MANAGEMENT DISCUSSIONS AND ANALYSIS

For the years ended December 31, 2019, 2018 and 2017

The following Management's Discussion and Analysis ("MD&A") for Empower Clinics Inc., formerly, Adira Energy Ltd., together with its wholly owned subsidiaries ("Empower" or "the Company") is prepared as of July 23, 2020, and relates to the financial condition and results of operations for the years ended December 31, 2019, 2018 and 2017. Past performance may not be indicative of future performance. This MD&A should be read in conjunction with the audited consolidated financial statements ("consolidated financial statements") and related notes for the years ended December 31, 2019, 2018 and 2017, which have been prepared using accounting policies consistent with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS" or "GAAP").

The first, second, third and fourth quarters of the Company's fiscal years are referred to as "Q1", "Q2", "Q3" and "Q4", respectively. The years ended December 31, 2019, 2018 and 2017, are also referred to as "fiscal 2019", "fiscal 2018" and "fiscal 2017", respectively. All amounts are presented in United States dollars, the Company's presentation currency, unless otherwise stated. References to "C$" are to Canadian dollars.

Statements are subject to the risks and uncertainties identified in the "Risks and Uncertainties", and "Cautionary Note Regarding Forward-Looking Statements" sections of this document.

We are publicly traded on the Canadian Securities Exchange ("Exchange") under the symbol CBDT, quoted on the OTCQB under the symbol "EPWCF" and quoted on the Frankfurt Stock Exchange under the symbol "8EC.F 8EC.MU, 8EC.SG". Continuous disclosure materials are available on our website at www.empowerclinics.com, and on SEDAR at www.sedar.com.

Nature of Operations and Going Concern

As at December 31, 2019, the Company has an accumulated deficit of $13,012,319 (December 31, 2018 - $9,369,941). The Company's operations are mainly funded with equity and debt financing, which is dependent upon many external factors, and thus funds may be difficult to raise when required. Management continues to evaluate the need for additional financing and is of the opinion that additional financing will be available to continue its planned activities in the normal course. Nonetheless, there is no assurance that the Company will be able to raise sufficient funds in the future to complete its planned activities. The foregoing indicates the existence of a material uncertainty that may cast substantial doubt as to whether the Company would continue as a going concern and realize its assets and settle its liabilities and commitments in the normal course of business.

The Company's consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume the realization of assets and discharge of liabilities in the normal course of business. The consolidated financial statements do not give effect to any adjustments that would be necessary should the Company not be able to continue as a going concern. Such adjustments could be material.

FISCAL 2019 CONSOLIDATED FINANCIAL HIGHLIGHTS

- 15,920 patient visits generating revenue of $1,949,549 or $0.02 per share, compared to 7,607 patient visits generating $1,091,386 or $0.02 per share for fiscal 2018, and 9,705 patient visits generating $1,507,050 or $0.03 per share for fiscal 2017.
- Net loss of $4,301,663 or $0.04 per share, compared to $3,789,918 or $0.06 per share for fiscal 2018, and $3,109,921 or $0.06 per share for fiscal 2017.
- Cash used in operating activities was $2,273,188 or $0.02 per share, compared to $2,835,711 or $0.04 per share for fiscal 2018, and $1,587,760 or $0.03 per share for fiscal 2017.
- Cash at December 31, 2019 of $179,153.
- Working capital deficit at December 31, 2019 of $4,185,359.

FISCAL 2019 KEY DEVELOPMENTS

Focus on CBD Product Sales

Empower has commenced selling its proprietary line of cannabidiol ("CBD") based products called SOLLIEVO, *Italian for Relief*, and the Sun Valley Science brand through its network of company-owned clinics in the United States. Empower's patient base and customers will be able to purchase high margin derivative products, including CBD lotion, tinctures, spectrum oils, capsules, lozenges, patches, e-drinks, topical lotions, gel caps, hemp extract drops and pet elixir hemp extract drops. Patients and customers will be able to access Empower's home delivery and e-commerce platform through its e-commerce store at https://www.sunvalleyhealth.com/shop/

Intention to Launch CBD Extraction Facility

The Company intends to open a fully functioning hemp-based CBD extraction facility in greater Portland, Oregon in 2020, with the first extraction system expected to have the capacity to produce 6,000 kilograms of extracted product per year. The 5,000 sq. ft. facility in Sandy, Oregon has been secured through a 5-year lease agreement and preparations are underway to begin licensing and permit requirements to commence operations. The Company received its hemp-handlers license from the Oregon Department of Agriculture on August 6, 2019 allowing the new next phase of build-out, architectural design and building permit applications to commence.

The Company has entered into a Letter of Intent ("LOI") to form a Joint Venture Partnership ("JV") with Heritage Cannabis Holdings Corp (CSE: CANN) ("Heritage"). Terms of the LOI have Empower and Heritage each with a 50% ownership of the JV. Heritage will install extraction units and related downstream extraction equipment inside Empower's existing licensed hemp processing facility in Sandy, Oregon. In addition, Heritage will train and supervise the staff on the proprietary methods of extraction and oil production that it produces in Canada. The JV will be equally funded by both companies with Heritage investing an initial $500,000 for start-up funds, as the build out completes and the JV secures high quality hemp supply from local growers.

Once operational, the JV will begin producing proprietary branded products for Empower's corporately owned physician staffed health clinics in Washington State, Oregon, and Arizona. These clinics include Sun Valley Certification Clinics Holdings LLC ("Sun Valley"), a subsidiary of Empower, which has direct marketing access to over 165,000 patients and growing as Sun Valley expands its franchised network nationwide. The JV intends to promote and potentially produce products and formulations as a result of partnerships that Heritage brings. We intend to manufacture the propriety Sollievo branded products and any new formulations the Company creates in the Sandy, Oregon facility.

Acquisition of Sun Valley Clinics

Empower completed the acquisition of the business of Sun Valley in 2019, including its interests in certain affiliates, by way of a share acquisition. Sun Valley operates a network of professional medical cannabis and pain management practices, with five clinics in Arizona, one clinic in Las Vegas, (noting that the Nevada clinic was closed shortly after the acquisition) a tele-medicine platform serving California, and a fully developed franchise business model for the domestic and international medical cannabis industry. During the year ended December 31, 2019

The current Sun Valley clinic locations are:

- 4218 W Dunlap Ave, Phoenix, AZ
- 4015 E Bell Rd #130, Phoenix, AZ
- 12801 W Bell Rd #145, Surprise, AZ
- 2011 E University Dr, Mesa, AZ
- 7074 E Speedway Blvd, Tucson, AZ

The Company is consolidating its clinic operations under one consistent brand by merging the existing clinic operations of Sun Valley in Arizona and Nevada with the existing physical and mobile clinic operations of Empower Clinics in Washington State and Oregon State under the brand of Sun Valley Health with the website www.sunvalleyhealth.com.

Franchise Program

As part of the Sun Valley acquisition, the Company is launching a nationwide Sun Valley Health franchise model allowing for easy and fast nationwide scalability that will increase the distribution of Sollievo and Sun Valley CBD products, to access many more patients and consumers in new and developing markets for the Company. Franchisees will retain rights to specific territories to open and operate Sun Valley Health clinics and sell CBD products in clinics and to local sales regions. Empower receives upfront franchise fees, ongoing clinic royalties, product royalties and ownership of patient database information.

During 2019, the Company launched the nationwide Sun Valley Health franchise program and has received numerous franchise applications and has sent out preliminary Franchise Disclosure Documents (FDD) to perspective franchise applicants. Subsequent to year end, the Company sold its first franchise agreement whereby the franchisee will pay an upfront franchise fee to the Company, an ongoing monthly royalty based on revenue, a variable monthly technology and marketing support fee, and are required to purchase Sun Valley Health CBD product lines for their clinic location. The new franchise is currently going through setup and training.

CBD Market Demand

The passing in the United States of the US$867 billion Agriculture Improvement Act (the "Farm Bill") has legalized hemp and hemp-based products. Recent reports and studies from the Brightfield Group indicate the approval of the Farm Bill could create a US$23.7 billion industry by 2023.

Increased Patient Access

With a rapidly expanding company-owned clinic network and significant expansion opportunity with the successful acquisition of Sun Valley Clinics and the roll-out of the Sun Valley franchise model, Empower anticipates it will grow its total patient list substantially in the years ahead. The objective is to utilize the current 165,000 patients and data associated with their consultations with our physicians, to potentially begin to determine measurable and quantifiable data on medical cannabis treatment option efficacy.

Market Leading Technology

Empower utilizes a market-leading patient electronic management and POS system that is HIPAA compliant and provides insight to patient care. The Company supports remote patients using its tele-medicine portal, enabling patients who are unable to come to a location to benefit from a doctor consultation.

RECENT DEVELOPMENTS

COVID-19 Testing

In April 2020, the Company launched its COVID-19 antibody testing pilot program starting in Phoenix, AZ and is based on a four-phase rollout plan as below. In May 2020, the Company proceeded into Phase Three which began a new revenue stream for the company.

Phase One Testing began in clinics in Arizona, utilizing a patient blood draw by clinic phlebotomists, samples of which are sent to our laboratory test partner for analysis, with test results expected within 48 hours. This program is active and appointment rates are expanding rapidly.

Phase Two Offering consists of a Rapid COVID-19 antibody test with results in 1-15 minutes. The service will be offered in-clinics using a drive-up service, conducted by Company clinic staff. In addition, an outbound door-step service, to support a variety of consumer, patient and community needs will be offered using certified mobile technicians. The online portal is open to book appointments.

Phase Three Business Employee Testing programs, consists of offering Rapid COVID-19 testing to businesses on a one-time basis, repeat basis and/or subscription basis, to assist businesses to get back to work safely.

Phase Four U.S. nationwide roll-out, offering all phases of Company services, that can be accessed online at Company websites and call centers, to purchase Rapid COVID-19 test kits. The Company anticipates Phase Four services to potentially commence in Q3 2020.

Acquisition of Dosed Movie

In May 2020, the Company entered into a term sheet to acquire an interest in the global royalty rights of Dosed Movie, launched Dosed Wellness, a psychedelics brand, launched new dedicated website www.dosedwellness.com and added new team members dedicated to the new brand. Under the terms of the agreement, the Company intends to issue C$75,000.00 of common shares of the Company plus an aggregate payment of C$25,000.00 to the Vendors at the Closing. Further, the principals of Golden, Tyler Chandler and Nicholas Meyers will be offered consulting contracts to join the management team of Dosed Wellness Ltd.

Subsequent Share, Warrant and Share Option Transactions

On January 22, 2020, the Company issued 870,000 share options. Each share option entitles the holder to acquire one common share at a price of $0.04 ($0.05) for a period of three years following the issuance date.

On January 23, 2020, the Company issued 4,800,000 common shares for $0.03 (C$0.045) per common share for total fair value consideration of $164,346 (C$216,000) as settlement of accounts payable.

On February 11, 2020, the Company issued 4,000,000 common shares for $0.03 (C$0.035) per common share for total fair value consideration of $105,327 (C$140,000) as settlement of amounts payable for marketing services.

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

On March 30, 2020, the Company issued 600,000 share options. Each share option entitles the holder to acquire one common share at a price of $0.04 (C$0.05) for a period of three years following the issuance date.

On April 7, 2020, pursuant to the conversion of convertible debentures with a face value of $268,554 (C$367,500) and accrued interest of $16,113 (C$22,050), the Company issued 3,541,366 units. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of $0.07 (C$0.10) for a period of two years following the closing date of the conversion.

On April 8, 2020, pursuant to the conversion of convertible debentures with a face value of $147,691 (C$207,270) and accrued interest of $8,254 (C$11,584), the Company issued 1,989,588 units. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of $0.07 (C$0.10) for a period of two years following the closing date of the conversion.

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

On April 23, 2020, a total of 11,642,185 warrants with an exercise price of $0.30 (C$0.39) expired.

On May 7, 2020, pursuant to the conversion of convertible debentures with a face value of $178,380 (C$250,000) and accrued interest of $20,600 (C$28,871), the Company issued 3,064,515 common shares and 3,064,515 common share purchase warrants. Each warrant entitles the holder to acquire one common share at a price of $0.09 (C$0.12) for a period of one year following the closing date of the conversion.

On May 7, 2020, the Company issued 347,142 common shares for $0.06 (C$0.085) per common share for total fair value consideration of $21,054 (C$29,507) as settlement of amounts payable for legal services.

On May 20, 2020, the Company issued 844,444 common shares. The issuance settled the obligation to issue 150,000 common shares of the Company. In addition, the Company issued 694,444 common shares to settle the administrative charge of $18,876 (C$25,000).

On July 16, 2020, pursuant to a private placement financing, the Company issued 14,417,334 units for $0.04 (C$0.05) per unit for gross proceeds of $532,279 (C$720,866). Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of $0.09 (C$0.12) per share for a period of twenty-four months following the closing date of the financing.

OVERVIEW OF THE BUSINESS

The Company is a federally incorporated Canadian company which operates a growing network of physician-staffed medical certification clinics with a primary focus on enabling patients to improve and protect their health.

The new Empower Clinics is a growth focused, vertically integrated CBD Life Sciences company committed to improving patients' lives with products, technology and health systems, through a network of medical clinics across the US.

It is expected that Empower's proprietary product line "Sollievo" will offer patients a variety of delivery methods of doctor recommended cannabidiol ("CBD") based products in its clinics, online and at major retailers. With over 165,000 patients in its database, an expanding clinic footprint, a focus on new technologies, including tele-medicine, and an expanded product development strategy, Empower is undertaking new growth initiatives to be positioned as a vertically integrated, diverse, market-leading service provider for complex patient requirements in 2020 and beyond.

The Company currently operates six physical clinic locations in the states of Oregon and Arizona, and in January 2020, sold its first franchise location in the state of Oklahoma which is currently in the process of setup and training. In addition, the Company operates a tele-medicine platform supporting virtual doctor consultation in each of its clinic markets and for Washington State.

As part of the Sun Valley acquisition, the Company is launching a franchise model allowing for easy and fast nationwide scalability that will increase the distribution of Sollievo and Sun Valley CBD products, to access many more patients and consumers in new and developing markets for the Company. Franchisees will retain rights to specific territories to open and operate Sun Valley Health clinics and sell CBD products in clinics and to local sales regions. Empower receives upfront franchise fees, ongoing clinic royalties, product royalties and ownership of patient database information.

Empower has multiple distribution strategies for our branded Sollievo CBD products that target chronic pain, insomnia, digestion, anxiety, sleep disorders and more. The Company owns the proprietary formulations for these products based on feedback from scientists and patients, and the Company intends to invest in developing these formulations to become a market leading hemp-derived CBD based product distributor. Distribution of products will naturally fit into the Company's clinic strategy with the development of retail-like kiosks in clinics and as a standard feature in franchises nationwide. E-commerce is an important distribution channel going forward providing patients and general consumers the opportunity to access and purchase Company products. Sollievo products include lotions and balms, tinctures and gel caps, all at various phases of R&D and production.

The Company operates software platform to manage patients through the medical certification process that is a HIPAA compliant Electronic Health Record system and patient management portal. It provides improved management of patients while improving the ability of our doctors, admins and staff to treat and serve patients needs. The tele-medicine platform allows patients to register and select an appointment time to conduct a private consultation with one of the physicians remotely through a secure video link, thereby extending the reach of our clinic operations beyond the physical clinic locations. We believe going forward, greater demand for professional consultations will evolve the service offering for Company owned clinics and for franchisees throughout our network.

E-commerce platforms for Sollievo and Sun Valley CBD product lines present a developing opportunity for the Company and our network of future franchise partners. The passing in the United States of the US$867 billion *Agriculture Improvement Act* has legalized hemp and hemp-based products. This has created an opportunity for the production and sale of a variety of CBD-based products that can provide genuine help and effective relief to millions of people suffering from a variety of qualifying conditions. Online distribution channels supported by strong social media presence, influencer strategies and the ability to reach a wide-array of consumers, will provide the Company new growth opportunities with greater overall brand awareness.

Empower secured its first CBD extraction facility in greater Portland, Oregon taking possession June 1, 2019 and plans to commence the build-out of a new 5,000 square foot leased building to contain the first operating extraction systems capable of producing up to 20kg per day of high quality spectrum oil, isolate and/or distillate. The facility is strategically located in the agricultural plains of Mt. Hood, Oregon with over 200 licenced hemp farms in the neighbouring counties. Over time, the facility has the potential to be scaled to add multiple extraction, post-production and product manufacturing systems.

OUTLOOK

The Company will continue to be active and opportunistic with respect to mergers and acquisitions opportunities, with the goal of advancing its business plan and to increase shareholder value where possible. Additionally, the Company may seek to acquire third party channel partners to increase its patient base, margin per patient, and to increase shareholder value through the accretion of these operations and/or assets.

The Company is in active discussions to secure hemp bio-mass supply agreements from licensed producers in Oregon and Arizona with the objectives of locking in raw material supply agreements to support the new extraction facilities.

The Company is in active discussions with various product brands, brokers and retail sales outlets to secure short and long term sales contracts to support the revenue growth objectives for our hemp-derived CBD extract and CBD based products.

Currently, the market for both clinics and CBD based products in the United States remains highly fragmented with very few nationwide competitors. The Company seeks to take advantage of this by using its capital-light expenditure model to open franchised clinics, to create highly valuable patient relationships in new markets, further develop a wide-array of CBD formulations and product lines for nationwide distribution and own and operate hemp-derived CBD extraction facilities with the first location secured in Sandy, Oregon strategically located in the S.W. region of Portland, Oregon surrounded by over 200 hemp farms.

REVIEW OF QUARTERLY AND ANNUAL RESULTS

Amounts presented in thousands except per share amounts:

	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	**Fiscal 2019**	Fiscal 2018	Fiscal 2017
FINANCIAL RESULTS:											
Net revenues	**625**	663	591	153	197	280	312	302	**2,032**	1,091	1,507
Income (loss)	**(1,942)**	(505)	(1,457)	(399)	1,343	(379)	(3,915)	(839)	**(4,302)**	(3,790)	(3,110)
Income (loss) per share:											
- Basic	**(0.02)**	(0.00)	(0.01)	(0.01)	0.01	(0.00)	(0.06)	(0.02)	**(0.04)**	(0.06)	(0.06)
- Diluted	**(0.02)**	(0.00)	(0.01)	(0.01)	0.01	(0.00)	(0.06)	(0.02)	**(0.04)**	(0.06)	(0.06)
Cash dividends declared	**-**	-	-	-	-	-	-	-	**-**	-	-
Total assets	**1,556**	4,943	5,760	2,417	514	1,546	1,038	1,359	**1,556**	514	630
OPERATING RESULTS:											
Patient visits	**4,616**	5,807	4,299	1,198	1,314	1,864	2,187	2,242	**15,920**	7,607	9,705

The Company has a limited operating history, which can make it difficult for investors to evaluate the Company’s operations. As a result, the prior periods shown in the above table are not necessarily comparable and should not be relied upon as an indication of future performance.

The Company is expected to remain subject to many of the risks common to early-stage enterprises for the foreseeable future, including challenges related to laws, regulations, licensing, integrating and retaining qualified employees; making effective use of limited resources; achieving market acceptance of existing and future solutions; competing against companies with greater financial and technical resources; acquiring and retaining customers; and developing new solutions.

(In United States dollars, except where noted)

Review of Consolidated Financial Information for Q4 2019 compared to Q4 2018

		Q4 2019		Q4 2018
Clinic revenues	$	**542,677**	$	196,909
Product revenues		**82,032**		-
		624,709		196,909
Direct clinic expenses		**615,814**		115,655
Cost of goods sold (changes in finished goods inventory)		**32,902**		-
Earnings from clinic operations		**(24,007)**		81,254
Operating expenses (recovery)		**589,959**		(5,637)
Legal and professional fees		**260,229**		599,486
Depreciation and amortization expense		**129,153**		80,304
Share-based payments expense		**129,436**		-
Loss from operations		**(1,132,784)**		(592,899)
Listing fee		**-**		165,148
Accretion expense (recovery)		**(92,516)**		26,841
Interest expense		**111,450**		39,572
Share issuance costs		**129,965**		-
Interest income		**(206)**		-
Gain on debt settlement or accounts payable		**(15,130)**		-
Impairment loss on write off of property and equipment		**5,119**		-
Gain on change in fair value of warrant liability		**(1,392,492)**		(1,598,425)
Gain on change in fair value of conversion feature		**(396,261)**		(890,136)
Impairment of intangible assets		**93,757**		64,200
Impairment of goodwill		**2,377,397**		-
Impairment of asset held for sale		**-**		57,072
Restructuring expense, net		**(80,798)**		110,424
Other expense, net		**69,015**		89,475
Net (loss) income and comprehensive (loss) income for the period	**$**	**(1,942,084)**	$	1,342,930

Clinic revenues

Clinics revenues were $542,677 compared to $196,909 during Q4 2018 as the Company received 4,616 patients spending on average approximately $120, compared to 1,314 patients spending on average approximately $150 during Q4 2018. The Company receives revenue streams from patient visits to existing clinics throughout the network. The increase in clinic revenues and patient count is primarily due to the addition of the Sun Valley clinics, beginning May 1, 2019.

Product revenues

Product revenues were $82,032 compared to $nil during Q4 2018 as the Company has expanded into CBD product sales and the sale of premium wellness products. The Company expects to expand its revenue streams as the Company patient base grows, as branded CBD products are further rolled out and, the CBD extraction and product production facility becomes fully operational.

Direct clinic expenses

Direct clinic expenses were $615,814, compared to $115,655 during Q4 2018. These costs represent physician and clinic support staff expenses that are required to operate the clinics and provide patient consulting services. These expenses increased due to the increase in revenues and a reclassification of physician costs from operating expenses. The Company continues to monitor and improve its operational controls to align labor cost with direct patient consultations. The Company employs a diverse mix of physicians and practitioners.

Cost of goods sold

Cost of goods sold (comprising changes in finished goods inventory) was $32,902, compared to $nil during Q4 2018 as the Company has expanded into CBD product sales and the sale of premium wellness products.

Operating expenses

Operating expenses were $589,959, which increased from Q4 2018 of a recovery of $5,637. The increase is primarily related to:

- Operating costs related to Sun Valley which was acquired on May 1, 2019.
- Legal and professional costs of $53,422 incurred for start-up of Sun Valley Franchising program.
- Compensation expense of $58,007 in non-cash share-based payments to the CEO as compared to $nil to the former CEO during Q3 2018.

The recovery in Q4 2018 was owing to the reclassification of restructuring expenses during Q4 2018.

Legal and professional fees

Legal and professional fees were $260,229, compared to $599,486 during Q4 2018. The Company expects professional service fees to drop markedly over time as many are related to successful prior litigation or “one time” events such as the fees associated with the RTO that completed in April 2018.

Depreciation and amortization expense

Depreciation and amortization expense was $129,153, compared to $80,304 during Q4 2018. The balance decreased despite the addition of the Sun Valley clinics and the depreciation on the right-of-use asset resulting from the adoption of IFRS 16 effective January 1, 2019 due to the closure of the Chicago and Spokane clinics and impairment of the leasehold improvements, furniture and equipment for these locations.

Share-based payments

Share-based payments expense was $129,436, compared to $nil during Q4 2018. The share-based payments expense is the fair value of share options recognized as an expense during the year based on the fair valued determined by the Black-Scholes option pricing model valuation.

Listing fee

Listing fee expense was $nil, compared to $165,148 during Q4 2018, in connection with the Company's acquisition with Adira, which did not result in any charges during the prior year period.

Accretion expense

Accretion expense was a recovery of $92,516, compared to $26,841 during Q4 2018, in connection with the Company's convertible debentures and convertible notes payable. The decrease is due to an increase in the value attributable to the conversion feature which resulted in a recovery of previously recognized accretion expense. Using the effective interest rate method, the accretion is lower at issuance and increases as maturity approaches.

Interest expense

Interest expense increased to $111,450, compared to $39,572 during Q4 2018, owing to increased interest expense on the lease liability resulting from the adoption of IFRS 16 effective January 1, 2019 and issuance of convertible debentures during April and May 2019 and convertible notes payable in October and December 2019.

Share issuance costs

Share issuance costs increased to $129,965, compared to $nil during Q4 2018, owing to costs incurred in relation to the April 2019 and May 2019 private placements. The private placements resulted in the issuance of units of the Company comprised of one common share and one warrant. The Company determines the value of the warrants issued using the Black-Scholes option pricing model and allocates the residual to issued capital. As the share issuance costs exceeded the value allocated to issued capital, the excess was recorded as an expense on the consolidation statement of loss and comprehensive loss.

Interest income

Interest income increased to $206, compared to $nil during Q4 2018, owing to the promissory note receivable from the sale of the assets held for sale.

Gain on debt settlement or accounts payable

The Company recorded a gain on debt settlement of $15,130, compared to $nil during Q4 2018, owing to the settlement of accounts payable through the issuance of 1,686,861 common shares of the Company. The fair value of the common share, determined as the share price on the date of agreement to settle, was less than the carrying value of the accounts payable of $223,283 (C$294,019) and thus the Company recorded a gain on debt settlement.

Impairment loss on write off of property and equipment

Impairment loss on write off of property and equipment increased to $5,119, compared to $nil during Q4 2018, owing to the disposal of furniture and equipment.

Gain loss on change in fair value of warrant liability

The Company recorded a gain on the change in the fair value of the warrant liability of $1,392,492 compared to $1,598,425 during Q4 2018.The share purchase warrants are required to be revalued at every quarter end and the gain resulted from the decrease in the Company's share price during Q4 2019, which is a variable in determining the fair value of the warrant liability per the Black-Scholes valuation model.

Gain on change in fair value of conversion feature

The Company recorded a gain on the change in the fair value of the conversion feature of $396,261, compared to $890,136 during Q4 2018. The conversion feature is required to be revalued at every quarter end and the gain resulted from the decrease in the Company's share price during Q4 2019, which is a variable in determining the fair value of the conversion feature.

Impairment of intangible assets

Due to changes in the Arizona licensing regulations on June 7, 2019, the Company recognized an impairment loss of $93,757 related to patient records and brands acquired in the Sun Valley acquisition.

With the Company going through the process of rebranding and changing its internal management software infrastructure, the Company fully impaired the carrying value of its trademarks and management software intangible assets for $64,200 during Q4 2018.

Impairment of goodwill

Due to changes in the Arizona licensing regulations on June 7, 2019, the Company recognized an impairment loss of $2,377,397 related to the Sun Valley acquisition.

Impairment of asset held for sale

At December 31, 2018, the Company had listed the facility and land in Portland, Oregon for sale. Prior to their classification as assets held for sale, the land and facility in Portland were reported under property and equipment. The assets held for sale are included at the lower of their carrying value and their fair market value. The fair market value was based on a sales agreement dated January 17, 2019 whereby the Company will receive net proceeds of $127,972 after selling costs. An impairment loss of $57,072 was recognized during Q4 2018 to reduce the asset's carrying value to its fair market value.

Restructuring expense, net

Restructuring expense was a recovery of $80,798 compared to $110,424 during Q4 2018, in connection with the Company's restructuring activities that commenced during Q4 2018.

Other expense, net

The Company recorded other expense of $69,015, compared to $89,475 during Q4 2018. The amount relates primarily to foreign exchange losses due to the decrease in the US dollar relative to the Canadian dollar during Q4 2019.

(In United States dollars, except where noted)

Review of the Consolidated Financial Information for Fiscal 2019 compared to Fiscal 2018 and 2017

		Fiscal 2019		Fiscal 2018		Fiscal 2017
Clinic revenues	**$**	**1,949,549**	$	1,091,386	$	1,507,050
Product revenues		**82,032**		-		-
		2,031,581		1,091,386		1,507,050
Direct clinic expenses		**793,374**		417,047		638,834
Cost of goods sold (changes in finished goods inventory)		**32,902**		-		-
Earnings from clinic operations		**1,205,305**		674,339		868,216
Operating expenses		**2,933,619**		2,517,681		2,037,008
Legal and professional fees		**1,015,743**		1,450,141		1,131,041
Depreciation and amortization expense		**374,210**		123,473		103,372
Share-based payments expense		**608,944**		892,417		5,433
Loss from operations		**(3,680,060)**		(4,309,373)		(2,408,638)
Listing fee		**-**		1,308,808		-
Accretion expense		**114,515**		241,521		667,373
Interest expense		**240,539**		126,375		186,001
Share issuance costs		**129,965**		-		-
Interest income		**(4,977)**		-		-
Gain on debt settlement or accounts payable		**(15,130)**		-		(106,360)
Gain on termination of leases		**(76,617)**		-		-
Impairment loss on write off of property and equipment		**196,252**		-		-
Gain on change in fair value of warrant liability		**(2,065,781)**		(1,598,425)		-
Gain on change in fair value of conversion feature		**(587,229)**		(890,136)		-
Impairment of intangible assets		**93,757**		64,200		-
Impairment of goodwill		**2,377,397**		-		-
Impairment of asset held for sale		**-**		57,072		-
Restructuring expense, net		**88,808**		110,424		-
Other expense, net		**130,104**		60,706		(45,731)
Net loss and comprehensive loss for the year	**$**	**(4,301,663)**	$	(3,789,918)	$	(3,109,921)

Clinic revenues

Revenues were $1,949,549, compared to $1,091,386 during fiscal 2018 as the Company received 15,920 patients spending on average approximately $122, compared to 7,607 patients spending on average $143 during fiscal 2018. Revenues for fiscal 2017 were $1,507,050 as the Company received 9,705 patients spending on average $155. The Company receives revenue streams from patient visits to existing clinics throughout the network. The increase in clinic revenues and patient count is primarily due to the addition of the Sun Valley clinics beginning May 1, 2019.

Product revenues

Product revenues were $82,032, compared to $nil during fiscal 2018 and fiscal 2017. The Company has expanded into CBD product sales and the sale of premium wellness products. The Company expects to expand its revenue streams as the Company patient base grows, as branded CBD products are further rolled out and, the CBD extraction and product production facility becomes fully operational.

Direct clinic expenses

Direct clinic expenses were $793,374, compared to $417,047 during fiscal 2018 and $638,834 during fiscal 2017. These costs represent physician and clinic support staff expenses that are required to operate the clinics and provide patient consulting services. These expenses increased due to the increase in revenues. The Company continues to improve its operational controls to align labor cost with direct patient consultations. The Company employs a diverse mix of physicians and practitioners.

Cost of goods sold

Cost of goods sold (comprising changes in finished goods inventory) was $32,903, compared to $nil during fiscal 2018 and fiscal 2017. The Company expanded into CBD product sales and the sale of premium wellness products in 2019.

Operating expenses

Operating expenses were $2,933,619, compared to $2,517,681 during fiscal 2018 and $2,037,008 during fiscal 2017, and includes fully burdening the inclusion of the Sun Valley acquisition and Sun Valley Health Franchising start-ups costs. The increase in operating expenses from the inclusion of Sun Valley was partially offset by the following reductions in costs:

- Lower operating costs in Oregon and Washington state as a result of aggressive headcount cuts and facility changes.
- Compensation expense of $304,721 in non-cash share-based payments to the CEO compared to $477,180 to the former CEO during YTD 2018.
- Lower rent expense due to the adoption of IFRS 16 which resulted in a reclassification of rent expense from operating expenses to depreciation expense and interest expense.

Legal and professional fees

Legal and professional fees were $1,015,743, compared to $1,450,141 during fiscal 2018 and $1,131,041 during fiscal 2017. The Company expects professional service fees to drop markedly over time as many are related to successful prior litigation or “one time” events such as the fees associated with the RTO that completed in April 2018.

Depreciation and amortization expense

Depreciation and amortization expense was $327,059, compared to $123,473 during fiscal 2018 and $103,372 during fiscal 2017. This increase is due to the addition of the Sun Valley clinics and the depreciation on the right-of-use asset resulting from the adoption of IFRS 16 effective January 1, 2019.

Share-based payments

Share-based payments expense was $608,944, compared to $892,417 during fiscal 2018 and $5,433 during fiscal 2017. The share-based payments expense was for the fair value of share options recognized as an expense during the year based on the fair valued determined the Black Scholes option pricing model valuation of share options granted during the years ended December 31, 2019 and 2018.

Listing fee

Listing fee expense was $nil, compared to $1,308,808 during fiscal 2018 and $nil fiscal 2017, in connection with the Company's acquisition with Adira. The listing fee expense is comprised of $614,415 share consideration, $365,871 legal and professional fees, and $328,522 of net liabilities acquired.

Accretion expense

Accretion expense was $114,515, compared to $241,521 during fiscal 2018 and $667,373 during fiscal 2017, in connection with the Company's convertible debentures and convertible notes payable. The decrease is due to an increase in the value attributable to the conversion feature which resulted in a recovery of previously recognized accretion expense. Using the effective interest rate method, the accretion is lower at issuance and increases as maturity approaches.

Interest expense

Interest expense increased to $240,539, compared to $126,375 during fiscal 2018 and $186,001 during fiscal 2017, owing to increased interest expense on the lease liability resulting from the adoption of IFRS 16 effective January 1, 2019 and issuance of convertible debentures during April and May 2019 and convertible notes payable in October and December 2019.

Share issuance costs

Share issuance costs increased to $129,965, compared to $nil during fiscal 2018 and fiscal 2017, owing to costs incurred in relation to the April 2019 and May 2019 private placements. The private placements resulted in the issuance of units of the Company comprised of one common share and one warrant. The Company determines the value of the warrants issued using the Black-Scholes option pricing model and allocates the residual to issued capital. As the share issuance costs exceeded the value allocated to issued capital, the excess was recorded as an expense on the consolidation statement of loss and comprehensive loss.

Interest income

Interest income increased to $4,977, compared to $nil during fiscal 2018 and fiscal 2017, owing to the promissory note receivable from the sale of the assets held for sale.

Gain on debt settlement or accounts payable

Gain on debt settlement was $15,130, compared to $nil during fiscal 2018 and $106,360 during fiscal 2017, owing to the settlement of accounts payable through the issuance of 1,686,861 common shares of the Company. The fair value of the common share, determined as the share price on the date of agreement to settle, was less than the carrying value of the accounts payable of $223,283 (C$294,019) and thus the Company recorded a gain on debt settlement. The gain recorded in fiscal 2017 was the result of settlement of debt balances with debt holders during fiscal 2017.

Impairment on write off of property and equipment (net of gain on termination of leases)

The Company recorded a loss of $119,635, compared to $nil during fiscal 2018 and fiscal 2017, related primarily to leasehold improvements for the Chicago clinic when the lease was terminated in May 2019.

Gain on change in fair value of warrant liability

The Company recorded a gain on the change in the fair value of the warrant liability of $2,065,781, compared to $1,598,425 during fiscal 2018 and $nil during fiscal 2017. The share purchase warrants are required to be revalued at every quarter end and the gain resulted from the decrease in the Company's share price during Q4 2019, which is a variable in determining the fair value of the conversion option per the Black-Scholes valuation model.

Gain on change in fair value of conversion feature

The Company recorded a gain on the change in the fair value of the conversion feature of $587,229, compared to $890,136 during fiscal 2018 and $nil during fiscal 2017. The conversion feature is required to be revalued at every quarter end and the gain resulted from the decrease in the Company's share price during Q4 2019, which is a variable in determining the fair value of the conversion feature.

Impairment of intangible assets

Due to changes in the Arizona licensing regulations on June 7, 2019, the Company recognized an impairment loss of $93,757 related to patient records and brands acquired in the Sun Valley acquisition.

With the Company going through the process of rebranding and changing its internal management software infrastructure, the Company fully impaired the carrying value of its trademarks and management software intangible assets for $64,200 during fiscal 2018.

Impairment of goodwill

Due to changes in the Arizona licensing regulations on June 7, 2019, the Company recognized an impairment loss of $2,377,397 related to the Sun Valley acquisition.

Impairment of asset held for sale

At December 31, 2018, the Company has listed the facility and land in Portland, Oregon for sale. Prior to their classification as assets held for sale, the land and facility in Portland were reported under property and equipment. The assets held for sale are included at the lower of their carrying value and their fair market value. The fair market value was based on a sales agreement dated January 17, 2019 whereby the Company will receive net proceeds of $127,972 after selling costs. An impairment loss of $57,072 has been recognized to reduce the asset's carrying value to its fair market value.

Restructuring expense, net

Restructuring expense was $88,808 compared to $110,424 during fiscal 2018 and $nil during fiscal 2017, in connection with the Company's restructuring activities that commenced in Q4 2018.

Other expense (income), net

The Company recorded other expense of $130,104, compared to $60,706 during fiscal 2018 and a recovery of $45,731 during fiscal 2017. The amount relates primarily to foreign exchange losses due to the decrease in the US dollar relative to the Canadian dollar during Q4 2019.

LIQUIDITY, CASH FLOWS AND CAPITAL RESOURCES

Liquidity

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

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

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

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

Subsequent to year end, the Company issued 30,742,334 units for gross proceeds of $994,678 (C$1,373,866).

(In United States dollars, except where noted)

At December 31, 2019, the Company had a working capital deficit of $4,185,359, as follows:

As at December 31,		**2019**		2018
Cash	**$**	**179,153**	$	157,668
Accounts receivable		**24,482**		-
Prepaid expenses		**38,382**		29,475
Inventory		**21,848**		-
Total Current Assets		**263,865**		187,143
Accounts payable and accrued liabilities		**1,874,990**		1,554,892
Share subscriptions		**-**		61,167
Notes Payable		**969,891**		610,444
Due to related parties		**-**		12,575
Convertible debentures payable		**427,320**		274,466
Conversion feature		**2,795**		22,565
Convertible notes payable		**192,717**		-
Secured loan payable		**761,711**		717,460
Lease liability		**219,800**		-
Warrant liability		**-**		4,474
Total Current Liabilities		**4,449,224**		3,258,043
Working Capital	**$**	**(4,185,359)**	$	(3,070,900)

Cash Flow

		Q4 2019		Q4 2018		**Fiscal 2019**		Fiscal 2018		Fiscal 2017
Net cash provided by (used in) operating activities	**$**	**(453,518)**	$	293,873	**$**	**(2,273,188)**	$	(2,835,710)	$	(1,587,760)
Net cash used in investing activities		**(161,510)**		-		**(791,146)**		(100,227)		(31,598)
Net cash provided by (used in) financing activities		**615,603**		(415,997)		**3,085,819**		3,093,604		1,614,204
Increase (decrease) in cash	**$**	**575**	$	(122,124)	**$**	**21,485**	$	157,668	$	(5,154)

Review of cash flow Q4 2019 compared to Q4 2018:

Cash used by operating activities was $453,518, compared to cash used in operating activities of $293,873 during Q4 2018:

- Loss before taxes was $1,942,084 compared to income before taxes of $1,342,930.
- Movements in non-cash items increased cash by $876,701 compared to decreasing cash by $2,932,197 during fiscal 2018.
- Movements in accounts receivables increased cash by $42,818 compared to decreasing cash by $9,694 during Q4 2018.
- Movements in prepaid expenses increased cash by $33,285 compared to $584,000 during Q4 2018.
- Movements in inventory decreased cash by $21,848 compared to $nil during Q4 2018.

- Movements in accounts payable and accrued liabilities increased cash by $584,432 compared to increasing cash by $94,837 during Q4 2018.

Cash used in investing activities was $161,510 compared to $nil during Q4 2018. As a result of final adjustments to the Sun Valley purchase price accounting.

Cash used by financing activities was $615,603 compared to cash provided by financing activities of $415,997 during Q4 2018 primarily related to advances on notes payable, convertible debentures and convertible notes payable, as well as proceeds from warrant exercises.

Review of cash flow fiscal 2019 compared to fiscal 2018:

Cash used in operating activities was $2,273,188 compared to $2,835,710 during fiscal 2018:
- Loss before taxes was $4,301,663 compared to a loss before taxes of $3,789,918.
- Movements in non-cash items increased cash by $1,726,580 compared to increasing cash by $1,213,996 during fiscal 2018.
- Movements in accounts receivables decreased cash by $24,116 compared to increasing cash by $847 during fiscal 2018.
- Movements in prepaid expenses increased cash by $10,846 compared to decreasing cash by $5,463 during fiscal 2018.
- Movements in inventory decreased cash by $21,848 compared to $nil during fiscal 2018.
- Movements in accounts payable and accrued liabilities increased cash by $337,013 compared to a decrease of $255,173 during fiscal 2018.

Cash used in investing activities was $791,146 compared to $100,227 during fiscal 2018:
- Net investment in Sun Valley was $787,318 compared to $nil during fiscal 2018.
- Cash used in the acquisition of property and equipment was $3,828, compared to $100,227 during fiscal 2018.

Cash provided by financing activities was $3,085,819, compared to $3,093,604 during fiscal 2018:
- Proceeds from the issuance of common shares increased cash by $1,876,938 compared to $2,092,295 during fiscal 2018.
- Advances from notes payable issuances increased cash by $510,828 compared to $495,449 during fiscal 2018.
- Advances from convertible debenture issuances increased cash by $753,491 compared to $442,437 during fiscal 2018.
- The acquisition of Sun Valley provided cash of $94,090 compared to $nil during fiscal 2018.
- Lease payments were $203,712 compared to $nil during fiscal 2018 due to the adoption of IFRS 16.

(In United States dollars, except where noted)

Capital Resources

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

As at December 31,		**2019**		2018
Equity	**$**	**(3,514,913)**	$	(2,996,220)
Notes payable		**969,891**		760,715
Convertible debentures		**427,320**		274,466
Secured loan payable		**761,711**		717,460
Convertible notes payable		**192,717**		-
		(1,163,274)		(1,243,579)
Less: cash		**(179,153)**		(157,668)
	$	**(1,342,427)**	$	(1,401,247)

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

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

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

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

OFF-BALANCE SHEET ARRANGEMENTS

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

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 years ended December 31, 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 payment expense or share capital.

(In United States dollars, except where noted)

Key management compensation includes:

		Fiscal 2019		Fiscal 2018		Fiscal 2017
Salaries and benefits	**$**	**734,655**	$	1,063,748	$	221,700
Share-based payments		**556,040**		892,417		-
Directors fees		**11,250**		-		-
	$	**1,301,945**	$	1,956,165	$	221,700

Included in cost of goods sold for the year ended December 31, 2019 is $31,609 (year ended December 31, 2018 - $nil) in product purchases made from the Senior Vice Present Development and Director.

Included in salaries and benefits for fiscal 2019 is share based compensation of $304,721 related to the vested portion of 7,000,000 common shares awarded to the CEO.

Included in salaries and benefits for fiscal 2018 is share based compensation of $477,180 related to common shares awarded to the former CEO.

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.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

The consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB, effective as of December 31, 2019. The Company's significant accounting policies are described in note 3 of the Company's consolidated financial statements for the years ended December 31, 2019, 2018 and 2017.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively in the period in which the estimate is revised. Management has made the following critical judgements and estimates:

Critical judgements in applying accounting policies

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

Functional currency
The functional currency for each of the Company's subsidiaries is the currency of the primary economic environment in which the respective entity operates; the Company has determined the functional currency of each entity to be the US dollar. Such determination involves certain judgements to identify the primary economic environment. The Company reconsiders the functional currency of its subsidiaries if there is a change in events and/or conditions which determine the primary economic environment.

Assessment of Cash Generating Units
For impairment assessment and testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating unit ("CGU"). The Company applies judgement in assesses the smallest group of assets that comprise a single CGU. The CGU's were determined to be the Empower Clinics, the Sun Valley Clinics and the CBD extraction facility.

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

Assessment of indicators of impairment
At the end of each reporting period, the Company assesses whether there are any indicators, from external and internal sources of information, that an asset or CGU may be impaired, thereby requiring adjustment to the carrying value. The Company identified the sustained decrease in market capitalization and change in Arizona licensing regulations as an indicator of impairment during the year ended December 31, 2019. As a result of these impairment indicators, the Company assessed the intangible assets and goodwill for impairment and concluded the recoverable value of each CGU was less than its carrying value and an impairment loss was recognized on intangible assets and goodwill.

Revenue recognition

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

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

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

Estimates are made as to the fair value of assets and liabilities acquired. In certain circumstances, such as the valuation of property and equipment, intangible assets and goodwill acquired, the Company may rely on independent third-party valuators. The determination of these fair values involves a variety of assumptions, including revenue growth rates, expected operating income, and discount rates.

The Company measures all the assets acquired and liabilities assumed at their acquisition-date fair values.

Acquisition-related costs are recognized as expenses in the periods in which the costs are incurred and the services are received (except for the costs to issue debt or equity securities which are recognized according to specific requirements). The excess of the aggregate of (a) the consideration transferred to obtain control over (b) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed, is recognized as goodwill as of the acquisition date.

Consideration paid for business combinations is measured at fair value.

Key sources of estimation uncertainty

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

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

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

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

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

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

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

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

Leases as a result of adopting IFRS 16

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

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

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

(In United States dollars, except where noted)

CHANGES IN ACCOUNTING STANDARDS

The accounting policies applied in the preparation of the Company's annual consolidated financial statements for the years ended December 31, 2019, 2018 and 2017, are consistent with new standards and amendments to standards, except for the following:

The Company has initially adopted IFRS 16, Leases from January 1, 2019. IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model.

The Company adopted IFRS 16 using the modified retrospective approach on January 1, 2019. Under this method, the cumulative effect of initially applying the standards is recognized in retained earnings at January 1, 2019. Accordingly, the comparative information presented for fiscal 2018 and fiscal 2017 has not been restated and is presented as previously reported under IAS 17 and related interpretations.

The impact of adoption is further noted in note 3 to consolidated financial statements.

OUTSTANDING SHARE DATA

The authorized capital of the Company consists of an unlimited number of common shares without par value. The Company had the following securities outstanding as at the date of this MD&A:

Type of Security	Number Outstanding
Common Shares	187,678,694
Stock Options	11,920,000
Warrants	73,952,907

RISKS AND UNCERTAINTIES

COVID-19. There is a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the United States, state and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by the United States and other countries to fight the virus.

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

The Company will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions of our operations.

In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

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

Change in Laws, Regulations and Guidelines. The Company operates in an industry that is not recognized as a legal industry by the US Federal government.

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

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

The Arizona Marijuana Legalization Initiative may appear on the ballot in Arizona as an initiated state statute on November 3, 2020. The ballot initiative would legalize the possession and use of recreational marijuana for adults (age 21 years or older). The ballot initiative would allow people to grow no more than six marijuana plants for personal use in their residence, as long as the plants are within an enclosed area with a lock and beyond public view.

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

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

Share Price Volatility and Price Fluctuations. In recent years, the securities markets in Canada have experienced a high level of price and volume volatility, and the market prices of securities of many corporations have experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. Such volatility has been particularly evident with regards to the share price of medical cannabis companies, which are public issuers in Canada.

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

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

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

History of Net Losses; Accumulated Deficit; Lack of Revenue from Operations. The Company has incurred net losses to date. The Company may continue to incur losses. There is no certainty that the Company will operate profitably or provide a return on investment in the future.

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

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

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

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This MD&A contains certain information that may constitute "forward-looking information" and "forward-looking statements" (collectively, "**forward-looking statements**") which are based upon the Company's current internal expectations, estimates, projections, assumptions and beliefs. Such statements can be identified by the use of forward-looking terminology such as "expect," "likely", "may," "will," "should," "intend," or "anticipate", "potential", "proposed", "estimate" and other similar words, including negative and grammatical variations thereof, or statements that certain events or conditions "may" or "will" happen, or by discussions of strategy. Forward-looking statements include estimates, plans, expectations, opinions, forecasts, projections, targets, guidance, or other statements that are not statements of fact. The forward-looking statements included in this MD&A are made only as of the date of this MD&A.

Forward-looking statements in this MD&A include, but are not limited to, statements with respect to:

- licensing risks;
- regulatory risks;
- change in laws, regulations and guidelines;
- market risks;
- expansion of facilities;
- history of net losses; and
- competition.

Certain of the forward-looking statements and forward-looking information and other information contained herein concerning the medical cannabis industry and the general expectations of the Company concerning the medical cannabis industry and concerning the Company are based on estimates prepared by the Company using data from publicly available governmental sources as well as from market research and industry analysis and on assumptions based on data and knowledge of this industry which the Company believe to be reasonable. While the Company is not aware of any misstatement regarding any industry or government data presented herein, the medical cannabis industry involves risks and uncertainties that are subject to change based on various factors and the Company has not independently verified such third party information.

Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. The Company's forward-looking statements are expressly qualified in their entirety by this cautionary statement. In particular, but without limiting the foregoing, disclosure in this MD&A under "*Business Overview*" as well as statements regarding the Company's objectives, plans and goals, including future operating results, economic performance and patient acquisition efforts may make reference to or involve forward- looking statements. A number of factors could cause actual events, performance or results to differ materially from what is projected in the forward-looking statements. See "Risk Factors" for further details. The purpose of forward- looking statements is to provide the reader with a description of management's expectations, and such forward-looking statements may not be appropriate for any other purpose. You should not place undue reliance on forward- looking statements contained in this MD&A. The Company undertakes no obligation to update or revise any forward- looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.