



# EMPOWER CLINICS

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## MANAGEMENT'S DISCUSSIONS & ANALYSIS

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### For the years ended December 31, 2020, 2019 and 2018

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The following amended Management's Discussion and Analysis ("MD&A") for Empower Clinics Inc. together with its wholly owned subsidiaries ("Empower" or "the Company") is prepared as of June 30, 2021 and relates to the financial condition and results of operations for the years ended December 31, 2020, 2019 and 2018. 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, 2020, 2019 and 2018, 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, 2020, 2019 and 2018, are also referred to as "fiscal 2020", "fiscal 2019" and "fiscal 2018", 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 December 31, 2020, the Company has an accumulated deficit of \$30,078,630 (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.**

### **MANAGEMENT'S DISCUSSION & ANALYSIS**

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(In United States dollars, except where noted)

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#### **FISCAL 2020 CONSOLIDATED FINANCIAL HIGHLIGHTS**

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- Total revenue of \$3,209,196, compared to \$2,031,581 for fiscal 2019 and \$1,091,386 for fiscal 2018.
- Net loss of \$17,066,311 compared to \$4,301,663 for fiscal 2019 and \$3,789,918 for fiscal 2018.
- Cash used in operating activities was \$1,749,818, compared to \$2,273,188 for fiscal 2019, and \$2,835,710 for fiscal 2018.
- Cash at December 31, 2020 of \$4,889,824.
- Working capital deficit at December 31, 2020 of \$1,746,818.

#### **FISCAL 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 based on a four-phase plan. As of the date of this MD&A, the Company is in Phase Four of the plan, which began a new revenue stream for the Company.

##### **Phase One**

COVID-19 testing began in clinics in Arizona, utilizing a patient blood draw by clinic phlebotomists. Samples were processed by our laboratory test partner with test results provided within 48 hours. This program is active and appointment rates are expanding rapidly.

##### **Phase Two**

In clinics offering a drive-up service, rapid COVID-19 antibody testing is performed on-site with results provided within 15 minutes. In addition, the Company employs certified mobile technicians providing a 'doorstep' rapid testing service to support a variety of consumer, patient and community needs. Appointments are currently accepted through an online portal.

##### **Phase Three**

The Company is ramping up services provided to businesses for employee testing, consisting of rapid COVID-19 testing for businesses on a one-time basis, repeat basis or subscription basis, to assist businesses in providing a safe return to work.

##### **Phase Four**

The Company has completed a U.S. nationwide roll-out for all testing services that can be accessed online at Company websites and call centers. Supported by the acquisition of Kai Medical Laboratory in Q3 2020, the Company is selling rapid COVID-19 test kits for home use which can be mailed back in to obtain a test result in as little as 48 hours.

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

On October 5, 2020, the Company completed the acquisition of Kai Medical Laboratory, LLC ("Kai") for aggregate consideration of \$20,050 (C\$26,604). Kai 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 reverse transcription 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 test results are vital to managing outbreaks and the potential spread of coronavirus.

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As a result of this capability, Empower is now able to expand phase four of its COVID-19 testing roll out 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.

#### **Acquisition of Lawrence Park Health and Atkinson Clinics**

On December 31, 2020, the Company completed the acquisition of Lawrence Park Health and Wellness Clinics Inc. and 11000900 Canada Inc. dba Atkinson Clinic ("LP&A") for aggregate of \$1,766,933 (C\$2,249,659). LP&A operate multidisciplinary health clinics in the Greater Toronto Area, Ontario. As leading experts in musculoskeletal health LP&A's many practitioners provide a variety of para-medical services that will form an integral component of the development of the Company's growth strategy by opening healthcare centers in key markets comprised of primary care and para-medical services further supported by virtual care and telemedicine services.

#### **Sun Valley Health**

Operations at Sun Valley Health based in Phoenix, AZ saw a reduction in patient volume in late Q3 2020 and Q4 2020 due to significant regulatory changes in the State of Arizona that saw the State fully legalize cannabis in November 2020. This resulted in the elimination of the need to have medical cannabis certification card to legally purchase cannabis products from dispensaries in the State. As a result, the Company determined it was appropriate to close two of the clinic locations in Q4 2020 and reduce headcount and operating expenses. Subsequent to December 31, 2020, the Company closed one of the two remaining clinic locations, resulting in one remaining clinic location open as of the date of this MD&A.

#### **Increased Patient Access**

With a rapidly expanding 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 200,000 + 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.

#### **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.

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 a share subscription 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.

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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.

#### **HIGHLIGHTS SUBSEQUENT TO YEAR END**

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On January 11, 2021, the Company repaid principal of \$550,000 and accrued interest of \$258,293 to the loan payable. Additionally, the Company repaid accrued interest of \$22,944 related to the \$188,765 (C\$250,000) promissory note that was due April 1, 2020. The principal balance was repaid on December 11, 2020. As at December 31, 2020, the Company has no continued obligation with respect to the promissory note. Further, the Company repaid a note payable with a balance of principal and accrued interest of \$521,951 as at December 31, 2020.

On February 26, 2021, the Company issued 1,207,206 common shares pursuant to an online marketing agreement.

On March 8, 2021, the Company issued 1,760,000 common shares and 1,760,000 warrants pursuant to the exercise of 1,760,000 Agent share purchase warrants for gross proceeds of \$88,000.

On June 17, 2020, the Company issued 13,204 common shares pursuant to a professional services agreement.

On June 21, 2021, the Company entered into a six-month pilot program with PharmaChoice to sell Kai saliva test kits. PharmaChoice is a fast growing, independently owned Canadian Pharmacy network with more than 900 locations covering the PharmaChoice and RxHealthMed brands.

During the period from December 31, 2020 to the date of this MD&A, the Company issued 43,145,547 common shares pursuant to the exercise of 43,145,547 warrants for gross proceeds of \$5,517,102, and issued 3,464,666 common shares pursuant to the exercise of 3,464,666 stock options for gross proceeds of \$259,233.

During the period from December 31, 2020 to the date of this MD&A, 563,900 warrants expired, 2,061,364 stock options were granted and 1,936,667 stock options expired.

#### **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 provides body and mind wellness for more than 200,000 patients through its clinics in the United States & Canada, a telemedicine platform and a world-class medical diagnostics laboratory in Dallas, Texas. Supported by an experienced leadership team, Empower is aggressively growing its clinical and digital presence across the US and Canada. Our Health & Wellness and Diagnostics & Technology business units are positioned to positively impact the integrated health of our patients, while simultaneously providing long term value for our shareholders.

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 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 Company owned healthcare centers in the U.S. and Canada along with virtual care and telemedicine. Empower operates 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.

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Kai operates its direct-to-consumer platform, Kai Care, at [www.kaitests.com](http://www.kaitests.com) and [www.kaitests.ca](http://www.kaitests.ca) serving U.S. and Canadian markets commencing with the Kai Care at-home Saliva RT-PCR test kit. The Company anticipates using the Kai Care platforms for other consumer-based health and wellness test kits.

The Company operates software platforms 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 throughout our network.

Operations at Sun Valley Health based in Phoenix, AZ saw a reduction in patient volume in late Q3 2020 and Q4 2020 due to significant regulatory changes in the State of Arizona that saw the State fully legalize cannabis in November 2020. This resulted in the elimination of the need to have medical cannabis certification card to legally purchase cannabis products from dispensaries in the State. As a result, the Company determined it was appropriate to close two of the clinic locations in Q4 2020 and reduce headcount and operating expenses. Subsequent to December 31, 2020, the Company closed one of the two remaining clinic locations, resulting in one remaining clinic location open as of the date of this MD&A.

### **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.

The Company is in active discussions to open several medical healthcare centers with Rexall/Pharma Plus Pharmacies Ltd. Empower will act as a subtenant for the locations to build and operate health care centers as a key driver of the Company's national clinic expansion strategy. Services include full primary care led by medical doctors plus paramedical services with practitioners providing services including chiropractic care, physiotherapy and more. Beneficiaries of these services include the pharmacies large existing customer base in addition to patients in the wider communities each location will serve.

## EMPOWER CLINICS INC.

### MANAGEMENT'S DISCUSSION & ANALYSIS

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## REVIEW OF QUARTERLY AND ANNUAL RESULTS

### Q4 2020 compared to Q4 2019

The following table summarizes the results of operations for the three months ended December 31, 2020 and 2019

	Q4 2020	Q4 2019
Total revenues	\$ 853,441	\$ 624,709
Earnings (loss) from clinic operations	418,504	(24,007)
Operating expenses	1,569,481	589,959
Legal and professional fees	1,044,601	260,229
Depreciation and amortization expense	141,047	129,153
Impairment of intangible assets	340,575	93,757
Impairment of goodwill	117,218	2,377,397
Share-based payments	292,207	129,436
Loss from operations	(3,086,625)	(3,603,938)
Loss (gain) on fair value change of warrant liability	12,362,335	(1,392,492)
Gain on fair value change of conversion option	-	(396,261)
Other expenses	237,036	126,899
<b>Net loss and comprehensive loss income for the period</b>	<b>\$ (15,685,996)</b>	<b>\$ (1,942,084)</b>

### Total revenues

Clinic services revenues were \$848,190, compared to \$542,677 during Q4 2019. The Company receives revenue streams from patient visits to existing clinics throughout the network. The increase in clinic revenues is primarily due to the impact of COVID-19, along with the acquisition of Kai on October 5, 2020, partially offset by the reduction in patients visiting the Sun Valley Health clinics as a result of State legalization of cannabis in November 2020.

Product revenues were \$5,251, compared to \$82,032 during Q4 2019 as the Company had expanded into CBD product sales and the sale of premium wellness products in the prior year. Product revenues declined as a direct result of the impact of the COVID-19 pandemic.

### Earnings from clinic operations

Cost of clinic services were \$420,757, compared to \$615,814 during Q4 2019. These costs represent physician and clinic support staff expenses that are required to operate the clinics and provide patient consulting services. 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 product revenues (changes in finished goods inventory) was \$14,180, compared to \$32,902 during Q4 2019 as the Company has expanded laboratory testing services with the acquisition of Kai on October 5, 2020, which resulted in higher run rate cost of goods sold, offset by decreased costs resulting from reduced wellness product sales.

### Operating expenses

Operating expenses were \$1,569,481, which increased from \$589,959 during Q4 2019. The increase is primarily related to additional advertising and promotion costs of \$488,222, which are a direct result of the Company launching capital markets and investor relations marketing programs in order to increase visibility and awareness to the investment community and prospective shareholders and to more effectively communicate developments of the Company. This increase was partially offset by savings in salaries and benefits due to an overall reduction in executive compensation.

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#### Legal and professional fees

Legal and professional fees were \$1,044,600, compared to \$260,229 during Q4 2019. The increase is primarily related to the acquisitions of Kai and LP&A in Q4 2020.

#### Depreciation and amortization expense

Depreciation and amortization expense was \$141,047, compared to \$129,153 during Q4 2019. The balance has remained consistent year over year.

#### Impairment of goodwill

The Company recognized an impairment of goodwill of \$117,218, compared to \$2,377,397 during Q4 2019, due to changes in the Arizona licensing regulations on June 7, 2019, causing the Company to recognize an impairment loss related to the Sun Valley acquisition for Q4 2019.

#### Share-based payments

Share-based payments were \$292,207, compared to \$129,436 during Q4 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.

#### Gain on change in fair value of warrant liability

The Company recorded a loss on the change in the fair value of the warrant liability of \$12,362,335 compared to a gain of \$1,392,492 during Q4 2019 due to the requirement to revalue the share purchase warrants at every quarter end and the loss resulted from the significant increase in the Company's share price during Q4 2020, which is a key variable in determining the fair value of the warrant liability per the Black-Scholes option pricing model.

#### Gain on change in fair value of conversion option

During Q4 2019, the Company recorded a gain on the change in the fair value of the conversion feature of \$396,261. The conversion feature relates to the convertible debentures outstanding during the period and 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 key variable in determining the fair value of the conversion feature. As all the convertible debentures were converted to common shares during fiscal 2020, there is no conversion option at December 31, 2020 for revaluation.

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#### Review of Consolidated Financial Information for Fiscal 2020 compared to Fiscal 2019 and 2018

The following table summarizes the results of operations for the years ended December 31, 2020, 2019 and 2018

	Fiscal 2020	Fiscal 2019	Fiscal 2018
Total revenues	\$ 3,209,196	\$ 2,031,581	\$ 1,091,386
Earnings from clinic operations	2,015,636	1,205,305	674,339
Operating expenses	3,947,408	2,933,619	2,517,681
Legal and professional fees	1,394,571	1,015,743	1,450,141
Depreciation and amortization expense	381,492	327,059	123,473
Impairment of intangible assets	340,575	93,757	64,200
Impairment of goodwill	117,218	2,377,397	-
Share-based payments	323,799	608,944	892,417
Loss from operations	(4,489,427)	(6,151,214)	(4,373,573)
Loss (gain) on fair value change of warrant liability	11,886,796	(2,065,781)	(1,598,425)
Gain on fair value change of conversion option	(2,795)	(583,526)	(890,136)
Other expenses	692,883	799,756	1,904,906
<b>Net loss and comprehensive loss for the year</b>	<b>\$ (17,066,311)</b>	<b>\$ (4,301,663)</b>	<b>\$ (3,789,918)</b>

  

	Fiscal 2020	Fiscal 2019	Fiscal 2018
Total assets	\$ 9,230,219	\$ 1,555,719	\$ 513,792
Current liabilities	7,000,937	4,449,224	3,258,043
Total liabilities	14,720,620	5,070,632	3,510,012
Working capital deficiency	\$ (1,746,818)	\$ (4,185,359)	\$ (3,070,900)

#### Total revenues

Clinic services revenues were \$3,154,301, compared to \$1,949,549 during fiscal 2019 as the Company pivoted its medical clinics to performing COVID-19 testing from April 2020 through to the end of the year, which offset decreased revenues from patient visits to Sun Valley Health clinics. Revenues for fiscal 2018 were \$1,091,386 as the Company received 7,607 patients spending on average \$143, noting that clinics revenues for 2018 were driven primarily by patients seeking medical cannabis licenses.

Product revenues were \$54,895, compared to \$82,032 during fiscal 2019 and \$nil during fiscal 2018 as the Company had expanded into CBD product sales and the sale of premium wellness products in the prior year. Product revenues declined as a direct result of the impact of the COVID-19 pandemic.

#### Earnings from clinic operations

Cost of clinic services were \$1,157,428, compared to \$793,374 during fiscal 2019 and \$417,047 during fiscal 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. 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 product revenues (changes in finished goods inventory) was \$36,132, compared to \$32,902 during fiscal 2019 and \$nil during fiscal 2018, as the Company had expanded into CBD product sales and the sale of premium wellness products during fiscal 2019, and during fiscal 2020 expanded laboratory testing services with the acquisition of Kai on October 5, 2020, which resulted in higher run rate cost of goods sold.



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#### Operating expenses

Operating expenses were \$3,947,408, compared to \$2,933,619 during fiscal 2019 and \$2,517,681 during fiscal 2018. The increase over the years is primarily related to additional advertising and promotion expenses of \$1,031,297 due to the launching capital markets and investor relations marketing programs in order to increase visibility and awareness to the investment community and prospective shareholders and to more effectively communicate developments of the Company, partially offset by savings in salaries and benefits as well as reductions in rent as the Company closed various offices as part of its cost-cutting initiatives.

#### Legal and professional fees

Legal and professional fees were \$1,394,570, compared to \$1,015,743 during fiscal 2019 and \$ 1,450,141 during fiscal 2018. The increase is primarily related to the acquisitions of Kai and LP&A in Q4 2020. The decrease from fiscal 2018 to fiscal 2019 was the result of the Company's public listing transaction occurring during fiscal 2018 which resulted in higher fees during that year.

#### Depreciation and amortization expense

Depreciation and amortization expense were \$381,492, compared to \$374,210 during fiscal 2019 and \$123,473 during fiscal 2018. The balance increased due to the acquisition of Sun Valley in May 2019 which carried additional leases and the depreciation on the right-of-use asset.

#### Impairment of goodwill

The Company recorded an impairment of goodwill of \$117,218, compared to \$2,377,397 during fiscal 2019 and \$nil during fiscal 2018, due to changes in the Arizona licensing regulations on June 7, 2019, causing the Company to recognize an impairment loss related to the Sun Valley acquisition during fiscal 2019.

#### Share-based payments

Share-based payments were \$323,799, compared to \$608,944 during fiscal 2019 and \$892,417 during fiscal 2018. 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.

#### Gain on change in fair value of warrant liability

The Company recorded a loss on the change in the fair value of the warrant liability of \$11,886,796 compared to a gain of \$2,065,781 during fiscal 2019 and a gain of \$1,598,425 during fiscal 2018. The share purchase warrants are required to be revalued at every quarter end and the current year loss resulted from the significant increase in the Company's share price during fiscal 2020, which is a key variable in determining the fair value of the warrant liability per the Black-Scholes valuation model.

#### Gain on change in fair value of conversion option

During fiscal 2019, 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. The conversion feature relates to the convertible debentures outstanding during the period and is required to be revalued at every quarter end and the gain resulted from the decrease in the Company's share price during fiscal 2019, which is a key variable in determining the fair value of the conversion feature. As all the convertible debentures were converted to common shares during fiscal 2020, the revaluation of the conversion option during fiscal 2020 was significantly reduced.

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#### SUMMARY OF QUARTERLY RESULTS

Amounts presented in thousands except per share amounts:

	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
<b>OPERATING RESULTS:</b>								
Net revenues	853	643	924	789	625	663	593	153
Loss	(15,685)	(460)	(401)	(521)	(1,942)	(504)	(1,457)	(399)
Loss per share:								
- Basic	(0.06)	(0.00)	(0.00)	(0.00)	(0.02)	(0.00)	(0.01)	(0.01)
- Diluted	(0.06)	(0.00)	(0.00)	(0.00)	(0.02)	(0.00)	(0.01)	(0.01)
Cash dividends declared	-	-	-	-	-	-	-	-
Total assets	9,230	1,447	1,800	1,392	1,556	4,943	5,760	2,417

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.

#### NON-GAAP FINANCIAL MEASURES

Earnings before interest, taxes, depreciation, and amortization ("EBITDA") and Adjusted EBITDA are non-GAAP financial measures and accordingly they are not earnings measures recognized by IFRS and do not carry standard prescribed significance. Moreover, the Company's method for calculating Adjusted EBITDA may differ from that used by other companies using the same designation.

Accordingly, we caution readers that Adjusted EBITDA should not be substituted for determining net income (loss) as an indicator of operating results or as a substitute for cash flows from operating and investing activities. Management believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors use this information to evaluate the Company's performance and ability to generate cash flow. Accordingly, presentation of these measures is to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

## EMPOWER CLINICS INC.

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The following table provides a reconciliation of Adjusted EBITDA to the consolidated financial statements:

	Q4 2020	Q4 2019	Fiscal 2020	Fiscal 2019	Fiscal 2018
<b>Net loss and comprehensive loss for the period</b>	<b>\$ (15,685,996)</b>	<b>\$ (1,942,084)</b>	<b>\$ (17,066,311)</b>	<b>\$ (4,301,663)</b>	<b>\$ (4,301,663)</b>
Add (subtract):					
Depreciation and amortization expense	141,047	129,153	381,492	327,059	123,473
Interest expense	73,119	111,450	212,110	240,539	126,375
Accretion expense (recovery)	(33,623)	(92,516)	327,301	114,515	241,521
<b>EBITDA loss</b>	<b>(15,505,453)</b>	<b>(1,973,828)</b>	<b>(16,145,408)</b>	<b>(3,619,550)</b>	<b>(3,810,294)</b>
Impairment of intangible assets	340,575	93,757	340,575	93,757	64,200
Impairment of goodwill	117,218	2,377,397	117,218	2,377,397	-
Share-based payments	292,207	129,436	323,799	608,944	892,417
Loss (gain) on fair value change of warrant liability	12,362,335	(1,392,492)	11,886,796	(2,065,781)	(1,598,425)
<b>Adjusted EBITDA loss</b>	<b>\$ (2,393,118)</b>	<b>\$ (585,899)</b>	<b>\$ (3,477,020)</b>	<b>\$ (2,605,233)</b>	<b>\$ (4,452,102)</b>

## LIQUIDITY 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, number of COVID-19 tests performed, 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.

## EMPOWER CLINICS INC.

### MANAGEMENT'S DISCUSSION & ANALYSIS

For the years ended December 31, 2020, 2019 and 2018

(In United States dollars, except where noted)

#### Cash Flow

	Q4 2020	Q4 2019	Fiscal 2020	Fiscal 2019	Fiscal 2018
Net cash used in operating activities	\$ (1,218,324)	\$ (453,518)	\$ (1,749,818)	\$ (2,273,188)	\$ (2,835,710)
Net cash used in investing activities	(182,548)	(161,510)	(309,994)	(791,146)	(100,227)
Net cash provided by financing activities	6,178,157	615,603	6,770,483	3,085,819	3,093,604
Increase in cash	\$ 4,777,285	\$ 575	\$ 4,710,671	\$ 21,485	\$ 157,668

#### Review of cash flow Q4 2020 compared to Q4 2019:

Cash used in operating activities was \$1,218,324, compared to \$453,518 during Q4 2019. Significant drivers of the increase in cash used relate to additional clinic operating expenses and legal and professional fees partially offset by increased clinic service revenues generated from the acquisition of Kai.

Cash used in investing activities was \$182,548, compared to \$161,510 during Q4 2019 as a result of cash spend on the acquisition of Kai and LP&A as well as intangible assets during Q4 2020, compared to the cash spend related to the acquisition of Sun Valley during Q4 2019.

Cash provided by financing activities was \$6,178,157, compared to \$615,603 during Q4 2019. Cash provided by financing activities during Q4 2020 related to cash proceeds from the issuance of common shares and cash proceeds from the exercise of warrants, partially offset by cash spend on lease payments and repayments of notes payable and loans payable. Cash provided by financing activities during Q4 2019 related to the cash proceeds from the issuance of common shares for cash and from the issuance of notes payable and convertible notes payable.

#### Review of cash flow fiscal 2020 compared to fiscal 2019 and fiscal 2018:

Cash used by operating activities was \$1,749,818, compared to \$2,273,188 during fiscal 2019 and \$2,835,710 during fiscal 2018. Significant drivers of the change over the prior year relate to additional operating expenses incurred as a result of the growth of the Company, partially offset by increased revenues generated from COVID-19 testing.

Cash used in investing activities was \$309,994, compared to \$791,146 during fiscal 2019 and \$100,227 during fiscal 2018 as a result of cash spend on the acquisition of Kai and LP&A as well as intangible assets during fiscal 2020, compared to the cash spend related to the acquisition of Sun Valley during fiscal 2019.

Cash provided by financing activities was \$6,770,483 compared to \$3,085,819 during fiscal 2019 and \$3,093,604 during fiscal 2018. Cash provided by financing activities during fiscal 2020 related to cash proceeds from the issuance of common shares and cash proceeds from the exercise of warrants, partially offset by cash spend on lease payments and repayments of notes payable and loans payable, whereas cash provided by financial activities during fiscal 2019 related to cash proceeds from the issuance of common shares, 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. Cash provided by financing activities during fiscal 2018 was primarily related to cash proceeds from the issuance of common shares and advance of convertible debentures.

## EMPOWER CLINICS INC.

### MANAGEMENT'S DISCUSSION & ANALYSIS

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(In United States dollars, except where noted)

#### **Contractual obligations**

<i>As at December 31, 2020</i>	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Accounts payable and accrued liabilities	\$ 3,442,725	\$ 3,442,725	\$ -	\$ -	\$ -
Loans payable	2,581,373	1,052,828	476,260	190,056	862,229
Notes payable	708,361	708,361	-	-	-
Lease payments on right-of- use assets	436,995	170,743	192,728	55,143	18,381
Purchase obligations <sup>(1)</sup>	112,821	112,821	-	-	-
<b>Total</b>	<b>\$ 7,282,275</b>	<b>\$ 5,487,478</b>	<b>\$ 668,988</b>	<b>\$ 245,199</b>	<b>\$ 880,610</b>

(1) Consideration payable of \$53,914 to vendors of Sun Valley and \$58,907 to the vendors of LP&A

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, 2020, 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.

Key management compensation includes:

	2020	2019	2018
Salaries and benefits	\$ 341,601	\$ 734,655	\$ 1,063,748
Share-based payments	12,159	556,040	892,417
Directors fees	7,500	11,250	-
	<b>\$ 361,260</b>	<b>\$ 1,301,945</b>	<b>\$ 1,956,165</b>

## **EMPOWER CLINICS INC.**

### **MANAGEMENT'S DISCUSSION & ANALYSIS**

For the years ended December 31, 2020, 2019 and 2018

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Included in salaries and benefits for the year ended December 31, 2020 is \$nil (2019 - \$304,721) related to common shares awarded to the CEO during 2019 which vested during the year ended December 31, 2020. 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 December 31, 2020, \$nil (December 31, 2019 - \$28,827) is due to the CEO for advances made on behalf of the Company and \$157,055 (December 31, 2019 - \$133,444) is due to the CEO for salaries and benefits. The amounts are unsecured and due on demand.

As at December 31, 2020, \$53,914 (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.

As at December 31, 2020, share subscriptions receivable consists of \$745,531 (C\$980,000) due from the CEO for the exercise of 7,000,000 options at an exercise price of \$0.11 (C\$0.14). Share subscriptions receivable reduces shareholders' equity. The share subscriptions receivable has no specified interest or terms of repayment.

### **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 December 31, 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, 2020, 2019 and 2018.

### **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.

##### 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, Kai, and LP&A.

## **EMPOWER CLINICS INC.**

### **MANAGEMENT'S DISCUSSION & ANALYSIS**

For the years ended December 31, 2020, 2019 and 2018

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#### 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.

#### Revenue recognition

##### *a. 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.

##### *b. 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.

#### Expected credit losses

In calculating the expected credit loss on financial instruments, management is required to make a number of judgments including the probability of possible outcomes with regards to credit losses, the discount rate to use for time value of money and whether the financial instrument's credit risk has increased significantly since initial recognition.

#### Business combinations

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

In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at their fair values, including the total consideration paid by the Company. One of the most significant estimates relates to the determination of the fair value of these assets and liabilities including assessing the fair value of any favourable or unfavorable lease terms. For any intangible asset identified or form of consideration paid by the Company, depending on the type of intangible asset or consideration paid and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The evaluations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied.

Additionally, as part of a business combination, all forms of consideration paid (on the date of acquisition or contingent upon achieving certain milestones) are recorded at their fair values, which is a significant estimate. For any form of consideration paid by the Company, depending on the type of consideration paid and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The evaluations are linked closely to the assumptions made by management regarding the future performance of the asset concerned and any changes in the discount rate applied

#### **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:

## **EMPOWER CLINICS INC.**

### **MANAGEMENT'S DISCUSSION & ANALYSIS**

For the years ended December 31, 2020, 2019 and 2018

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#### 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

##### *a. 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.

##### *b. 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.



**EMPOWER CLINICS INC.**  
MANAGEMENT'S DISCUSSION & ANALYSIS  
For the years ended December 31, 2020, 2019 and 2018  
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*c. 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 annual consolidated financial statements for the years ended December 31, 2020, 2019 and 2018, 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.

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.

**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:

Type of Security	Number Outstanding
Common Shares	333,402,526
Stock Options	6,494,459
Warrants	12,809,905

**RISKS AND UNCERTAINTIES**

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**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.

## **EMPOWER CLINICS INC.**

### **MANAGEMENT'S DISCUSSION & ANALYSIS**

For the years ended December 31, 2020, 2019 and 2018

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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.

**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.

## EMPOWER CLINICS INC.

### MANAGEMENT'S DISCUSSION & ANALYSIS

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**History of Net Losses; Accumulated Deficit.** 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

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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

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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.