



EMPOWER CLINICS

MANAGEMENT'S DISCUSSIONS & ANALYSIS

For the three months ended March 31, 2021 and 2020

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 July 13, 2021 and relates to the financial condition and results of operations for the three months ended March 31, 2021 and 2020. Past performance may not be indicative of future performance. This MD&A should be read in conjunction with the consolidated financial statements and related notes for the three months ended March 31, 2021 and 2020 ("consolidated financial statements"), 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, and on SEDAR at www.sedar.com.

Nature of Operations and Going Concern

As at March 31, 2021, the Company has an accumulated deficit of \$55,292,186 (December 31, 2020 - \$30,078,630). 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.

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Q1 2021 CONSOLIDATED FINANCIAL HIGHLIGHTS

- Total revenue of \$2,036,700, compared to \$789,135 for Q1 2020.
- Net loss of \$25,213,556 compared to \$524,208 for Q1 2020.
- Cash used in operating activities was \$1,422,917, compared to cash provided of \$13,864 for Q1 2020.
- Cash at March 31, 2021 of \$6,286,942.
- Working capital at March 31, 2021 of \$2,528,024.

Q1 2021 EQUITY HIGHLIGHTS

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

A total of 3,339,666 stock options with a weighted average exercise price of \$0.06 (C\$0.08) were exercised for proceeds of \$199,479 (C\$251,733) resulting in the issuance of 3,339,666 common shares.

A total of 41,600,547 purchase warrants with a weighted average exercise price of \$0.10 (C\$0.13) were exercised for proceeds of \$4,063,331 (C\$5,140,212) resulting in the issuance of 41,600,547 common shares. The fair value of the warrants exercised was \$28,592,094 as determined using the Black-Scholes option pricing model, which resulted in a loss on warrant revaluation of \$23,793,165.

HIGHLIGHTS SUBSEQUENT TO PERIOD END

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.

A total of 1,125,000 share purchase warrants with a weighted average exercise price of C\$0.12 were exercised for gross proceeds of C\$137,500 resulting in the issuance of 1,125,000 common shares.

A total of 125,000 stock options with a weighted average exercise price of C\$0.06 were exercised for gross proceeds of C\$7,500 resulting in the issuance of 125,000 common shares.

OVERVIEW OF THE BUSINESS

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.

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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.

Kai operates its direct-to-consumer platform, Kai Care, at www.kaitests.com and 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. Up to the date of this MD&A, 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

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.

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REVIEW OF QUARTERLY RESULTS

Q1 2021 compared to Q1 2020

The following table summarizes the results of operations for the three months ended March 31, 2021 and 2020

	Q1 2021	Q1 2020
	\$	\$
Total revenues	2,036,700	789,135
Earnings from clinic operations	1,292,647	520,735
Operating expenses	1,210,681	581,622
Legal and professional fees	869,836	139,213
Depreciation and amortization expense	160,597	90,425
Impairment of intangible assets	18,728	-
Share-based payments	435,986	27,306
Loss from operations	(1,403,181)	(317,831)
Loss (gain) on fair value change of warrant liability	23,793,165	(37,247)
Gain on fair value change of conversion option	-	(2,795)
Other expenses	17,210	246,419
Net loss for the period	(25,213,556)	(524,208)
Foreign currency translation adjustment	52	-
Comprehensive loss for the period	(25,213,608)	(524,208)

Total revenues

Clinic services revenues were \$2,033,147, compared to \$767,803 during Q1 2020. 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 \$3,553, compared to \$21,332 during Q1 2020 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 \$744,053, compared to \$256,422 during Q1 2020. 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 \$nil, compared to \$11,978 during Q1 2020 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.

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Operating expenses

Operating expenses were \$1,210,681, which increased from \$581,622 during Q1 2020. The increase is primarily related to additional advertising and promotion costs, 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.

Legal and professional fees

Legal and professional fees were \$869,836, compared to \$139,213 during Q1 2020. The increase is primarily related to the acquisitions of Kai and LP&A in Q4 2020, and business advisory and consulting expenses.

Depreciation and amortization expense

Depreciation and amortization expense was \$160,597, compared to \$90,425 during Q1 2020 as a result of the depreciation of acquired property and equipment from Kai and LP&A.

Share-based payments

Share-based payments were \$435,986, compared to \$27,306 during Q1 2020. 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 debt settlement of accounts payable

The Company recorded a gain on debt settlement of \$18,261 during Q1 2020, the direct result of settling accounts payable through the issuance of 4,800,000 common shares of the Company. The fair value of the common shares, determined as the share price on the date of agreement to settle, was less than the carrying value of the accounts payable of \$182,608 (C\$240,000) and thus the Company recorded a gain on debt settlement.

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 \$23,793,165 compared to a gain of \$37,247 during Q1 2020 due to the requirement to revalue the share purchase warrants upon exercise or at every quarter end and the loss resulted from the significant increase in the Company's share price during Q1 2021, 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 Q1 2020, the Company recorded a gain on the change in the fair value of the conversion feature of \$2,795. The conversion feature relates to the convertible debentures outstanding during the period and is required to be revalued upon conversion or at every quarter end and the gain resulted from the decrease in the Company's share price during Q1 2020, 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 March 31, 2021 for revaluation.

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SUMMARY OF QUARTERLY RESULTS

Amounts presented in thousands except per share amounts:

	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
OPERATING RESULTS:								
Net revenues	2,037	853	643	924	789	625	663	593
Loss	(1,403)	(15,685)	(460)	(401)	(524)	(1,942)	(504)	(1,457)
Loss per share:								
- Basic	(0.11)	(0.06)	(0.00)	(0.00)	(0.00)	(0.02)	(0.00)	(0.01)
- Diluted	(0.11)	(0.06)	(0.00)	(0.00)	(0.00)	(0.02)	(0.00)	(0.01)
Cash dividends declared	-	-	-	-	-	-	-	-
Total assets	11,139	9,230	1,447	1,800	1,392	1,556	4,943	5,760

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.

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

	Q1 2021	Q1 2020
	\$	\$
Net loss for the period	(25,213,556)	(524,208)
Add (subtract):		
Depreciation and amortization expense	160,597	90,425
Interest expense	31,300	60,394
Accretion expense	1,777	284,051
EBITDA loss	(25,019,882)	(89,338)
Impairment of property and equipment	18,728	-
Share-based payments	435,986	27,306
Loss (gain) on fair value change of warrant liability	23,793,165	(37,247)
Gain on fair value change of conversion option	-	(2,795)
Adjusted EBITDA loss	(772,003)	(102,074)

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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.

Cash Flow

	Q1 2021	Q1 2020
	\$	\$
Net cash (used in) provided by operating activities	(1,422,917)	13,864
Net cash used in investing activities	(57,546)	-
Net cash provided by (used in) financing activities	2,877,581	(61,209)
Increase (decrease) in cash	1,397,118	(47,345)

Review of cash flow Q1 2021 compared to Q1 2020:

Cash used in operating activities was \$1,422,917 compared to cash provided of \$13,864 during Q1 2020. Significant drivers of the change relate to additional clinic operating expenses and legal and professional fees partially offset by increased clinic service revenues generated from the acquisition of Kai and LP&A.

Cash used in investing activities was \$57,546, compared to \$nil during Q1 2020 as a result of cash spend on the acquisition of Kai and LP&A as well as intangible assets during Q1 2021.

Cash provided by financing activities was \$2,877,581, compared to cash used of \$61,209 during Q1 2020. Cash provided by financing activities during Q1 2021 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 used in financing activities during Q1 2020 primarily related to lease payments.

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Contractual obligations

<i>As at March 31, 2021</i>	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	3,442,581	3,442,581	-	-	-
Loans payable	1,728,163	244,004	477,195	190,056	816,908
Notes payable	164,358	164,358	-	-	-
Lease payments on right-of- use assets	421,214	212,040	149,436	55,143	4,595
Purchase obligations ⁽¹⁾	112,821	112,821	-	-	-
Total	5,869,137	4,175,804	626,631	245,199	821,503

(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 Q1 2021 and Q1 2020, 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.

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Key management compensation includes:

	Q1 2021	Q1 2020
Salaries and benefits	215,859	169,644
Share-based payments	233,486	7,870
Directors fees	5,000	3,750
	454,345	181,264

Included in salaries and benefits for Q1 2021 is \$nil (Q1 2020 - \$34,028) related to common shares awarded to the CEO during 2019 which vested during Q1 2020.

As at March 31, 2021, \$157,291 (December 31, 2020 - \$157,055) is due to the CEO for salaries and benefits. The amounts are unsecured and due on demand. As at March 31, 2021, \$101,831 (December 31, 2020 - \$53,914) is due to the Senior Vice Present Development and Director and his spouse for consideration related to the Sun Valley acquisition as well as salaries and benefits. As at March 31, 2021, \$5,000 (December 31, 2020 - \$nil) is due to a director of the Company for director fees.

As at March 31, 2021, 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

The consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB, effective as of March 31, 2021. 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 and note 3 to the March 31, 2021 unaudited condensed interim consolidated financial statements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

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

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

Critical judgements in applying accounting policies

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

Functional currency

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

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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, Kai, and LP&A.

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.

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Key sources of estimation uncertainty

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

Current and deferred taxes

The Company's provision for income taxes is estimated based on the expected annual effective tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The current and deferred components of income taxes are estimated based on forecasted movements in temporary differences.

Changes to the expected annual effective tax rate and differences between the actual and expected effective tax rate and between actual and forecasted movements in temporary differences will result in adjustments to the Company's provision for income taxes in the period changes are made and/or differences are identified.

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

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

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

Equity-settled share-based payments

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

Warrant liability and conversion feature

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

Contingencies

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

Leases

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.

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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.

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

The accounting policies applied in the preparation of the Company's condensed interim consolidated financial statements for the three months ended March 31, 2021 and 2020, are consistent with those applied and disclosed in note 3 to the Company's annual consolidated financial statements for the years ended December 31, 2020, 2019 and 2018.

OUTSTANDING SHARE DATA

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

Type of Security	Number Outstanding
Common Shares	333,402,526
Stock Options	6,494,459
Warrants	10,629,905

RISKS AND UNCERTAINTIES

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, 2020, 2019 and 2018.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

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

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

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

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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.