fair value hierarchy and are measured accordingly.

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

15. RELATED PARTY TRANSACTIONS

The Company's related parties include key management personnel and any transactions with such parties for goods and/or services that are made on regular commercial terms. During the three months ended September 30, 2019 and 2018, the Company did not enter into any transactions with related parties outside of compensation to key management personnel as disclosed below.

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

Key management compensation includes:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	**2019**	2018
Salaries and benefits	**$ 143,767**	$ -	**$ 465,113**	$ 50,000
Share-based payments	**-**	-	**472,120**	892,417
	$ 143,767	$ -	**$ 922,273**	$ 942,417

Included in salaries and benefits for the three and nine months ended September 30, 2019 is share based compensation of $58,007 and $266,853 (three and nine months ended September 30, 2018 - $nil and $892,417) related to common shares awarded to the CEO (note 11(a)).

As at September 30, 2019, $nil (December 31, 2018 - $12,575) is due to related parties for final settlement of the purchase of Presto operations. Following the dismissal of legal actions with the former President and director of its subsidiary companies, as disclosed in the December 31, 2018 annual audited consolidated financial statements, the Company determined that there is no longer an obligation with respect to the final settlement and as such, the amount has been credited to operations expense. The outstanding balance was non-interest bearing, unsecured and due on demand.