CloudMD Software & Services Inc.

Management's Discussion and Analysis

For the three and six months ended June 30, 2022 and 2021

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

Contents

INTRODUCTION

This Management's Discussion and Analysis for the three and six months ended June 30, 2022, and 2021 (**"MD&A"**) for CloudMD Software & Services Inc. (**"CloudMD"** or the **"Company")** is dated and based on information available to management as of August 22, 2022. This MD&A is prepared in accordance with National Instrument 51-102F1, and should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and accompanying notes for the three and six months ended June 30, 2022 and 2021, and the audited annual consolidated financial statements and accompanying notes for the year ended December 31, 2021. These documents, along with additional information about the Company, are available under the Company's profile on SEDAR at www.sedar.com.

The financial data contained in this MD&A and the unaudited condensed interim consolidated financial statements and accompanying notes of the Company for the three and six months ended June 30, 2022, and 2021 have been prepared in accordance with IAS 34 *Interim Financial Reporting* 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. Amounts are stated in Canadian dollars, unless otherwise indicated. In this MD&A, where the context so requires, references to the "Company", "CloudMD", "we", "us", "our" or similar expressions refer to CloudMD Software & Services Inc.

FORWARD-LOOKING STATEMENTS

This MD&A contains certain statements which may constitute "forward-looking information" and "forward-looking statements" within the meaning of Canadian securities law requirements (collectively, **"forward-looking statements"**). These forward-looking statements are made as of the date of this MD&A and the Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required under applicable securities legislation. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes" or variations of such words and phrases, or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. Forward-looking statements in this MD&A include but are not limited to the following:

- the Company's goals, objectives and growth strategies;
- requirements for additional capital;
- Government regulation;
- environmental risks;
- disputes or claims;
- currency fluctuations;
- improving the patient experience, operational efficiency and overall care performance; and
- statements with respect to management's beliefs, plans, estimates, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts.

By their very nature, forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such risks and uncertainties include, but are not limited to: the actual results of current activities, conclusions or economic evaluations, changes in project parameters as plans continue to be refined, failure of plant, equipment or processes to operate as anticipated, accidents, delays in obtaining Government approvals or financing, risks relating to the integration of acquisitions and to international operations, and the possibility for changes in laws, rules, and regulations in the industry, epidemics, pandemics or other public health crises, including COVID-19, and those risks mentioned in the "*Risk Factors*" section of this MD&A. While the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Readers are urged to consider the risks, uncertainties and assumptions carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on such information. The Company is under no obligation, and expressly disclaims any intention or obligation, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as expressly required by applicable securities law.

Should one or more of these risks or uncertainties materialize, or should underlying factors or assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements. Material factors or assumptions involved in developing forward-looking statements include, without limitation, publicly available information from governmental sources as well as from market research and industry analysis and on assumptions based on data and knowledge of this industry which the Company believes to be reasonable.

Although the Company believes that the expectations conveyed by the forward-looking statements are reasonable based on the information available to the Company on the date hereof, no assurance can be given as to future results, approvals or achievements. Forward-looking statements contained in this MD&A and in the documents incorporated by reference herein are expressly qualified by this cautionary statement. The Company disclaims any duty to update any of the forward-looking statements after the date of this MD&A except as otherwise required by applicable law.

RISK FACTORS

Our business is subject to significant risks and uncertainties and past performance is no guarantee of future performance. Our actual results could differ materially from the results contemplated in this MD&A due to a number of important factors. The foregoing risks and uncertainties are not exhaustive and does not necessarily include all of the important factors that could cause actual results to differ materially from those expressed in any of our forward-looking statements.

The information in this MD&A should be read carefully in conjunction with the risks and uncertainties detailed in the "*Forward-Looking Statements*" section of this MD&A, and in the Company's filed Annual Information Form dated April 28, 2021, which are available under the Company's profile on SEDAR at www.sedar.com. Additional risks and uncertainties, not presently known to us, may become material in the future or those risks that we currently believe to be immaterial may become material in the future. If any of the foregoing risks actually occur, alone or in combination, our business, financial condition and results of operations, as well as the market price of our common shares, could be materially adversely affected.

NON-GAAP FINANCIAL MEASURES

In addition to the results reported in accordance with IFRS, the Company uses various non-GAAP financial measures, which are not recognized under IFRS, as supplemental indicators of the Company's operating performance and financial position. These non-GAAP financial measures and ratios are provided to enhance the user's understanding of the Company's historical and current financial performance and its prospects for the future. Management believes that these measures provide useful information in that they exclude amounts that are not indicative of the Company's core operating results and ongoing operations and provide a more consistent basis for comparison between quarters and years. Details of such non-GAAP financial measures and ratios, and how they are derived, are provided below as well as in conjunction with the discussion of the financial information reported.

Since non-GAAP financial measures do not have any standardized meanings prescribed by IFRS, other companies may calculate these non-GAAP measures differently, and our non-GAAP financial measures may not be comparable to similarly titled measures of other companies. Accordingly, investors are cautioned not to place undue reliance on them and are also urged to read all IFRS accounting disclosures presented in the unaudited condensed interim consolidated financial statements and the accompanying notes for the three and six months ended June 30, 2022, and 2021, and the audited consolidated financial statements and the accompanying notes for the years ended December 31, 2021 and 2020.

EBITDA

EBITDA is a non-GAAP financial measure that does not have a standard meaning and may not be comparable to a similar measure disclosed by other issuers. EBITDA referenced herein relates to earnings before interest, taxes, impairment, and depreciation and amortization. This measure does not have a comparable IFRS measure and is used by the Company to assess its capacity to generate profit from operations before taking into account management's financing decisions and costs of consuming intangible and tangible capital assets, which vary according to their vintage, technological currency, and management's estimate of their useful life.

Adjusted EBITDA

Adjusted EBITDA is a non-GAAP financial measure that does not have a standard meaning and may not be comparable to a similar measure disclosed by other issuers. Adjusted EBITDA referenced herein relates to earnings before interest, taxes, impairment, depreciation, amortization, share-based compensation, financing-related costs, acquisition-related, integration and restructuring costs, litigation costs and loss provision, and change in fair value of contingent consideration. This measure does not have a comparable IFRS measure and is used by the Company to assess its capacity to generate profit from operations before taking into account management's financing decisions and costs of consuming intangible and tangible capital assets, which vary according to their vintage, technological currency, and management's estimate of their useful life, adjusted for factors that are unusual in nature or factors that are not indicative of the operating performance of the Company.

Gross Profit

Gross Profit is a non-GAAP financial measure that does not have a standard meaning and may not be comparable to a similar measure disclosed by other issuers. Gross Profit referenced herein is defined as revenues less cost of sales. This measure does not have a comparable IFRS measure and is used by the Company to manage and evaluate the operating performance of the business.

Gross Margin

Gross Margin is a non-GAAP financial ratio that has Gross Profit, which is a non-GAAP financial measure as a component. Gross Margin referenced herein is defined as gross profit as a percent of total revenue. This measure does not have a comparable IFRS measure and is used by the Company to manage and evaluate the operating performance of the business.

Financing-Related Costs

Financing-related costs is a non-GAAP financial measure that does not have a standard meaning and may not be comparable to a similar measure disclosed by other issuers. Financing-related costs referenced herein is defined as expenses incurred in relation to the Company's equity offerings, including its brokered private placements and short form prospectus offerings, and debt financing. This measure does not have a comparable IFRS measure and is used by the Company to manage and evaluate its cash expenses for ongoing business operations.

Acquisition-Related, Integration and Restructuring Costs

Acquisition-related, integration and restructuring costs is a non-GAAP financial measure that does not have a standard meaning and may not be comparable to a similar measure disclosed by other issuers. Acquisition-related, integration and restructuring costs referenced herein is defined as expenses incurred in relation to the Company's corporate development, business acquisition, integration and restructuring activities. This measure does not have a comparable IFRS measure and is used by the Company to manage and evaluate its cash expenses for ongoing business operations.

Litigation Costs

Litigation costs is a non-GAAP financial measure that does not have a standard meaning and may not be comparable to a similar measure disclosed by other issuers. Litigation costs referenced herein is defined as expenses incurred to attend to the ongoing litigation matters as further described in the Litigation and Other Contingencies section. This measure does not have a comparable IFRS measure and is used by the Company to manage and evaluate its cash expenses for ongoing business operations.

Working Capital and Adjusted Working Capital

Working Capital and Adjusted Working Capital are non-GAAP financial measures that do not have a standard meaning and may not be comparable to a similar measure disclosed by other issuers. Working Capital, as referenced herein, is defined as current assets, less current liabilities. Adjusted Working Capital, as referenced herein, is defined as Working Capital excluding the contingent consideration that the Company has the option of settling in shares. These measures do not have a comparable IFRS measure and are used to ensure that we have sufficient liquidity to meet our liabilities as they become due.

Cash outflow and Normalized cash outflow

Cash outflow and Normalized cash outflow are non-GAAP financial measures that do not have a standard meaning and may not be comparable to a similar measure disclosed by other issuers. Cash outflow, as referenced herein, is defined as the decrease in cash and cash equivalents for the applicable period. Normalized cash outflow, as referenced herein, is defined as cash outflows, adjusted for certain unusual expenditures. For the purpose of calculating Normalized cash flow, unusual expenditures include non-operational one-time payments and adjustments to EBITDA. These measures do not have a comparable IFRS measure and are used to ensure that we have sufficient liquidity to meet our liabilities as they become due.

ABOUT CLOUDMD

CloudMD delivers personalized connected care available 24 hours a day, 7 days a week, 365 days a year that improves health outcomes, supported through a connected care system that can engage and empower the individual in their care plan. We combine technology and clinical expertise to deliver health outcomes. We recognize that every individual who accesses our service has different needs and learning styles. Our personalized care plans create engagement while our navigators ensure compliance and adherence. The technology we have built and acquired provides integrated service, and information is accessible to individuals and broader care providers. We empower healthier lives by delivering outcomes. We have designed our offerings to be scaleable and provide ease of product expansion through our platform thereby enabling fast, cost-effective launch of new services, across new geographies. The Company offers care pathways using technology as an accelerator for access to care through in-person, telephonic, online and virtual modalities. Our technology and product development team is evolving its centralized and connected healthcare platform that addresses all points of a patient's care. CloudMD has the agility and disruption of a startup, grounded in years of proven clinical outcomes that result in people living healthier lives.

CloudMD helps organizations manage their workplace productivity and human capital through a personalized care approach to disability, absence management and occupational health. We work with organizations to ensure our entire healthcare teams are available to solve the evolving workplace needs and deliver return on investment. Our employees and providers are passionate about delivering high-quality innovation in employer health services. Our operations are aligned between three revenue-generating divisions: Enterprise Health Solutions ("**EHS**"), Digital Health Services ("**DHS**"), and Clinic Services & Pharmacies. The capabilities in these divisions have been aligned operationally to serve the needs of our customers. This enables innovation in the delivery of service, adoption of technology, and the ability to scale the organization with continued revenue growth.

The Company's EHS division provides organizations with an Employee & Family Assistance Plan (EFAP), Mental Health Treatment, Telemedicine, Occupational Health and Absence Management, all via one connected program. Our go-to-market strategy includes a direct sales force focused on medium to large organizations, an account management team focused on cross-selling to our over 7,200 current customers and a strong channel sales strategy through relationships with insurance brokers, advisors, and large group benefit insurers. Our innovation in care delivery is focused on one centralized program referred to as 'Kii' that includes digital, in-person and phone care pathways that allow choice in how employees access a broad range of services. These services cover the full continuum of care from prevention to treatment for chronic conditions that drive disability and absenteeism.

An example of this is our proprietary industry-first mental health coaching platform that was piloted with Sun Life in 2021 and is now being sold through their account executives to plan sponsors. This solution is the first of its kind to provide assessment, care plans and coaching to support people on their mental health journey. This platform created such high engagement and positive outcomes that it earned us the ability to promote the service to all Sun Life plan sponsors.

The EHS division's purpose is to empower healthier lives. The organization delivers healthcare services to those who are at work, unable to work and returning to work. The organization tracks individuals' health improvements, resulting in the ability to demonstrate to our customers positive clinical outcomes, strong business ROI and high user satisfaction. The care journey starts with a fast, barrier-free intake and assessment by a nurse. The nurse then coordinates the appropriate care providers who together create personalized treatment plans designed to provide the right treatment, at the right cost, with the right group benefit plan. The nurse remains the constant for the employee, following up on the care plan and ensuring adherence to the recommendations. This not only ensures high engagement, but it is also what delivers superior outcomes.

Currently, corporations, insurers and advisors have siloed health and wellness programs that are costly and ineffective in providing a holistic care plans focused on ease of access, individual needs, and recovery. The Company offers a unique care model that uses technology and connected healthcare professionals to deliver the individual a comprehensive healthcare plan that covers mental, physical, and social issues. The Company believes this centralized technology-enabled program dramatically changes the landscape where employers can now offer one solution that addresses the comprehensive healthcare needs of their workforce and eliminates the need for multiple vendors. Through several strategic, proven acquisitions, the Company believes it is now positioned as a leading provider of comprehensive, holistic healthcare for enterprise clients. The combination of these solutions provides one centralized ecosystem focusing on longitudinal care while intending to increase user satisfaction, reduce healthcare costs, decrease wait times, and provide better return to work outcomes.

On January 14, 2022 the Company completed the acquisition of MindBeacon Holdings Inc. ("**MindBeacon**"). This acquisition is part of EHS and specifically our Mental Health Support Solutions. MindBeacon is a leading digital mental healthcare platform that provides a continuum of care, focusing on internet-based cognitive behavioural therapy ("**iCBT**"), which is a highly effective therapy provided through a computer or a mobile device. iCBT has become a fast-growing intervention channel compared to conventional in-person psychotherapy. MindBeacon's platform provides a cost-effective, stigma-reducing avenue to deliver mental health therapy that complements CloudMD's personalized integrated offering. MindBeacon has established relationships across a broad spectrum of B2C and B2B distribution channels, including healthcare providers, employers and governments. MindBeacon delivers positive outcomes, with 82% of iCBT clients reporting improvements in their mental health, and 67% reporting clinically significant improvements.

The addition of MindBeacon to CloudMD is expected to be synergistic for a number of key reasons:

- MindBeacon's mental health services will be integrated into CloudMD's comprehensive integrated health services offering, which will increase the reach and expand the breadth of interactive technologies and tool sets within behavioural health to support clients with longitudinal multi-dimensional care. The MindBeacon iCBT product offering carries a higher margin and is expected to improve the overall gross margins in the EHS segment.

- Our digital health platform is expected to be one of North America's leading fully-integrated health offerings, with a clinically-validated, broad continuum of care to address mild, moderate, acute and chronic mental and physical care.

- Significant cross-selling opportunities exist in our EHS division through a combined network of 5,500 corporate clients.

- MindBeacon's iCBT platform will be integrated with EFAP and Mental Health Coach to ensure the ability to support mental health treatment across modalities that align with personalized care.

- The Company will have increased scale and presence in the US through Harmony Healthcare ("Harmony") which provides a full spectrum of mental health and addiction treatment in the State of Nevada. Harmony's services include Employee Assistance Programs, individual and group therapy, medication management, substance abuse programs, crisis management and inpatient, utilization review and utilization management services. Harmony has built a strong reputation for concierge level service with its commercial, labour and trust clientele.

MindBeacon was in the investment stage of its growth cycle and was incurring substantial expenditures to support planned growth and to build out its product service offerings. Due to our previous investment in mental health services, we have a number of overlapping cost structures with MindBeacon. We have been focused on integration to ensure that we have the most efficient cost structure possible. Since the acquisition, we have been focused on streamlining and consolidating key operational functions across our organization including clinical operations, Product, Finance, IT, Human Resources, Marketing and Sales and leveraging industry-leading talent to drive innovation, retention and capitalize on human capital. The Company has eliminated significant costs from its business since the acquisition closing in January 2022.

The Company's DHS division offers healthcare providers with productivity technology solutions to medical clinics across North America. It has developed proprietary technology that delivers quality healthcare through the combination of connected primary care clinics, telemedicine and an artificial intelligence-enabled patient portal. The Company currently services a combined ecosystem of over 5,700 clinicians, 1,800+ mental health practitioners, 1,600+ allied health professionals, 1,400+ doctors and nurses and covers 12 million individual lives across North America. The Company's patient-centric approach has been well received and the Company will continue to look for ways to improve healthcare access by leveraging its technology to ensure we deliver on the Company's value proposition of innovation in the delivery of healthcare.

PRODUCTS AND SERVICES

The Company categorizes its revenues under three divisions: (1) Enterprise Health Solutions; (2) Digital Health Services and (3) Clinic Services & Pharmacies.

Enterprise Health Solutions

Enterprise Health Solutions' revenue is generated through two pricing models:

- Subscription-based pricing 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 foundation of the Enterprise Health Solutions division is delivering programs that address mental, physical, and social issues experienced by employees and their family members. These programs can be available on a stand-alone basis or through a comprehensive, digitally connected platform for corporations, insurers, and advisors to better manage the health and wellness of their employees and customers.

Through several strategic acquisitions, CloudMD is now positioned as a leading provider to the employer healthcare market with our unique comprehensive ability to offer services that address the rising benefit costs of organizations. CloudMD's proprietary Integrated Health Services Platform addresses all points of a patient's care, including triage, assessment and navigation, reducing healthcare costs, decreasing wait times, and providing better return to work outcomes. CloudMD's team-based, whole-person approach to healthcare aims to engage patients and clients, and empower doctors and mental health practitioners, while leveraging technology to connect the entire health ecosystem and provide longitudinal care. CloudMD's capabilities include:

Mental Health Support Solutions (EFAP /Mental Health Coaching, iCBT)

CloudMD's leading Mental Health Support Solutions ("**MHSS**") is accessible using our proprietary digital platform or 24/7 live answer call center to provide triage, assessment and case management of mental wellbeing and mental health disorders. Our nurse-led navigation solution includes personalized care plans, access to online educational resources, healthcare system navigation, and comprehensive case management to support an individual's emotional, physical, and mental wellbeing toward improved outcomes and effective return to function. Our MHSS focus is on a multi-modality support model to drive individual choice on the appropriate care pathways for their situation including in-person, telephonic or virtual support solutions. It is effective across the healthcare continuum and includes services that address crisis, episodic, short-term, long-term, chronic and specialized services such as trauma, substance use and addictions. We are integrating the recently acquired MindBeacon iCBT capabilities into our MHSS offerings to further differentiate CloudMD as a leader in Mental Health. This service is offered as a price Per Member Per month.

Healthcare Navigation Complex Cases

The cornerstone of our Enterprise Health Solutions division is our healthcare navigators who become advocators and advisors as individuals access treatment for return to function. The nurse navigators provide knowledge and clinical expertise and utilize relationships with over 55,000 physician specialists and therapists to manage complex disability and healthcare situations. The solutions are utilized by a wide range of customers including employers, individuals, disability case managers, life and health insurers, and property and casualty insurers. Proven results include a 20% reduction in benefit and disability costs, 6-month reduction in disability duration (on average), access to treatment 220 days sooner (on average), improved employee satisfaction (reported by 75% of clients) and an estimated 420% return on investment or greater in payroll savings due to reduced illness-related absences. This service is offered as a per case fee.

Rehabilitation and Assessments

Employers, insurance companies and lawyers rely on our national integrated network of medical practitioners across Canada who perform independent medical assessments, return to work support, functional capacity evaluations, rehabilitation support, job demand analysis, etc. These services are delivered virtually, on-demand and on-site. Our network of 2,000 specialists across 54 subspecialities support individuals in understanding mental and physical health issues with a focus on return to function. This service is offered as a per-case fee. Through our proprietary software platform, iAssess™, it enables assignment of specialists, workflow management, practitioner engagement, and margin expansion in the delivery of services. This proprietary platform will be used in EHS health network management for its entire provider network to increase quality assurance and user satisfaction. CloudMD will have a centralized provider management system enabling navigators and users access to the entire provider management roster. This enables us to deliver on our value proposition of providing personalized care.

Absence Management and Occupational Health

CloudMD is one of Canada's leading health management companies with clients from several of Canada's Fortune 500 companies. Our services focus on reducing occupational absences by delivering solutions that improve the health and wellness of employees. Services include solutions supporting absentee management, short-term and long-term disability, workers' compensation claims management, mental health assessment and evaluation services focusing on prevention, accommodation, and recovery. Our services are delivered virtually, on-demand and on-site through our network of over 1,000 healthcare professionals, assessors, and medical centers nationally.

Digital Health Services

Digital Health Services are primarily offered on a subscription or license-to-use basis. The solutions are sold to companies, insurers, clinics and pharmacies who use our technology to create connectivity, and improve the healthcare practitioner, client and user experience while creating efficiencies in administration. The products are scalable and adaptable and used within CloudMD for service delivery and offered directly to customers.

The following describes the solutions available to healthcare practitioners:

ClinicAid, Juno EMR and Benchmark Systems

CloudMD's billing and electronic medical records (**"EMR"**) solutions are offered across North America to over 500 clinics and almost 4,000 licensed practitioners. ClinicAid and Benchmark Systems offer billing solutions that increase productivity and efficiency. Our integrated EMR software solutions increase efficiencies for primary care providers, specialists and allied health professionals.

MyHealthAccess

CloudMD's patient portal enables online appointment booking and virtual care visits. The platform works with our EMR to provide healthcare providers and primary care clinics with a user-friendly application. The user experience allows patients to book appointments real time, 24/7, and message clinical staff.

The following solutions are marketed to Governments, hospitals, and organizations interested in using technology as a binary way of creating engagement and connected care through a unified platform. The solutions can be used to follow care pathways, monitor individuals, create engagement through education, and connect to specific healthcare services through a unified platform. Our EHS division uses this technology to connect individuals to healthcare solutions and in our Clinic Services and Pharmacies division we use this technology to improve the care experience.

Health and Wellness Platform

CloudMD's patented Real Time Intervention and Prevention Platform ("RTIP") allows us to solve for interoperability with speed, consistency, and security. RTIP is designed to enable an automated real time inquiry of disparate data sources across multiple domains, identify indicators and compute risk scores so that the appropriate personnel can be alerted when the risk level for at-risk individuals is above a pre-determined level signaling intervention may be required. CloudMD also licenses this software to companies who are looking to create connected platform experiences and/or are experiencing challenges uniting disparate data sources. RTIP use cases have permeated sectors beyond healthcare including Government organizations in the US that have purchased the platform on a subscription basis to provide an affordable and scalable mechanism for opioid detection and substance use services.

Education

CloudMD has an award-winning iMD platform providing peer-reviewed educational resources, that are trusted and used by healthcare professionals to provide factual, medical information that promotes positive patient behaviour in health sectors. This platform is integrated into CloudMD commercial offerings sold to third-party payors in the EHS division. The intuitive platform provides a robust digital library and consultative visual component which is available on any digital device. The platform can be accessed by over 7.5 million patients and is currently being used by over 15,000 healthcare professionals and other users including: 4,600 doctors, 2,000 pharmacies, 280 hospitals, and 250 specialty clinics. In addition, it has partnerships with over 48 global pharmaceutical companies, 30 digital healthcare integration providers, Health Canada and over 100 healthcare associations in North America. The robust medical library already has over 110,000 patient-friendly images, brochures and videos covering 6,000 health conditions, including the Mayo Clinic medical library.

Telemedicine

The telemedicine medical care program provides a personalized treatment plan led by nurses and nurse practitioners and supported by primary care doctors and specialists. The nurses and nurse practitioners are trained to deliver comprehensive initial medical assessments, psychosocial healthcare support and treatment for most primary and mental healthcare issues. They act as the first point of contact for referrals to specialists and other important services offered within Kii, to help guide individuals through their personalized healthcare journey.

Vision Care

VisionPros is an online vision care platform, providing contact lenses direct to customers. VisionPros offers customers all the leading brands of contact lenses. This business required significant investment in redesigning workflows including establishing supplier contracts and a distribution center in the United States. This impacted revenue in the first six months of 2022 as the company could not sell or distribute some brands until these contracts were in place. The business continues to focus on profitable distribution of product in North America. Enterprise Health Solutions uses this technology to support insurers and organizations in the delivery of contact lenses for employees.

Clinic Services & Pharmacies

CloudMD operates a series of hybrid medical and rehabilitation clinics located in British Columbia and Ontario, which include telemedicine services. The Company is focused on providing healthcare services, 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.

Medical Clinics

CloudMD operates a network of inter-connected, high-tech medical clinics in British Columbia and Ontario. The medical clinics provide full-service family practice and patient care on-site, and also provide telemedicine service. CloudMD's clinic network includes over 100 medical practitioners and services over 500,000 patients directly.

Pharmacies / CloudMD on Demand

CloudMD operates two pharmacies based in the Greater Vancouver Region in British Columbia. The pharmacies' primary source of revenue is the retailing of prescription drugs, over-the-counter drugs, and other front-of-store items. In addition to product retailing, the pharmacies provide clinical services such as medication reviews and compounding.

We have partnered with pharmacy chains in specific geographical regions in Canada to provide on-demand virtual care kiosks in pharmacy consultation rooms which allows customers to see a licensed doctor for prescription refills and to diagnose non-emergency conditions, such as colds and flu, skin conditions, urinary tract infection, dizziness, fever and headache. The Company also offers on-demand telemedicine links through CloudMD on Demand which can be white-labeled into any website or e-commerce platform providing direct access to a doctor.

Patient Support Programs

CloudMD offers patient support programs that provide navigation and support for holistic disease management and clinical treatment outcomes for complex health issues. Our pharmaceutical logistic services include drug distribution, patient navigation assistance, a preferred pharmacy network of over 500 pharmacies and real-time universal disease management software. The Company has the capability to offer patient support programs for those with specialty high-cost drugs. Using technology, we can create engagement, monitor a patient, and distribute drugs through a seamless experience.

2022 SECOND QUARTER SUMMARY

Below are highlights of CloudMD's operations during and after the second quarter of 2022:

- Second quarter revenues were $40.3 million, an increase of 157% over the same period in 2021. Year-to-date revenues were $81.7 million, an increase of 234% over the prior year period. The growth has been accelerated by the five acquisitions completed since the start of the second quarter 2021.

- Gross profit margin was 31.0% in the second quarter of 2022 compared to 32.5% in the first quarter of 2022 and 35.5% in the second quarter of 2021. The year-over-year change is due to revenue mix, as described under *Gross Margin* below. The second quarter margin was impacted by performance in the IDYA4 business which is expected to return to a normal level in the third quarter.

- Adjusted EBITDA for the second quarter was ($3.2) million, compared to ($0.6) million in the prior year period. Net loss in Q2 2022 was $44.2 million, compared to a loss of $6.6 million in Q2 2021. The larger loss was driven by a $33.0 million impairment of goodwill and $5.5 million of other non-recurring one-time costs.

- Use of cash in the second quarter was $17.1 million, which was unusually high for the Company. The normalized cash outflows were $6.9 million. During the quarter the Company's cash flows were impacted from changes in working capital as outflows from restructuring costs, professional fees, legal, and settlements from past acquisitions occurred in the quarter. In addition, there was a significant amount of non-recurring expenditure incurred in the quarter.

- CloudMD launched Kii, our new brand for our integrated personalized health program. Kii is changing the user's healthcare experience, by providing a whole-person approach with an emphasis on continuity of care across mental, physical and workplace safety from a single centralized and connected experience. Kii is the new way to empower employees and their dependents with access to a full spectrum of top-quality health professionals allowing enterprise customers to offer their employees a program designed to meet both their needs and preferences.

- During the second quarter, CloudMD signed several large, multi-year contracts contributing to its organic growth and strong annual recurring revenue of $4.2 million. These contract wins reflect a diverse portfolio of employers, insurers and government agencies. Notable client wins include:
    - Leading national US insurance company
    - Large transportation manufacturer
    - Leading national telecommunications provider
    - Multiple regional health networks
    - Large financial services firms
    - Distribution partnership with North American group benefit provider

- On July 22, 2022, CloudMD announced that it had entered into a settlement agreement with the former owners of VisionsPros, following the previously announced review of the Company's acquisition of VisionPros. The settlement reduced the purchase consideration paid for VisionPros by $12.6 million and removed any future earnout payments. On June 15, 2022 the Company announced that it initiated product sales on its vision care platform in the United States for the first time since the fourth quarter of 2021. Due to the supplier issues and management practices while VisionPros was owned by the Sellers, the Company was unable to sell in the United States until recently. In part as a result of the issues discovered during the review and their impact on the Company's financial projections, the Company recorded a non-cash goodwill and intangible asset impairment charge in the second quarter of 2022 of $29.1 million.

- CloudMD's TAiCBT provider, MindBeacon, has been one of two companies chosen to provide TAiCBT services for Ontario citizens under the new Ontario Health Contract. The two-year contract has been awarded for the provision of TAiCBT support services to be integrated into the Ontario Structured Psychotherapy Program. While the program is expected to expand over time, based on the growing need for proactive mental health supports, compared to the previous two-year COVID Response Program which the government is winding down as anticipated, this new contract represents a reduction of approximately 85% in the number of guided iCBT cases that will be funded.

- To offset the revenue impact of Ontario Health, CloudMD is in the process of eliminating the direct delivery costs associated with providing the services, as well as identifying further cost synergies to offset the gross contribution from the contract. Subsequent to quarter end, CloudMD has identified an additional $4.0 million annualized cost savings from continued organizational re-design and integration. This is in addition to the direct delivery cost elimination. Cost savings came from several areas of the organization including sales and marketing, general and administrative and research and development.

- On August 11, 2022, CloudMD announced the appointment of Karen Adams as Chief Executive Officer and John Plunkett as Chief Financial Officer.

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

OVERALL PERFORMANCE AND DISCUSSION OF OPERATIONS

Selected Financial Information	**Three months ended June 30,**		**Six months ended June 30,**	
	2022 (unaudited)	**2021** (unaudited)	**2022** (unaudited)	**2021** (unaudited)
Revenue	**$ 40,301**	**$ 15,659**	**$ 81,679**	**$ 24,434**
Cost of sales	27,813	10,102	55,725	15,286
Gross profit [(1)]	**$ 12,488**	**$ 5,557**	**$ 25,954**	**$ 9,148**
Gross profit %	***31.0%***	***35.5%***	***31.8%***	***37.4%***
Indirect 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	532	1,438	1,022	3,033
Depreciation and amortization	4,723	1,452	7,735	2,141
Financing-related costs [(1)]	-	122	-	871
Acquisition related, integration and restructuring costs [(1)]	5,049	2,860	7,573	3,672
Loss before undernoted	$ (14,038)	$ (6,599)	$ (21,882)	$ (12,140)
Other income	99	183	271	247
Change in fair value of contingent consideration	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	(33,019)	-	(33,019)	-
Current & deferred income tax expense	32	(115)	(53)	(155)
Net Loss	**$ (44,214)**	**$ (6,632)**	**$ (49,862)**	**$ (11,922)**
Add:				
Depreciation and amortization	4,723	1,452	7,735	2,141
Finance costs	564	112	1,061	200
Impairment	33,019	-	33,019	-
Current & deferred income tax expense	(32)	115	53	155
EBITDA [(1)]	**$ (5,940)**	**$ (4,953)**	**$ (7,994)**	**$ (9,426)**
Share-based compensation	532	1,438	1,022	3,033
Financing-related costs	-	122	-	871
Acquisition related, integration and restructuring costs [(1)]	5,049	2,860	7,573	3,672
Litigation costs [(1)]	452	(57)	454	24
Change in fair value of liability to non-controlling interests	39	-	168	-
Change in fair value of contingent consideration	(3,315)	11	(6,050)	(326)
Adjusted EBITDA [(1)]	**$ (3,183)**	**$ (579) $**	**$ (4,827)**	**$ (2,152)**
Loss per share, basic and diluted	$ (0.15)	$ (0.03)	(0.19)	(0.06)

[(1)] *Non-GAAP measure as described in the Non-GAAP Financial Measures section of this MD&A.*

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

Revenue

The following table provides a summary of our revenues by category:

Revenue	Three months ended June 30, 2022 (unaudited)	Three months ended June 30, 2021 (unaudited)	Variance ($)	Variance (%)	Six months ended June 30, 2022 (unaudited)	Six months ended June 30, 2021 (unaudited)	Variance ($)	Variance (%)
Enterprise health solutions	$ 24,490	$ 4,999	$ 19,491	390%	$ 50,509	$ 7,627	$ 42,882	562%
Digital health solutions	6,189	4,009	2,180	54%	11,800	6,432	5,368	83%
Clinics & pharmacies	9,622	6,651	2,971	45%	19,370	10,375	8,995	87%
Total revenue	**$ 40,301**	**$ 15,659**	**$ 24,642**	**157%**	**$ 81,679**	**$ 24,434**	**$ 57,245**	**234%**

Revenue for the three and six months ended June 30, 2022, increased by $24,642 and $57,245 or 157% and 234% over the prior year comparable periods. The increase in revenue was primarily attributable to the Company's five acquisitions completed since the start of the second quarter 2021.

EHS revenues increased to $24,490 and $50,509 for the three and six months ended June 30, 2022, in part due to the acquisitions of Aspiria Corp., Oncidium and MindBeacon completed since the start of the second quarter of 2021. Several new contracts were signed in the second quarter with expected revenue contributions to begin in the second half of the year. Some of our key highlights and differentiators impacting the revenues in EHS include:

- We are winning new customers on the strength of our integrated and comprehensive product offering that includes a full continuum of service offerings to treat the mental and physical health of an employer population. New contract wins have been across diverse sectors including major public and private sector companies. In the second quarter of 2022, we closed sales with contract values of $4.2 million in annual recurring revenues. These revenues are expected to be realized in the second half of 2022.
- We are leveraging our combined services using health navigators who create engagement with users and proven improvement in health outcomes. This coupled with our excellent end-user experiences for our stakeholders, is driving successful customer acquisitions.
- We consolidated MindBeacon into our Mental Health Services during the first quarter of 2022 adding their clinically proven iCBT into our full continuum of mental health support. We are active in our cross-sell efforts to increase attach rates through integrated offerings to new and existing customers and expect to see increased launches as we progress through 2022.
- We have a strong roster of long-tenured blue-chip clients using one or more of our capabilities. The client management team is focused on introducing existing clients to the full spectrum of capabilities that enable a full care model where we are addressing physical and mental health from mild to acute to chronic.
- There is a growing recognition of the need for government support to address the mental health crisis in North America. In 2022, CloudMD established its Public Sector Division to service these contracts. Our Public Sector division is focused on this unique client base and has recently won contracts for our Mental Health Solutions from major colleges and universities in both Ontario and the Atlantic Region. Along with mental health support this team is driving new contract wins for our employee and family assistance programs from various townships and municipalities across Canada.

In-line with our expectations, during the second quarter we recorded revenues for Covid-19 related services that were $3.2 million lower than the first quarter of 2022. We do not expect any Covid-19 related service revenue in the third quarter of 2022. However, we expect volumes to increase in absence management and independent medical examinations in the back half of the year as more employees return to the workplace. As noted in the *2022 Second Quarter Summary* above, the Company is expecting a decline in revenue from the Ontario Health TAiCBT program in the third quarter of this year of $1.5 million versus the second quarter 2022 run-rate, and approximately $2.50 - $2.75 million in the fourth quarter versus the second quarter 2022 run-rate. Despite the short-term revenue decline, we expect to continue to aggressively grow TAiCBT revenue through integration with broader products through both direct employer markets and referral channels partners.

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

DHS revenues increased to $6,189 and $11,800 for the three and six months ended June 30, 2022, in part due to acquired revenues from VisionPros. Revenues were higher by $0.6 million compared to the first quarter of 2022. The increase in the second quarter is in-part due to the timing of IDYA4 contract revenues which were higher in the second quarter, in addition to increased revenues in our Benchmark Systems business which experienced higher transactional volumes. As described in the *Litigations and Other Contingencies* section below, the Company's VisionPros business was unable to sell into the US market until late in the second quarter of 2022. This resulted in largely unchanged revenues from the first quarter of 2022. The Company has now secured contracts with major suppliers and expects to see revenue from selling into the United States in the third quarter of 2022, however the Company expects it will take time to return to historical run-rates in this business.

Clinic Services & Pharmacies revenues increased to $9,622 and $19,370, for the three and six months ended June 30, 2022, primarily due to an acquisition in the second quarter of 2021 of a patient support and pharmaceutical logistics company. The Company is undertaking a strategic review of some smaller, non-core assets, including Clinics and Pharmacies, to determine how best to maximize shareholder value.

The following table provides a summary of our revenues by territory:

Revenue	Three months ended June 30, 2022 (unaudited)	Three months ended June 30, 2021 (unaudited)	Variance ($)	Variance (%)	Six months ended June 30, 2022 (unaudited)	Six months ended June 30, 2021 (unaudited)	Variance ($)	Variance (%)
Canada	$ 34,540	$ 12,542	$ 21,998	175%	$ 70,669	$ 19,776	$ 50,893	257%
United States	5,761	3,117	2,644	85%	11,010	4,658	6,352	136%
Total revenue	**$ 40,301**	**$ 15,659**	**$ 24,642**	**157%**	**$ 81,679**	**$ 24,434**	**$ 57,245**	**234%**

Revenues earned in Canada for the three and six months ended June 30, 2022, increased by $21,998 and $50,893 or 175% and 257% over the prior year comparable periods. Revenues earned in United States for the three and six months ended June 30, 2022, represented 14% and 13%, respectively of total revenues compared to 20% and 19% in the comparable period in 2021. Revenues earned in the United States have increased year over year as a result of the acquisitions completed for US-based companies including IDYA4, VisionPros and Nevada-based Harmony Healthcare which was acquired through the acquisition of MindBeacon that was completed in mid-January 2022. Further, as discussed above, the Company has secured contracts with major suppliers of VisionPros and expects to begin selling into the US late in the second quarter of 2022 which will help further grow our US-based revenue.

Gross Profit

Gross profit for the three and six months ended June 30, 2022, increased by $6,931 and $16,806 or 125% and 184% over the prior year comparable periods, as a result of the increase in total revenue, primarily attributable to business acquisitions and organic growth.

The gross profit margin was 31.0% and 31.8% for the three and six months ended June 30, 2022, compared to 35.5% and 37.4% for the same periods in the prior year. The decrease in overall gross profit percentage for the three and six months ended June 30, 2022, was primarily due to the revenue mix in the periods. The Company's online vision care platform and patient support programs are lower-margin businesses and did not have a full contribution in the comparative period (both acquisitions closed in the second quarter of 2021). The second quarter 2022 gross margins were lower than the first quarter due to the IDYA4 business, which had unusually low gross margins in the second quarter reflecting higher related development costs. Gross margins in that business are expected to return to a normal level in the third and fourth quarter of 2022. IDYA4 gross margins in the second quarter had a 170 basis points impact on consolidated gross margins compared to the first quarter of 2022. We expect gross profit margin to increase over time with the ongoing efforts to integrate its acquisitions and increase our operational efficiency and as the MindBeacon business is fully integrated. The Company expects margins in the VisionPros business to be slightly lower in the near term as a result of the margin profile of U.S. sales under its new supplier agreements, including changes in supplier rebates.

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

Expenses

Operational expenses	Three months ended June 30, 2022 (unaudited)	Three months ended June 30, 2021 (unaudited)	Variance ($)	Variance (%)	Six months ended June 30, 2022 (unaudited)	Six months ended June 30, 2021 (unaudited)	Variance ($)	Variance (%)
Sales and marketing	$ 3,327	$ 1,768	$ 1,559	88%	$ 6,386	$ 2,923	$ 3,463	118%
Research and development	1,770	985	785	80%	3,073	1,725	1,348	78%
General and administrative	11,125	3,531	7,594	215%	22,047	6,923	15,124	218%
Share-based compensation	532	1,438	(906)	(63%)	1,022	3,033	(2,011)	(66%)
Depreciation and amortization	4,723	1,452	3,271	225%	7,735	2,141	5,594	261%
Financing-related costs	-	122	(122)	(100%)	-	871	(871)	(100%)
Acquisition related, integration and restructuring costs	5,049	2,860	2,189	77%	7,573	3,672	3,901	106%
Operational expenses	**$ 26,526**	**$ 12,156**	**$ 14,370**	**118%**	**$ 47,836**	**$ 21,288**	**$ 26,548**	**125%**

Sales and Marketing

Sales and marketing expenses for the three and six months June 30, 2022, increased by $1,559 and $3,463 or 88% and 118% over the prior year comparable period. The increase is attributable to additional expenses from businesses acquired in the last twelve months. A significant portion of the Company's marketing spend is on customer acquisition costs in the direct to consumer business. With the anticipated reduction in the Ontario Health volume for our TAiCBT offering as described in the *2022 Second Quarter Summary* above, we expect our marketing spend on customer acquisition to drop in the third and fourth quarter of 2022. With our acquisitions, we continue to reduce our customer acquisition costs as a percentage of revenue as we realize greater economies of scale in our sales and shared marketing infrastructure. This is evident by the fact that sales and marketing expenses were 8% of revenue in the six months ended June 30, 2022 compared to 12% for the same period in 2021. We expect this trend to continue as we continue to execute on our cross-sell initiatives that will deliver greater revenue at lower sales and marketing costs.

Research and Development

Research and development expenses for the three and six months ended June 30, 2022, increased by $785 and $1,348 or 80% and 78% over the prior year comparable periods. The increase is primarily attributable to additional expenses assumed from businesses acquired in the last 12 months which have several R&D initiatives and developments ongoing. In the period, we focused our research and development on new product development activities including the recently launched Kii, our integrated health platform.

General and Administrative

General and administrative expenses for the three and six months ended June 30, 2022, increased by $7,594 and $15,124 or 215% and 218% over the prior comparable periods. This increase is primarily attributable to additional expenses from businesses acquired in the last twelve months; higher professional fees for audit, tax, and consulting work; legal for litigations on Gravitas and VisionPros; and investments in data privacy and security.

Share-based Compensation

Shared-based compensation expenses for the three and six months ended June 30, 2022, decreased by $906 and $2,011 or 63% and 66% over the prior comparable periods. The decrease is primarily attributable to one-time grants in 2021 which did not reoccur in 2022 and changes in the Company's share price.

Depreciation and Amortization

Depreciation and amortization expenses for the three and six months ended June 30, 2022, increased by $3,271 and $5,594 or 225% and 261% over the prior comparable periods. The increase is primarily attributable to increased depreciation and amortization, in-line with the growth in our fixed and intangible assets from acquisitions.

Financing-Related Costs

Financing-related costs for the three and six months ended June 30, 2022, decreased by $122 and $871 over the comparable periods. The decrease is attributable to a short form prospectus offering, on a bought-deal basis, completed in March 2021. No such expense was incurred in 2022.

Acquisition-Related, Integration and Restructuring Costs

Acquisition-related, integration and restructuring costs for the three and six months ended June 30, 2022, were $5,049 and $7,573, and $2,860 and $3,672 in the comparable periods. Acquisition-related, integration and restructuring costs include expenses incurred in relation to the Company's corporate development, including salaries, fees for advisory, accounting and costs of integration which includes severance. The Company has completed five acquisitions since the start of the second quarter of 2021 and has been focused on cost optimalization and integration activities which will deliver positive cash flow and EBITDA in the coming years. We expect these costs to decrease in the second half of 2022.

Other Income

Other income for the three months ended June 30, 2022, decreased by $84 or 46% over the prior year comparable period. For the six months ended June 30, 2022, other income increased by $24 or 10% over the prior year comparable period. The change in other income is primarily attributable to changes in interest income earned on our cash and cash equivalents. We have had fluctuations in our cash balance since the start of 2021 as a result of acquisition timing and investment in the Company's growth.

Change in fair value of contingent consideration

Change in fair value of contingent consideration for the three and six months ended June 30, 2022, increased by $3,326 and $5,724 over the prior year comparable periods. 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 change during the period is related to changes in the underlying assumptions impacting the valuation of the liability, including future cash flows of the acquired businesses, volatility rates and with respect to the selection of the discount rates. Further, in the quarter, 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 revenue and a time-based earnout. As a result of this, the Company recognized a gain in fair value of contingent consideration of $1,199 in the quarter.

Finance costs

Finance costs for the three and six months ended June 30, 2022, increased by $452 and $861 or 404% and 431% over the prior comparable period. The increase is primarily attributable to the increase in long-term debt during the periods used to fund acquisitions completed in 2021.

Impairment

During the three and six months ended June 30, 2022, the Company reported an impairment charge of $29,074 in its VisionPros business. As a result of some of the supplier issues and other management practices while VisionPros was owned by the former owners (refer to the *Litigation and Other Contingencies* section below), the Company was unable to sell in the United States until the end of the second quarter of 2022 and necessitated the negotiation and signing of new supplier agreements. In part as a result of the issues discovered and their impact on the Company's financial projections, the Company recorded a non-cash goodwill and intangible asset impairment charge in the second quarter of 2022. Furthermore, during the three and six months ended June 30, 2022, the Company observed that financial performance in its RXI business was below budget as costs in the business were rising. As a result, the Company assessed the recoverable amount of the CGU and recorded a non-cash impairment charge of $3,778 in second quarter of 2022. The Company does not expect that the impairment charges will have any impact on its liquidity or cash flows from operating activities.

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

Current and deferred income taxes expense

The current and deferred income taxes expense for the three and six months ended June 30, 2022, decreased by $147 or 128% and $102 or 66%, respectively over the prior comparable periods. The decrease is primarily attributable to the benefit expected to accrue to the company due to timing differences related to intangible assets and expected use of loss carry forwards.

Net Loss

Net loss for the three and six months ended June 30, 2022, was $44,214 and $49,862 compared to $6,632 and $11,922 for the same periods in the prior year. The increase in net loss was primarily due to an impairment expense recorded in the second quarter of 2022. The Company is highly focused on profitable growth and generating positive net profits is a key objective for the Company.

EBITDA and Adjusted EBITDA

EBITDA for the three and six months ended June 30, 2022, was a loss of $5,940 and $7,994 compared to a loss of $4,953 and $9,426 for the same period in the prior year.

Adjusted EBITDA for the three and six months ended June 30, 2022, was a loss of $3,183 and $4,827, compared to a loss of $579 and $2,152 for the same periods in the prior year.

The following table provides a reconciliation of net loss for the periods to EBITDA and adjusted EBITDA for the three and six months ended June 30, 2022 and 2021.

	Three months ended				Six months ended			
	June 30,		Variance		June 30,		Variance	
	2022 (unaudited)	2021 (unaudited)	($)	(%)	2022 (unaudited)	2021 (unaudited)	($)	(%)
Net loss	**$ (44,214)**	**$ (6,632)**	**(37,582)**	**567%**	**$ (49,862)**	**$ (11,922)**	**(37,940)**	**318%**
Add:								
Interest and accretion expense	564	112	452	404%	1,061	200	861	431%
Current & deferred income tax expense	(32)	115	(147)	(128%)	53	155	(102)	(66%)
Impairment	33,019	-	33,019	100%	33,019	-	33,019	100%
Depreciation and amortization	4,723	1,452	3,271	225%	7,735	2,141	5,594	261%
EBITDA(1) for the period	**(5,940)**	**(4,953)**	**(987)**	**20%**	**(7,994)**	**(9,426)**	**1,432**	**(15%)**
Share-based compensation	532	1,438	(906)	(63%)	1,022	3,033	(2,011)	(66%)
Financing-related costs	-	122	(122)	(100%)	-	871	(871)	(100%)
Acquisition related, integration and restructuring costs	5,049	2,860	2,189	77%	7,573	3,672	3,901	106%
Litigation costs and loss provision	452	(57)	509	(893%)	454	24	430	1792%
Change in fair value of liability to non-controlling interests	39	-	39	100%	168	-	168	100%
Change in fair value of contingent consideration	(3,315)	11	(3,326)	(30236%)	(6,050)	(326)	(5,724)	1756%
Adjusted EBITDA(1) for the period	**$ (3,183)**	**$ (579)**	**(2,604)**	**450%**	**$ (4,827)**	**$ (2,152)**	**(2,675)**	**124%**

(1) EBITDA, Adjusted EBITDA, Financing-related costs, Acquisition related, integration and restructuring costs, litigation costs and loss provision are non-GAAP measures as described in the Non-GAAP Financial Measures section of this MD&A.

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

SUMMARY OF QUARTERLY RESULTS

The following tables provides a summary of the Company's financial results for the eight most recently completed quarters:

	Q2 2022 (unaudited)	Q1 2022 (unaudited)	Q4 2021 (unaudited)	Q3 2021 (unaudited)	Q2 2021 (unaudited)	Q1 2021 (unaudited)	Q4 2020 [(1)] (unaudited)	Q3 2020 [(1)] (unaudited)
Revenue	$ 40,301	$ 41,378	$ 38,735	$ 39,162	$ 15,659	$ 8,775	$ 5,810	$ 3,359
Gross profit	$ 12,488	$ 13,466	$ 11,605	$ 13,296	$ 5,557	$ 3,591	$ 2,346	$ 1,259
Gross profit %	31.0%	32.5%	30.0%	34.0%	35.5%	40.9%	40.4%	37.5%
Net loss	$ (44,214)	$ (5,648)	$ (15,131)	$ (4,319)	$ (6,632)	$ (5,290)	$ (5,045)	$ (2,724)
Adjusted EBITDA [(2)]	$ (3,183)	$ (1,644)	$ 560	$ 725	$ (579)	$ (1,573)	$ (1,505)	$ (1,271)
EPS, basic and diluted	$ (0.15)	$ (0.02)	$ (0.06)	$ (0.02)	$ (0.03)	$ (0.03)	$ (0.04)	$ (0.02)
Cash and cash equivalents	$ 29,703	$ 45,082	$ 45,082	$ 53,685	$ 60,880	$ 99,220	$ 59,714	$ 33,950

(1) Gross profit for the periods Q4 2020 and Q3 2020 have been retrospectively updated for the reclassification of certain expenses within its Statement of Net Loss and Comprehensive Loss.
(2) Adjusted EBITDA for the prior periods has been retrospectively updated to match our current definition of the non-GAAP measure.

The growth in the Company's quarterly revenue is attributable to business acquisitions and organic growth. In the past eight quarters, the Company completed 15 acquisitions.

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 and EBITDA tend to be higher in the fourth quarter of the year in-line with U.S. government budget spend.

In each quarter from Q3 2020 to Q1 2021, the Company raised gross proceeds from the issuance of common shares.

In the second quarter of 2022, the Company incurred an impairment charge related to its VisionPros and RXI business. Please refer to the discussion under *Impairment* above.

OUTLOOK

The Company is focused on the complete integration of acquisitions and product to create an innovative market leadership position and delivering profitable results. The Company is now turning its attention to rationalizing and operationalizing these assets, so that it can drive value creation for shareholders and clients. The Company has experienced a period of transition as a result of leadership turnover and multiple acquisitions in a short period of time. CloudMD has solidified its leadership with the confirmation of Karen Adams as Chief Executive Officer and John Plunkett as Chief Financial Officer. Over the past 60 days, Karen Adams and John Plunkett have been focused on assessing business and financial performance, risks and the strategic opportunities. The management team is focused on allocating resources against profitable revenue streams that deliver increased shareholder value and rationalizing products and related expenses that do not fit the long term strategy of the Company.

The Company has been focused on acquisition integration which has resulted in several personnel changes within the organization. It has put behind the issues encountered in the 2021 VisionPros acquisition (see *litigation and other contingencies* section below). The Company has undertaken an on-going strategic review of some smaller, non-core assets to determine how best to maximize shareholder value from these assets. At this point, the Company is focused on building the Company for the future, focused on becoming cash flow positive and financial sustainability. The Company has identified significant opportunities to realign its cost base and executing on this is a priority in the third and fourth quarters of 2022. The Company believes that it will not become cash flow positive prior to the second quarter of 2023; however significant efforts are still required to achieve this. In the near-term, the Company expects to benefit from capital raised from the divestiture of some of its smaller, non-core assets.

The current market environment has underscored the need to provide timely and critical access to mental and physical health treatment and resources. CloudMD is uniquely positioned to shape the future of personalized healthcare. The Company is focused on creating innovation in the delivery of healthcare service leveraging technology to improve access to care, leading to better health outcomes. Through its team-based, personalized care approach, CloudMD provides comprehensive solutions to patients, healthcare practitioners, individuals, and enterprise clients through our call center, digitally or in person. The Company has a multi-pronged growth strategy which focuses on shareholder value creation, organic growth, cost optimization, and leveraging of our core assets.

The Company plans to drive shareholder value through the following priorities including (1) Integrating acquisitions to generate financial and operational synergies; (2) Driving continuous improvement across the organization to improve productivity, product quality and consistency, advancement of the integrated platform and lower customer acquisition costs; and (3) Generating organic growth in EHS and DHS divisions.

The Company has a near-term focus on improving financial performance, cash flow sustainability, and continuing to streamline operations, with a plan to profit from the core and leverage its strength as a leader in the employer health markets. We are focused on driving profitable growth in the markets where we have scale, strong differentiators in proven service delivery and that have the most attractive growth and profit potential. The Company is working on divesting its Clinics and Pharmacies business which will provide some near-term capital.

The Company believes it will identify significant cost efficiencies in the third and fourth quarters of 2022. These are required to bring the Company to cash flow positivity. However, these synergies will come with a cost of severance, or working notice, which will impact cash flows in the third and fourth quarters of 2022. Along with synergies and cost control, the Company sees room for operating leverage as it generates organic growth over the second half of the year. The Company is highly focused on profitable growth and becoming cash flow positive is a key objective for the Company.

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

FINANCIAL POSITION

	As at		
	June 30, 2022	**December 31, 2021**	**Variance**
Cash and cash equivalents	$ 29,703	$ 45,082	$ (15,379)
Trade and other receivables	26,428	24,429	1,999
Inventory	3,605	3,424	181
Prepaid expenses, deposits and other	4,442	2,427	2,015
Net investment in sublease	207	20	187
Current assets	**64,385**	**75,382**	**(10,997)**
Accounts payable and accrued liabilities	26,092	30,586	(4,494)
Deferred revenue	2,350	1,311	1,039
Contingent consideration	3,555	11,807	(8,252)
Contingent liability	1,350	1,350	-
Current portion of lease liabilities	2,650	1,973	677
Current portion of long-term debt	2,532	2,438	94
Current liabilities	**38,529**	**49,465**	**(10,936)**
Working capital (1)	**$ 25,856**	**$ 25,917**	**$ (61)**
Contingent consideration settled in shares	3,030	7,627	(4,597)
Adjusted working capital	**$ 28,886**	**$ 33,544**	**$ (4,658)**

(1) *Working Capital and Adjusted Working Capital are a non-GAAP measure as described in the Non-GAAP Financial Measures section of this MD&A.*
(2) *Adjustment for settlement of the Oncidium contingent consideration, assuming it is settled in shares. CloudMD has the option to settle the contingent consideration, in shares at $2.30 per share, or cash.*

For the six months ended June 30, 2022, working capital decreased to $25,856 compared to $25,917 at the beginning of the period. The decrease is primarily due to lower cash and cash equivalents, offset by lower contingent consideration and lower accounts payable and accrued liabilities. The decrease in cash reflects payments made related to: the MindBeacon acquisition for legal and financial advisory; payments of severances related to acquisition integration; payments for accounting and valuation work for 2021 acquisitions completed; legal costs and supplier payments associated with the settlement with the VisionPros sellers and other acquisitions completed; and other non-recurring acquisition expenditures. The Company estimates that these costs were approximately $7.8 million in the second quarter. In the second quarter, there were also normal-course payments made related to annual bonuses and prepaid insurance, which are expensed over the course of a year, but typically paid in the second quarter of the year. The Company estimates that these costs were approximately $1.3 million. Finally, there was one large customer who had a material receivable balance build in the second quarter, that was subsequently collected post-quarter end. The impact of this customer's receivable balance on the second quarter cash flows was $2.0 million.

Increase in trade and other receivables, prepaid expense, deferred revenue, and lease liabilities is primarily due to assets obtained and liabilities assumed related to the MindBeacon acquisition and aforementioned buildup of receivable balance which was subsequently collected. The decrease in accounts payable and contingent consideration is attributable to payments made on those obligations since December 31, 2021, and the revaluation of the contingent consideration.

For the six months ended June 30, 2022, adjusted working capital decreased to $28,886 compared to $33,544 at the beginning of the period. A significant majority of the contingent consideration relates to the Oncidium acquisition completed in the second quarter of 2021. The contingent consideration can be settled, at the Company's discretion, using cash or common shares issuable at $2.30. If the Company elects to settle the liability in shares at $2.30, this would result in an increase of $3,030 in the Company's working capital.

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

Contingent liability relates to the ongoing litigation matters as further described in the Litigation and Other Contingencies section.

LIQUIDITY AND CAPITAL RESOURCES

	Three months ended			Six months ended		
	June 30, 2022 (unaudited)	**June 30, 2021** (unaudited)	**Variance**	**June 30, 2022** (unaudited)	**June 30, 2021** (unaudited)	**Variance**
Cash provided by / (used in):						
Net cash used in operating activities	$ (13,249)	$ (5,193)	$ (8,056)	$ (22,244)	$ (7,771)	$ (14,473)
Net cash provided by/(used in) investing activities	(2,121)	(56,691)	54,570	9,798	(70,383)	80,181
Net cash (used in)/provided by financing activities	(1,818)	23,873	(25,691)	(2,925)	79,430	(82,355)
Increase in cash and cash equivalents	(17,188)	(38,011)	20,823	(15,371)	1,276	(16,647)
Cash and cash equivalents, beginning of period	46,899	99,220	(52,321)	45,082	59,714	(14,632)
Effect of foreign exchange on cash and cash equivalents	(8)	(110)	102	(8)	(110)	102
Cash and cash equivalents, end of period	**$ 29,703**	**$ 61,099**	**$ (31,396)**	**$ 29,703**	**$ 60,880**	**$ (31,177)**

The Company had cash and cash equivalents of $29,703 as at June 30, 2022 compared to $46,899 at March 31, 2022 and $45,082 at December 31, 2021.

During the three and six months ended June 30, 2022, the Company had cash outflows from operations of $13,249 and $22,244 compared to cash outflows of $5,193 and $7,771 in the prior year's comparable period. Cash used in operations increased by $8,056 and $14,473 in the three and six months ended June 30, 2022 compared to the same periods in the prior year. There was a decrease in cash and cash equivalents in the second quarter of 2022 due to unusually high one-time payments made related to: the MindBeacon acquisition for legal and financial advisory; payments of severances related to acquisition integration; payments for accounting and valuation work for 2021 acquisitions completed; legal costs and supplier payments associated with the settlement with VisionPros sellers and other acquisitions completed; and other non-recurring acquisition expenditures. The Company estimates that these costs were approximately $7.8 million in the second quarter. In the second quarter there were also normal-course payments made related to annual bonuses and prepaid insurance which are expensed over the course of a year, but typically paid in the second quarter of the year. The Company estimates that these costs were approximately $1.3 million. Finally, there was one large customer who had a material receivable balance build in the second quarter, that was subsequently collected post-quarter end. The impact of this customer's receivable balance on the second quarter cash flows was $2.0 million.

Cash used by investing activities during the three months ended June 30, 2022, was $2,121 compared to $56,691 in the prior year comparable period, and cash provided in the six months ended June 30, 2022, was 9,798, compared to cash used of $70,383 for the same period in the prior year. The use of cash in investing activities in 2021 is primarily due to the eight acquisitions completed during the period. In the current year to date there was only one acquisition completed which resulted in a net cash increase for the Company as MindBeacon had a cash balance of $41,434 upon closing of the acquisition in January 2022.

Cash used in financing activities during the three and six months ended June 30, 2022, was $1,818 and $2,925 compared to cash provided by financing activities of $23,873 and $79,430 for the same prior year period. The change in cash related to financing activities was primarily due to proceeds from the issuance of common shares of $58,212, and proceeds from long term debt of $23,633 in the same period last year which was not repeated in the current period.

The Company believes its strategy of divesting non-core assets will add some additional cash to the balance sheet in the third or fourth quarter of 2022. In addition, the settlement with the VisionPros sellers as outlined in the Litigation and Other Contingency section below, is expected to add approximately $3.4 million to the balance sheet in the third quarter of 2022.

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

Normalized cash outflows

The cash outflows in the second quarter of 2022 were unusually high and not expected to recur in the third quarter or fourth quarter of 2022. Please refer to the discussion above. Table below provides a reconciliation of the one-time cash outflows in the three months ended June 30, 2022:

		(unaudited)
Cash and cash equivalents as at March 31, 2022	$	46,899
Cash and cash equivalents as at June 30, 2022		29,703
Cash outflow [(1)]		**17,196**
Net cash used in operating activities		**(13,249)**
Adjustments		
Net changes in non-cash working capital		3,599
Adjustments to EBITDA		5,501
Adjusted net cash used in operating activities		**(4,149)**
Net cash used in investing activities		**(2,121)**
Adjustments		
Payment of contingent consideration		1,183
Adjusted net cash used in investing activities		**(938)**
Net cash used in financing activities		**(1,818)**
Normalized cash outflow [(1)]	$	**6,905**

(1) Cash outflow and Normalized cash outflow are a non-GAAP measure as described in the Non-GAAP Financial Measures section of this MD&A.

During the second quarter of 2022, the Company's use of cash was unusually high. There were significant negative changes in working capital as it relates to settlements of non-recurring expenditures from prior periods for acquisitions, professional fees, and severances. Although the Company expects some outflows related to non-recurring expenditures in the third and fourth quarter of 2022, these outflows are expected to be significantly lower. In addition, the Company expects to receive positive cash inflows from the divestment of non-core assets in either the third or fourth quarter of 2022, plus an inflow of $3.4 million from the settlement with the sellers of VisionPros (as described in the Litigation and Other Contingencies section below). This combined with the Company's continued focus on profitable operations is expected to result in a use of cash as we exit 2022 at a much lower level. The Company does not expect to be cash flow positive prior to the second quarter of 2023. The Company is monitoring cash flow closely, and believes it has the required capital to fund working capital requirements and advance its business strategy.

Debt financing

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 debt approximates its carrying value.

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

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

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

USE OF PROCEEDS

The Company anticipated that it would use the net proceeds from its debt financing for working capital and general corporate purposes. The following table sets out the original proposed use of net proceeds and actual uses of net proceeds up to June 30, 2022. To date, the Company continues to proceed towards its long term strategy.

		Proposed use	**Proposed use of net proceeds**	**Actual use of net proceeds**
Bought deal financing	March 9, 2021	Acquisition purposes	53,990	53,990 (1)
Debt financing	June 25, 2021	Acquisition of Oncidium	23,633	23,633

(1) Acquisition of Oncidium (remainder), and MindBeacon

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.

During the second quarter of 2022, the Company's use of cash was unusually high. There were significant negative changes in working capital as it relates to settlements of non-recurring expenditures from prior periods for acquisitions, professional fees, and severances. Although the Company expects some outflows related to non-recurring expenditures in the third and fourth quarter of 2022, these outflows are expected to be significantly lower. In addition, the Company expects to receive positive cash inflows from the divestment of non-core assets in either the third or fourth quarter of 2022, plus an inflow of $3.4 million from the settlement with the sellers of VisionPros (as described in the Litigation and Other Contingencies section below). This combined with the Company's continual focus on profitable operations is expected to result in a use of cash as we exit 2022 at a much lower level. The Company does not expect to be cash flow positive prior to the second quarter of 2023. The Company is monitoring cash flow closely, however believes it has the required capital to fund working capital requirements and advance its business strategy.

The Company is subject to certain financial covenants in its debt obligations. The Company's expects it will remain in compliance with all of its existing covenants so as to ensure continuous access to required debt to fund growth.

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, contingent consideration, contingent liability and long-term debt. 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 and accrued liabilities 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.

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

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.

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**

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

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 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.

At June 30, 2022, the Company held net monetary assets in United States dollar (**"USD"**) equal to $2,144 (December 31, 2021 – $3,247). The Company estimates the impact of a 5% change in the Canadian dollar exchange rate on its net monetary assets to be $136 (June 30, 2021– $122).

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 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.

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

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.

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent assets and 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 Company's significant accounting policies are presented in note 2 to the annual consolidated financial statements and in our MD&A for the year ended December 31, 2021. The IASB continues to issue new and revised IFRS. There are no pending accounting standard changes that would have a significant effect on the Company's results and operations. The condensed consolidated unaudited interim financial statements for the three and six months ended June 30, 2022, have been prepared using the critical accounting estimates and assumptions consistent with those applied in the audited consolidated financial statements for the year ended December 31, 2021.

Estimates and underlying assumptions are reviewed on an ongoing basis. Estimates are based on historical experience and other assumptions that are considered reasonable in the circumstances. The actual amount or values may vary in certain instances from the assumptions and estimates made. Changes will be recorded, with the corresponding effect in profit or loss, when, and if, better information is obtained.

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 are not expected to have an impact on the condensed interim consolidated financial statements of the Company.

ACQUISITIONS COMPLETED

The Company acquired interests in the following companies during the six months ended June 30, 2022, and the year ended December 31, 2021:

Company name	Acquisition date	Share/Asset purchase	Ownership	Line of business
Humanacare Organizational Resources Inc ("Humanacare")	11-Jan-21	Share	100%	Employer Healthcare
Medical Confidence Inc ('Medical Confidence")	15-Jan-21	Share	100%	Navigation Software
Canadian Medical Directory ("CMD)	21-Jan-21	Asset	100%	Directory
Tetra Ventures LLC ("IDYA4")	22-Mar-21	Share	100%	Employer Healthcare
Aspiria Corp ("Aspiria")	01-Apr-21	Share	100%	Employer Healthcare
RX Infinity Inc., Rxi Pharmacy Inc. & Rxi Health Solutions ("RXI")	11-May-21	Share	100%	Pharmacy
0869316 BC Ltd, 1143556 BC Ltd & 11533046 BC Ltd ("Vision Pros")	23-Jun-21	Share	100%	Vision wear
Oncidium Inc. ("Oncidium")	25-Jun-21	Share	100%	Employer Healthcare
MindBeacon Holdings Inc. ("MindBeacon")	13-Jan-22	Share	100%	Digital Healthcare

Description of acquiree businesses:

- HumanaCare is an integrated Employee Assistance Program ("**EAP**") solution which provides compassionate, holistic, physical and mental health support for employees and their families.
- Medical Confidence offers a revolutionary healthcare navigation platform with proven results in wait time reduction and patient satisfaction.
- Canadian Medical Directory is a listing of registered practitioners in Canada.
- IDYA4 is a leading health technology company focused on data interoperability and cybersecurity based in the United States.
- Aspiria provides an Integrated Employee and Student Assistance Program ("**SAP**"), that focuses on a comprehensive suite of mental health and wellness solutions for all employer and educational sectors.
- Rxi provides pharmaceutical logistic services including drug distribution, patient navigation assistances, a preferred pharmacy network of over 500 pharmacies and real time universal disease management software.
- VisionPros is a vertically integrated digital eyewear platform servicing customers across North America.
- Oncidium is a Canadian healthcare provider to employers.
- MindBeacon is a leading mental healthcare provider offering a continuum of care, focusing on iCBT, which is a highly effective therapy provided through a computer or a mobile device.

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 Financin**g"). 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 ("**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 of the Company's acquisition of VisionPros, 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 former owners of VisionPros (the "**Sellers**"). The settlement agreement (the "**Settlement Agreement**") between the Company and the Sellers was unanimously endorsed by CloudMD's Board of Directors. Pursuant to the terms of the Settlement Agreement, the holdback amounts of $3,000,000 and 1,090,909 common shares of the Company that were held in escrow as part of the original acquisition of VisionPros were 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 were returned to CloudMD. All common shares returned to CloudMD were 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 $800,000 will now be the responsibility of the Sellers, who have indemnified CloudMD for any such payments. Finally, the Sellers have agreed to pay $350,000 in cash to the Company. The reduction in the purchase price related to the Settlement Agreement was $12.6 million. 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.

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

OUTSTANDING SHARE DATA

The Company had the following securities issued and outstanding:

	As at	
Issued and outstanding	**August 22, 2022**	**June 30, 2022**
Common shares	293,538,554	292,764,816
Stock options	10,441,750	10,531,750
Restricted share units	868,250	1,118,250
Warrants	3,177,454	3,177,454
Total	**308,026,008**	**307,592,270**