CloudMD Software & Services Inc.

Consolidated Financial Statements

December 31, 2020

(Expressed in thousands of Canadian Dollars)

HARBOURSIDE CPA

INDEPENDENT AUDITORS' REPORT

To the Shareholders of CloudMD Software & Services Inc.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of CloudMD Software & Services Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019 and the consolidated statements of net loss and comprehensive loss, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the Consolidated Financial Statements and the Auditor's Report thereon

Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditor's report thereon, included in Management's discussion and analysis report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's discussion and analysis report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

t 604.688.7227
f 604.681.7716
harboursidecpa.com
SUITE 1140–1185
WEST GEORGIA STREET,
VANCOUVER, BC V6E 4E6

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered

material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Mickey Goldstein

HARBOURSIDE CPA LLP

Vancouver, British Columbia
April 28, 2021

Harbourside CPA, LLP
Chartered Professional Accountants

CLOUDMD SOFTWARE & SERVICES INC.
Consolidated Statements of Financial Position
(in thousands of Canadian Dollars)

	Note		December 31, 2020		December 31, 2019
ASSETS					
Current assets					
Cash and cash equivalents	15	**$**	**59,714**	$	1,696
Trade and other receivables	6		**2,012**		260
Inventory	7		**729**		762
Prepaid expenses, deposits and other			**758**		669
Net investment in sublease	12		**154**		-
Total current assets			**63,367**		3,387
Deposits			**238**		138
Net investment in sublease	12		**20**		-
Property and equipment	8		**5,792**		2,608
Intangible assets	9		**8,184**		2,096
Goodwill	9		**44,259**		9,498
Total assets		**$**	**121,860**	$	17,727
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Line of credit		**$**	**2**	$	810
Accounts payable and accrued liabilities			**3,451**		1,011
Deferred revenue			**888**		-
Contingent consideration	11		**136**		-
Contingent liability	20		**1,350**		-
Current portion of lease liabilities	12		**1,170**		459
Current portion of long-term debt	10		**619**		295
Total current liabilities			**7,616**		2,575
Contingent consideration	11		**1,194**		-
Lease liabilities	12		**3,494**		1,979
Long-term debt	10		**2,027**		1,931
Total liabilities			**14,331**		6,485
SHAREHOLDERS' EQUITY					
Share capital	14		**112,351**		16,792
Reserves			**7,277**		2,285
Shares issuable	4		**1,061**		-
Contingent shares issuable	4		**6,172**		
Accumulated other comprehensive loss			**(2)**		-
Deficit			**(20,174)**		(7,835)
Equity attributable to equity holders of the parent			**106,685**		11,242
Non-controlling interest			**844**		-
Total equity			**107,529**		11,242
Total liabilities and shareholders' equity		**$**	**121,860**	$	17,727

Subsequent events 22

Approved and authorized for issuance by the Board of Directors on April 28, 2021

"Essam Hamza"	*"Christopher Cherry"*
Essam Hamza, CEO, Director	Christopher Cherry, Audit Committee Chair

The accompany notes are an integral part of these consolidated financial statements

CLOUDMD SOFTWARE & SERVICES INC.
Consolidated Statements of Net Loss and Comprehensive Loss
(in thousands of Canadian Dollars, except number of shares and per share amounts)

	Note		For the years ended December 31, 2020		December 31, 2019 (Note 5)
Revenue	18	**$**	**15,016**	$	6,770
Cost of sales			**9,256**		3,731
Gross profit			**5,760**		3,039
Expenses					
Sales and marketing			**3,404**		1,796
Research and development			**1,844**		790
General and administrative			**5,902**		2,292
Share-based compensation	14		**3,642**		1,756
Amortization of intangible assets	9		**515**		157
Depreciation of property and equipment	8		**859**		389
Financing-related costs			**1,078**		97
Acquisition-related costs			**1,227**		140
Total expenses			**18,471**		7,417
Loss before undernoted			**(12,711)**		(4,378)
Other income			**345**		32
Change in fair value of contingent consideration			**140**		-
Contingent liability expense	20		**(1,350)**		-
Finance costs			**(256)**		(209)
Loss from discontinued operations	21		**-**		(163)
			(1,121)		(340)
Net loss before taxes			**(13,832)**		(4,718)
Income tax expense	19		**(123)**		-
Deferred tax recovery	19		**1,628**		-
Net loss for the year			**(12,327)**		(4,718)
Other comprehensive loss					
Item that may be reclassified to income in subsequent periods					
Exchange differences on translation of foreign operations			**(2)**		-
Total comprehensive loss for the year		**$**	**(12,329)**	$	(4,718)
Attributable to:					
Equity holders of the Company			**(12,339)**		(4,718)
Non-controlling interest			**10**		-
Weighted average number of common shares, basic and diluted			**113,244,760**		71,965,750
Loss per share, basic and diluted		**$**	**(0.11)**	$	(0.07)

The accompany notes are an integral part of these consolidated financial statements

CLOUDMD SOFTWARE & SERVICES INC.
Consolidated Statements of Changes in Shareholders' Equity
(in thousands of Canadian Dollars)

	Share capital	Equity component of convertible debt	Reserve	Shares issuable	Contingent shares issuable	Accumulated other comprehensive income (loss)	Deficit	Non-controlling interest	Total
Balance, December 31, 2018	**$ 8,047**	**$ 881**	**$ 865**	**$ -**	**$ -**	**$ (407)**	**$ (5,181)**	**$ -**	**$ 4,205**
Shares issued for business acquisitions	3,041	-	-	-	-	-	-	-	3,041
Shares issued for services	179	-	-	-	-	-	-	-	179
Private placements	4,528	-	-	-	-	-	-	-	4,528
Share issuance costs	(244)	-	-	-	-	-	-	-	(244)
Warrants issued to agents	(109)	-	109	-	-	-	-	-	-
Exercise of stock options	1,145	-	(445)	-	-	-	-	-	700
Share-based compensation	-	-	1,756	-	-	-	-	-	1,756
Sale of Clinicas	205	(881)	-	-	-	407	2,064	-	1,795
Net loss for the year	-	-	-	-	-	-	(4,718)	-	(4,718)
Balance, December 31, 2019	**$ 16,792**	**$ -**	**$ 2,285**	**$ -**	**$ -**	**$ -**	**$ (7,835)**	**$ -**	**$ 11,242**
Shares issued for business acquisitions	16,994	-	-	1,061	6,172	-	-	834	25,061
Private placements	3,023	-	-	-	-	-	-	-	3,023
Bought deal financing	73,000	-	-	-	-	-	-	-	73,000
Share issuance costs	(9,681)	-	3,556	-	-	-	-	-	(6,125)
Exercise of stock options	2,066	-	(889)	-	-	-	-	-	1,177
Exercise of warrants	9,170	-	(1,317)	-	-	-	-	-	7,853
Shares issued for settlement of debt	578	-	-	-	-	-	-	-	578
Shares issued for services	409	-	-	-	-	-	-	-	409
Share-based compensation	-	-	3,642	-	-	-	-	-	3,642
Other comprehensive loss	-	-	-	-	-	(2)	-	-	(2)
Net loss for the period	-	-	-	-	-	-	(12,339)	10	(12,329)
Balance, December 31, 2020	**$ 112,351**	**$ -**	**$ 7,277**	**$ 1,061**	**$ 6,172**	**$ (2)**	**$ (20,174)**	**$ 844**	**$ 107,529**

The accompany notes are an integral part of these consolidated financial statements

CLOUDMD SOFTWARE & SERVICES INC.
Consolidated Statements of Cash Flows
(in thousands of Canadian Dollars)

	Note	For the years ended December 31, 2020	December 31, 2019
Operating activities			
Net loss for the year		$ **(12,327)**	$ **(4,718)**
Adjustments for			
Accretion expense		**-**	44
Interest expense on lease liabilities	12	**140**	58
Amortization of intangible assets	9	**515**	157
Depreciation of property and equipment	8	**859**	389
Loss from discontinued operations	21	**-**	163
Loss on sale of assets		**-**	6
Share-based compensation	14	**3,642**	1,756
Deferred tax recovery	19	**(1,628)**	-
Shares issued for services		**409**	179
Gain on debt forgiveness	4	**(141)**	-
Interest income from net investment in sublease	12	**(4)**	-
Change in fair value of contingent consideration		**(140)**	
Unrealized gain on foreign exchange		**8**	(28)
Contingent liability expense	20	**1,350**	-
Net change in non-cash working capital	15	**(191)**	(94)
Net cash used in operating activities		**(7,508)**	(2,088)
Investing activities			
Acquisition of businesses, net of cash acquired		**(10,354)**	(2,535)
Long-term deposit		**(100)**	(13)
Proceeds from sale of assets		**2**	10
Payments received from net investment in sublease	12	**66**	-
Purchase of intangible assets	9	**(10)**	(20)
Purchase of property and equipment	8	**(150)**	(21)
Net cash used in investing activities		**(10,546)**	(2,579)
Financing activities			
Shares issued for cash		**75,680**	4,528
Share issuance costs		**(6,125)**	(244)
Proceeds from exercise of stock options		**1,177**	700
Proceeds from exercise of warrants		**7,853**	-
Payment of long-term debt		**(657)**	(149)
Payment of lease liabilities	12	**(754)**	(338)
Payment of line of credit		**(1,102)**	810
Net cash provided by financing activities		**76,072**	5,307
Net increase in cash and cash equivalents		**58,018**	640
Cash and cash equivalents, beginning of year		**1,696**	1,056
Cash and cash equivalents, end of year		$ **59,714**	$ 1,696

Supplemental cash flow information 15

The accompany notes are an integral part of these consolidated financial statements

1. CORPORATE INFORMATION

CloudMD Software & Services Inc. ("CloudMD" or "the Company") is a publicly-traded company listed on the TSX Venture Exchange ("TSXV") under the trading symbol DOC, and is incorporated under the laws of British Columbia, Canada. The Company's corporate office is 810-789 West Pender Street, Vancouver, British Columbia, Canada, V6C 1H2.

CloudMD is a healthcare technology company revolutionizing the delivery of healthcare. Built by an experienced team of doctors, who understand the pain points of the traditionally broken healthcare system, the Company offers a patient-centric, holistic approach that engages patients and empowers medical practitioners.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Preparation

These consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments classified as fair value through profit or loss, which are stated at their fair value. The consolidated financial statements are presented in Canadian dollars ("CAD") except when otherwise indicated. Certain prior period's amounts have been reclassified to conform to the current year's presentation. These financial statements have also been presented in thousands of dollars, which is change in presentation from the prior year.

In March 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. The ultimate duration of COVID-19, the magnitude of the impact on the economy, and the full extent to which COVID-19 may have direct and indirect impacts on CloudMD's business is not known at this time. This could include an impact on the Company's ability to obtain debt and equity financing, impairment in the value of long-lived assets, or potential future decrease in revenue or profitability of CloudMD's operations. The Company experienced an initial impact to its brick-and-mortar services, which the Company has been successful in mitigating with its telehealth services. Management has assessed that the Company's working capital is sufficient for it to continue as a going concern beyond one year.

b) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at December 31, 2020. All inter-company transactions and balances have been eliminated on consolidation.

The consolidated financial statements incorporate the assets and liabilities of the Company and its subsidiaries and the results of the Company and its subsidiaries for the years ended December 31, 2020 and 2019. As at December 31, 2020, the Company owned 12 wholly-owned subsidiaries based in Canada and the USA, and one majority-owned subsidiary in the USA.

c) Summary of Significant Accounting Policies

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise of cash at major financial institutions and short-term highly liquid deposits, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

Inventory

Inventories are valued at the lower of cost and net realizable value, with cost determined based on a first-in, first-out basis. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale. Inventories include the cost of materials purchased, as well as other costs required to bring the inventories to their present location and condition.

Property and equipment

Property and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

The cost of an item of property and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Depreciation is calculated using the rates and methods below:

Type	Method	Rate or useful life
Equipment and other	Declining balance	20%-55%
Computers	Declining balance	55%
Leasehold improvements	Straight-line	5 years

In the year of acquisition and disposal, the Company records half of the annual depreciation expense.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of net loss and comprehensive loss when the asset is derecognized.

The residual values, useful lives, and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Leases

On January 1, 2019, the Company adopted IFRS 16 – Leases ("IFRS 16"). The Company chose to apply the effect of changes using the modified retrospective approach without restating comparative amounts for the year ended December 31, 2018, with the cumulative effect of initially applying the standards recognized at the date of initial application which is January 1, 2019. The right-of-use assets are measured on adoption at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments related to the lease recognized in the statement of financial position at adoption.

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets – The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

Lease liabilities – At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(ii) Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of net loss and comprehensive loss due to its operating nature.

(iii) Subleases

In classifying a sublease, the Company classifies the sublease as a finance lease or an operating lease as follows:

- If the head lease is a short-term lease, the sublease is classified as an operating lease.
- Otherwise, the sublease shall be classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. The amortization expense on intangible assets with finite lives is recognized in the statement of net loss and comprehensive loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit ("CGU") level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of net loss and comprehensive loss.

A summary of the policies applied to the Company's intangible assets is, as follows:

Type	**Method**	**Useful life**
Content license	None	Indefinite
Brand	None	Indefinite
Customer relationships	Straight-line	10 years
Technology platforms	Straight-line	10 years

In the year of acquisition and disposal, the Company records half of the amortization expense.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Company elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in the statement of net loss and comprehensive loss.

The Company determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organized workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognized in the statement of net loss and comprehensive loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). To the extent the fair value of aggregate consideration transferred is less than the fair value of net identifiable tangible and intangible assets, the difference is recognized in income immediately as a gain on bargain purchase. Goodwill is subsequently measured at cost less accumulated impairment losses. Acquisition costs associated with business combination activities are expensed in the period incurred.

Impairment

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses of continuing operations are recognized in the statement of net loss and comprehensive loss in expense categories consistent with the function of the impaired asset.

Goodwill is tested for impairment annually as at December 31 and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at December 31 at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

Financial instruments

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The Company's financial assets and liabilities are classified as follows:

Asset or liability	**Classification**
Cash and cash equivalents	FVTPL
Trade and other receivables	Amortized cost
Prepaid expenses, deposits and other	Amortized cost
Deposits	Amortized cost
Line of credit	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Contingent consideration	Amortized cost
Long-term debt	Amortized cost

(ii) Initial recognition and measurement

Financial assets at amortized cost – With the exception of trade and other receivables that do not contain a significant financing component, the Company initially measures a financial asset at its fair value plus transaction costs. Trade and other receivables that do not contain a significant financing component are measured at the transaction price. Financial assets at amortized cost are subsequently measured using the effective interest ("EIR") method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial assets at FVTPL – Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of net loss and comprehensive loss.

Financial liabilities at amortized cost – All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of net loss and comprehensive loss.

The Company determines the fair value of financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

- Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

- Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

- Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statement of net loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

Financial assets – The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities – The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

Comprehensive income (loss)

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in net profit. Other comprehensive income (loss) ("OCI") consists of changes to unrealized gain and losses on available for sale financial assets, changes to unrealized gains and losses on the effective portion of cash flow hedges and changes to foreign currency translation adjustments of self-sustaining foreign operations during the period. Comprehensive income (loss) measures net earnings (loss) for the period plus other comprehensive income (loss). Amounts reported as other comprehensive income (loss) are accumulated in a separate component of shareholders' equity (deficiency) as accumulated other comprehensive income (loss).

Non-controlling interest

Non-controlling interest is measured at its proportionate share of the acquiree's identifiable net assets or liabilities. Net income or loss and comprehensive income or loss for the period are allocated between non-controlling interest and shareholders of the parent. Non-controlling interest in subsidiaries must be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent.

Changes in the Company's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Earnings/(loss) per share

Basic earnings/(loss) per share is computed by dividing the income/(loss) for the period from continuing operations by the weighted average number of common shares outstanding during the period. Contingently returnable escrow shares are removed from the calculation.

For diluted per share computations, assumptions are made regarding potential common shares outstanding during the period. The weighted average number of common shares is increased to include the number of additional common shares that would be outstanding if, at the beginning of the period, or at time of issuance, if later, all options and warrants are exercised. Proceeds from exercise are used to purchase the Company's common shares at their average market price during the period, thereby reducing the weighted average number of common shares outstanding. If these computations prove to be anti-dilutive, diluted earnings/(loss) per share is the same as basic earnings/(loss) per share.

Revenue recognition

The Company recognizes revenue when it has persuasive evidence of a contract, performance obligations have been identified and satisfied, payment terms have been identified, and it is probable that the Company will collect the consideration it is entitled to.

The Company recognizes revenue from the rendering of independent medical assessments, patient services, and from the sale of medical software services using a software-as-a-service ("SaaS") model based in the accounting period in which the services are rendered and assessed on the basis of the actual service provided as a proportion of the total services to be provided. The Company also recognizes revenue from the sale of pharmaceutical and front store products based in the accounting period in which the goods are sold for the amount it expects to receive when control is transferred to the purchaser.

Share-based compensation

Employees, directors and external service providers of the Company receive remuneration in the form of share-based compensation, whereby employees, directors and external service providers render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using the Black-Scholes valuation model. That cost is recognized in share-based compensation expense, together with a corresponding increase in equity, over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of net loss and comprehensive loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based compensation. Otherwise, share-based compensations are measured at the fair value of the goods or services received.

Income taxes

Income tax on profit or loss for the year comprises of current and deferred tax. Current tax is the expected tax paid or payable on the taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax paid or payable in respect of previous years.

Deferred tax is recorded by providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. The effect on deferred tax assets and liabilities of a change in income tax rates is recognized in the period that includes the date of the enactment or substantive enactment of the change. Deferred tax assets and liabilities are presented separately except where there is a right of set-off within fiscal jurisdictions.

Foreign currency translation

The Company's consolidated financial statements are presented in Canadian dollars, which is also the parent company's functional currency. For each entity, the Company determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Company uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

(i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Company's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

(ii) Foreign operations

On consolidation, the assets and liabilities of foreign operations are translated into Canadian dollars at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at average exchange rates for the period. The exchange differences arising on translation for consolidation are recognized in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

Gross profit

The Company defines gross profit as revenue less cost of sales.

Loss before undernoted

The Company defines loss before undernoted as loss before other income, contingent liability expense, finance costs, loss from discontinued operations and income taxes.

Financing-related costs

The Company defines financing-related costs as expenses incurred for financing activities including professional and consulting fees, agents and brokerage fees, and other costs directly related to financing.

Acquisition-related costs

The Company defines acquisition-related costs as expenses incurred for corporate development and business acquisition activities including professional and consulting fees, regulatory fees, and other costs directly related to corporate development and business acquisitions.

Standards issued but not yet effective

Other accounting standards and amendments to existing accounting standards that have been issued and have future effective dates are not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

(i) Judgments

The preparation of these consolidated financial statements requires management to make judgments regarding the going concern of the Company, as previously discussed in Note 2, as well as the determination of functional currency. The functional currency is the currency of the primary economic environment in which an entity operates and has been determined for each entity within the Company. The functional currency for the Company entities is assessed individually for each entity. The functional currency of CloudMD's Canadian subsidiaries is the Canadian dollar. The functional currency of the Company's United States ("US") subsidiaries is the US dollar ("USD").

(ii) Use of critical accounting estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur. Information about critical estimates and assumptions in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is as follows:

Share-based compensation – Estimating fair value for share-based compensation transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them. The Company initially measures the cost of cash-settled transactions with employees using a binomial model to determine the fair value of the liability incurred. For cash-settled share-based compensation transactions, the liability needs to be remeasured at the end of each reporting period up to the date of settlement, with any changes in fair value recognized in profit or loss. This requires a reassessment of the estimates used at the end of each reporting period.

Deferred tax assets and liabilities – The estimation of income taxes includes evaluating the recoverability of deferred tax assets and liabilities based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets and liabilities will not be realized. The ultimate realization of deferred tax assets and liabilities is dependent upon the generation of future taxable income. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets or liabilities, and deferred income tax provisions or recoveries could be affected.

Useful life of property and equipment, and intangible assets – Property and equipment, and intangible assets are depreciated and amortized over their estimated useful lives, respectively. Estimated useful lives are determined based on current facts and past experience, and take into consideration the anticipated physical life of the asset, the potential for technological obsolescence, and regulations.

Leases – The Company estimates the lease term by considering the facts and circumstances that can create an economic incentive to exercise an extension option, or not exercise a termination option by assessing relevant factors such as store profitability. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment of the lease term is reviewed if a significant event or a significant change in circumstance occurs, which affects this assessment and that is within the control of the lessee. The Company estimates the incremental borrowing rate used to measure our lease liability for each lease contract. This includes estimation in determining the asset-specific security impact.

Impairment of non-financial assets – Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a discounted cash flow ("DCF") model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognized by the Company.

Provisions – The Company records provisions related to pending or outstanding legal matters. Provisions in connection with legal matters are determined on the basis of management's judgment in consultation with legal counsel, considering such factors as the amount of the claim, the possibility of wrongdoing by an employee of the Company and precedents. Contingent litigation loss provisions are recorded by the Company when it is probable that the Company will incur a loss as a result of a past event and the amount of the loss can be reliably estimated.

Recognition of contingent consideration -In certain acquisitions, the Company may include contingent consideration which is subject to the acquired business achieving certain performance targets. At the date of acquisition and at each subsequent reporting period, the Company estimates the future performance of acquired businesses, which are subject to contingent consideration, in order to assess the probability that the acquired business will achieve its performance targets and thus earn its contingent consideration. Any changes in the fair value of the contingent consideration classified as a liability between reporting periods are included in the determination of net income/loss. Changes in fair value arise as a result of various factors, including the estimated probability of the acquired business achieving its earnings targets.

Business combinations - On the completion of business acquisitions, management's judgment is required to estimate the fair value of purchase consideration and to identify and estimate the fair values of assets, liabilities and non-controlling interests. The determination of the fair value of assets and liabilities acquired is based on management's estimates using the excess earnings method to value intangible assets using discounted cash flow models. Significant assumptions included revenue growth rates, customer attrition and discount rates.

(in thousands of Canadian Dollars)

4. BUSINESS COMBINATIONS

(a) Cloud Practice Inc. ("Cloud Practice")

On January 28, 2019, the Company completed the acquisition of 100% of the issued and outstanding shares of Cloud Practice. Cloud Practice provides cloud-based electronic medical records software and other medical applications using a SaaS model. Pursuant to the acquisition agreement, the Company issued 3,947,368 common shares of the Company and paid $2,000 cash payment to the former owners of Cloud Practice as follows: (i) $500 paid on December 5, 2018, (ii) $500 paid on January 28, 2019, (iii) $500 paid on April 1, 2019, (iv) $500 paid on June 5, 2019.

The purchase price, determined by the fair value of the consideration given at the date of the acquisition and the fair value of the net assets acquired on the date of the acquisition, was as follows:

Consideration paid		
Fair value of common shares issued	$	2,326
Cash consideration		2,000
Total	**$**	**4,326**
Fair value of net assets acquired		
Cash and cash equivalents	$	107
Trade and other receivables		3
Prepaid expenses, deposits and other		11
Property and equipment		7
Intangible assets		1,145
Accounts payable and accrued liabilities		(90)
Total net assets acquired	**$**	**1,183**
Goodwill	**$**	**3,143**

(in thousands of Canadian Dollars)

(b) Pharmacies

On July 17, 2019, the Company completed the acquisition of 100% of the issued and outstanding shares of two pharmacies based in Metro Vancouver, BC. Pursuant to the acquisition agreement, the Company issued 3,432,384 common shares of the Company, 343,926 performance share units of the Company (each performance share shall vest into one common share without any payment on July 31, 2020, if certain earnings milestones for the pharmacies are met), and paid $1,023 cash payment to the former owners of the Pharmacies.

The purchase price, determined by the fair value of the consideration given at the date of the acquisition and the fair value of the net assets acquired on the date of the acquisition, was as follows:

Consideration paid		
Fair value of common shares issued	$	715
Cash consideration		1,023
Total	**$**	**1,738**
Fair value of net assets acquired		
Cash and cash equivalents	$	7
Trade and other receivables		160
Inventory		788
Prepaid expenses, deposits and other		20
Property and equipment		166
Intangible assets		1,088
Accounts payable and accrued liabilities		(450)
Long-term debt		(2,443)
Total net assets acquired	**$**	**(664)**
Goodwill	**$**	**2,402**

(in thousands of Canadian Dollars)

(c) Livecare Health Canada Inc. ("Livecare")

On January 10, 2020, the Company completed the acquisition of 100% of the issued and outstanding shares of Livecare Health Canada Inc. Livecare is a Canadian telehealth company founded and operated by physicians dedicated to giving patients access to quality, real-time healthcare, regardless of where they are located. Pursuant to the purchase agreement, the Company issued 3,000,000 common shares on January 10, 2020, of which 1,574,959 common shares were subsequently cancelled and returned to treasury, resulting in a net amount of 1,425,041 common shares issued. Additionally, the Company paid $387 of cash to the former owners of Livecare.

The purchase price, determined by the fair value of the consideration given at the date of the acquisition and the fair value of the net assets acquired on the date of the acquisition, was as follows:

Consideration paid		
Fair value of common shares issued	$	516
Cash consideration		387
Total	**$**	**903**
Fair value of net assets acquired		
Cash and cash equivalents	$	1
Trade and other receivables		79
Inventory		19
Prepaid expenses, deposits and other		77
Property and equipment		82
Intangible assets		1,444
Long-term debt (1)		(850)
Accounts payable and accrued liabilities (2)		(849)
Deferred tax liability		(263)
Other current liabilities		(295)
Taxes payable		(163)
Total net assets acquired	$	**(718)**
Goodwill	**$**	**1,621**

(1) The long-term debt in the amount acquired of $850 included an amount of $600 due to a third party. This amount was settled by issuing 1,500,000 common shares of the Company on January 31, 2020 with a fair value of $578, resulting in a gain from debt forgiveness of $23.

(2) Several payables due to vendors were settled for a cash amount that was less than the amount owing. This resulted in a gain from debt forgiveness of $118.

(in thousands of Canadian Dollars)

(d) South Surrey Medical Clinic Inc. ("South Surrey Medical")

On July 31, 2020, the Company completed the acquisition of 100% of the issued and outstanding shares of South Surrey Medical Clinic Inc. South Surrey Medical is a premier provider of integrated medical solutions which operates with healthcare professionals, including physicians across various specialties including mental health, women's health, sports medicine, gynecology, and psychiatry. Pursuant to the purchase agreement, the Company issued 628,100 common shares of the Company and paid $159 in cash to the former owners of South Surrey Medical. Additional contingent consideration of up to $136 in cash and common shares is payable twelve months from the acquisition date.

The purchase price, determined by the fair value of the consideration given at the date of the acquisition and the fair value of the net assets acquired on the date of the acquisition, was as follows:

Consideration paid		
Fair value of common shares issued	$	238
Cash consideration		159
Contingent consideration [1]		136
Total	**$**	**533**
Fair value of net assets acquired		
Cash and cash equivalents	$	112
Trade and other receivables		94
Prepaid expenses, deposits and other		2
Property and equipment		127
Intangible assets		263
Accounts payable and accrued liabilities		(224)
Deferred tax liability		(71)
Total net assets acquired	**$**	**303**
Goodwill	**$**	**230**

(1) The contingent consideration is based on management's best estimate of future revenue targets. The estimated amounts payable related to the contingent consideration could be lower depending on the related future revenue outcome.

(in thousands of Canadian Dollars)

(e) Snapclarity Inc. ("Snapclarity")

On October 14, 2020, the Company completed the acquisition of 100% of issued and outstanding shares of Snapclarity Inc. Snapclarity is a pioneer, on-demand, digital platform that provides an assessment for mental health disorders which includes a personalized care plan, access to online resources, a clinical health care team and the ability to match to the right therapists. Pursuant to the purchase agreement, the Company agreed to issue 3,392,857 common shares of the Company, of which 2,814,775 shares have been issued and 578,082 shares are to be issued at a later date. The Company also paid $851 in cash to the former owners of Snapclarity. Additional contingent consideration of up to $1,334 in common shares is payable over a period of two years.

The purchase price, determined by the fair value of the consideration given at the date of the acquisition and the fair value of the net assets acquired on the date of the acquisition, was as follows:

Consideration paid		
Fair value of common shares issued	$	5,163
Shares issuable		1,061
Cash consideration		851
Contingent consideration [1]		1,334
Total	**$**	**8,409**
Fair value of net assets acquired		
Cash and cash equivalents	$	142
Trade and other receivables		19
Intangible assets		4,796
Accounts payable and accrued liabilities		(742)
Deferred tax liability		(1,295)
Total net assets acquired	**$**	**2,920**
Goodwill	**$**	**5,489**

[1] The contingent consideration is based on management's best estimate of future revenue targets. The estimated amounts payable related to the contingent consideration could be lower depending on the related future revenue outcome.

The above amounts included in the purchase price allocation are preliminary. The purchase price and the fair value of the net assets acquired from Snapclarity are estimates, which were made by management at the time of the preparation of these audited consolidated financial statements based on available information. Amendments may be made to these amounts as well as the identification of intangible assets. Values based on estimates are subject to changes during the period ending 12 months after the acquisition date.

(in thousands of Canadian Dollars)

(f) Benchmark Systems Inc. ("Benchmark")

On October 23, 2020, the Company completed the acquisition of 87.5% of issued and outstanding shares of Benchmark Systems Inc. Benchmark is a leading cloud-based provider of fully integrated solutions that automate healthcare workflow processes including revenue management, practice management and electronic records management. Benchmark has a national U.S. network of 200 clients, 800 physicians, with 5.5 million patient charts across 35 states. Pursuant to the purchase agreement, the Company paid $5,939 in cash to the former owners of Benchmark, of which $103 is receivable due to a working capital adjustment.

The Company has elected to measure the non-controlling interests in the acquiree at fair value.

The purchase price, determined by the fair value of the consideration given at the date of the acquisition and the fair value of the net assets acquired on the date of the acquisition, was as follows:

Consideration paid		
Cash consideration	$	5,836
Total	**$**	**5,836**
Fair value of net assets acquired		
Cash and cash equivalents	$	207
Trade and other receivables		313
Inventory		14
Prepaid expenses, deposits and other		112
Property and equipment		204
Accounts payable and accrued liabilities		(277)
Deferred revenue		(283)
Total net assets acquired	**$**	**290**
Non-controlling interest	**$**	**834**
Goodwill	**$**	**6,380**

The above amounts included in the purchase price allocation are preliminary. The purchase price and the fair value of the net assets acquired from Benchmark are estimates, which were made by management at the time of the preparation of these audited consolidated financial statements based on available information. Amendments may be made to these amounts as well as the identification of intangible assets. Values based on estimates are subject to changes during the period ending 12 months after the acquisition date.

(in thousands of Canadian Dollars)

(g) Premier Podiatry LLC ("Premier Podiatry")

On October 23, 2020, the Company completed the acquisition of 100% of membership interests of Premier Podiatry LLC. Premier Podiatry a US-based medical clinic serving chronic care patients as a part of its broader strategy for entering the US market with its comprehensive suite of telehealth products. Pursuant to the purchase agreement, the Company paid $68 in cash to the former owners of Premier Podiatry, with an additional $78 payable at a later date.

The purchase price, determined by the fair value of the consideration given at the date of the acquisition and the fair value of the net assets acquired on the date of the acquisition, was as follows:

Consideration paid		
Cash consideration	$	146
Total	**$**	**146**
Fair value of net assets acquired		
Cash and cash equivalents	$	2
Accounts payable and accrued liabilities		(40)
Property and equipment		103
Total net assets acquired	**$**	**65**
Goodwill	$	**81**

The above amounts included in the purchase price allocation are preliminary. The purchase price and the fair value of the net assets acquired from Premier Podiatry are estimates, which were made by management at the time of the preparation of these audited consolidated financial statements based on available information. Amendments may be made to these amounts as well as the identification of intangible assets. Values based on estimates are subject to changes during the period ending 12 months after the acquisition date.

(in thousands of Canadian Dollars)

(h) iMD Health Global Corp. ("iMD")

On November 17, 2020, the Company completed the acquisition of 100% of the issued and outstanding shares of iMD Health Global Corp. iMD is a novel, award winning platform designed for healthcare professionals at every level of care to better engage, inform and educate patients about their conditions and treatment plans. Pursuant to the purchase agreement, the Company issued 2,795,031 common shares of the Company and paid $1,629 in cash to the former owners of iMD. Additional contingent shares issuable of up to $3,459 in common shares is payable over a period of two years.

The purchase price, determined by the fair value of the consideration given at the date of the acquisition and the fair value of the net assets acquired on the date of the acquisition, was as follows:

Consideration paid		
Fair value of common shares issued	$	4,441
Cash consideration		1,629
Contingent shares issuable (1)		3,459
Total	**$**	**9,529**
Fair value of net assets acquired		
Cash and cash equivalents	$	767
Trade and other receivables		144
Prepaid expenses, deposits and other		11
Intangible assets		90
Property and equipment		10
Accounts payable and accrued liabilities		(292)
Deferred revenue		(238)
Long-term debt		(339)
Total net assets acquired	**$**	**153**
Goodwill	**$**	**9,376**

(1) The contingent shares issuable is based on management's best estimate of future revenue targets. The estimated shares payable related to the contingent shares issuable could be lower depending on the related future revenue outcome.

The above amounts included in the purchase price allocation are preliminary. The purchase price and the fair value of the net assets acquired from iMD are estimates, which were made by management at the time of the preparation of these audited consolidated financial statements based on available information. Amendments may be made to these amounts as well as the identification of intangible assets. Values based on estimates are subject to changes during the period ending 12 months after the acquisition date.

(in thousands of Canadian Dollars)

(i) Re:Function Health Group Inc. ("Re:Function")

On November 19, 2020, the Company completed the acquisition of 100% of the issued and outstanding shares of Re:Function Health Group Inc. Re:Function, a leading rehabilitation clinic network, provides assessments for enterprise clients, insurers, and corporations for long-term disability claims and return to work outcomes. Pursuant to the purchase agreement, the Company issued 3,977,272 common shares of the Company and paid $3,382 in cash to the former owners of Re:Function. Additional contingent shares issuable of up to $2,713 in common shares is payable over a period of three years.

The purchase price, determined by the fair value of the consideration given at the date of the acquisition and the fair value of the net assets acquired on the date of the acquisition, was as follows:

Consideration paid		
Fair value of common shares issued	$	6,636
Cash consideration		3,382
Contingent shares issuable [1]		2,713
Total	**$**	**12,731**
Fair value of net assets acquired		
Cash and cash equivalents	$	502
Trade and other receivables		699
Prepaid expenses, deposits and other		39
Property and equipment		775
Accounts payable and accrued liabilities		(382)
Long-term debt		(486)
Total net assets acquired	**$**	**1,147**
Goodwill	**$**	**11,584**

(1) The contingent shares issuable is based on management's best estimate of future earnings. The estimated shares payable related to the contingent shares issuable could be lower depending on the related future earnings outcome.

The above amounts included in the purchase price allocation are preliminary. The purchase price and the fair value of the net assets acquired from Re:Function are estimates, which were made by management at the time of the preparation of these audited consolidated financial statements based on available information. Amendments may be made to these amounts as well as the identification of intangible assets. Values based on estimates are subject to changes during the period ending 12 months after the acquisition date.

(in thousands of Canadian Dollars)

5. EXPENSES BY NATURE

		December 31, 2020		December 31, 2019
Cost of sales and other	**$**	**16,661**	$	6,034
Wages and employee benefits		**6,050**		2,812
Share-based compensation		**3,642**		1,756
Amortization of intangible assets		**515**		157
Depreciation of property and equipment		**859**		389
Total	**$**	**27,727**	$	11,148

The company reclassified its expenses to improve the understandability and comparability of its statement of net loss and comprehensive loss for its readers. The reclassification was retroactively applied to the year ended December 31, 2019 and the following table shows the detail of its impact:

	December 31, 2019					
	As originally reported		**Reclassification**		**As presented**	
Accretion and interest expense	$	86	$	(86)	$	-
Bank charges and interest expense		123		(123)		-
Sales and marketing		996		800		1,796
General and administrative		535		1,757		2,292
Research and development		150		640		790
Professional fees		535		(535)		-
Rent on short-term leases		58		(58)		-
Transfer agent and regulatory fees		29		(29)		-
Wages and salaries		2,812		(2,812)		-
Amortization		546		(546)		-
Amortization of intangible assets		-		157		157
Depreciation of property and equipment		-		389		389
Share-based compensation		1,756		-		1,756
Financing-related costs		-		97		97
Acquisition-related costs		-		140		140
Finance costs		-		209		209
	$	**7,626**	**$**	**-**	**$**	**7,626**

(in thousands of Canadian Dollars)

6. TRADE AND OTHER RECEIVABLES

The following table shows the details of the Company's trade and other receivables at December 31, 2020 and 2019:

	December 31, 2020	December 31, 2019
Trade receivables	**$ 2,131**	$ 208
Other receivables	**38**	64
Allowance for doubtful accounts	**(157)**	(12)
Total	**$ 2,012**	$ 260

The Company evaluates credit losses on a regular basis based on the aging and collectability of its receivables. As at December 31, 2020 and 2019, the Company recognized expected credit losses of $157 (2019 - $12), which has been netted against trade and other receivables. The expected lifetime credit loss provision for our trade receivables is based on historical counterparty default rates and adjusted for relevant forward-looking information as required.

7. INVENTORY

	December 31, 2020	December 31, 2019
Pharmaceuticals – prescription	**$ 264**	$ 365
Pharmaceuticals – over the counter	**120**	88
Other	**345**	309
Total	**$ 729**	$ 762

For the year ended December 31, 2020, inventories recognized as an expense in cost of sales amounted to $5,073 (2019 – $1,756). During the year, inventories were reviewed for obsolescence as part of ongoing operations. As at December 31, 2020, the obsolescence provision against inventories totaled $44 (2019 – $nil).

(in thousands of Canadian Dollars)

8. PROPERTY AND EQUIPMENT

	Equipment and other	Computers	Leasehold improvements	Right-of-use assets	Total
Cost					
Balance, January 1, 2019	$ 35	$ 20	$ 54	$ 401	$ 510
Business acquisitions	131	8	33	2,324	2,496
Additions	5	16	-	-	21
Disposals	(4)	(13)	(6)	-	(23)
Balance, December 31, 2019	167	31	81	2,725	3,004
Business acquisitions	370	37	892	1,570	2,869
Additions	59	28	63	1,034	1,184
Disposals	(2)	(1)	(6)	-	(9)
Exchange differences	(2)	-	(6)	-	(8)
Balance, December 31, 2020	**$ 592**	**$ 95**	**$ 1,024**	**$ 5,329**	**$ 7,040**
Accumulated Depreciation					
Balance, January 1, 2019	$ 3	$ 6	$ 5	$ -	$ 14
Depreciation	20	11	13	345	389
Disposals	(1)	(5)	(1)	-	(7)
Balance, December 31, 2019	22	12	17	345	396
Depreciation	72	28	111	648	859
Disposals	(2)	(1)	(4)	-	(7)
Balance, December 31, 2020	**$ 92**	**$ 39**	**$ 124**	**$ 993**	**$ 1,248**
Net Book Value					
At December 31, 2019	$ 145	$ 19	$ 64	$ 2,380	$ 2,608
At December 31, 2020	**$ 500**	**$ 56**	**$ 900**	**$ 4,336**	**$ 5,792**

For the year ended December 31, 2020, the Company recorded depreciation expense of $859 (2019 – $389) within expenses.

(in thousands of Canadian Dollars)

9. GOODWILL AND INTANGIBLE ASSETS

	Customer relationships	Content License	Brand	Technology platforms	Total intangible assets	Goodwill
Cost						
Balance, January 1, 2019	$ -	$ -	$ -	$ -	$ -	$ 3,952
Business acquisitions	1,348	-	-	885	2,233	5,546
Additions	20	-	-	-	20	-
Balance, December 31, 2019	1,368	-	-	885	2,253	9,498
Business acquisitions	209	90	737	5,557	6,593	34,761
Additions	5	-	-	5	10	-
Balance, December 31, 2020	**$ 1,582**	**$ 90**	**$ 737**	**$ 6,447**	**$ 8,856**	**$ 44,259**
Accumulated Amortization						
Balance, January 1, 2019	$ -	$ -	$ -	$ -	$ -	$ -
Amortization	75	-	-	82	157	-
Balance, December 31, 2019	75	-	-	82	157	-
Amortization	148	-	-	367	515	-
Balance, December 31, 2020	**$ 223**	**$ -**	**$ -**	**$ 449**	**$ 672**	**$ -**
Net Book Value						
At December 31, 2019	$ 1,293	$ -	$ -	$ 803	$ 2,096	$ 9,498
At December 31, 2020	**$ 1,359**	**$ 90**	**$ 737**	**$ 5,998**	**$ 8,184**	**$ 44,259**

For the year ended December 31, 2020, the Company recorded amortization expense of $515 (2019 – $157) within expenses.

As at December 31, 2020, the Company recorded $44,259 of goodwill. The Company performs its impairment test of goodwill at least annually on December 31 or when impairment indicators exist. The recoverable amount of the cash-generating units was determined based on value-in-use calculations, covering a five-year cash flow projection based on management's estimate of future operating results. The present value of the expected cash flows was determined by applying a suitable discount rate, which was 7% for 2020. The discount rate reflected appropriate adjustments relating to market risk and specific risk factors for each CGU.

Apart from the considerations in determining the value in use of the CGU as described above, the Company was not aware of any other probable changes that would necessitate changes in its key estimates.

The impairment tests performed resulted in no impairment of goodwill as at December 31, 2020 (2019 – $nil).

(in thousands of Canadian Dollars)

10. LONG TERM DEBT

	Interest rate	Maturity	December 31, 2020	December 31, 2019
Fixed interest rate bank loans[1]	3.20%	October 31, 2020	$ **186**	$ 214
	3.35%	October 31, 2021	**1,559**	1,797
	3.97%	October 31, 2021	**187**	215
Variable interest rate bank loans	Prime +0.50%[2]	March 31, 2023	**338**	-
	Prime +1.00%[3]	April 30, 2023	**175**	-
	Prime +0.50%[2]	May 31, 2025	**95**	-
Interest free loan				
RRRF Loan[4]		December 15, 2027	**38**	-
CEBA Loan[5]			**68**	-
Balance			**2,646**	2,226
Current portion			**619**	295
Long-term portion			**$ 2,027**	$ 1,931

[1] The fixed rate term loans are secured by first ranking security interest over all property of CloudMD and Pharmacies for a maximum guarantee amount of $3,414.
[2] As at December 31, 2020, the interest rates for the variable interest rate bank loans were 2.95%.
[3] As at December 31, 2020, the interest rate for the variable interest rate bank loan was 3.78%.
[4] As at December 31, 2020, Company has received interest free loan from regional relief and recovery fund repayable in 60 equal instalments starting January 15, 2023
[5] As at December 31, 2020, Company has received interest free business loan from Government of Canada. 25% of loan will be forgiven if 75% of loan is paid is repaid by December 31, 2022. If the loan isn't repaid by January 1, 2023, the loan becomes a 3-year term with a 5% fixed interest rate per year.

11. CONTINGENT CONSIDERATION

The following table shows a reconciliation of the contingent consideration liability:

Contingent consideration, December 31, 2019	**$ -**
Contingent consideration for new acquisitions (Note 4)	1,470
Changes in fair value	(140)
Contingent consideration, December 31, 2020	**1,330**
Current portion	136
Long-term portion	**$ 1,194**

The estimated amounts payable related to the contingent consideration could be higher or lower depending on the related future revenue outcome. Significant increases or decreases in related revenue would result in a higher or lower fair value of the contingent consideration liability, while significant increases or decreases in the discount rate and performance risk would result in a lower or higher fair value of the liability.

(in thousands of Canadian Dollars)

12. LEASES

(a) As a lessee

The Company leases various office, clinic, and pharmacy spaces for its operations.

The following is a continuity schedule of the Company's lease liabilities:

Balance, December 31, 2018	**$**	**394**
Additions from business combinations		2,324
Interest expense on lease liabilities		58
Lease payments		(338)
Balance, December 31, 2019		**2,438**
Lease renewal		1,034
Additions from business acquisitions		1,806
Interest expense on lease liabilities		140
Lease payments		(754)
Balance, December 31, 2020		**4,664**
Current portion		1,170
Long-term portion	**$**	**3,494**

The following is a breakdown of contractual undiscounted cash flows for lease liabilities by maturities as at December 31, 2020:

		December 31, 2020
Less than one year	$	1,346
One to five years		3,263
More than five years		1,018
Total	**$**	**5,627**

(b) As a lessor

The Company subleases certain excess space to a third parties. The Company has classified these subleases as finance leases as the subleases covers the remaining term of the respective head lease. The net investment in sublease was measured at the present value of the remaining lease payments, discounted using the estimated incremental borrowing rate of 4.15% per annum over the life of the sublease.

The following is a continuity schedule of the Company's net investment in sublease:

Balance, December 31, 2019	**$**	**-**
Additions from business acquisition		236
Interest income from net investment in sublease		4
Payments received from net investment in sublease		(66)
Balance, December 31, 2020		**174**
Current portion		154
Long-term portion	**$**	**20**

(in thousands of Canadian Dollars)

The following is a breakdown of contractual undiscounted cash flows for net investment in sublease by maturities as at December 31, 2020:

		December 31, 2020
Less than one year	$	154
One to five years		20
Total	**$**	**174**

13. RELATED PARTY TRANSACTIONS

Related parties include key management, the Board of Directors, close family members and enterprises which are controlled by these individuals. The below transactions are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(a) Remuneration of key management and Board of Directors:

	Year ended			
		December 31, 2020		December 31, 2019
Cash-based compensation	**$**	**826**	$	440
Share-based compensation		**1,592**		-
Accretion and interest expense on convertible debenture to Brenda Rasmussen		**-**		86
Total	**$**	**2,418**	$	526

(b) The Company prepaid fees to Mark Kohler for future services amounting to $37 (2019 – $nil) included in prepaid expenses, deposits and other.

(in thousands of Canadian Dollars)

14. SHARE CAPITAL

(a) Authorized: unlimited common shares without par value

(b) Issued and outstanding

The following is a summary of share capital activities:

	Note	Number of common shares		Share capital
Balance, December 31, 2018		**61,664,031**	**$**	**8,047**
Shares issued for business acquisitions		7,379,752		3,041
Private placements		8,984,687		4,528
Share issuance costs		-		(244)
Issuance of warrants		-		(109)
Exercise of stock options		2,200,000		1,145
Shares issued for services		510,000		179
Sale of Clinicas		475,000		205
Balance, December 31, 2019		**81,213,470**		**16,792**
Shares issued for business acquisitions	4	11,640,219		16,994
Shares issued for settlement of Livecare debt	4	1,500,000		578
Private placements		6,298,615		3,023
Bought deal financing		51,947,800		73,000
Share issuance costs		294,035		(9,681)
Exercise of stock options		1,928,250		2,066
Exercise of warrants		9,183,070		9,170
Shares issued for services		900,000		409
Balance, December 31, 2020		**164,905,459**	**$**	**112,351**

(c) Private placements

	Type	Shares issued	Exercise price	Gross proceeds	Share issue costs (before impact of deferred taxes)	Shareholders warrants issued [1]	Exercise price	Agent warrants issued [1]	Exercise price
April 2019	Private placement	3,734,687	$ 0.65	$ 2,428	$ 108	1,867,344	$ 1.00	161,520	$ 1.00
September 2019	Private placement	5,250,000	0.40	2,100	136	2,625,000	0.65	340,000	0.65
March 2020	Private placement	6,298,615	0.48	3,023	380	-	-	405,730	0.48
						3,149,307	0.70	431,371	0.70
June 2020	Bought deal	21,357,800	0.70	14,950	1,342	10,678,900	1.00	1,495,046	1.00
September 2020	Bought deal	15,065,000	1.38	20,790	1,692	-	-	1,054,550	1.38
November 2020	Bought deal	15,525,000	2.40	37,260	2,712	-	-	1,086,750	2.40

[1] Each warrant is exercisable to acquire one common share of the Company for a period of 2 years from the closing date of the offering.

[2] Share issuance cost are included before the impact of deferred income taxes.

(in thousands of Canadian Dollars)

(d) Agent's warrants

The following is a summary of agent's warrants activities during the years ended December 31, 2020 and 2019:

	Number of Agent's Warrants	Weighted Average Exercise Price
Balance outstanding, December 31, 2018	**-**	**$ -**
Issued	501,520	0.76
Balance outstanding, December 31, 2019	501,520	0.76
Issued	4,473,447	1.35
Exercised	(3,131,096)	(0.91)
Balance outstanding, December 31, 2020	**1,843,871**	**$ 1.94**

As at December 31, 2020, the Company had the following agent's warrants outstanding, all of which are exercisable at December 31, 2020:

	Agent's warrants outstanding		
Range of exercise prices	Number of agent's warrants outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price
$0.00 to $0.50	26,113	1.23	$ 0.48
$0.51 to $1.00	149,504	1.42	$ 1.00
$1.01 to $1.40	581,504	1.73	$ 1.38
$2.01 to $2.40	1,086,750	1.86	$ 2.40
	1,843,871		

The following weighted average assumptions were used in calculating the fair value of agent's warrants during the period using the Black-Scholes model:

	Year Ended	
	December 31, 2020	December 31, 2019
Expected warrant life	**2 years**	2 years
Risk-free interest rate	**0.41%**	1.53%
Dividend yield	**0%**	0%
Volatility rate	**100%**	100%
Forfeiture rate	**0%**	0%

(in thousands of Canadian Dollars)

(e) Shareholder's warrants

The following is a summary of shareholders' warrants activities during the years ended December 31, 2020 and 2019:

	Number of Shareholders' Warrants		Weighted Average Exercise Price
Balance outstanding, December 31, 2018	**-**	**$**	**-**
Issued	4,492,344		0.80
Balance outstanding, December 31, 2019	4,492,344		0.80
Issued	13,828,206		0.93
Exercised	(6,051,974)		(0.83)
Balance outstanding, December 31, 2020	**12,268,576**	**$**	**0.93**

As at December 31, 2020, the Company has 12,268,576 warrants outstanding with the exercise price ranging from $0.51 to $1.00, the weighted average exercise price and remaining contractual life is $0.93 and 0.89 years, respectively. The shareholders' warrants have a fair value of $nil, valued using the residual value method.

(f) Escrow Shares

As at December 31, 2020, the Company has 18,263,173 common shares held in escrow (2019 – 13,056,068).

Escrow shares will be released as follows:

- 1,800,000 shares on January 1, 2021 and August 1, 2021;
- 686,477 shares on January 17, 2021 and May 17, 2021;
- 25,000 shares on January 19, 2021, and the same amount released each month thereafter until the last 25,000 shares are released on April 19, 2021;
- 570,017 shares on January 9, 2021, plus 285,008 shares on May 9, 2021, and the same amount released each four months thereafter until the last 285,008 shares are released on January 8, 2022;
- 600,000 shares on January 31, 2021, plus 300,000 shares on May 31, 2021, and the same amount released each four months thereafter until the last 300,000 shares are released on January 30, 2022;
- 12,500 shares on January 21, 2021, and the same amount released each month thereafter until the last 12,500 shares are released on April 21, 2021;
- 125,620 shares on January 29, 2021, and the same amount released each six months thereafter until the last 125,620 shares are released on January 29, 2023;
- 351,847 shares on January 30, 2021, and the same amount released every three months thereafter until the last 351,847 shares are released on October 30, 2022;
- 749,599 shares on March 17, 2021 and July 31, 2021, and 431,945 shares released every four months thereafter until the last 431,945 shares are released on July 17, 2022;
- 795,454 shares on May 18, 2021, and the same amount released every six months thereafter until the last 795,454 shares are released on May 18, 2023.

(in thousands of Canadian Dollars)

(g) Stock Options

The Company has adopted an incentive stock option plan (the "Option Plan"), which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the applicable stock exchange's requirements, grant to directors, officers, employees and consultants to the Company, non-transferable options to purchase common shares. Pursuant to the Option Plan, at any point in time is 10% of the outstanding shares at the time shares are reserved for issuance as a result of the grant of an option, less any common shares reserved for issuance under share compensation arrangements other than the Company's restricted share unit plan. Stock options granted under the Option Plan can have a maximum exercise term of 10 years from the date of grant. Vesting terms will be determined at the time of grant by the Board of Directors.

The following is a summary of activities in the Company's Option Plan:

	Number of Stock	Weighted Average Exercise Price
Balance outstanding, December 31, 2018	**4,000,000**	**$ 0.50**
Granted	5,250,000	0.49
Exercised	(2,200,000)	0.32
Forfeited	(1,800,000)	0.39
Balance outstanding, December 31, 2019	5,250,000	0.60
Granted	7,449,000	1.30
Exercised	(1,928,250)	0.53
Forfeited	(118,750)	0.44
Balance outstanding, December 31, 2020	**10,652,000**	**$ 1.08**

As at December 31, 2020, the Company had the following stock options outstanding and exercisable:

	Options outstanding			**Options exercisable**	
Range of exercise prices	**Number of options outstanding**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price**	**Number of options exercisable**	**Weighted average exercise price**
$0.00 to $0.50	4,370,000	3.88	$ 0.49	2,859,500	$ 0.49
$0.51 to $1.00	3,075,000	3.79	0.72	2,178,750	0.73
$1.01 to $1.50	400,000	4.65	1.38	100,000	1.38
$1.51 to $2.00	289,000	4.73	2.00	220,000	2.00
$2.01 to $2.50	2,325,000	4.82	2.35	650,000	2.20
$2.51 to $3.00	193,000	4.79	2.56	81,500	2.56
	10,652,000			**6,089,750**	

(in thousands of Canadian Dollars)

The following weighted average assumptions were used in calculating the fair value of stock options granted during the period using the Black-Scholes model:

	Year Ended	
	December 31, 2020	**December 31, 2019**
Expected option life	**5 years**	5 years
Risk-free interest rate	**0.59%**	1.50%
Dividend yield	**0%**	0%
Volatility rate	**100%**	100%
Forfeiture rate	**0%**	0%

(h) During the year ended December 31, 2020, the Company recorded $3,642 (2019 - $1,756) of share-based compensation relating to the fair value of stock options vesting during the period with a corresponding increase to reserves.

(i) Restricted Share Units ("RSU")

The Company has adopted a restricted share unit ("RSU") plan (the "RSU Plan"), which provides that the Board of Directors of the Company may, from time to time, award RSUs in its discretion to directors, employees, and consultants to the Company. The aggregate number of Common Shares reserved for issuance under the RSU Plan, together with any other security-based compensation arrangements, at any point in time may not exceed 10% of the issued and outstanding Common Shares within a 12 month period. RSUs awarded under the RSU Plan can have a maximum term of 10 years from the award date. Vesting terms will be determined at the time of the award by the Board of Directors. As at December 31, 2020, no RSUs have been awarded under the RSU plan.

(in thousands of Canadian Dollars)

15. SUPPLEMENTAL CASH FLOW INFORMATION

(a) Cash and cash equivalents

		December 31, 2020		December 31, 2019
Cash	**$**	**41,658**	**$**	1,696
Cash equivalents		**18,056**		-
Total	**$**	**59,714**	**$**	1,696

(b) Other cash flow information

		For the years ended December 31, 2020		December 31, 2019
Change in non-cash working capital				
Trade and other receivables	$	**(260)**	$	17
Inventory		**64**		26
Prepaid expenses and deposits		**163**		(201)
Accounts payable and accrued liabilities		**(158)**		64
	$	**(191)**	$	(94)
Non-cash investing and financing activities				
Share issuance for acquisition of Livecare	$	**516**	$	-
Share issuance for settlement of Livecare debt		**578**		-
Share issuance for acquisition of South Surrey Medical		**238**		-
Shares issued for acquisition of Snapclarity		**5,163**		-
Shares issued for acquisition of iMD		**4,441**		-
Shares issued for acquisition of Re:Function		**6,636**		-
Share issuance for services		**409**		-
Issuance of agent warrants as share issuance costs		**685**		-
Share issuance for acquisition of Cloud Practice		**-**		2,326
Other cash flow information				
Cash paid for interest	$	**115**	$	65
Cash paid for income taxes		**19**		-

16. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maximize shareholder value. The Company considers the items included in shareholders' equity as capital. The Company manages the capital structure and adjusts in response to changes in economic conditions and the risk characteristics of the underlying assets. To secure the additional capital necessary to pursue these plans, the Company intends to raise additional funds through equity or debt financing. The Company is not subject to any externally imposed capital requirements. There were no changes to the Company's approach in its management of capital during the year.

17. FINANCIAL INSTRUMENTS

The Company's principal financial assets include cash and cash equivalents, and trade and other receivables. The Company's principal financial liabilities comprise of line of credit, accounts payable and accrued liabilities, and long term debt. The main purpose of these financial liabilities is to finance the Company's operations.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. Credit risk arises from cash and cash equivalents, and trade and other receivables. To manage credit risk, cash and cash equivalents are held only with reputable and regulated financial institutions.

The Company's significant receivable balances from customers were with government agencies or insurance companies for clinic operations. The Company's exposure to credit risk is considered to be low, given the size and nature of the various counterparties involved and their history of collections. Further, trade receivables are monitored on a periodic basis for assessing any significant risk of non-recoverability of dues and provision is created accordingly.

As at December 31, 2020, the Company had $2,012 (2019 - $260) of trade and other receivables (Note 6).

Liquidity risk

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they become due. The Company's management is responsible for reviewing liquidity resources to ensure funds are readily available to meet its financial obligations as they become due, as well as ensuring adequate funds exist to support business strategies and operational growth. The current assets reflected on the statements of financial position are highly liquid. In addition, Senior management monitors the Company's net liquidity position through rolling forecasts on the basis of expected cash flows.

(in thousands of Canadian Dollars)

The maturity profile of the Company's financial liabilities, based on contractual undiscounted payment at each reporting date is:

As at December 31, 2020

	Less than one year	One to five years	More than five years	Total
Line of credit	$ 2	$ -	$ -	$ 2
Accounts payable and accrued liabilities	3,451	-	-	3,451
Contingent consideration	145	3,650	-	3,795
Long-term debt	619	1,969	58	2,646
	$ 4,217	**$ 5,619**	**$ 58**	**$ 9,894**

As at December 31, 2019

	Less than one year	One to five years	More than five years	Total
Line of credit	$ 810	$ -	$ -	$ 810
Accounts payable and accrued liabilities	1,011	-	-	1,011
Long-term debt	295	1,806	125	2,226
	$ 2,116	**$ 1,806**	**$ 125**	**$ 4,047**

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Company is exposed to interest rate risk and foreign currency risk.

a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates. The Company's sensitivity to interest rates is insignificant.

b) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a foreign currency) and the Company's net investments in foreign subsidiaries.

(in thousands of Canadian Dollars)

The Company's exposure to foreign currency risk at the end of reporting period is as follows:

(Denominated in USD)		December 31, 2020		December 31, 2019
Financial assets				
Cash	$	259	$	-
Trade and other receivables		461		-
Financial liabilities				
Accounts payable and accrued liabilities		175		-
Net exposure to foreign currency risk	**$**	**545**	$	-

Sensitivity to foreign currency risk

The impact on the Company's profit before tax is based on changes in the fair value of unhedged foreign currency monetary assets and liabilities at balance sheet date. The change in USD to CAD currency rate of 5% will have an impact of $35 before tax (2019 – $nil).

18. SEGMENTED INFORMATION

Following the discontinued operations of Clinicas in April 2019, the Company has one operating and one reporting segment. The Company's operations are entirely related to revenues and operations of delivering healthcare solutions and services to medical businesses, patients/consumers and enterprise businesses including employers, insurers and providers.

The Company's chief operating decision-maker, which consists of the Chief Executive Officer.

See below segmented geographical information as follows:

		Canada		United States		Total
Non current assets						
As at December 31, 2020	$	51,766	$	6,727	$	58,493
As at December 31, 2019		14,340		-		14,340
Revenues for the year ended						
December 31, 2020	$	13,844	$	1,172	$	15,016
December 31, 2019		6,770		-		6,770

(in thousands of Canadian Dollars)

19. INCOME TAX

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

		December 31, 2020		December 31, 2019
Net loss before taxes for the year	$	(13,832)	$	(4,718)
Expected income tax (recovery)		(3,735)		(1,274)
Change in statutory, foreign tax, foreign exchange rates		(5,561)		332
Permanent differences		1,081		469
Share issuance costs		(1,654)		(66)
Change in unrecognized deductible temporary differences		8,364		539
Total tax expenses (recovery)	**$**	**(1,505)**	**$**	**-**
Current income tax	**$**	**123**	$	-
Deferred income tax	**$**	**(1,628)**	$	-

The significant components of the Company's deferred income tax assets, which have not been recognized are as follows:

		December 31, 2020		December 31, 2019
Deferred income tax assets (liabilities):				
Share issuance costs	$	1,366	$	53
Non-capital losses carried forward		9,321		1,211
Allowable capital loses		22		-
Marketable securities		54		54
Property and equipment		283		(6)
Intangible assets		(1,314)		42
Right of use asset		(1,204)		(643)
Lease liability		1,205		658
Total unrecognized deferred income tax assets	**$**	**9,733**	**$**	**1,369**

As at December 31, 2020, the Company had approximately $34,590 in non-capital losses in Canada and the United States of America which expire between 2021 and 2041. Approximately $34,294 of the non-capital losses relate to Canada.

Tax attributes are subject to review, and potential adjustment, by tax authorities.

20. LITIGATION AND OTHER CONTINGENCIES

(a) During the three months ended June 30, 2020, Gravitas Securities Inc. ("Gravitas") commenced an arbitration alleging breach of the terms of a right of first refusal in connection with an offering which was in the form of a bought deal equity financing underwritten by a syndicate of other investment banks in May 2020, and was completed on June 2, 2020 ("June 2020 Financing"). During the three months ended September 30, 2020, Gravitas amended its claims for damages to include commissions and damages arising from an additional bought deal equity financing which was completed on September 22, 2020 ("September 2020 Financing"). The total claims are in excess of $2,750 plus unspecified damages associated with the value of share purchase warrants that were issued in connection with both the June 2020 Financing and the September 2020 Financing, plus interest and cost. The Company disputes the claims with respect to both the June 2020 Financing and the September 2020 Financing entirely. The claims are currently subject to arbitration proceedings which the Company is defending. The Company is of the view that its defense to the claims will prevail without liability to the Company; however, an estimate of the liability to the Company should the Gravitas claims succeed is $1200 and therefore an accrual for that amount as a contingent liability has been recorded.

(b) On September 29, 2020, Snapclarity was named as a defendant to an action commenced in the Ontario Superior Court of Justice by a former shareholder of Snapclarity and companies she purports to control ("Plaintiff") (the "Action"). The nature of the Action involves various intellectual property, wrongful dismissal, unpaid invoices, defamation, and other related issues raised by the Plaintiff. The Plaintiff seeks payment of at least $928 plus costs and interest as well as non-monetary relief. Snapclarity disputes the claim in its entirety. The Company is of the view that its defenses to the claims will prevail without liability to the Company; however, an estimate of the liability to the Company should the Plaintiff's claims succeed is $150 and therefore an accrual for that amount as a contingent liability has been recorded. On December 21, 2020, Snapclarity was named as a respondent to an application commenced in the Ontario Superior Court of Justice by a former shareholder of Snapclarity ("Applicant") (the "Application"). In the Application, the Applicant exercises her dissent rights under s. 190(5) of the CBCA. She seeks an order fixing the fair value of her shares in Snapclarity and requiring Snapclarity to pay the value of the shares together with costs and interest. The applicant has claimed that the fair value of her shares totals at least $1,850. Snapclarity disputes this claim. On February 23, 2021, Snapclarity filed a Notice of Motion for an order converting the Application into an Action and consolidating the Actions. The applicant has not responded to the Notice of Motion as of this date.

21. DISCOUNTINUED OPERATIONS

On April 1, 2019, the Company entered into a settlement agreement to complete the full transfer of the Company's 99.9% ownership of Clinicas and the forgiveness of the convertible debenture held by the former Chief Executive Officer issued on the original purchase of 99.9% of Clinicas.

As part of the settlement agreement, the Company completed the following:

- On April 1, 2019, as part of the settlement, the convertible debenture was forgiven;
- On April 1, 2019, the Company assigned to the Purchaser's company, Benras Holdings Inc., the following promissory notes as security for, and in full and final satisfaction of any amount owed by the Company to the Purchaser: (i) a promissory note dated February 20, 2018 plus interest owed to the Company by the former Chief Financial Officer and a company owned by the former Chief Financial Officer with an amount outstanding as at March 31, 2019 of $43; and (ii) a promissory note dated February 20, 2018 in the amount of $220 plus interest owed to the Company by Explorinvest Capital Corp., a company partially owned by the former Chief Financial Officer of the Company; and,
- The Company issued 475,000 common shares at a value of $206.

As at December 31, 2019, no amounts were owing with regards to the settlement agreement.

(in thousands of Canadian Dollars)

Revenues and expenses from Clinicas are as follows:

		December 31, 2019
Revenue	**$**	**59**
Expenses		
Advertising		**1**
Amortization		**12**
Bank charges an interest		**6**
Consulting fees		**5**
Insurance		**2**
Office and administration		**8**
Professional fees		**5**
Rent		**13**
Repair and maintenance		**1**
Wages and related expenses		**28**
Other expenses		**1**
Loss from settlement agreement		**140**
Loss from discontinued operations	**$**	**(163)**

22. SUBSEQUENT EVENTS

- On January 12, 2021, the Company closed its acquisition of HumanaCare Organizational Resources Inc. (“HumanaCare”) by way of acquiring 100% of the shares of HumanaCare’s parent company, First Health Care Services of Canada Inc. HumanaCare is an integrated employee assistance services (“EAP”) solution providing physical and mental support for employees and their family members. As consideration, the Company agreed to pay shareholders: (i) $6,300 in cash, subject to a working capital adjustment; (ii) 2,369,791 common shares; and (iii) a performance-based earnout of 1,519,097 common shares, which is payable in equal annual issuances over a period of two years.

- On January 15, 2021, the Company closed its acquisition of Medical Confidence Inc. (“Medical Confidence”), a revolutionary healthcare navigation platform providing access to a real time digital database of publicly available specialists and their wait times. As consideration for the purchase of 100% of the outstanding securities of Medical Confidence, the Company agreed to pay shareholders of Medical Confidence: (i) $2,250 in cash, subject to a working capital adjustment; (ii) 857,143 common shares; and (iii) a performance-based earnout of $750 in cash and 285,714 common shares, which is payable in equal annual issuances over a period of two years.

- On January 22, 2021, the Company closed its acquisition of Canadian Medical Directory, Canada’s largest, most trusted directory of medical professionals nationwide. As consideration, the Company agreed to pay: (i) $250 in cash; (ii) 574,468 common shares; and (iii) a performance-based earnout of 148,936 common shares, which is payable in annual issuances over a period of two years.

- On January 26, 2021, the Company announced that it signed a binding term sheet to acquire Rxi, enhancing its specialty health services across Canada through Rxi’s pharmaceutical logistic services and customer relationship management technology. As consideration for the purchase of 100% of the outstanding securities of Rxi, the Company agreed to pay shareholders of Rxi: (i) $2,500 in cash, subject to a working capital adjustment; (ii)

1,673,640 common shares; and (iii) a performance-based earnout in 1,255,230 common shares, which is payable in common shares in equal annual issuances over a period of two years.

- On February 9, 2021, the Company closed its acquisition to acquire a majority interest (51%) in West Mississauga Medical Ltd., a comprehensive family medicine and specialist medical clinic serving over 100,000 patients. As consideration, the Company agreed to pay shareholders of West Mississauga Medical Ltd.: (i) $140 in cash, subject to a working capital adjustment; and (ii) 74,074 common shares.

- On February 16, 2021, the Company announced that it signed a binding term sheet to acquire 0869316 B.C. Ltd. (dba VisionPros), a vertically integrated digital eyewear platform which delivers contact lenses and glasses directly to customers across North America. As consideration for the purchase of 100% of the outstanding securities of VisionPros, the Company agreed to pay shareholders of VisionPros: (i) $30,000 in cash, subject to a working capital adjustment; (ii) 10,909,091 common shares; and (iii) a performance-based earnout of up to $40,000 payable in cash or 14,545,455 common shares at the Company's discretion.

- On March 9, 2021, the Company closed its short form prospectus offering, on a bought deal basis. The Company issued a total of 18,500,000 Common Share at the price of $2.70 per Common Share for aggregate gross proceeds to the Company of $49,950. The Company also issued the underwriters an aggregate of 1,295,000 broker warrants.

- On March 12, 2021, the Company closed the sale of an additional 3,060,000 common shares at the price of $2.70 per common share for aggregate gross proceeds to the Company of $8,262. The Company also issued the underwriters an additional 214,200 broker warrants.

- On March 23, 2021, the Company closed its acquisition to IDYA4, a leading data integration and cybersecurity company based in the United States. As consideration for the purchase of 100% of the issued and outstanding IDYA4 securities, the Company agreed to pay: (i) US$3,700 in cash, subject to a working capital adjustment; (ii) 3,889,169 common shares; and (iii) a performance based earnout of US$440 in cash and 2,335,840 in common shares, which is payable in equal annual issuances over a period of two years.

- On April 6, 2021, the Company closed its acquisition of Aspiria Corp. ("Aspiria"), an integrated EAP and student assistance services ("SAP") company with a comprehensive suite of mental health and wellness solutions for all employer and educational sectors. As consideration for the purchase of 100% of the outstanding securities of Aspiria, the Company agreed to pay shareholders of Aspiria: (i) $1,200 in cash, subject to a working capital adjustment; (ii) 460,526 common shares; and (iii) a performance-based earnout of 328,947 common shares, which is payable after a period of one year.

- On April 8, 2021, the Company announced that it signed a binding term sheet to acquire Oncidium Inc. ("Oncidium"), one of Canada's leading healthcare providers to employers. As consideration for the purchase of 100% of the outstanding securities of Oncidium, the Company agreed to pay shareholders of Oncidium: (i) $30,000 in cash, subject to a working capital adjustment; (ii) 16,521,739 common shares; and (iii) a performance-based earnout of up to $32,000 payable in cash or 13,913,043 common shares at the Company's discretion.