CloudMD Software & Services Inc.

Condensed Interim Consolidated Financial Statements
For the three and six months ended June 30, 2022 and 2021
(unaudited)

(Expressed in thousands of Canadian Dollars, except number of shares and per share amounts)

CLOUDMD SOFTWARE & SERVICES INC.
Condensed Interim Consolidated Statements of Financial Position
(Expressed in thousands of Canadian Dollars, except number of shares and per share amounts)
(Unaudited)

	Note		June 30, 2022		December 31, 2021
ASSETS					
Current assets					
Cash and cash equivalents		**$**	**29,703**	$	45,082
Trade and other receivables	6		**26,428**		24,429
Inventory			**3,605**		3,424
Prepaid expenses, deposits and other			**4,442**		2,427
Net investment in sublease			**207**		20
Total current assets			**64,385**		75,382
Deposits			**238**		238
Net investment in sublease			**1,008**		-
Investment in joint venture			**384**		407
Property and equipment	7		**11,943**		11,319
Intangible assets	8		**98,999**		85,377
Goodwill	8		**131,852**		139,367
Total assets		**$**	**308,809**	$	312,090
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Accounts payable, accrued liabilities and other		**$**	**26,092**	$	30,586
Deferred revenue			**2,350**		1,311
Contingent consideration	10		**3,555**		11,807
Contingent liability			**1,350**		1,350
Current portion of lease liabilities	11		**2,650**		1,973
Current portion of long-term debt	9		**2,532**		2,438
Total current liabilities			**38,529**		49,465
Contingent consideration	10		**910**		6,507
Lease liabilities	11		**8,198**		6,912
Deferred tax liability			**16,670**		17,202
Liability to non-controlling interests			**679**		511
Long-term debt	9		**22,892**		22,130
Total liabilities			**87,878**		102,727
SHAREHOLDERS' EQUITY					
Share capital	13		**303,846**		241,395
Reserves			**12,892**		11,932
Shares under escrow			**596**		596
Contingent shares issuable			**3,995**		8,510
Accumulated other comprehensive loss			**83**		(227)
Deficit			**(101,338)**		(53,634)
Equity attributable to equity holders of the parent			**220,074**		208,572
Non-controlling interest			**857**		791
Total shareholders' equity			**220,931**		209,363
Total liabilities and shareholders' equity		**$**	**308,809**	$	312,090

Litigation and other contingencies *(Note 18)*

Approved and authorized for issuance by the Board of Directors on August 22, 2022.

"Karen Adams"
Karen Adams, CEO

"Christopher Cherry"
Christopher Cherry, Audit Committee Chair

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

	Note	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
Revenue	17	**$ 40,301**	$ 15,659	**$ 81,679**	$ 24,434
Cost of sales		**27,813**	10,102	**55,725**	15,286
Gross profit		**12,488**	5,557	**25,954**	9,148
Expenses					
Sales and marketing		**3,327**	1,768	**6,386**	2,923
Research and development		**1,770**	985	**3,073**	1,725
General and administrative		**11,125**	3,531	**22,047**	6,923
Share-based compensation	13	**532**	1,438	**1,022**	3,033
Amortization of intangible assets	8	**3,740**	850	**5,706**	1,074
Depreciation of property and equipment	7	**983**	602	**2,029**	1,067
Financing-related costs		**-**	122	**-**	871
Acquisition-related and integration costs		**5,049**	2,860	**7,573**	3,672
Total expenses		**26,526**	12,156	**47,836**	21,288
Loss before undernoted		**(14,038)**	(6,599)	**(21,882)**	(12,140)
Other income		**99**	183	**271**	247
Change in fair value of contingent consideration	10	**3,315**	11	**6,050**	326
Change in fair value of liability to non-controlling interests		**(39)**	-	**(168)**	-
Finance costs		**(564)**	(112)	**(1,061)**	(200)
Impairment	8	**(33,019)**	-	**(33,019)**	-
		(30,208)	82	**(27,927)**	373
Net loss before taxes		**(44,246)**	(6,517)	**(49,809)**	(11,767)
Income tax expense		**32**	(115)	**(53)**	(155)
Net loss for the period		**(44,214)**	(6,632)	**(49,862)**	(11,922)
Other comprehensive gain (loss)					
Item that may be reclassified to income in subsequent periods					
Exchange differences on translation of foreign operations		**446**	(149)	**310**	(156)
Total comprehensive loss for the period		**$ (43,768)**	$ (6,781)	**$ (49,552)**	$ (12,078)
Net loss attributable to:					
Equity holders of the Company		**$ (44,271)**	$ (6,628)	**$ (49,928)**	$ (11,929)
Non-controlling interest		**57**	(4)	**66**	7
Total comprehensive loss attributable to:					
Equity holders of the Company		**$ (43,825)**	$ (6,778)	**$ (49,618)**	$ (12,085)
Non-controlling interest		**57**	(3)	**66**	7
Weighted average number of common shares, basic and diluted		**286,790,574**	203,139,334	**267,341,278**	189,709,568
Loss per share, basic and diluted		**$ (0.15)**	$ (0.03)	**$ (0.19)**	$ (0.06)

CLOUDMD SOFTWARE & SERVICES INC.
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
(Expressed in thousands of Canadian Dollars, except number of shares and per share amounts)
(Unaudited)

	Share capital	Reserves	Shares under escrow	Contingent shares issuable	Accumulated other comprehensive gain (loss)	Deficit	Non-controlling interest	Total
Balance, December 31, 2020	**$ 117,418**	**$ 7,277**	**$ 596**	**$ 5,923**	**$ (192)**	**$ (21,404)**	**$ 803**	**$ 110,421**
Shares issued/issuable for business	59,345	-	-	3,416	-	-	-	62,761
Shares issued for investment in joint venture	193	-	-	-	-	-	-	193
Shares issued/issuable for asset purchase	1,471	-	-	190	-	-	-	1,661
Bought deal financing	58,212	-	-	-	-	-	-	58,212
Contingent shares issued	1,537	-	-	(1,034)	-	(503)	-	-
Share issuance costs	(5,244)	1,023	-	-	-	-	-	(4,221)
Exercise of stock options	1,455	(542)	-	-	-	-	-	913
Exercise of warrants	2,905	(1)	-	-	-	-	-	2,904
Shares issued for services	2,455	-	-	-	-	-	-	2,455
Share-based compensation	-	2,921	-	-	-	-	-	2,921
Other comprehensive loss	-	-	-	-	(156)	-	-	(156)
Net loss for the period	-	-	-	-	-	(11,929)	7	(11,922)
Balance, June 30, 2021	**$ 239,747**	**$ 10,678**	**$ 596**	**$ 8,495**	**$ (348)**	**$ (33,836)**	**$ 810**	**$ 226,142**
Balance, December 31, 2021	**$ 241,395**	**$ 11,932**	**$ 596**	**$ 8,510**	**$ (227)**	**$ (53,634)**	**$ 791**	**$ 209,363**
Shares issued/issuable for business combinations	53,176	-	-	-	-	-	-	53,176
Gain on modification in contingent shares issuable	-	-	-	(2,224)	-	2,224	-	-
Contingent shares issued	2,276	-	-	(2,276)	-	-	-	-
Contingent consideration settled in shares	6,616	-	-	-	-	-	-	6,616
Exercise of stock options	87	(37)	-	-	-	-	-	50
Exercise of warrants	281	(5)	-	-	-	-	-	276
Shares issued for services	15	-	-	(15)	-	-	-	-
Share-based compensation	-	1,002	-	-	-	-	-	1,002
Other comprehensive gain	-	-	-	-	310	-	-	310
Net loss for the period	-	-	-	-	-	(49,928)	66	(49,862)
Balance, June 30, 2022	**$ 303,846**	**12,892**	**596**	**3,995**	**83**	**(101,338)**	**857**	**220,931**

CLOUDMD SOFTWARE & SERVICES INC.
Condensed Interim Consolidated Statements of Cash Flow
(Expressed in thousands of Canadian Dollars, except number of shares and per share amounts)
(Unaudited)

	Note		June 30, 2022		June 30, 2021
Operating activities					
Net loss for the period		**$**	**(49,862)**	$	(11,922)
Items not involving cash:					
Interest expense on lease liabilities			**199**		124
Accretion expense on contingent consideration			**-**		24
Interest expense on long term debt			**862**		-
Deferred tax expense			**(811)**		-
Amortization of intangible assets			**5,706**		1,074
Depreciation of property and equipment			**2,029**		1,067
Share-based compensation			**1,022**		3,033
Shares issued for services			**-**		2,455
Unrealized foreign exchange loss			**(35)**		(38)
Impairment loss			**33,019**		-
Share in profits of joint venture			**(3)**		(2)
Interest income from net investment in sublease			**(11)**		(3)
Change in fair value of liability to non-controlling interests			**168**		-
Change in fair value of contingent consideration			**(6,050)**		(326)
Net change in non-cash working capital	14		**(8,477)**		(3,257)
Net cash used in operating activities			**(22,244)**		(7,771)
Investing activities					
Acquisition of businesses, net of cash acquired			**12,163**		(69,581)
Payment of contingent consideration			**(1,183)**		-
Dividends received from joint venture			**26**		-
Investment in joint venture			**-**		(181)
Payments received from net investment in sublease			**62**		79
Purchases of intangible assets			**(1,049)**		(481)
Purchases of property and equipment			**(221)**		(219)
Net cash provided by (used in) investing activities			**9,798**		(70,383)
Financing activities					
Shares issued for cash			**-**		58,212
Share issuance costs			**-**		(4,221)
Proceeds from exercise of stock options			**50**		912
Proceeds from exercise of warrants			**276**		2,904
Proceeds from long-term debt, net of financing costs			**467**		23,633
Payment of long-term debt			**(2,123)**		(1,065)
Payment of lease liabilities			**(1,595)**		(943)
Payment of line of credit			**-**		(2)
Net cash (used in) provided by financing activities			**(2,925)**		79,430
Net (decrease) increase in cash and cash equivalents			**(15,371)**		1,276
Cash and cash equivalents, beginning of period			**45,082**		59,714
Effect of foreign exchange on cash and cash equivalents			**(8)**		(110)
Cash and cash equivalents, end of period		**$**	**29,703**	$	60,880

Supplemental cash flow information (*Note 14*)

The accompanying notes are an integral part of these condensed interim unaudited 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 2200 HSBC Building, 885 West Georgia Street, Vancouver, British Columbia, Canada, V6C 3EH. These condensed interim unaudited consolidated financial statements comprise the Company and its subsidiaries.

CloudMD is a healthcare services provider that uses a comprehensive personalized approach to support an individual's mental, physical, and social issues. CloudMD has a complete health ecosystem that connects all points of the healthcare journey through one centralized platform.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Preparation

The condensed interim unaudited consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB") and should be read in conjunction with the Company's last annual consolidated financial statements as at and for the year ended December 31, 2021. They do not include all the information required for a complete set of financial statements prepared in accordance with IFRS standards. The Company has prepared the financial statements on the basis that it will continue to operate as a going concern. The Board of Directors considers that there are no material uncertainties that may cast significant doubt over this assumption. They have formed a judgment that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

These financial statements were authorized for issue by the Board of Directors on August 22, 2022.

b) Basis of Consolidation

The condensed interim unaudited consolidated financial statements comprise of the financial statements of the Company and its subsidiaries as at June 30, 2022. All inter-company transactions and balances have been eliminated on consolidation.

The condensed interim unaudited consolidated financial statements incorporate the assets, liabilities and results of the Company and its subsidiaries for the three and six months ended June 30, 2022, and 2021. As at June 30, 2022, the Company owned 34 subsidiaries that are wholly-owned or controlled by virtue of a management services agreement, based in Canada and the USA, and one majority-owned subsidiary in the USA. (87.5% owned by the Company).

c) Significant Accounting Policies

These condensed interim unaudited consolidated financial statements have been prepared in accordance with the accounting policies adopted in the Company's most recent annual financial statements for the year ended December 31, 2021 apart from the below:

Government grants

Government grants, such as investment tax credits ("ITCs") or below-market interest rate loans, are recognized when there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. The benefit of the below-market rate of interest is measured as the difference between the initial carrying value of the loan determined in accordance with IFRS 9 and the proceeds received. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognized as a reduction of the related asset.

d) New standards, interpretations and amendments adopted by the Company

The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments to existing standards are effective from January 1, 2022, but they did not have an impact on the condensed interim unaudited consolidated financial statements of the Company.

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.

The same accounting policies and methods of computation are followed in the condensed interim unaudited consolidated financial statements as compared with the most recent audited annual financial statements, apart from those described below:

Consolidation of entities

The Company considers that it controls Farvolden Psychology Professional Corporation, subsequently renamed Amaria Psychology Professional Corporation ("ProfCo"), acquired as part of the MindBeacon acquisition, in respect of all matters other than matters relating to the practice of psychology and psychotherapy, by virtue of a management services agreement, even though it does not own any of the voting rights or securities of ProfCo.

The Company evaluates all relevant facts and circumstances in assessing whether it has power over ProfCo, a key determinant of control, including assessing its rights, and the potential voting rights, contained in the management services agreement. In addition, the Company assesses its exposure, or rights, to variable returns and its ability to use its power over ProfCo to affect the amount of its returns. These evaluations are complex and involve judgment. Judgment is required to determine whether the Company has the right to make decisions that control the relevant activities of ProfCo, and thus the ability to impact its economic returns. Management must assess which activities most significantly affect the economic performance of ProfCo and whether it has control over these activities. Judgment is also required to determine if the Company has power through potential voting rights. The Company makes an evaluation of whether its potential voting rights, through a call option to purchase all the outstanding shares of ProfCo for a nominal amount, are substantive. The Company evaluates whether the call option is in-the-money, whether it has the financial ability to exercise its option and whether the option is currently exercisable.

The Company has made the assessment that it has substantive rights, including the ability to control relevant activities, through the management services agreement. In addition, the Company has assessed that the management services agreement provides it with potential voting rights. The judgments made by management with respect to consolidation of entities can significantly impact the assets and liabilities, equity, income, expenses, and cash flows of the Company. Management performs ongoing reassessments of whether there are changes in the facts and circumstances that could impact the Company's ability to control, and therefore consolidate, ProfCo.

(Expressed in thousands of Canadian Dollars, except number of shares and per share amounts)

4. BUSINESS COMBINATIONS

On January 14, 2022, the Company acquired all of the issued and outstanding Common Shares of MindBeacon Holdings Inc. ("MindBeacon"), one of North America's leading providers of digital mental health care. The acquisition received all required approvals and the transaction closed on that date. Under the terms of the agreement, shareholders of MindBeacon received 2.285 common shares of CloudMD for each common share of MindBeacon and $1.22 of cash per share. Total consideration paid was $29,271 in cash and 54,820,958 common shares of CloudMD.

The purchase price for this acquisition is provisional, and is as follows:

		Provisional
Purchase price:		
Fair value of common shares issued	$	53,176
Cash consideration		29,271
Total consideration paid	**$**	**82,447**
Allocated as follows:		
Cash and cash equivalents	$	41,434
Trade and other receivables		3,916
Prepaid expenses, deposits and other		2,010
Property and equipment		1,127
Customer relationships		760
Brand		1,000
Software		16,860
Non-compete agreement		950
Accounts payable, accrued liabilities and other		(6,051)
Deferred revenue		(677)
Deferred tax liability		(265)
Lease liabilities		(866)
Long-term debt		(1,648)
Total net assets acquired	$	**58,550**
Goodwill acquired	$	**23,897**

The net assets recognised in the June 30, 2022 financial statements are based on a provisional assessment of their fair value. The valuation has not been completed, and therefore are subject to change. Management continues to refine and finalize its purchase price allocation of the fair value of identified assets, intangible assets, and the allocation of goodwill.

From the date of acquisition, MindBeacon contributed $13,428 of revenue and $3,426 to net loss for the period. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been $14,418 and net loss for the Company would have been $4,325.

(Expressed in thousands of Canadian Dollars, except number of shares and per share amounts)

The Company acquired interests in the following companies during the six months ended June 30, 2021. The valuation of these companies has bene completed, and the purchase price allocation is final.

		Humanacare (1)	Medical Confidence (2)	IDYA4 (3)	Aspiria (4)	RXI (5)	VisionPros	CMD (6)	Oncidium (7)
		Final	Final	Final	Final	Final	Final	Final	Final
Purchase price:									
Fair value of common shares issued	$	5,237	1,903	7,817	866	3,397	9,229	1,471	30,896
Cash consideration		6,126	2,337	5,843	855	2,342	25,655	250	31,028
Indemnification holdback		-	-	-	-	-	-	-	-
Contingent shares issuable		1,205	317	1,401	493	-	-	191	-
Contingent consideration		-	375	156	-	68	-	-	15,620
Total consideration paid	**$**	**12,568**	**4,932**	**15,217**	**2,214**	**5,807**	**34,884**	**1,912**	**77,544**
Allocated as follows:									
Cash and cash equivalents	$	-	161	1,771	85	631	180	-	1,198
Trade and other receivables		672	287	868	147	2,077	99	-	9,970
Inventory		-	-	-	-	43	2,226	-	-
Prepaid expenses, deposits and other		14	10	-	14	6	28	-	1,506
Property and equipment		320	44	-	159	160	770	-	4,061
Customer relationships		4,225	647	1,051	1,673	3,636	-	904	36,870
Brand		1,279	-	-	197	-	11,250	-	-
Software		-	2,943	1,953	-	591	-	126	3,400
Non-compete agreement		311	-	-	57	-	-	-	-
Accounts payable, accrued liabilities and other		(297)	(314)	(607)	(523)	(3,205)	(8,324)	-	(13,161)
Deferred revenue		(301)	-	-	(28)	-	(331)	-	-
Deferred tax liability		(1,472)	(936)	-	(390)	(598)	(3,016)	-	(6,884)
Lease liabilities		(291)	-	-	(147)	(115)	(43)	-	(3,680)
Long-term debt		(262)	(56)	(402)	(40)	-	(60)	-	-
Total net assets acquired	$	**4,198**	**2,786**	**4,634**	**1,204**	**3,226**	**2,779**	**1,030**	**33,280**
Goodwill acquired	$	**8,370**	**2,146**	**10,583**	**1,010**	**2,581**	**32,105**	**882**	**44,264**

(1) The contingent shares issuable represents two earn-out revenue milestone payments for the years ending December 31, 2021, and December 31, 2022. Valuation of the contingent shares issuable was calculated using the closing price of the Company's common shares on January 11, 2021, and the number of common shares issuable based on management's best estimate of future revenue results. The contingent shares issuable could be higher or lower depending on the related future revenue outcome.

(2) The contingent consideration and contingent shares issuable represent two earn-out revenue milestone payments for the years ending December 31, 2021, and December 31, 2022. Valuation of the contingent consideration was calculated using the expected cash outflow based on management's best estimate of future revenue results. Valuation of the contingent shares issuable was calculated using the closing price of the Company's common shares on January 15, 2021, and the number of common shares issuable based on management's best estimate of future revenue results. The contingent consideration and contingent shares issuable could be higher or lower depending on the related future revenue outcome. The contingent consideration is reviewed and remeasured on a quarterly basis.

(3) The contingent consideration and contingent shares issuable represent two earn-out revenue milestone payments for the years ending December 31, 2021, and December 31, 2022. Valuation of the contingent consideration was calculated using the expected cash outflow based on management's best estimate of future revenue results. Valuation of the contingent shares issuable was calculated using the closing price of the Company's common shares on March 22, 2021, and the number of common shares issuable based on management's best estimate of future revenue results. The contingent consideration and contingent shares issuable could be higher or lower depending on the related future revenue outcome. The contingent consideration is reviewed and remeasured on a quarterly basis.

(4) The contingent shares issuable represents an earn-out revenue milestone payment for the year ending December 31, 2021. Valuation of the contingent shares issuable was calculated using the closing price of the Company's

common shares on April 1, 2021 and the number of common shares issuable based on management's best estimate of future revenue results.

(5) The contingent consideration represents two earn-out profitability milestone payments for the years ending December 31, 2021 and December 31, 2022. Valuation of the contingent consideration was calculated using the closing price of the Company's common shares on May 11, 2021 and the number of common shares issuable based on management's best estimate of future profitability results. The contingent consideration could be higher or lower depending on the related future profitability outcome. The contingent consideration is reviewed and remeasured on a quarterly basis.

(6) The contingent shares issuable represents two earn-out revenue milestone payments for the years ending December 31, 2021 and December 31, 2022. Valuation of the contingent shares issuable was calculated using the closing price of the Company's common shares on December 20, 2020 and the number of common shares issuable based on management's best estimate of future revenue results. The contingent shares issuable could be higher or lower depending on the related future revenue outcome.

(7) The contingent consideration represents three revenue and three profitability earn-out milestone payments for the years ending December 31, 2021, and time-based payments for the year ending December 31, 2022, and December 31, 2023. The contingent consideration can be settled, at the Company's discretion, using cash or common shares issuable at $2.30. Valuation of the contingent consideration was calculated using the expected cash outflow using Monte Carlo method. The contingent consideration is reviewed and remeasured on a quarterly basis. The terms of the contingent consideration were modified during the three months ended June 30, 2022, see Note 10.

(Expressed in thousands of Canadian Dollars, except number of shares and per share amounts)

During the six months ended June 30, 2022, the Company finalized the purchase price allocation and adjusted the values for the contingent consideration, intangible assets, goodwill, and deferred taxes pursuant to the acquisition agreements. As required by IFRS, the preliminary acquisition date values were retrospectively adjusted to reflect the changes effective as of the acquisition date, as follows:

Provisional Allocation	Humanacare	Medical Confidence	IDYA4	Aspiria	RXI	VisionPros	CMD	Oncidium
Cash and cash equivalents	-	161	1,771	85	631	180	-	1,198
Trade and other receivables	672	287	868	147	2,077	99	-	9,984
Inventory	-	-	-	-	43	2,226	-	-
Prepaid expenses, deposits and other	14	10	-	14	6	28	-	1,506
Property and equipment	320	44	-	159	160	770	-	4,061
Customer relationships	4,225	647	1,051	1,673	3,519	-	904	36,870
Brand	1,279	-	-	197	-	11,250	-	-
Software	-	2,943	1,953	-	593	-	126	3,400
Non-compete agreement	311	-	-	57	-	-	-	-
Accounts payable, accrued liabilities and other	(297)	(314)	(607)	(523)	(3,205)	(9,124)	-	(13,083)
Deferred revenue	(301)	-	-	(28)	-	(331)	-	-
Deferred tax liability	(1,472)	(936)	-	(390)	(598)	(3,016)	-	(10,136)
Lease liabilities	(291)	-	-	(147)	(115)	(43)	-	(3,680)
Long-term debt	(262)	(56)	(402)	(40)	-	(60)	-	-
Goodwill	8,370	2,146	10,583	1,010	2,696	45,550	882	45,865
Adjustments	**Humanacare**	**Confidence**	**IDYA4**	**Aspiria**	**RXI**	**VisionPros**	**CMD**	**Oncidium**
Cash and cash equivalents	-	-	-	-	-	-	-	-
Trade and other receivables	-	-	-	-	-	-	-	(14)
Prepaid expenses, deposits and other	-	-	-	-	-	-	-	-
Customer relationships	-	-	-	-	117	-	-	-
Software	-	-	-	-	(2)	-	-	-
Accounts payable, accrued liabilities and other	-	-	-	-	-	800	-	(78)
Deferred tax liability	-	-	-	-	-	-	-	3,252
Goodwill	-	-	-	-	(115)	(13,445)	-	(1,601)

Final	Humanacare	Medical Confidence	IDYA4	Aspiria	RXI	VisionPros	CMD	Oncidium
Cash and cash equivalents	-	161	1,771	85	631	180	-	1,198
Trade and other receivables	672	287	868	147	2,077	99	-	9,970
Inventory	-	-	-	-	43	2,226	-	-
Prepaid expenses, deposits and other	14	10	-	14	6	28	-	1,506
Property and equipment	320	44	-	159	160	770	-	4,061
Customer relationships	4,225	647	1,051	1,673	3,636	-	904	36,870
Brand	1,279	-	-	197	-	11,250	-	-
Software	-	2,943	1,953	-	591	-	126	3,400
Non-compete agreement	311	-	-	57	-	-	-	-
Accounts payable, accrued liabilities and other	(297)	(314)	(607)	(523)	(3,205)	(8,324)	-	(13,161)
Deferred revenue	(301)	-	-	(28)	-	(331)	-	-
Deferred tax liability	(1,472)	(936)	-	(390)	(598)	(3,016)	-	(6,884)
Lease liabilities	(291)	-	-	(147)	(115)	(43)	-	(3,680)
Long-term debt	(262)	(56)	(402)	(40)	-	(60)	-	-
Goodwill	8,370	2,146	10,583	1,010	2,581	32,105	882	44,264

(Expressed in thousands of Canadian Dollars, except number of shares and per share amounts)

5. EXPENSES BY NATURE

	Three months ended		Six months ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Cost of sales	$ **27,625**	$ 10,587	$ **55,459**	$ 15,322
Wages and employee benefits	**11,821**	4,666	**22,311**	8,026
Professional fees	**5,132**	2,620	**8,483**	5,205
Share-based compensation	**532**	1,438	**1,022**	3,033
Office and administration	**2,465**	818	**4,758**	1,575
Marketing and advertising	**1,605**	452	**2,925**	847
Amortization of intangible assets	**3,740**	850	**5,706**	1,074
Depreciation of property and equipment	**983**	602	**2,029**	1,067
Others	**436**	225	**868**	425
Total	$ **54,339**	$ 22,258	$ **103,561**	$ **36,574**

6. TRADE AND OTHER RECEIVABLES

The following table shows the details of the Company's trade and other receivables:

	June 30, 2022	December 31 2021
Trade receivables	$ **21,956**	$ 17,263
Other receivables	**4,832**	7,466
Allowance for doubtful accounts	**(360)**	(300)
Total	$ **26,428**	$ 24,429

The Company evaluates credit losses on a regular basis based on the aging and future collectability of its receivables. As at June 30, 2022, and December 31, 2021, the Company recognized expected credit losses of $360 (2021 - $300), 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. PROPERTY AND EQUIPMENT

For the six months ended June 30, 2022, the Company acquired assets with a cost of $2,012, disposed of assets with a cost of $510 and foreign exchange difference of $24. For the six months ended June 30, 2022, property plant and equipment also increased due to the acquisition of MindBeacon by $1,127 (Note 4).

For the three and six months ended June 30, 2022, the Company recorded depreciation expense of $983 and $2,029 (2021 – $602 and $1,067) within expenses.

8. GOODWILL AND INTANGIBLE ASSETS

(a) Goodwill

During the six months ended June 30, 2022 the Company added $23,897 in goodwill related to the Mindbeacon acquisition (see note 4).

As at June 30, 2022, the Company's carrying amount of the net assets of the entity exceeded its market capitalization, which is an indicator of impairment. As a result, the Company assessed each of its CGUs and groups of CGUs for indicators of impairment, and where identified, performed an impairment test. Following the Settlement Agreement with the former owners of Vision Pros, in part due to the supplier issues which necessitated the negotiation and signing of new supplier agreements and their impact on the Company's financial projections during the six months ended 30 June 2022 (see Note 18), the Company assessed the recoverable amount of the CGU.

The carrying amount of the CGU was determined to be higher than its recoverable amount of $7,511 and an impairment loss of $28,833 (six months ended 30 June 2021: nil) was recognised. The impairment loss was allocated fully to goodwill, reducing the goodwill included in the Vision Pro's CGU to $3,272. The recoverable amount of the CGU was based on its value in use 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 12%. The discount rate reflected appropriate adjustments relating to market risk and specific risk factors for the specific CGU.

Value in use was determined by discounting the future cash flows to be generated from the continuing use of the CGU. Value in use as at June 30, 2022, was determined similarly to the December 31, 2021, goodwill impairment test. Following the impairment loss recognised in the Vision Pros CGU, the recoverable amount was equal to the carrying amount. Therefore, any adverse change in a key assumption may result in further impairment.

During the three months ended June 30, 2022, the Company observed financial performance in its RXI business that was below budget as costs in the business were rising. As a result, the Company assessed the recoverable amount of the CGU. The carrying amount of the CGU was determined to be higher than its recoverable amount of $2,000 and an impairment loss of $3,778 (six months ended 30 June 2021: nil) was recognised. The impairment loss was allocated to goodwill in the amount of $2,579 reducing the goodwill in the RXI CGU to nil, and to intangible assets in the amount of $1,198 reducing the intangible assets in the RXI CGU to $2,479. Following the impairment loss recognised in the RXI CGU, the recoverable amount was equal to the carrying amount. Therefore, any adverse change in a key assumption may result in further impairment. There was also an impairment loss of $408 recognized for a miscellaneous other receivable related to RXI which was determined to be uncollectible.

Other CGUs were not tested for impairment because there were no impairment indicators at June 30, 2022. The Company intends to complete its annual impairment testing as at December 31, 2022.

(b) Intangible assets

For the six months ended June 30, 2022, the Company acquired assets with a cost of $1,049, intangible assets also increased due to the acquisition of MindBeacon by $19,570 (Note 4).

For the three and six months ended June 30, 2022, the Company recorded amortization expense of $3,740 and $5,706 (2021 – $850 and $1,074) within expenses.

During 2022, the Company conducted a review of its technology platforms, which resulted in changes in the expected usage of certain platforms. The platforms, which management had previously intended to use for 10 yeras, is now expected to be used in 5 to 8 years. As a result, the expected useful life of the technology platform decreased. The effects of these changes were applied to these financial statements prospectively starting in

(Expressed in thousands of Canadian Dollars, except number of shares and per share amounts)

January 1, 2022.

9. LONG TERM DEBT

	Interest rate	Maturity	June 30, 2022	December 31, 2021
Fixed interest rate bank loans[1]	3.20%	October 31, 2026	**$ 142**	$ 156
	3.35%	October 31, 2026	**1,188**	1,313
	6.22%	November 1, 2026	**143**	116
	3.97%	October 31, 2026	**108**	158
Variable interest rate bank loans	CDOR +3.50%[2]	June 30, 2024	**21,599**	22,635
	Prime +1.00%[3]	April 30, 2023	**63**	100
Interest free loans				
Federal Economic Development Agency loan [4]			**2,091**	-
CEBA Loan			**90**	90
Balance			**25,424**	24,568
Current portion			**2,532**	2,438
Long-term portion			**$ 22,892**	$ 22,130

[1] The fixed interest rate bank loans are secured by first ranking security interest over all property of CloudMD and certain subsidiaries for a maximum guaranteed amount of $3,414.
[2] As at June 30, 2022, the interest rate for the variable interest rate bank loan was 5.73%.
[3] As at June 30, 2022, the interest rate for the variable interest rate bank loan was 5.70%.
[4] MindBeacon entered into a contribution agreement with the Federal Economic Development Agency for Southern Ontario for up to $4,000 in interest free loans to support its transition into a digital mental health platform provider, with the objective of growing recurring revenue by offering its platform as a service to customers in global markets. The loan is repayable over a period of five years, beginning January 2024.

Effective June 25, 2021, the Company, through its subsidiary Oncidium, established credit facilities of up to $62,000 (the "Facilities") comprised of the following:

(1) Revolver Facility of $3,000;
(2) Term Facility of $49,000; and,
(3) Additional term facility of $10,000 subject to lender approval.

The Facilities mature 3 years from the date the funds are drawn. Interest accrues daily on advances at the applicable Canadian Dealer Offered Rate ("CDOR") plus a margin of between 2.0% and 3.5% dependent upon certain financial ratios. The fair value of the long-term debt approximates its carrying value.

As at June 30, 2022, the Company was in compliance with all financial covenants.

The debt is secured by a first-ranking security interest on all present and after-acquired assets of the Company's subsidiary Oncidium.

(Expressed in thousands of Canadian Dollars, except number of shares and per share amounts)

10. CONTINGENT CONSIDERATION AND CONTINGENT SHARES ISSUABLE

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

Contingent consideration, December 31, 2021		**18,314**
Payment of contingent consideration		(7,799)
Change in fair value		(6,050)
Contingent consideration, June 30, 2022		**4,465**
Current portion		3,555
Long-term portion	**$**	**910**

Contingent consideration is comprised of earn-out payments due to sellers of acquired entities for meeting certain EBITDA or revenue conditions over a period of up to 3 years following the date of the acquisition.

The fair value of contingent consideration is considered a Level 3 financial instrument and was determined primarily using Monte-Carlo simulations and other pricing methodologies, dependent on the facts of the respective acquisitions. The fair value determination of the contingent consideration required management to make significant estimates and assumptions related to future cash flows of the acquired businesses, volatility rates and with respect to the selection of the discount rates. These reflect the Company's own judgements about the assumptions market participants would use in pricing the assets and liabilities. The significant unobservable inputs used to measure the contingent consideration using the Monte Carlo model are expected cash flows and the risk adjusted discount rate. For contingent consideration estimated using a probability weighted approach, the significant unobservable inputs are the probability that the milestone will be achieved, the expected cash flows, and the risk adjusted discount rate.

On May 27, 2022 the Company entered into an amendment agreement of the original Oncidium Share Purchase Agreement to the effect of amending future contingent consideration payments. Under the original terms, the contingent consideration was based on future revenue and profitability outcome. Under the amended terms, the contingent consideration is based on future revenue and a time-based earnout. The Company has attributed $1,199 to the change in consideration due to the extinguishment of the Share Purchase Agreement and has included the amount in 'Changes in fair value of contingent consideration' in the consolidated statements of net loss and comprehensive loss. The contingent consideration represents two time-based payments for the years ending December 31, 2022, and December 31, 2023. The contingent consideration can be settled, at the Company's discretion, using cash or common shares issuable at $2.30.

On March 29, 2022, the Company entered into an amendment agreement of the original iMD Share Purchase Agreement to the effect of amending future contingent consideration shares issuable. Under the original terms, the contingent shares issuable were based on future revenue and profitability outcome. Under the amended terms, the contingent shares issuable is time-based earnout. As a result of the amendment, the Company has attributed $1,832 to change in contingent shares issuable and has included the amount in 'Contingent shares issuable' in the statement of changes in equity.

On May 18, 2022, the Company entered into an amendment agreement of the original Re:Function Share Purchase Agreement to the effect of amending future contingent consideration shares issuable. Under the original terms, the contingent shares issuable were based on future revenue and profitability outcome. Under the amended terms, the contingent shares issuable is time-based earnout. As a result of the amendment, the Company has attributed $392 to change in contingent shares issuable and has included the amount in 'Contingent shares issuable' in the statement of changes in equity.

Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for as equity. Contingent consideration that is classified as a liability is re-measured at subsequent reporting dates with the corresponding gain or loss being recognized in profit or loss under 'Change in fair value of contingent consideration'.

(Expressed in thousands of Canadian Dollars, except number of shares and per share amounts)

11. LEASES

The Company leases various office, clinic, and pharmacy spaces for its operations. The Company also subleases certain excess space to a third party.

As a lessee

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

Balance, December 31, 2021		**8,885**
Additions		2,493
Additions from business combinations		866
Interest expense on lease liabilities		199
Lease payments		(1,595)
Balance, June 30, 2022		**10,848**
Current portion		2,650
Long-term portion	**$**	**8,198**

The following is a breakdown of contractual undiscounted cash flows for lease liabilities by maturities as at June 30, 2022:

		June 30, 2022
Less than one year	$	3,010
One to five years		7,555
More than five years		1,218
Total	**$**	**11,783**

(Expressed in thousands of Canadian Dollars, except number of shares and per share amounts)

12. RELATED PARTY TRANSACTIONS

Key management personnel include the Company's Board of Directors, members of the senior executive team, close family members, and enterprises which are under common control or 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.

The following is a summary of remuneration of key management and Board of Directors:

	Three months ended		**Six months ended**	
	June 30, 2022	**June 30, 2021**	**June 30, 2022**	**June 30, 2021**
Cash-based compensation	**$ 2,057**	$ 586	**$ 3,149**	$ 890
Share-based compensation	**389**	825	**596**	1,493
Total	**$ 2,446**	$ 1,412	**$ 3,745**	$ 2,383

During the three months and six ended June 30, 2022, the Company paid $866 and $1,748 (June 30, 2021 - $584 and $639) for services acquired and the cost of facility sharing, and the Company received $172 and $252 (June 30, 2021 – $249 and $264) for services acquired for projects subcontracted to a company controlled by key management of one the Company's subsidiaries for IT development service. At June 30, 2022, there was an amount payable of $628 (December 31, 2021 - $675) and amount receivable of $127 (December 31, 2021 - $383). These services were paid for the development of one of the Company's key operational platforms.

During the three and six months ended June 30, 2022, the Company paid $222 and $494 (June 30, 2021 - $nil and $nil) to a company controlled by key management of one the Company's subsidiaries. This amount was paid to a non-profit organization which aided in the delivery of pharmaceutical services to patients. At June 30, 2022, there was an amount receivable of $10 (December 31, 2021 - $nil) from this non-profit organization.

During the three and six months ended June 30, 2022, the Company paid $22 and $59 (June 30, 2021 - $19 and $70) to a company which owns 12.5% of one of the Company's subsidiaries. The payments made related to continued enhancement of one of our CMR related technologies.

(Expressed in thousands of Canadian Dollars, except number of shares and per share amounts)

13. SHARE CAPITAL

(a) **Authorized:** unlimited common shares without par value

(b) Issued and outstanding

The following is a summary of share capital activities:

	Number of common shares		Share capital
Balance, December 31, 2021	**226,704,789**		**241,395**
Shares issued for business combinations	54,820,961		53,176
Contingent shares issued	2,163,030		2,276
Contingent consideration settled in shares	8,529,280		6,616
Exercise of stock options	100,000		87
Exercise of warrants	372,289		281
Shares issued for services	74,468		15
Balance, June 30, 2022	**292,764,817**	**$**	**303,846**

(c) Bought deal financing

	Type	Shares issued	Exercise price	Gross proceeds	Share issuance costs	Agent warrants issued [1]	Exercise price
March 2021	Bought deal	21,560,000	$ 2.70	$ 58,212	$ 5,244	1,509,200	$ 2.70

[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.

(Expressed in thousands of Canadian Dollars, except number of shares and per share amounts)

(d) Agent's warrants

The following is a summary of agent's warrants activities during the six months ended June 30, 2022:

	Agents' Warrants	Weighted Average Exercise Price
Balance outstanding, December 31, 2021	**3,349,634**	**2.28**
Exercised	(21,738)	0.48
Expired	(150,442)	1.00
Balance outstanding, June 30, 2022	**3,177,454**	**$ 2.36**

(e) Shares under trading restrictions

As at June 30, 2022, the Company has issued 17,326,632 common shares that were subject to trading restrictions (December 31, 2021 – 33,986,312).

(f) Escrow Shares

As at June 30, 2022, the Company has 17,326,632 common shares held in escrow (December 31, 2021 – 33,986,312).

Escrow shares will be released as follows:

- 125,620 shares on July 29, 2022, and the same amount released each six months thereafter until the last 125,620 shares are released on January 29, 2023.
- 352,493 shares on July 30, 2022, and the same amount released every three months thereafter until the last 352,493 shares are released on October 30, 2022.
- 431,943 shares on July 17, 2022, and the same shares released every four months thereafter until the last 431,949 shares are released on July 17, 2022.
- 795,454 shares on November 18, 2022, and the same amount released every six months thereafter until the last 795,454 shares are released on May 18, 2023.
- 473,957 shares on September 11, 2022, and the same amount released every five months thereafter until the last 473,963 shares are released on February 11, 2023.
- 171,428 shares on September 15, 2022, and the same amount released every four months thereafter until the last 171,431 shares are released on September 15, 2022.
- 14,815 shares on August 8, 2022, and the same amount released every six months thereafter until the last 14,814 shares are released on August 8, 2023.
- 777,832 shares on September 22, 2022, and the same amount released every six months thereafter until the last 777,841 shares are released on September 22, 2023.
- 92,105 shares on October 1, 2022, and the same amount released every six months thereafter until the last 92,106 shares are released on October 1, 2023.
- 251,046 shares on September 11, 2022, and the same shares released every four months thereafter until the last 251,046 shares are released on January 11, 2023.
- 3,304,289 shares on December 25, 2022, and the same amount released every six months thereafter until the last 3,304,583 shares are released on Dec 25, 2023.
- 39,668 shares on July 31, 2022, and the same amount released every six months thereafter until the last 39,676 shares are released on January 31, 2024.

(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.

(Expressed in thousands of Canadian Dollars, except number of shares and per share amounts)

The following is a summary of activities in the Company's incentive stock option plan:

	Number of Stock Options	Weighted Average Exercise Price
Balance outstanding, December 31, 2021	**10,161,750**	**1.33**
Granted	695,000	0.50
Exercised	(100,000)	0.50
Forfeited	(225,000)	1.93
Balance outstanding, June 30, 2022	**10,531,750**	**1.27**

As at June 30, 2022, the Company had the following stock options outstanding and exercisable:

Range of exercise prices			Options outstanding			Options exercisable	
			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	3,612,500	3.48	$ 0.49	3,042,500	$ 0.49
$0.51	to	$1.00	2,225,000	2.19	0.73	2,225,000	0.73
$1.01	to	$1.50	400,000	3.16	1.38	300,000	1.38
$1.51	to	$2.00	1,325,000	3.90	1.78	750,000	1.82
$2.01	to	$2.50	2,856,250	2.75	2.38	2,427,500	2.37
$2.51	to	$3.00	113,000	3.29	2.56	113,000	2.56
			10,531,750	**3.05**	**$1.27**	**8,858,000**	**$ 1.23**

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

	Period ended	
	2022	**2021**
Expected option life	**10 years**	5 years
Risk-free interest rate	**3.15%**	0.43%-1.09%
Dividend yield	**0%**	0%
Volatility rate	**60%**	59%-60%
Forfeiture rate	**0%**	0%

(Expressed in thousands of Canadian Dollars, except number of shares and per share amounts)

(h) 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.

The following is a summary of activity in the Company's RSU plan:

	Number of Restricted Share Units
Balance outstanding, December 31, 2021	581,250
Granted	780,750
Expired	(243,750)
Balance outstanding, June 30, 2022	**1,118,250**

(i) Deferred Share Units ("DSU")

Effective May 1, 2021, the Company adopted a cash-settled DSU plan for its independent directors (the "DSU Plan"), which provides that the Board of Directors may, from time to time, award DSUs in its discretion to the independent directors. All DSUs granted vest immediately and are credited to each independent directors' account and are recorded under accounts payable, accrued liabilities and other.

The following is a summary of activity in the Company's DSU plan:

	Number of Deferred Share Units
Balance outstanding, December 31, 2021	140,000
Issued	40,000
Balance outstanding, June 30, 2022	**180,000**

(j) Share-based compensation

The Company's share-based compensation for the three and six months ended June 30, 2022, and 2021 was as follows:

	Three months ended		Six months ended	
	June 30, 2022	**June 30, 2021**	**June 30, 2022**	**June 30, 2021**
Stock options	**$ 234**	$ 978	**$ 648**	$ 2,573
RSUs	**278**	348	**354**	348
DSUs	**20**	112	**20**	112
Total share-based compensation expense	**$ 532**	**$ 1,438**	**$ 1,022**	**$ 3,033**

(Expressed in thousands of Canadian Dollars, except number of shares and per share amounts)

14. SUPPLEMENTAL CASH FLOW INFORMATION

(a) Cash and cash equivalents

		June 30, 2022		December 31, 2021
Cash	$	**24,685**	$	11,893
Cash equivalents		**5,018**		33,189
Total	$	**29,703**	$	**45,082**

(b) Other cash flow information

		Six months ended		
		June 30, 2022		June 30, 2021
Change in non-cash working capital				
Trade and other receivables	$	**2,767**	$	3,217
Inventory		**(181)**		(1,615)
Prepaid expenses, deposits and other		**(5)**		(342)
Accounts payable, accrued liabilities and other		**(11,420)**		(4,834)
Deferred revenue		**362**		317
	$	**(8,477)**	$	(3,257)
Non-cash investing and financing activities				
Shares issued for acquisition of HumanaCare		**-**		5,237
Shares issued for acquisition of IDYA4		**-**		7,817
Shares issued for acquisition of Medical Confidence		**-**		1,903
Shares issued for investment in joint venture		**-**		193
Shares issued for asset acquisition		**-**		1,471
Shares issued for acquisition of Aspiria		**-**		866
Shares issued for acquisition of Rxi		**-**		3,397
Shares issued for acquisition of VisionPros		**-**		9,229
Shares issued for acquisition of Oncidium		**-**		30,896
Shares issued for acquisition of MindBeacon		**53,176**		-
Shares issued for services		**-**		2,455
Issuance of agent warrants as share issuance costs		**-**		1,023
Other cash flow information				
Cash received for interest	$	**101**	$	129
Cash paid for interest		**(714)**		(64)
Cash paid for income taxes		**(110)**		(155)

15. 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's capital is comprised of equity and long-term debt, net of cash and cash equivalents. 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.

There were no changes to the Company's approach in its management of capital during the period.

The Company is subject to certain financial covenants in its debt obligations. The Company's strategy is to ensure it remains in compliance with all of its existing covenants so as to ensure continuous access to required debt to fund growth. Management reviews results and forecasts to monitor the Company's compliance.

16. 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 accounts payable and accrued liabilities, lease liabilities, contingent consideration, contingent liability, long-term debt, and liability to noncontrolling interest. The main purpose of these financial liabilities is to finance the Company's operations.

The carrying values of cash and cash equivalents, trade and other receivables, and accounts payable, accrued liabilities and other approximate their fair values due to the immediate or short-term nature of these instruments. The carrying value of long-term debt is initially recognized at fair value and subsequently measured at amortized cost using the effective interest method. There were no transfers between levels of the fair value hierarchy.

The Company is exposed to credit risk, liquidity risk and market 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 provides credit to its customers in the normal course of operations. The Company minimizes its credit risk associated with its trade and other receivables by performing credit evaluations on customers, maintaining regular and ongoing contact with customers, routinely reviewing the status of individual trade and other receivables balances, and following up on overdue amounts. Further, trade receivables are monitored on a periodic basis for assessing any significant risk of non-recoverability of dues and provision is created accordingly.

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.

As at June 30, 2022, the Company had $26,428 (December 31, 2021 – $24,429) of trade and other receivables, net of an allowance for doubtful accounts of $360 (December 31, 2021 - $300).

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 statement of financial position are highly liquid.

(Expressed in thousands of Canadian Dollars, except number of shares and per share amounts)

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

As at June 30, 2022

	Less than one year	One to five years	More than five years	Total
Accounts payable, accrued liabilities and other	$ 26,092	$ -	$ -	$ 26,092
Contingent consideration	3,555	910	-	4,465
Lease liability	3,010	7,555	1,218	11,783
Long-term debt	3,051	24,679	545	28,275
	$ 35,708	**$ 33,144**	**$ 1,763**	**$ 70,615**

As at December 31, 2021

	Less than one year	One to five years	More than five years	Total
Accounts payable, accrued liabilities and other	$ 30,586	$ -	$ -	$ 30,586
Contingent consideration	11,807	6,507	-	18,314
Lease liability	2,259	6,543	964	9,766
Long-term debt	3,063	22,706	-	25,769
	$ 47,715	**$ 35,756**	**$ 964**	**$ 84,435**

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.

At June 30, 2022, the Company had variable rate borrowing rate loans amounting to $21,662 (December 31, 2021 – $22,735). With all other variables held constant, a 1% increase in the interest rate would have increased net loss by approximately $108 (June 30, 2021 – $119) for the six months ended June 30, 2022. There would be an equal and opposite impact on net loss with a 1% decrease in the interest rate.

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.

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

(Expressed in thousands of Canadian Dollars, except number of shares and per share amounts)

(Denominated in USD)	June 30, 2022	December 31, 2021
Financial assets		
Cash	1,343	2,034
Trade and other receivables	3,757	2,924
Financial liabilities		
Accounts payable and accrued liabilities	2,956	1,711
Net exposure to foreign currency risk	**$ 2,144**	**$ 3,247**

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. For the six months ended June 30, 2022, the change in USD to CAD currency rate of 5% will have an impact of $136 before tax (June 30, 2021 – $122).

17. SEGMENTED INFORMATION

The Company has three operating segments and the Company's chief operating decision-maker is the Interim Chief Executive Officer.

Clinic Services & Pharmacies

Clinic Services & Pharmacies operates a series of hybrid medical clinics located in British Columbia and Ontario, including telemedicine services. This division is focused on providing healthcare services, with the support of doctors, within the context of publicly accessible healthcare services that are reimbursed by the applicable health authorities. To the extent there are services rendered by the Company that are not eligible for reimbursement, such services are charged directly to patients and/or third parties.

Digital Health Services

Digital Health Services are offered on a subscription or license to use basis. The solutions are sold to companies, insurers, clinics, and pharmacies (including those owned by the Company) who use our technology to create connectivity, and improve the healthcare practitioner, client and user experience while creating efficiencies in administration. In addition, the Company's Vision Pros business is in this segment.

Enterprise Health Solutions

Enterprise Health Solutions provides organizations with physical and mental health navigation and treatment through employee support services. Revenues within this division are earned through two pricing models:

- Subscription-based pricing model using a price per member per month with an average contractual term of 3 years; and,
- Per-case billing model at an agreed upon rate for services that are used in disability management, occupational health, and other employer services.

The demand for services within our clinics and pharmacies, and certain services within the EHS division that employ a per-case billing model is subject to seasonal fluctuations. This is attributable to lower patient and consumer visits and engagement in the summer months and around the holiday season at the end of the year. In addition, in our IDYA4 business, revenues tend to be higher in the fourth quarter of the year in-line with U.S. government budget spend. This information is provided to allow for better understanding of the results; however, management has concluded that this is not "highly seasonal" in accordance with IAS 34.

(Expressed in thousands of Canadian Dollars, except number of shares and per share amounts)

A breakdown of revenue for each operating segment for the three months and six ended June 30, 2022 and 2021 is as follows:

Three months ended June 30, 2022		Clinics & Pharmacies		Digital Health Solutions		Enterprise Health Solutions		Corporate		Total
Total segment revenue	$	9,622	$	6,503	$	24,490	$	-	$	**40,615**
Inter-segment revenue		-		(314)		-		-		**(314)**
Revenue from external cutomers		9,622		6,189		24,490		-		**40,301**

Three months ended June 30, 2021		Clinics & Pharmacies		Digital Health Solutions		Enterprise Health Solutions		Corporate		Total
Total segment revenue	$	6,651	$	4,009	$	4,999	$	-	$	**15,659**
Inter-segment revenue		-		-		-		-		**-**
Revenue from external cutomers		6,651		4,009		4,999		-		**15,659**

Six months ended June 30, 2022		Clinics & Pharmacies		Digital Health Solutions		Enterprise Health Solutions		Corporate		Total
Total segment revenue	$	19,370	$	12,513	$	50,509	$	-	$	**82,392**
Inter-segment revenue		-		(713)		-		-		**(713)**
Revenue from external cutomers		19,370		11,800		50,509		-		**81,679**

Six months ended June 30, 2021		Clinics & Pharmacies		Digital Health Solutions		Enterprise Health Solutions		Corporate		Total
Total segment revenue	$	10,375	$	6,692	$	7,627	$	-	$	**24,694**
Inter-segment revenue		-		(260)		-		-		**(260)**
Revenue from external cutomers		10,375		6,432		7,627		-		**24,434**

A geographic breakdown of revenue for each operating segment for the three and six months ended June 30, 2022 and 2021 is as follows:

		Three months ended				Six months ended		
Revenue		**June 30, 2022**		**June 30, 2021**		**June 30, 2022**		**June 30, 2021**
Canada	$	**34,540**	$	12,542	$	**70,669**	$	19,776
United States		**5,761**		3,117		**11,010**		4,658
Total	**$**	**40,301**	$	15,659	**$**	**81,679**	$	24,434

Total assets and total liabilities for each segment and geographic region is not information that is provided to and reviewed by the CODM.

18. LITIGATION AND OTHER CONTINGENCIES

- 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 (the "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 (the "September 2020 Financing"). During the three months ended June 30, 2021, Gravitas amended its claim for damages to include commissions and damages arising from an additional bought deal equity financing which was completed on March 12, 2021 (the "March 2021 Financing"). In May 2022, Gravitas amended its claim for damages to include commissions and damages arising from an additional bought deal equity financing which was completed on November 9, 2020 (the "November 2020 Financing"). The total claims are in excess of $9,458 plus unspecified damages associated with the value of share purchase warrants that were issued in connection with the June 2020 Financing, the September 2020 Financing, the November 2020 Financing, and the March 2021 Financing, plus interest and cost. The Company disputes the claims with respect to the June 2020 Financing, the September 2020 Financing, the November 2020 Financing, and the March 2021 Financing entirely. The claims are currently subject to arbitration proceedings which the Company is defending, and the arbitration is scheduled to proceed to a final hearing some time between the third quarter of 2022 and the second quarter of 2023. 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 $1,200 and therefore an accrual for that amount as a contingent liability has been recorded.

- The Company has finalized the review and settlement of the VisionPros acquisition. Prior to reaching a settlement, management's concerns on issues with VisionPros resulted in the Audit Committee undertaking the Review with the assistance of independent legal counsel and financial advisors. As a result of that review, recommendations were made to CloudMD's Board of Directors that the Company proceed with settlement negotiations with the Sellers. The Settlement Agreement reached has been unanimously endorsed by CloudMD's Board of Directors. Pursuant to the terms of the Settlement Agreement, the holdback amounts of $3,000 and 1,090,909 common shares of the Company that were held in escrow as part of the original acquisition of VisionPros will be released to CloudMD rather than the Sellers. Additionally, another 4,909,091 of the common shares of the Company issued to the Sellers on the closing of the acquisition will be returned to CloudMD. All common shares returned to CloudMD will be cancelled upon receipt. Furthermore, the Company will not be required to make any future performance based earnout payments or other payments to the Sellers. The Company also obtained confirmation that certain trade payables of VisionPros in the approximate amount of $800 will now be the responsibility of the Sellers, who have indemnified CloudMD for any such payments. Finally, the Sellers have agreed to pay $350 in cash to the Company. The reduction in the purchase price related to the Settlement Agreement was $12,645. No other payments will be made by either party to the other in connection with the acquisition of VisionPros and full releases will be exchanged by the parties.