



# EMPOWER CLINICS

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## MANAGEMENT DISCUSSIONS AND ANALYSIS

For the three and nine months ended September 30, 2020 and 2019

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The following amended 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 November 24, 2020, and relates to the financial condition and results of operations for the three and nine months ended September 30, 2020 and 2019. Past performance may not be indicative of future performance. This MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements ("consolidated financial statements") and related notes for the three and nine months ended September 30, 2020 and 2019, 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](http://www.empowerclinics.com), and on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Nature of Operations and Going Concern**

As at September 30, 2020, the Company has an accumulated deficit of \$14,392.635 (December 31, 2019 - \$13,012,319). 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.

## **EMPOWER CLINICS INC.**

(Formerly Adira Energy Ltd.)

### **MANAGEMENT DISCUSSION AND ANALYSIS**

For the three and nine months ended September 30, 2020 and 2019

(In United States dollars, except where noted)

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#### **Q3 2020 CONSOLIDATED FINANCIAL HIGHLIGHTS**

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- 5,044 patient visits generating revenue of \$629,854, compared to 5,807 patient visits generating \$663,003 for Q3 2019.
- Net loss of \$460,035 or \$0.00 per share, compared to \$504,532 or \$0.00 per share for Q3 2019.
- Cash used in operating activities was \$534,141, compared to cash used in operating activities of \$487,720 for Q3 2019.
- Cash at September 30, 2020 of \$112,539.
- Working capital deficit at September 30, 2020 of \$3,763,816

#### **Q3 2020 KEY DEVELOPMENTS**

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##### **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 commenced Phase Four in Q3 2020 with the addition of RT-PCR testing supported by Kai Medical Laboratory, LLC a wholly owned subsidiary of the Company.

##### **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

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### **MANAGEMENT DISCUSSION AND ANALYSIS**

For the three and nine months ended September 30, 2020 and 2019

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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.

The development of the CBD extraction facility has been delayed due to the impacts of the COVID-19 pandemic and significant limitations of travel that have prevented further work from taking place.

#### **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. During Q1 2020, 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.

The development of the franchise program has been delayed due to the impacts of the COVID-19 pandemic and significant limitations of travel that have prevented further work from taking place.

#### **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 are able to purchase high margin derivative products, including CBD lotion, tinctures, spectrum oils, capsules, lozenges, patches, e-drinks, topical lotions,

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### **MANAGEMENT DISCUSSION AND ANALYSIS**

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gel caps, hemp extract drops and pet elixir hemp extract drops. Patients and customers are able to access Empower's home delivery and e-commerce platform through its e-commerce store at <https://www.sunvalleyhealth.com/shop/>.

#### **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 potential acquisition roll-up of additional clinics in North America, Empower anticipates it will grow its total patient list 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 treatment 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**

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#### **Acquisition of Kai Medical Laboratory, LLC**

On October 6, 2020, the Company completed the acquisition of Kai Medical Laboratory, LLC ("KAI") for consideration having an aggregate value of US\$1,971,857 (CAD\$2,613,478), effective as of October 5, 2020. KAI Medical Laboratory operates a high-complexity CLIA and COLA accredited laboratory that provides reliable and accurate testing solutions to hospitals, medical clinics, pharmacies, and employer groups. KAI has taken an active role in COVID-19 testing, battling the pandemic through RT-PCR testing and serology testing with the capacity to process 4,000 RT-PCR test specimens per day. While the RT-PCR test identifies if a patient has an active virus, the serology or antibody test detects if a patient has previously been exposed to the virus. Both of these test results are vital to managing outbreaks and the potential spread of coronavirus.

As a result of this capability, Empower is now able to expand phase four of its COVID-19 testing rollout which was first announced on April 27, 2020 beginning with testing in-clinic testing (Phase 1) and culminating with a nationwide roll-out across the United States (Phase 4). Phase 4 allows Empower to service enterprise level clients, including movie and television studios that require reliable, accurate, fast and mass batch testing capabilities in order to resume production in a safe and compliant manner.

#### **Subsequent Share, Warrant and Share Option Transactions**

On October 5, 2020, the Company issued 375,000 stock options. Each stock option entitles the holder to purchase one common share of the Company at an exercise price of \$0.03 (C\$0.04) for a period of three years from the date of issuance.

On October 9, 2020, the Company issued 704,666 stock options. Each stock option entitles the holder to purchase one common share of the Company at an exercise price of \$0.04 (C\$0.06) for a period of three years from the date of issuance.

## **EMPOWER CLINICS INC.**

(Formerly Adira Energy Ltd.)

### **MANAGEMENT DISCUSSION AND ANALYSIS**

For the three and nine months ended September 30, 2020 and 2019

(In United States dollars, except where noted)

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On October 13, 2020, the Company issued 1,500,000 stock options. Each stock option entitles the holder to purchase one common share of the Company at an exercise price of \$0.05 (C\$0.07) for a period of three years from the date of issuance.

On November 3, 2020, the CEO of the Company exercised 7,000,000 stock options with an exercise price of \$0.11 (C\$0.14). The Company recorded an amount receivable from the CEO of the Company of \$745,531 (C\$980,000). Pursuant to the exercise, the Company issued 7,000,000 common shares.

On November 6, 2020, the Company closed a private placement of units of the Company (the "Units"), pursuant to which the Company issued 24,567,131 Units at a price of (\$0.04) C\$0.05 per Unit (the "Offering Price") for aggregate gross proceeds of \$934,467 (C\$1,228,357) (the "Offering") comprised of cash of \$920,502 (C\$1,210,000) and the settlement of accounts payable in the amount of \$13,965 (C\$18,357). Each Unit is comprised of one common share of the Company and one Common Share purchase warrant (a "Warrant"), with each Warrant exercisable to acquire one common share at a price of \$0.09 (C\$0.12) per Warrant for a period of 24 months from the closing of the Offering. In connection with the Offering, the Company paid share issue costs of \$66,946 (C\$88,000) and granted agent compensation options exercisable for 1,760,000 Units at an exercise price equal to the Offering Price for a period of 24 months following the closing of the Offering.

### **OVERVIEW OF THE BUSINESS**

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The Company is a federally incorporated Canadian company that is creating a network of physicians and practitioners who integrate to serve patient needs, in-clinic, through telemedicine, and with decentralized mobile delivery. A simplified, streamlined care model bringing key attributes of the healthcare supply chain together, always focused on patient experience. The Company provides COVID-19 testing services to consumers and businesses as part of a four-phased nationwide testing initiative in the United States.

Empower recently acquired Kai Medical Laboratory, LLC in Dallas, TX as a wholly owned subsidiary with large-scale testing capability to support specimen testing demand from Sun Valley Health clinics in Arizona, enterprise level customers with a focus on key industries such as film & television production, tourism, hospitality, care homes, medical clinics and facilities in the United States.

The Company business strategy includes Health and Wellness through our six clinics in the U.S. and telemedicine platform, Empower offers a simplified healthcare model offering preventative, diagnostic, and treatment services that always focuses on patient experience. Empower is reshaping the model for patient-first integrated healthcare and wellness by leveraging our experience with clinic management, technology, quality products, and paramedical expertise.

The Company strategy also includes Diagnostics and Technology as Empower launched an innovative COVID-19 testing initiative in early 2020 and is ready to adapt to future and growing demands. Leveraging Kai Medical Laboratory, LLC the Company is involved in novel COVID-19 test validation and submissions to the U.S. Food and Drug Administration and Health Canada to advance opportunities for anticipated long term testing demand.

It is expected that Empower's proprietary product line "Sollievo" will offer patients a variety of delivery methods of doctor recommended CBD based products in its clinics and online. 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 CLINICS INC.**

(Formerly Adira Energy Ltd.)

### **MANAGEMENT DISCUSSION AND ANALYSIS**

For the three and nine months ended September 30, 2020 and 2019

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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.

The Company operates software platform to manage patients through the medical consultation 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.

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**

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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.

## EMPOWER CLINICS INC.

(Formerly Adira Energy Ltd.)

### MANAGEMENT DISCUSSION AND ANALYSIS

For the three and nine months ended September 30, 2020 and 2019

(In United States dollars, except where noted)

### REVIEW OF QUARTERLY AND ANNUAL RESULTS

Amounts presented in thousands except per share amounts:

	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	YTD 2020	YTD 2019
<b>FINANCIAL RESULTS:</b>										
Net revenues	643	924	789	625	663	593	153	197	2,356	1,409
Income (loss)	(460)	(401)	(521)	(1,942)	(504)	(1,457)	(399)	1,343	(1,380)	(2,360)
Income (loss) per share:										
- Basic	(0.00)	(0.00)	(0.00)	(0.02)	(0.00)	(0.01)	(0.01)	0.01	(0.01)	(0.02)
- Diluted	(0.00)	(0.00)	(0.00)	(0.02)	(0.00)	(0.01)	(0.01)	0.01	(0.01)	(0.02)
Cash dividends declared	-	-	-	-	-	-	-	-	-	-
Total assets	1,447	1,800	1,392	1,556	4,943	5,760	2,417	514	1,447	4,943
<b>OPERATING RESULTS:</b>										
Patient visits	5,044	6,696	5,717	4,616	5,807	4,299	1,198	1,314	17,457	12,618

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.

**EMPOWER CLINICS INC.**

(Formerly Adira Energy Ltd.)

**MANAGEMENT DISCUSSION AND ANALYSIS**

For the three and nine months ended September 30, 2020 and 2019

(In United States dollars, except where noted)

**Review of Consolidated Financial Information for Q3 2020 compared to Q3 2019**

	<b>Q3 2020</b>	<b>Q3 2019</b>
Clinic revenues	<b>\$ 629,854</b>	\$ 663,003
Product revenues	<b>12,890</b>	-
	<b>642,744</b>	663,003
Direct clinic expenses	<b>244,772</b>	55,397
Cost of goods sold (changes in finished goods inventory)	<b>1,545</b>	-
Earnings from clinic operations	<b>396,427</b>	607,606
Operating expenses	<b>1,031,570</b>	1,042,785
Legal and professional fees	<b>127,774</b>	321,835
Depreciation and amortization expense	<b>79,702</b>	79,495
Share-based payments expense	<b>1,738</b>	7,388
Loss from operations	<b>(844,357)</b>	(843,897)
Accretion expense	<b>15,828</b>	91,432
Interest income	<b>(1,920)</b>	(1,905)
Interest expense	<b>37,292</b>	53,430
Gain on debt settlement of accounts payable	<b>(25,978)</b>	-
Gain on change in fair value of warrant liability	<b>(435,607)</b>	(512,415)
Gain on change in fair value of conversion features	-	(126,542)
Restructuring	-	169,606
Other expense (income), net	<b>26,063</b>	(12,971)
<b>Net loss and comprehensive loss income for the period</b>	<b>\$ (460,035)</b>	<b>(504,532)</b>

**Clinic revenues**

Clinics revenues were \$629,854 compared to \$663,003 during Q3 2019 as the Company received 5,044 patients spending on average approximately \$125, compared to 5,807 patients spending on average approximately \$114 during Q3 2019. The Company receives revenue streams from patient visits to existing clinics throughout the network. The decrease in clinic revenues and patient count is primarily due to the impact of COVID-19.

**Product revenues**

Product revenues were \$12,890 compared to \$nil during Q3 2019 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.



## **EMPOWER CLINICS INC.**

(Formerly Adira Energy Ltd.)

### MANAGEMENT DISCUSSION AND ANALYSIS

For the three and nine months ended September 30, 2020 and 2019

(In United States dollars, except where noted)

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#### Direct clinic expenses

Direct clinic expenses were \$244,772, compared to \$55,397 during Q3 2019. 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 (changes in finished goods inventory) was \$1,545, compared to \$nil during Q3 2019 as the Company has expanded into CBD product sales and the sale of premium wellness products.

#### Operating expenses

Operating expenses were \$1,031,570, which decreased from Q3 2019 of \$1,042,785. The decrease is primarily related to:

- Decrease in salaries and benefits due to an overall reduction in executive compensation; and
- This decrease was partially offset by an increase in advertising and promotion due to the launch of a marketing program.

#### Legal and professional fees

Legal and professional fees were \$127,774, compared to \$321,835 during Q3 2019. The decrease is primarily related to financial advisory services which were incurred in Q3 2019 and did not recur in Q3 2020.

#### Depreciation and amortization expense

Depreciation and amortization expense were \$79,702, compared to \$79,495 during Q3 2019. The balance has remained consistent year over year.

#### Share-based payments

Share-based payments expense was \$1,738, compared to \$7,388 during Q3 2019. The share-based payments expense is the fair value of share options recognized as an expense during the period based on the fair value determined by the Black-Scholes option pricing model valuation.

#### Accretion expense

Accretion expense was \$15,828, compared to \$91,432 during Q3 2019, in connection with the Company's convertible debentures and convertible notes payable.

#### Interest income

Interest income increased to \$1,920, compared to \$1,905 during Q3 2019, owing to the promissory note receivable.

## **EMPOWER CLINICS INC.**

(Formerly Adira Energy Ltd.)

### **MANAGEMENT DISCUSSION AND ANALYSIS**

For the three and nine months ended September 30, 2020 and 2019

(In United States dollars, except where noted)

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#### Interest expense

Interest expense decreased to \$37,292, compared to \$53,430 during Q3 2019, owing to the conversion of convertible debentures April and May 2020.

#### Gain on debt settlement or accounts payable

The Company recorded a gain on debt settlement of \$25,978, compared to \$nil during YTD 2019, owing to the settlement of accounts payable through the issuance of 5,841,586 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 \$112,292 (C\$150,000) and thus the Company recorded a gain on debt settlement.

#### 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 \$435,607 compared to a \$512,415 gain on the change in the fair value of the warrant liability during Q3 2019. 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 Q3 2020, 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 \$nil, compared to \$126,542 during Q3 2019. The conversion feature is required to be revalued at every quarter end and the gain resulted from the increase in the Company's share price during Q3 2019, which is a variable in determining the fair value of the conversion feature.

#### Restructuring

The Company recorded restructuring expense of \$nil, compared to \$169,606 during Q3 2019. The amount relates to a final termination settlement reached with the former CEO and other outgoing employees.

#### Other expense, net

The Company recorded other expense of \$26,063, compared to other expense of \$12,972 during Q3 2019. The amount relates primarily to foreign exchange gains due to the decrease in the US dollar relative to the Canadian dollar during Q3 2020.

**EMPOWER CLINICS INC.**

(Formerly Adira Energy Ltd.)

**MANAGEMENT DISCUSSION AND ANALYSIS**

For the three and nine months ended September 30, 2020 and 2019

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**Review of Consolidated Financial Information for YTD 2020 compared to YTD 2019**

	YTD 2020	YTD 2019
Clinic revenues	\$ 2,306,111	\$ 1,409,143
Product revenues	49,644	-
	<b>2,355,755</b>	1,409,143
Direct clinic expenses	<b>736,670</b>	177,560
Cost of goods sold (changes in finished goods inventory)	<b>21,952</b>	-
Earnings from clinic operations	<b>1,597,133</b>	1,231,583
Operating expenses	<b>2,377,928</b>	2,343,660
Legal and professional fees	<b>349,970</b>	755,514
Depreciation and amortization expense	<b>240,446</b>	197,906
Share-based payments expense	<b>31,592</b>	479,508
Loss from operations	<b>(1,402,803)</b>	(2,545,005)
Accretion expense	<b>360,924</b>	207,031
Interest income	<b>(5,625)</b>	(4,771)
Interest expense	<b>138,948</b>	129,089
Loss on disposal of property, plant and equipment	-	114,516
Gain on debt settlement of accounts payable	<b>(49,277)</b>	-
Gain on change in fair value of warrant liability	<b>(475,539)</b>	(673,289)
Gain on change in fair value of conversion features	<b>(2,795)</b>	(190,968)
Restructuring	-	169,606
Other expense, net	<b>10,877</b>	61,089
<b>Net loss and comprehensive loss income for the period</b>	<b>\$ (1,380,316)</b>	<b>\$ (2,359,579)</b>

Clinic revenues

Clinics revenues were \$2,306,111 compared to \$1,409,143 during YTD 2019 as the Company received 17,457 patients spending on average approximately \$132, compared to 12,618 patients spending on average approximately \$111 during YTD 2019. 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 \$49,644 compared to \$nil during YTD 2019 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.

## **EMPOWER CLINICS INC.**

(Formerly Adira Energy Ltd.)

### **MANAGEMENT DISCUSSION AND ANALYSIS**

For the three and nine months ended September 30, 2020 and 2019

(In United States dollars, except where noted)

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#### Direct clinic expenses

Direct clinic expenses were \$736,670, compared to \$177,560 during YTD 2019. 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 (changes in finished goods inventory) was \$21,952, compared to \$nil during Q3 2019 as the Company has expanded into CBD product sales and the sale of premium wellness products.

#### Operating expenses

Operating expenses were \$2,377,928, which increased from YTD 2019 of \$2,343,660. The increase is primarily related to an increase in advertising and promotion due to the launch of a marketing program.

#### Legal and professional fees

Legal and professional fees were \$349,970, compared to \$755,514 during YTD 2019. The decrease is primarily related to financial advisory services which were incurred in YTD 2019 and did not recur in YTD 2020.

#### Depreciation and amortization expense

Depreciation and amortization expense were \$240,446, compared to \$197,906 during YTD 2019. The balance increased due to the acquisition of Sun Valley in May 2019.

#### Share-based payments

Share-based payments expense was \$31,592, compared to \$479,508 during YTD 2019. The share-based payments expense is the fair value of share options recognized as an expense during the period based on the fair value determined by the Black-Scholes option pricing model valuation.

#### Accretion expense

Accretion expense was \$360,924, compared to \$207,031 during YTD 2019, in connection with the Company's convertible debentures and convertible notes payable. Using the effective interest rate method, the accretion is lower at issuance and increases as maturity approaches.

#### Interest income

Interest income increased to \$5,625, compared to \$4,771 during YTD 2019, owing to the promissory note receivable.

## **EMPOWER CLINICS INC.**

(Formerly Adira Energy Ltd.)

### **MANAGEMENT DISCUSSION AND ANALYSIS**

For the three and nine months ended September 30, 2020 and 2019

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#### Interest expense

Interest expense increased to \$138,948, compared to \$129,089 during YTD 2019, owing to the issuance of convertible debentures during April and May 2019 and convertible notes payable in October and December 2019.

#### Loss on disposal of property and equipment

The Company recorded a loss of \$nil, compared to \$114,516 during YTD 2019, related to leasehold improvements for the Chicago clinic when the lease was terminated in May 2019.

#### Gain on debt settlement or accounts payable

The Company recorded a gain on debt settlement of \$49,277, compared to \$nil during YTD 2019, owing to the settlement of accounts payable through the issuance of 5,841,586 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 \$336,084 (C\$447,500) and thus the Company recorded a gain on debt settlement.

#### 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 \$475,539 compared to \$673,289 during YTD 2019. 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 YTD 2020, 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 \$2,795, compared to a gain on the change in the fair value of the conversion feature of \$190,986 during YTD 2019. 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 YTD 2020, which is a variable in determining the fair value of the conversion feature.

#### Restructuring

The Company recorded restructuring expense of \$nil, compared to \$169,606 during YTD 2019. The amount relates to a final termination settlement reached with the former CEO and other outgoing employees.

#### Other income, net

The Company recorded other income of \$10,877, compared to other expense of \$61,089 during YTD 2019. The amount relates primarily to foreign exchange gains due to the increase in the US dollar relative to the Canadian dollar during YTD 2020.

## EMPOWER CLINICS INC.

(Formerly Adira Energy Ltd.)

### MANAGEMENT DISCUSSION AND ANALYSIS

For the three and nine months ended September 30, 2020 and 2019

(In United States dollars, except where noted)

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## LIQUIDITY, CASH FLOWS AND CAPITAL RESOURCES

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### Liquidity

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

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

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

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

At September 30, 2020, the Company had a working capital deficit of \$3,763,816, as follows:

	<b>September 30, 2020</b>	December 31, 2019
Cash	\$ 112,539	\$ 179,153
Accounts receivable	65,191	24,482
Prepaid expenses	22,029	38,382
Inventory	62,666	21,848
Promissory note receivable	128,198	-
Total Current Assets	<b>390,623</b>	263,865
Accounts payable and accrued liabilities	1,915,514	1,874,990
Notes Payable	891,874	969,891
Convertible debentures payable	-	427,320
Conversion feature	-	2,795
Convertible notes payable	190,460	192,717
Secured loan payable	796,714	761,711
Lease liability	173,733	219,800
Warrant liability	186,144	-
Total Current Liabilities	<b>4,154,439</b>	4,449,224
Working Capital	<b>\$ (3,763,816)</b>	\$ (4,185,359)

## EMPOWER CLINICS INC.

(Formerly Adira Energy Ltd.)

### MANAGEMENT DISCUSSION AND ANALYSIS

For the three and nine months ended September 30, 2020 and 2019

(In United States dollars, except where noted)

Subsequent to quarter end, the Company issued 24,567,131 Units for aggregate gross proceeds of \$934,467 (C\$1,228,357) comprised of cash of \$920,502 (C\$1,210,000) and the settlement of accounts payable in the amount of \$13,965 (C\$18,357).

#### Cash Flow

	Q3 2020	Q3 2019
Net cash used in operating activities	\$ (534,141)	\$ (487,720)
Net cash used in investing activities	(127,446)	(86,063)
Net cash provided (used) by financing activities	468,191	(64,807)
Increase (decrease) in cash	\$ (193,396)	\$ (638,590)

#### Review of cash flow Q3 2020 compared to Q3 2019:

Cash used in operating activities was \$534,141, compared to cash used in operating activities of \$487,720 during Q3 2019:

- Loss for the period was \$460,035 compared \$504,532 during Q3 2019.
- Movements in non-cash items decreased cash by \$427,621 compared to \$6,987 during Q3 2019.
- Movements in accounts receivables decreased cash by \$37,551 compared to \$13,361 during Q3 2019.
- Movements in prepaid expenses increased cash by \$246,946, compared to \$41,855 during Q3 2019.
- Movements in accounts payable and accrued liabilities increased cash by \$144,120 compared to decreasing cash by \$4,695 during Q3 2019.

Cash used in investing activities was \$127,446 compared to \$86,063 during Q3 2019 as a result of cash spend on the acquisition of intangible assets.

Cash provided by financing activities was \$468,191 compared to cash used by \$64,807 during Q3 2019. Cash provided by financing activities during Q3 2020 related to proceeds from the issuance of common shares for cash and advance of loan payable which was partially offset by cash spend on lease payments and share issue costs whereas cash used by financial activities during Q3 2019 related to share issuance costs and cash acquired in the acquisition of Sun Valley which was partially offset by lease payments and share issue costs.

	YTD 2020	YTD 2019
Net cash provided by (used in) operating activities	\$ (531,494)	\$ (1,819,670)
Net cash used in investing activities	(127,446)	(629,636)
Net cash provided by financing activities	592,326	2,470,216
Increase (decrease) in cash	\$ (66,614)	\$ 20,910

## EMPOWER CLINICS INC.

(Formerly Adira Energy Ltd.)

### MANAGEMENT DISCUSSION AND ANALYSIS

For the three and nine months ended September 30, 2020 and 2019

(In United States dollars, except where noted)

#### Review of cash flow YTD 2020 compared to YTD 2019:

Cash used by operating activities was \$531,494, compared to cash used in operating activities of \$1,819,670 during YTD 2019:

- Loss for the period was \$1,380,316 compared to \$2,359,579 during YTD 2019.
- Movements in non-cash items increased cash by \$274,913 compared to \$876,701 during YTD 2019.
- Movements in accounts receivables decreased cash by \$40,709 compared to \$66,934 during YTD 2019.
- Movements in prepaid expenses increased cash by \$259,453 compared to decreasing cash by \$22,439 during YTD 2019.
- Movements in inventory decreased cash by \$40,818 compared to \$nil during YTD 2019.
- Movements in accounts payable and accrued liabilities increased cash by \$370,983 compared to decreasing cash by \$247,419 during YTD 2019.
- Movements in deferred revenue increased cash by \$25,000 compared to \$nil during YTD 2019.

Cash used in investing activities was \$127,446 compared to \$629,636 during YTD 2019 as a result of cash spend on the acquisition of intangible assets during Q3 2020 as compared to cash spend on the acquisition of Sun Valley in Q3 2019.

Cash provided by financing activities was \$592,326 compared to \$2,470,216 during YTD 2019. Cash provided by financing activities during YTD 2020 related to proceeds from the issuance of common shares for cash and advance of loan payable which was partially offset by cash spend on lease payments and share issue costs whereas cash provided by financial activities during YTD 2019 related to proceeds from the issuance of common shares for cash, advance of convertible debentures, advance of notes payable and cash acquired in the acquisition of Sun Valley which was partially offset by lease payments and share issue costs.

#### **Capital Resources**

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

	<b>September 30, 2020</b>	December 31, 2019
Equity	\$ (3,182,455)	\$ (3,514,913)
Notes payable	891,874	969,891
Convertible debentures	-	427,320
Secured loan payable	796,714	761,711
Convertible notes payable	190,460	192,717
	<b>(1,303,407)</b>	(1,163,274)
Less: cash	<b>(112,539)</b>	(179,153)
	<b>\$ (1,415,946)</b>	<b>\$ (1,342,427)</b>

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



## EMPOWER CLINICS INC.

(Formerly Adira Energy Ltd.)

### MANAGEMENT DISCUSSION AND ANALYSIS

For the three and nine months ended September 30, 2020 and 2019

(In United States dollars, except where noted)

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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

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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

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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 and nine months ended September 30, 2020 and 2019, the Company did not enter into any transactions with related parties outside of compensation to key management personnel as disclosed below.

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

Key management compensation includes:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Salaries and benefits	\$ 174,617	\$ 143,767	\$ 516,218	\$ 465,113
Share-based payments	1,738	-	12,156	472,120
Directors fees	3,750	-	11,250	-
	\$ 180,105	\$ 143,767	\$ 539,624	\$ 937,233

Included in cost of goods sold for the three and nine months ended September 30, 2020 is \$nil and \$11,045, respectively (2019 - \$5,921 and \$18,611, respectively) in product purchases made from Sun Valley Science LLC, an entity controlled by the Senior Vice President Development and Director.

Included in salaries and benefits for the three and nine months ended September 30, 2020 is \$61,846 and \$129,902, respectively (2019 - \$58,007 and \$266,853, respectively) related to common shares awarded to the CEO during 2019 which vested during the nine months ended September 30, 2020 (note 16(a)(xviii)).

## **EMPOWER CLINICS INC.**

(Formerly Adira Energy Ltd.)

### **MANAGEMENT DISCUSSION AND ANALYSIS**

For the three and nine months ended September 30, 2020 and 2019

(In United States dollars, except where noted)

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As at September 30, 2020, \$1,196 (December 31, 2019 - \$28,827) is due to the CEO for advances made on behalf of the Company and \$274,924 (December 31, 2019 - \$133,444) is due to the CEO for salaries and benefits. The amounts are unsecured and due on demand.

As at September 30, 2020, \$64,000 (December 31, 2019 - \$140,000) is due to the Senior Vice Present Development and Director and his spouse for consideration related to the Sun Valley acquisition.

### **INTERNATIONAL FINANCIAL REPORTING STANDARDS**

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The consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB, effective as of September 30, 2020. 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 and 2018 and note 3 to the September 30, 2020 unaudited condensed interim consolidated financial statements.

### **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

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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.

## **EMPOWER CLINICS INC.**

(Formerly Adira Energy Ltd.)

### **MANAGEMENT DISCUSSION AND ANALYSIS**

For the three and nine months ended September 30, 2020 and 2019

(In United States dollars, except where noted)

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#### 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 valuers. 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.

## **EMPOWER CLINICS INC.**

(Formerly Adira Energy Ltd.)

### **MANAGEMENT DISCUSSION AND ANALYSIS**

For the three and nine months ended September 30, 2020 and 2019

(In United States dollars, except where noted)

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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.

## **EMPOWER CLINICS INC.**

(Formerly Adira Energy Ltd.)

### **MANAGEMENT DISCUSSION AND ANALYSIS**

For the three and nine months ended September 30, 2020 and 2019

(In United States dollars, except where noted)

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#### 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.

## **CHANGES IN ACCOUNTING STANDARDS**

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The accounting policies applied in the preparation of the Company's condensed interim consolidated financial statements for the three and nine months ended September 30, 2020 and 2019, are consistent with those applied and disclosed in note 3 to the Company's annual consolidated financial statements with exception of the following:

*Amendments to IAS 1 – Presentation of financial statements ("IAS 1") and IAS 8 – Accounting policies, changes in accounting estimates and errors ("IAS 8").*

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

## **EMPOWER CLINICS INC.**

(Formerly Adira Energy Ltd.)

### **MANAGEMENT DISCUSSION AND ANALYSIS**

For the three and nine months ended September 30, 2020 and 2019

(In United States dollars, except where noted)

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The threshold for materiality influencing users have been changed from 'could influence' to 'could reasonably be expected to influence'.

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency.

The Company adopted the amendments to IAS 1 effective January 1, 2020, which did not have a material impact on the Company's financial statements.

#### *Franchise Revenues*

Franchise revenues consist primarily of royalties and initial franchise fees. Under franchise agreements, we provide franchisees with (i) a franchise license, which includes a license to use our intellectual property, (ii) pre-opening services, such as training and inspections, and (iii) ongoing services, such as development of training materials

Royalties are calculated as a percentage of franchise clinic revenues over the term of the franchise agreement. The Company recognizes royalty revenues from the rendering of patient services in the accounting period in which the physician's services are rendered.

Initial franchise fees are payable by the franchisee upon execution of a franchise agreement. Initial franchise fees are recognized as revenue on a straight-line basis over the term of the respective agreement. The term of the agreement commences upon opening of the clinic location.

## **OUTSTANDING SHARE DATA**

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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:

<b>Type of Security</b>	<b>Number Outstanding</b>
Common Shares	220,810,340
Stock Options	7,499,666
Warrants	104,909,373

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## **RISKS AND UNCERTAINTIES**

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For a detailed listing of the risk factors faced by the Company, please refer to the Company's MD&A for the year ended December 31, 2019.

## EMPOWER CLINICS INC.

(Formerly Adira Energy Ltd.)

### MANAGEMENT DISCUSSION AND ANALYSIS

For the three and nine months ended September 30, 2020 and 2019

(In United States dollars, except where noted)

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#### CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

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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.