CloudMD Software & Services Inc.

Consolidated Financial Statements
Years ended December 31, 2022 and 2021

(Amended and Restated)

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

NOTE TO READER

These amended and restated audited annual consolidated financial statements for the years ended December 31, 2022 and 2021 replace and supersede the previously filed audited annual consolidated financial statements in respect of the same periods filed on April 25, 2023. After the issuance of the audited consolidated financial statements for the years ended December 31, 2022 and 2021, the Company's external auditors and management performed additional procedures and certain adjustments were identified that required restatement of the annual consolidated financial statements, as fully described in Note 2 to these restated audited annual consolidated financial statements.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of CloudMD Software & Services Inc.

Opinion

We have audited the consolidated financial statements of CloudMD Software & Services Inc. (the Entity) which comprise:

- the consolidated statements of financial position as at December 31, 2022 and December 31, 2021
- the consolidated statements of net loss and comprehensive loss for the years then ended
- the consolidated statements of changes in shareholders' equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2022 and December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Restatement of Financial Statements

We draw attention to Note 2 to the financial statements which describes i) that the financial statements that we originally reported on April 25, 2023, have been restated, and ii) the matter that gives rise to the restatement of the financial statements.

Our opinion is not modified in respect of this matter.

Material Uncertainty Related to Going Concern

We draw attention to Note 3(b) in the financial statements, which indicates that the Entity has incurred losses of $149,207 and has generated negative cash flows from operations of $27,923 for the year ended December 31, 2022. Furthermore, the Entity was not in compliance with the debt covenants as at December 31, 2022.

As stated in Note 3(b) in the financial statements, these events or conditions, along with other matters as set forth in Note 3(b) in the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Entity's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the "Material Uncertainty related to Going Concern" section of the audit report, we have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

Evaluation of the acquisition-date fair value of intangible asset

Description of the matter

We draw attention to Notes 3(d), 4, and 5 to the consolidated financial statements. On January 14, 2022, the Entity acquired all of the issued and outstanding common shares of MindBeacon Holdings Inc. ("MindBeacon") for total consideration paid of $82,447 thousand. In connection with the acquisition, the Entity recorded intangible assets with an acquisition date fair value of $19,570 thousand, of which $16,860 thousand related to software. The Entity determined the acquisition-date fair value of the software using the relief from royalty method and the cost method. The Entity's significant assumptions in determining the acquisition-date fair value of the software included forecasted revenues, royalty rate, software development costs, obsolescence factor, and discount rate.

Why the matter is a key audit matter

We identified the evaluation of the acquisition date fair value of the software intangible asset acquired as part of the MindBeacon acquisition as a key audit matter. This matter represented a significant risk of material misstatement given the high degree of estimation uncertainty in determining the fair value of the intangible asset. Significant auditor judgment and the involvement of professionals with specialized skills and knowledge were required to evaluate the evidence supporting the Entity's significant assumptions due to the sensitivity of the fair value of the intangible assets to minor changes in these assumptions.

How the matter was addressed

The primary procedures we performed to address this key audit matter included the following:

- We compared the Entity's historical revenue forecasts to actual results to assess the Company's ability to accurately forecast.
- We evaluated the appropriateness of the Entity's forecasted revenues, by comparing to historical actual results, and comparing to the growth rates of comparable entities. We performed a sensitivity analysis over

the forecasted revenues to assess their impact on the fair value of the Entity's fair value estimate.

- We agreed the software development costs incurred to supporting documentation.
- We compared the obsolescence factor to historical costs incurred to develop the technology.

We involved valuation professionals with specialized skills and knowledge, who assisted in assessing the valuation methodology as well as the royalty rate and the discount rate. The procedures performed included the following:

- Evaluating the appropriateness of the valuation methodology used by the Entity to calculate the fair value of the software intangible asset.
- Evaluating the royalty rate by comparing against publicly available data for comparable transactions.
- Evaluating the acquiree's discount rate by comparing to a discount rate range that was developed using the capital asset pricing model and weighted average cost of capital.

Evaluation of impairment of Goodwill and Indefinite life Intangible Assets

Description of the matter

We draw attention to Notes 3(d), 4, and 9 to the financial statements. The goodwill and indefinite life intangible asset balances are $41,784 thousand and $84,558 thousand, respectively. The Entity tests goodwill and intangibles with indefinite useful lives for impairment annually as at December 31 and when circumstances indicate that the carrying value of a cash generating unit may be impaired. Impairment is determined by assessing the recoverable amount of each cash generating unit "CGU" or operating segment to which the goodwill and indefinite life intangible assets relate. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. The recoverable amount is the higher of its fair value less costs of disposal ("FVLCD") and its value in use ("VIU"). The FVLCD calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The VIU calculation is based on a discounted cash flow ("DCF") model. The recoverable amount is sensitive to the forecasted revenue, forecasted EBITDA margin, terminal value growth rate and discount rate significant assumptions applied in the DCF models, and the forecasted revenue and implied revenue multiples calculated from observable market prices significant assumptions applied in the FVLCD calculations. During the year ended December 31, 2022, the Entity recorded an impairment loss of $127,351 thousand of which $116,569 thousand pertained to Goodwill and $10,782 thousand to indefinite life intangible assets.

Why the matter is a key audit matter

We identified the evaluation of impairment of goodwill and indefinite life intangible assets as a key audit matter. This matter represented an area of significant risk of material misstatement given the high degree of estimation uncertainty in determining the recoverable amounts of the CGUs. Significant auditor judgment and specialized skills and knowledge were required to evaluate the application of the above noted significant assumptions used in the determination of the recoverable amounts. As a result, significant auditor judgement was required in evaluating the results of our audit procedures.

How the matter was addressed

The primary procedures we performed to address this key audit matter included the following:

- We compared the Entity's historical revenues and EBITDA forecasts to actual results to assess the Entity's ability to accurately forecast.

- We evaluated the appropriateness of the Entity's forecasted revenues and forecasted EBITDA margin by comparing to historical actual results, and comparing to the growth rates of comparable entities. We considered changes in conditions and events affecting the Entity to assess the adjustments made to historical results in arriving at the assumptions.

We involved valuation professionals with specialized skills and knowledge, who assisted in evaluating the appropriateness of the discount rates, terminal growth rates, and the implied revenue multiples calculated from observable market prices used in the estimated recoverable amounts. The procedures performed include the following:

- Evaluating the Entity's discount rate by comparing against discount rate ranges that were independently developed using publicly available market and industry data.
- Evaluating the terminal growth rates by considering the growth profile and overall macroeconomic conditions of the CGUs.
- Evaluating the Entity's implied revenue multiples calculated from observable market prices by comparing against actual multiples for comparable precedent transactions.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

The information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled "Glossy Annual Report" is expected to be made available to us after the date of this auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

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

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

- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

Chartered Professional Accountants

The engagement partner on the audit resulting in this auditor's report is Pauline Wu.

December 12, 2023
Vancouver, Canada

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

	Note	December 31, 2022 (Restated - Note 2)	December 31, 2021 *
ASSETS			
Current assets			
Cash and cash equivalents		$ 24,058	$ 45,082
Trade and other receivables	7	18,780	24,429
Inventory		979	3,424
Prepaid expenses, deposits and other		4,622	2,427
Net investment in sublease		-	20
		48,439	75,382
Assets held for sale	18	3,794	-
Total current assets		52,233	75,382
Deposits		113	238
Investment in joint venture		-	407
Property and equipment	8	7,751	11,319
Intangible assets	9	84,558	85,377
Goodwill	9	41,784	139,367
Total assets		$ 186,439	$ 312,090
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable, accrued liabilities and other		$ 20,911	$ 30,586
Deferred revenue		2,256	1,311
Contingent consideration	11	2,177	11,807
Contingent liability		1,200	1,350
Current portion of lease liabilities	12	2,015	1,973
Current portion of long-term debt	10	19,617	2,438
		48,176	49,465
Liabilities directly associated with the assets held for sale	18	5,917	-
Total current liabilities		54,093	49,465
Contingent consideration	11	241	6,507
Lease liabilities	12	4,290	6,912
Deferred tax liability	20	11,609	16,201
Liability to non-controlling interests		743	511
Long-term debt	10	106	22,130
Total liabilities		71,082	101,726
SHAREHOLDERS' EQUITY			
Share capital	14	304,817	241,395
Reserves		13,143	11,932
Shares under escrow		596	596
Contingent shares issuable		4,436	8,510
Accumulated other comprehensive loss		186	(227)
Deficit		(208,848)	(52,633)
Equity attributable to equity holders of the parent		114,330	209,573
Non-controlling interest		1,027	791
Total shareholders' equity		115,357	210,364
Total liabilities and shareholders' equity		$ 186,439	$ 312,090

Going Concern *(Note 3)*
Litigation and other contingencies *(Note 21)*
Subsequent events *(Note 22)*
* Comparative information has been adjusted due to adjustments related to PPA. See Note 5.
Approved and authorized for issuance by the Board of Directors on December 12, 2023.

"Karen Adams"
Karen Adams, CE O

"Gaston Tano"
Gaston Tano, Audit Committee Chair

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

	Note	Year ended December 31, 2022 (Restated - Note 2)	Year ended December 31, 2021*
Continuing operations			
Revenue	19	114,640	70,055
Cost of sales		74,142	43,397
Gross profit		40,498	26,658
Expenses			
Sales and marketing		8,942	5,496
Research and development		3,954	1,604
General and administrative		38,996	21,667
Share-based compensation	14	1,273	5,223
Amortization of intangible assets	9	10,810	4,041
Depreciation of property and equipment	8	3,296	1,646
Financing-related costs		16	859
Acquisition and divestiture-related, integration and restructuring costs		11,545	7,838
Impairment	9	120,594	2,736
Total expenses		199,426	51,110
Operating loss		(158,928)	(24,452)
Other income		627	411
Gain in fair value of contingent consideration	11	6,564	1,471
Loss on sale of investment in joint venture		(221)	-
Finance costs		(2,146)	(931)
		4,824	951
Net loss before taxes from continuing operations		(154,104)	(23,501)
Income tax recovery/ (expense)	20	4,897	(355)
Net loss for the year from continuing operations		(149,207)	(23,856)
Discontinuing operations			
Loss after tax for the year from discontinuing operations, net	18	(8,800)	(6,882)
Net loss for the year		(158,007)	(30,738)
Other comprehensive loss			
Item that may be reclassified to income in subsequent periods			
Exchange differences on translation of foreign operations		413	(35)
Total comprehensive loss for the year		(157,594)	(30,773)
Net loss attributable to:			
Equity holders of the Company		(158,243)	(30,726)
Non-controlling interest		236	(12)
Total comprehensive loss attributable to:			
Equity holders of the Company		(157,830)	(30,761)
Non-controlling interest		236	(12)
Weighted average number of common shares, basic and diluted		288,190,051	211,234,308
Loss per share, basic and diluted		(0.55)	(0.15)
Loss per share from continuing operations, basic and diluted		(0.52)	(0.11)

* Comparative information has been re-presented due to discontinued operations. See Note 18.

CLOUDMD SOFTWARE & SERVICES INC.
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in thousands of Canadian dollars, except share numbers)

	Share capital (Note 14)	Reserves	Shares under escrow	Contingent shares issuable	Accumulated other comprehensive gain/ (loss)	Deficit (Restated – Note 2)	Non-controlling interest	Total (Restated)
Balance, December 31, 2020	**$ 117,418**	**$ 7,277**	**$ 596**	**$ 5,923**	**$ (192)**	**$ (21,404)**	**$ 803**	**$ 110,421**
Shares issued/issuable for business	59,345	-	-	3,416	-	-	-	62,761
Shares issued for investment in joint venture	193	-	-	-	-	-	-	193
Shares issued/issuable for asset purchase	1,471	-	-	190	-	-	-	1,661
Contingent consideration settled in shares	110	-	-	-	-	-	-	110
Bought deal financing	58,212	-	-	-	-	-	-	58,212
Contingent shares issued	1,537	-	-	(1,034)	-	(503)	-	-
Share issuance costs	(5,244)	1,023	-	-	-	-	-	(4,221)
Exercise of stock options	2,108	(803)	-	-	-	-	-	1,305
Exercise of restricted share units	623	(623)	-	-	-	-	-	-
Exercise of warrants	3,167	(1)	-	-	-	-	-	3,166
Shares issued for services	2,455	-	-	15	-	-	-	2,470
Share-based compensation	-	5,059	-	-	-	-	-	5,059
Other comprehensive loss	-	-	-	-	(35)	-	-	(35)
Net loss for the year	-	-	-	-	-	(30,726)	(12)	(30,738)
Balance, December 31, 2021	**$ 241,395**	**$ 11,932**	**$ 596**	**$ 8,510**	**$ (227)**	**$ (52,633)**	**$ 791**	**$ 210,364**
Shares issued/issuable for business combinations	53,176	-	-	-	-	-	-	53,176
Shares returned on sale of investment in joint venture	(86)	-	-	-	-	-	-	(86)
Gain on modification in contingent shares issuable	-	-	-	(2,028)	-	2,028	-	-
Contingent shares issued	3,333	-	-	(3,333)	-	-	-	-
Contingent consideration settled in shares	6,616	-	-	-	-	-	-	6,616
Modification in contingent consideration	-	-	-	1,302	-	-	-	1,302
Exercise of stock options	87	(37)	-	-	-	-	-	50
Exercise of warrants	281	(5)	-	-	-	-	-	276
Shares issued for services	15	-	-	(15)	-	-	-	-
Share-based compensation	-	1,253	-	-	-	-	-	1,253
Other comprehensive loss	-	-	-	-	413	-	-	413
Net profit/(loss) for the year	-	-	-	-	-	(158,243)	236	(158,007)
Balance, December 31, 2022	**$ 304,817**	**$ 13,143**	**$ 596**	**$ 4,436**	**$ 186**	**$ (208,848)**	**$ 1,027**	**$ 115,357**

The accompanying notes are an integral part of these consolidated financial statements.

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

	Year ended			
		December 31, 2022 (Restated - Note 2)		December 31, 2021
Operating activities				
Net loss for the year	$	(158,007)	$	(30,738)
Adjustments for				
Interest expense on lease liabilities		404		278
Interest expense on long term debt		1,524		811
Deferred tax expense		(4,961)		(784)
Amortization of intangible assets		11,326		4,618
Depreciation of property and equipment		4,118		2,693
Share-based compensation		1,273		5,223
Shares issued for services		-		2,455
Loss on sale in investment in joint venture		221		-
Unrealized foreign exchange loss (gain)		151		(31)
Impairment loss		127,901		6,878
Share in profits of joint venture		(6)		(32)
Interest income from net investment in sublease		(30)		(4)
Non-cash gains on derecognition of ROU asset		(81)		-
Gain on sale of wholly owned subsidiaries		(1,113)		-
Gain on fair value of contingent consideration		(6,564)		(1,471)
Net change in non-cash working capital		(4,079)		(11,758)
Net cash used in operating activities		(27,923)		(21,862)
Investing activities				
Acquisition of businesses, net of cash acquired		15,513		(67,214)
Payment of contingent consideration		(1,183)		-
Dividends received from joint venture		26		-
Investment in joint venture		-		(181)
Cash received on sale of joint venture		77		-
Payments received from net investment in sublease		168		158
Purchase of intangible assets		(3,270)		(2,076)
Proceeds from disposal of businesses, net of cash disposed and transaction costs		6,573		-
Purchase of property and equipment		(324)		(595)
Net cash provided by (used in) investing activities		17,580		(69,908)
Financing activities				
Shares issued for cash		-		58,212
Share issuance costs		-		(4,221)
Proceeds from exercise of stock options		50		1,305
Proceeds from exercise of warrants		276		3,166
Proceeds from long-term debt, net of financing costs		627		23,633
Payment of long-term debt		(8,391)		(2,929)
Payment of lease liabilities		(3,243)		(2,096)
Payment of line of credit		-		(2)
Net cash (used in) provided by financing activities		(10,681)		77,068
Net decrease in cash and cash equivalents		(21,024)		(14,702)
Cash and cash equivalents, beginning of year		45,082		59,714
Effect of foreign exchange on cash and cash equivalents		-		70
Cash and cash equivalents, end of year	$	24,058	$	45,082

Supplemental cash flow information (*Note 14*)

The accompanying notes are an integral part of these consolidated financial statements.

(Expressed in thousands of Canadian dollars, unless otherwise indicated)

1. CORPORATE INFORMATION

CloudMD Software & Services Inc. ("CloudMD" or the "Company") is a publicly traded company listed on the TSX Venture Exchange ("TSXV") under the trading symbol DOC, and is incorporated under the laws of British Columbia, Canada. The Company's registered office is 2200 HSBC Building, 885 West Georgia Street, Vancouver, British Columbia, Canada, V6C 3EH. These consolidated financial statements comprise the Company and its subsidiaries.

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

2. RESTATEMENT

After the issuance of the audited consolidated financial statements for the years ended December 31, 2022 and 2021 (the "annual financial statements"), additional procedures were performed by the Company's auditors and management and certain adjustments were identified that required a restatement of the annual financial statements.

These financial statements have been restated to classify the Facilities (as defined in Note 10) as current liabilities as the result of the Company not being in compliance with certain financial covenants under the Facilities as at December 31, 2022. Since the Company was not in compliance with all of the financial covenants as at December 31, 2022, the lender has the right to demand accelerated repayment as of such date. Accordingly, the Facilities have been presented as current liabilities in the Consolidated Statements of Financial Position as of December 31, 2022. As a result of such classification, these financial statements also include a new Note 3(b) about the Company's ability to continue as a going concern and an updated Note 10 regarding long term debt.

The following is a summary of the adjustments that impact the Consolidated Statements of Financial Position and the Consolidated Statements of Net Loss and Comprehensive Loss and the Consolidated Statements of Changes in Shareholders' Equity, for the year ended December 31, 2022, which includes adjustments made by the Company for certain immaterial errors, including changes to expected credit losses, reversals of accruals, revenues and related cost of sales at period end, intercompany adjustment, changes to accretion expense on a loan, and changes to impairment due to adjusting for errors as of December 31, 2022.

Consolidated Statements of Financial Position

As at December 31, 2022:	Previously reported	Adjustment	Amended
Trade and other receivables	19,759	(979)	18,780
Prepaid expenses, deposits and other	4,195	427	4,622
Total current assets	**52,785**	**(552)**	**48,439**
Intangible assets	83,557	1,001	84,558
Goodwill	42,785	(1,001)	41,784
Total Assets	**186,991**	**(552)**	**186,439**
Accounts payable, accrued liabilities and other	21,023	(112)	20,911
Current portion of long-term debt	2,157	17,460	19,617
Total current liabilities	**36,745**	**17,348**	**54,093**
Long-term debt	17,690	(17,584)	106
Total Liabilities	**71,318**	**(236)**	**71,082**

Consolidated Statements of Net Loss and Comprehensive Loss

For the year ended December 31, 2022	Previously reported	Adjustment	Amended
Revenue	114,456	184	114,640
Cost of sales	74,258	(116)	74,142
Gross profit	**40,198**	**300**	**40,498**
General and administrative expense	39,139	(143)	38,996
Impairment	119,593	1,001	120,594
Total expenses	**198,568**	**858**	**199,426**
Finance costs	(2,270)	124	(2,146)
Income tax recovery	4,779	118	4,897
Net loss for the year from continuing operations	**(148,891)**	**(316)**	**(148,207)**

Consolidated Statements of Cash Flows

For the nine months ended December 31, 2022:	Previously reported	Adjustment	Amended
Net loss for the period	(157,691)	(316)	(158,007)
Interest expense on long term debt	1,648	(124)	1,524
Impairment	126,900	1,001	127,901
Net change in non-cash working capital	(4,519)	440	(4,079)
Net Cash used in operating activities	**(28,924)**	**1,001**	**(27,923)**
Purchase of intangible assets	(2,269)	(1,001)	(3,270)
Net cash provided by investing activities	**18,581**	**(1,001)**	**17,579**
Net cash used in financing activities	**(10,681)**	**-**	**(10,681)**
Net decrease in cash and cash equivalents	**(21,024)**	**-**	**(21,024)**

3. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These financial statements were authorized for issue by the Board of Directors on November 29, 2023.

The consolidated financial statements are presented in Canadian dollars ("CAD") except when otherwise indicated. Certain prior period's amounts have been reclassified to conform to the current year's presentation. These financial statements have been presented in thousands of dollars unless otherwise noted.

b) Going Concern

The consolidated financial statements have been prepared on the assumption that the Company is a going concern and will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Company has incurred losses and has generated negative cash flows from operations. For the year ended December 31, 2022, the Company recorded a net loss from continuing operations of $149,207 and cash used in operations of $27,923. As at December 31, 2022, the Company had cash and cash equivalents of $24,058 and debt of $19,723.

As stated in Note 2 above (and in Note 10), as at December 31, 2022, the Company was not in compliance with certain financial covenants under the Facilities and as a result, $17,584 has been included in the current liabilities in the Consolidated Statements of Financial Position. As of the date that these financial statements were approved and authorized for issuance, the Company's projected cash flows are not sufficient to repay the full amount of the Facilities on the maturity date of June 30, 2024 and fund operations, and the lender has not waived their right to demand repayment of the debt under the debt covenant breach. To continue as a going concern, the Company must generate sufficient operating cash flows and obtain additional financing to fund its operations and repay the Facilities. The Company is in discussions with its lender about refinancing the Facilities prior to maturity, and after evaluating the uncertainties, considers it appropriate to continue to adopt the going concern basis in preparing the Company's financial statements. However, there is no assurance that the Facilities will be renewed, or that such renewal will be on terms that are favourable to the Company.

These conditions indicate the existence of a material uncertainty that may cast significant doubt as to the Company's ability to continue as a going concern.

Subsequent to year end, during the first quarter of 2023, the Company amended the credit agreement governing the Facilities. Under the terms of the amending agreement, the credit parties were expanded to include CloudMD Holdings Inc., Humanacare Organizational Resources Inc., Medical Confidence Inc. and Re: Function Health Group Inc. In addition, the Company is permitted to net up to $2.5 million of cash or cash equivalents that are deposited in a restricted cash account with the lender against the outstanding debt amount for purposes of calculating certain financial covenants.

The financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern basis was not appropriate for these annual consolidated financial statements, adjustments may be necessary to the carrying value of assets and liabilities and the reported expenses, and these adjustments could be material.

c) <u>Basis of Consolidation</u>

The consolidated financial statements comprise of the financial statements of the Company and its subsidiaries as at December 31, 2022. All inter-company transactions and balances have been eliminated on consolidation.

The consolidated financial statements incorporate the assets, liabilities and results of the Company and its subsidiaries for the years ended December 31, 2022, and 2021. As at December 31, 2022, the Company owned 27 subsidiaries that are wholly-owned or controlled by virtue of a management services agreement, based in Canada and the USA, and one majority-owned subsidiary in the USA (87.5% owned by the Company).

d) <u>Significant Accounting Policies</u>

Cash and cash equivalents

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

Inventory

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

Property and equipment

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

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

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

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

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

Leases

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

(i) Company as a lessee

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

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

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

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

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

Short-term leases and leases of low-value assets – The Company applies the short-term lease recognition exemption to its short-term leases (defined as leases with a lease term of 12 months or less). The Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

(ii) Company as a lessor

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

(iii) Subleases

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

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

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Development costs are capitalized only if the costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development to use or sell the asset.

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

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

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

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

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

Type	**Method**	**Useful life**
Content license	None	Indefinite
Brand	None	Indefinite
Customer relationships	Straight-line	10 years
Technology platforms	Straight-line	5-8 years
Therapist network	Straight-line	2 years
Non-compete	Straight-line	3 years

Business combinations and goodwill

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

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

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

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

Investments in associates and joint ventures

Investments in associates and joint ventures are accounted for using the equity method.

The carrying amount of the investment in associates is increased or decreased to recognize the Company's share of the profit or loss and other comprehensive income of the associate and joint venture, adjusted where necessary to ensure consistency with the accounting policies of the Company.

Unrealized gains and losses on transactions between the Company and its associates and joint ventures are eliminated to the extent of the Company's interest in those entities.

Impairment of non-financial asset

The Company assesses at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the asset is tested at the cash generating unit ("CGU") level. When the carrying amount of an asset or CGU exceeds its recoverable amount, the CGU is considered impaired and is written down to its recoverable amount.

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

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

Financial instruments

(i) Classification

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

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

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

(ii) Initial recognition and measurement

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

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

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

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

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

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

(iii) Impairment of financial assets at amortized cost

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

(iv) Derecognition

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

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

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

Non-controlling interest

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

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

Government grants

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

Loss per share

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

For diluted per share computations, assumptions are made regarding potential common shares outstanding during the period. The weighted average number of common shares is increased to include the number of additional common shares that would be outstanding using the treasury stock method. If these computations prove to be anti-dilutive, diluted loss per share is the same as basic loss per share.

Revenue recognition

Revenue is recognized upon transfer of control of promised products or services to the customer at the consideration which the Company has received or expects to receive in exchange for those products or services. The Company enters into contracts that can include various combinations of products and services, which are generally capable of being distinct and accounted for as separate performance obligations. The Company determines the amount of revenue to be recognized through application of the following steps: identification of the contract, or contracts with a customer; identification of the performance obligations in the contract; determination of the transaction price; allocation of the transaction price to the performance obligations in the contract; and recognition of revenue when or as the Company satisfies the performance obligations.

Deferred revenue relates to payments received or in advance of performance under contracts with customers.

Services

The Company recognizes revenue from the rendering of medical services and referrals. They are comprised of patient services, medical assessments and other medical services to include medical services and medical staffing, occupational health, employer services, employee assistance programs, absence and disability management, referral services, subscriptions, and consulting.

Patient services revenue in the Company’s Clinics & Pharmacies division, is revenue earned at a point in time and is generated through the Company's medical clinics and consists of both non-insured and insured services. The Company's performance obligations for patient services are satisfied as services are rendered. For insured services, in general, payment is collected within two to four weeks of the appointment visit. For uninsured services, payment is collected at the time the service is rendered.

Medical assessment revenue in the Company’s Enterprise Health Solutions division is revenue earned at a point in time. The performance obligation is to provide medical assessment services to customers such as corporate customers, insurance companies and legal firms. These services are generally considered to be distinct as they are specific to the customer’s medical requirements. Payment is generally collected within a month of completion of the assessment.

Other medical services revenue is mainly included in the Enterprise Health Solutions division and the Clinics & Pharmacies division and is earned when the performance obligation is complete. The fixed-fee subscription contracts include a single performance obligation to stand ready to provide asynchronous therapist assisted therapy. On fixed-fee subscription arrangements, where the provision of service is characterized by an indeterminate number of acts, revenue is recognized on a straight-line basis over the term of the contract. Where the Company stands ready to provide the service, management recognizes revenue based on time elapsed and thus ratably over the service period. Other contracts with customers often include performance obligations to transfer multiple services to a customer. Each service is considered to be distinct as the customer can benefit from the performance obligation on its own; it is separately identifiable in the contract; and the Company promises to deliver outputs which are billed by the hour, month, or by the service. Services are typically billed and recognized on a monthly basis and collected within 30 days.

Software as a Service

The Company recognizes revenue from the sale of medical software services from software as a service ("SaaS"), software development, and sponsorship, which provides customers with the ability to display their content on the Company's platform. SaaS revenue is recognized over time, in the period the performance obligation is satisfied, on the basis of the actual service provided as a proportion of the total services to be provided. The stage of completion for determining the amount of revenue to recognize is based on the time elapsed. Software development revenue is recognized over time based on costs incurred, in the period performance obligations are met. Revenue from fixed price contracts is recognized based on the progress towards completion of performance obligations, and measurement is based on time and materials incurred to date in comparison with the total budgeted outputs. The output method based on milestones is used when the contractual terms align with the Company's performance. Sponsorship revenue is recognized over time, as the performance obligations are completed. SaaS and software development revenue is typically billed in advance and is recognized over the contract term beginning on the date that the service is made available to the customer. Sponsorship revenue is billed and recognized over time in the month the customer benefits form the service.

Products

The Company recognizes revenue from products to include contact lenses, vision lenses and frames; pharmaceutical products; and pharmacy store front products. Revenue is recognized at a point in time, in the accounting period in which the goods are sold for the amount it expects to receive, when control is transferred to the customer. Payment is collected when the customer purchases the product.

Costs to obtain a contract with a customer

Costs to obtain customer contracts represent commissions incurred and would not otherwise have been incurred, are incremental costs and capitalized and amortized over the term of the contract. Incremental costs are expensed when incurred if the contract term is less than one year.

Share-based compensation

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

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

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

Deferred Share Units ("DSUs")

DSUs are accounted for as cash-settled share-based payment transactions whereby the cost of the DSUs is measured initially at fair value based on the closing price of the Company's common shares preceding the day the DSUs are granted. The fair value of the DSUs is recognized as a current liability in the statement of financial position and as a share-based compensation expense in the statement of net loss and comprehensive loss. The liability is remeasured to fair value based on the market price of the Company's common shares at each reporting date up to and including the settlement date, with changes in fair value recognized in share-based compensation expense in the statement of net loss and comprehensive loss.

Non-current assets held for sale and discontinued operations

The Company classifies non-current assets and liabilities and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and liabilities and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position. Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of net loss and comprehensive loss.

Additional disclosures are provided in Note 17. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

Income taxes

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

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

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

Foreign currency translation

The Company's consolidated financial statements are presented in Canadian dollars, which is also the parent company's functional currency. The functional currency is the currency of the primary economic environment in which an entity operates and has been determined for each entity within the Company. For each entity, the Company determines the functional currency and items included in the financial statements of each entity are measured using that functional currency The functional currency of CloudMD's Canadian subsidiaries is the Canadian dollar. The functional currency of the Company's United States ("US") subsidiaries is the US dollar ("USD").

The Company uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

(i) Transactions and balances

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

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

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

(ii) Foreign operations

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

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

e) Changes in IFRS accounting policies and future accounting pronouncements

A number of new standards and interpretations became effective from January 1, 2022 however, they did not have a material impact on the Company's consolidated financial statements.

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

• What is meant by a right to defer settlement

• That a right to defer must exist at the end of the reporting period
• That classification is unaffected by the likelihood that an entity will exercise its deferral right
• That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and however it does not expect it to have a significant impact on the Company's financial statements.

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Company's financial statements.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after January 1, 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Company is currently reviewing their accounting policy information disclosures to ensure consistency with the amended requirements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognized for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

The amendments are not expected to have a have a material impact to the company's financial statements.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

Use of critical accounting estimates and assumptions

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

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

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

Business combinations – On the completion of business acquisitions, management's judgment is required to estimate the fair value of purchase consideration and to identify and estimate the fair values of tangible and intangible assets, liabilities and non-controlling interests. Depending on the intangible asset being valued, the fair values have been determined using the excess earnings method, relief from royalty method, replacement cost method and the With-or-Without Method. Critical estimates in valuing certain of the intangible assets and goodwill acquired include future expected cash flows from customer contracts, forecasted revenue, royalty rates, software development costs, obsolescence factor, customer attrition and discount rates. Unanticipated events and circumstances may occur that may affect the accuracy of such assumptions, estimates or actual results.

Judgement

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

The Company evaluates all relevant facts and circumstances in assessing whether it has power over ProfCo, a key determinant of control, including assessing its rights, and the potential voting rights, contained in the management services agreement. In addition, the Company assesses its exposure, or rights, to variable returns and its ability to use its power over ProfCo to affect the amount of its returns. These evaluations are complex and involve judgment.

Judgment is required to determine whether the Company has the right to make decisions that control the relevant activities of ProfCo, and thus the ability to impact its economic returns. Management must assess which activities most significantly affect the economic performance of ProfCo and whether it has control over these activities. Judgment is also required to determine if the Company has power through potential voting rights. The Company makes an evaluation of whether its potential voting rights, through a call option to purchase all the outstanding shares of ProfCo for a nominal amount, are substantive. The Company evaluates whether the call option is in-the-money, whether it has the financial ability to exercise its option and whether the option is currently exercisable.

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

Determination of cash generating unit ("CGUs") – The determination of cash generating units for the purposes of impairment testing of non-financial assets requires the use of judgment. During the year ended December 31, 2022, due to the continued integration of services and offerings as one bundled offering under the Enterprise Health Solutions ("EHS") operating segment, the Company reassessed its cash generating units within this operating segment and determined that due to the bundling of services and offerings within this segment, the cash inflows generated in this operating segment are no longer independent. Due to these changes, the Company has identified the EHS operating segment as a single CGU.

5. BUSINESS COMBINATIONS

Acquisitions in 2022

On January 14, 2022, the Company acquired all of the issued and outstanding common shares of MindBeacon Holdings Inc. ("MindBeacon"), one of North America's leading providers of digital mental health care. The acquisition received all required approvals and the transaction closed on that date. Under the terms of the agreement, shareholders of MindBeacon received 2.285 common shares of CloudMD for each common share of MindBeacon and $1.22 of cash per share. Total consideration paid was $29,271 in cash and $53,176 in common shares of CloudMD (54,820,958 common shares at fair value of $0.97 per share, which was the closing share price of CloudMD shares on January 14, 2022).

(Expressed in thousands of Canadian dollars, unless otherwise indicated)

The purchase price for this acquisition is as follows:

Purchase price:	**Final**
Fair value of common shares issued	$ 53,176
Cash consideration	29,271
Total consideration paid	**$ 82,447**
Allocated as follows:	
Cash and cash equivalents	41,434
Trade and other receivables	3,916
Prepaid expenses, deposits and other	2,010
Property and equipment	1,127
Customer Relationship	760
Brand	1,000
Therapist Network	950
Software	16,860
Accounts payable, accrued liabilities and other	(6,051)
Deferred revenue	(677)
Deferred tax liability	(378)
Lease liabilities	(866)
Long-term debt	(1,379)
Total net assets acquired	**$ 58,706**
Goodwill acquired	**$ 23,471**

From the date of acquisition, MindBeacon contributed $22,578 of revenue and $8,621 of net loss for the period. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been $115,630 and net loss from continuing operations for the Company would have been $151,105. The expenses in MindBeacon in the pre-acquisition and post acquisition period include certain acquisition and integration related costs and shared services costs in support of the broader CloudMD organization.

Acquisitions in 2021

The Company acquired interests in the following companies during the year ended December 31, 2021.

Company Name	Date of acquisition	Share/Asset purchase	Ownership
Humanacare Organizational Resources Inc.	2021-01-11	Share	100%
Tetra Ventures LLC (IDYA4)	2021-03-22	Share	100%
Medical Confidence Inc.	2021-01-15	Share	100%
Canadian Medical Directory (CMD)	2021-01-21	Asset	100%
Aspiria Corp.	2021-04-01	Share	100%
Rx Infinity Inc., Rxi Pharmacy Inc. & Rxi Health Solutions (RXI)	2021-05-11	Share	100%
0869316 BC Ltd, 1143556 BC Ltd & 1153046 BC Ltd (Vision Pros)	2021-06-23	Share	100%
Oncidium	2021-06-25	Share	100%

(Expressed in thousands of Canadian dollars, unless otherwise indicated)

The following revenue and net income attributable to these acquisitions are included in the Company's annual consolidated financial statements for the year ended December 31, 2021 associated with these acquisitions.

Company Name		Revenue	Net income (loss)
Humanacare	$	4,188	(782)
IDYA4		6,371	1,435
Medical Confidence Inc.		2,287	(8)
CMD		228	162
Aspiria Corp.		2,373	246
RXI		16,330	(1,146)
Vision Pros		11,432	(1,431)
Oncidium		31,467	2,846

Had the acquisitions occurred on January 1, 2021, the contribution to the Company's consolidated revenue and net income for the year ended December 31, 2021 associated with these acquisitions would have been as follows:

Company Name		Revenue	Net income (loss)
Humanacare	$	4,305	(763)
IDYA4		7,442	1,644
Medical Confidence Inc.		2,319	(5)
CMD		481	48
Aspiria Corp.		2,721	316
RXI		25,473	(1,522)
Vision Pros		21,847	(2,735)
Oncidium		58,506	1,283

(Expressed in thousands of Canadian dollars, unless otherwise indicated)

The valuation of these companies has been completed, and the purchase price allocation is final.

		Humanacare	Medical Confidence	IDYA4	Aspiria	RXI	Vision Pros	CMD	Oncidium	Totals
		(1)	(1)	(1)	(2)	(1)		(1)	(3)	
		Final	Final	Final	Final	Final	Final	Final	Final	
Purchase price:										
Fair value of common shares issued	$	5,237	1,903	7,817	866	3,397	9,229	1,471	30,896	60,816
Cash consideration		6,126	2,337	5,843	855	2,342	25,655	250	31,028	74,436
Contingent shares issuable		1,205	317	1,401	493	-	-	191	-	3,607
Contingent consideration		-	375	156	-	68	-	-	15,620	16,219
Total consideration paid	**$**	**12,568**	**4,932**	**15,217**	**2,214**	**5,807**	**34,884**	**1,912**	**77,544**	**155,078**
Allocated as follows:										
Cash and cash equivalents	$	-	161	1,771	85	631	180	-	1,198	4,026
Trade and other receivables		672	287	868	147	2,077	99	-	9,970	14,120
Inventory		-	-	-	-	43	2,226	-	-	2,269
Prepaid expenses, deposits and other		14	10	-	14	6	28	-	1,506	1,578
Property and equipment		320	44	-	159	160	770	-	4,061	5,514
Customer relationships		4,225	647	1,051	1,673	3,636	-	904	36,870	49,006
Brand		1,279	-	-	197	-	11,250	-	-	12,726
Software		-	2,943	1,953	-	591	-	126	3,400	9,013
Non-compete agreement		311	-	-	57	-	-	-	-	368
Accounts payable, accrued liabilities and other		(297)	(314)	(607)	(523)	(3,205)	(8,324)	-	(13,161)	(26,431)
Deferred revenue		(301)	-	-	(28)	-	(331)	-	-	(660)
Deferred tax liability		(1,472)	(936)	-	(390)	(598)	(3,016)	-	(6,884)	(13,296)
Lease liabilities		(291)	-	-	(147)	(115)	(43)	-	(3,680)	(4,276)
Long-term debt		(262)	(56)	(402)	(40)	-	(60)	-	-	(820)
Total net assets acquired	**$**	**4,198**	**2,786**	**4,634**	**1,204**	**3,226**	**2,779**	**1,030**	**33,280**	**53,137**
Goodwill acquired	**$**	**8,370**	**2,146**	**10,583**	**1,010**	**2,581**	**32,105**	**882**	**44,264**	**101,941**

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

(2) The contingent shares issuable represents an earn-out revenue milestone payment for the year ending December 31, 2021. Valuation of the contingent shares issuable was calculated using the closing price of the Company's common shares on April 1, 2021 and the number of common shares issuable based on management's best estimate of future revenue results.

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

(Expressed in thousands of Canadian dollars, unless otherwise indicated)

During the year ended December 31, 2022, the Company finalized the purchase price allocation and adjusted the values for the contingent consideration, intangible assets, goodwill, and deferred taxes pursuant to the acquisition agreements. Further, as a result, of the settlement agreement entered into with the former owners of VisionPros, the purchase consideration was reduced by $12,645 and future earnout payments were removed which resulted in the change in our preliminary acquisition date values. As required by IFRS, the preliminary acquisition date values were retrospectively adjusted to reflect the changes effective as of the acquisition date, including adjustments to Goodwill in the amount of $15,161, as follows:

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

Adjustments	Humanacare	Medical Confidence	IDYA4	Aspiria	RXI	VisionPros	CMD	Oncidium
	$	$	$	$	$	$	$	$
Trade and other receivables	-	-	-	-	-	-	-	(14)
Customer relationships	-	-	-	-	117	-	-	-
Software	-	-	-	-	(2)	-	-	-
Accounts payable, accrued liabilities and other	-	-	-	-	-	800	-	(78)
Deferred tax liability	-	-	-	-	-	-	-	3,252
Goodwill	-	-	-	-	(115)	(13,445)	-	(1,601)

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

(Expressed in thousands of Canadian dollars, unless otherwise indicated)

6. EXPENSES BY NATURE FOR CONTINUING OPERATIONS

As at the year ended:	**December 31, 2022**	**December 31, 2021**
Cost of sales	$ 74,142	$ 43,397
Marketing and advertising	5,032	5,496
Office and administration	9,779	3,452
Professional fees	14,915	6,111
Rent on short-term leases	1,510	440
Transfer agent and regulatory fees	97	298
Wages and employee benefits	32,118	21,667
Amortization of intangible assets	10,812	4,041
Depreciation of property and equipment	3,296	1,646
Impairment	120,594	2,736
Share-based compensation	1,273	5,223
Total	$ 273,568	$ 94,507

7. TRADE AND OTHER RECEIVABLES

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

As at	**December 31, 2022**	**December 31, 2021**
Trade receivables	$ 15,884	$ 17,263
Other receivables	4,760	7,466
Allowance for expected credit losses	(1,864)	(300)
Total	$ 18,780	$ 24,429

The Company evaluates credit losses on a regular basis based on the aging and future collectability of its receivables. As at December 31, 2022, the Company recognized expected credit losses of $1,864 (2021 - $300), which has been netted against trade and other receivables. The expected lifetime credit loss provision for our trade receivables is based on historical counterparty default rates and adjusted for relevant forward-looking information as required.

(Expressed in thousands of Canadian dollars, unless otherwise indicated)

8. PROPERTY AND EQUIPMENT

	Equipment and other	Computers	Leasehold improvements	Right-of-use assets	Total
Cost					
Balance, January 1, 2021	$ 592	$ 95	$ 1,024	$ 5,329	$ 7,040
Business combinations	755	173	253	4,333	5,514
Additions	434	509	95	1,873	2,911
Disposals	(119)	(6)	(211)	(148)	(484)
Foreign exchange differences	(3)	-	1	(7)	(9)
Balance, December 31, 2021	1,659	771	1,162	11,380	14,972
Acquisitions	67	207	44	808	1,126
Additions	134	122	74	3,762	4,092
Impairment	(117)	(10)	-	(15)	(142)
Disposals	(240)	(76)	(223)	(6,653)	(7,192)
Transfer to held for sale	(127)	(22)	(32)	(128)	(309)
Foreign exchange differences	50	43	135	45	273
Balance, December 31, 2022	**$ 1,426**	**$ 1,035**	**$ 1,160**	**$ 9,199**	**$ 12,820**
Accumulated Depreciation					
Balance, January 1, 2021	$ 92	$ 39	$ 124	$ 993	$ 1,248
Depreciation	210	218	361	1,904	2,693
Disposals	(25)	-	(175)	(61)	(261)
Exchange Differences	-	(3)	(12)	(12)	(27)
Balance, December 31, 2021	277	254	298	2,824	3,653
Amortization	431	511	324	2,852	4,118
Disposals	(117)	(53)	(120)	(2,263)	(2,553)
Transfer to held for sale	(128)	(22)	(7)	(215)	(372)
Foreign exchange differences	45	40	137	1	223
Balance, December 31, 2022	**$ 508**	**$ 730**	**$ 632**	**$ 3,199**	**$ 5,069**
Net Book Value					
At December 31, 2021	$ 1,382	$ 517	$ 864	$ 8,556	$ 11,319
At December 31, 2022	**$ 918**	**$ 305**	**$ 528**	**$ 6,000**	**$ 7,751**

(Expressed in thousands of Canadian dollars, unless otherwise indicated)

9. GOODWILL AND INTANGIBLE ASSETS

	Customer relationships	Content Licenses	Brands	Network	Non - Compete agreement	Technology platforms	Assets under development	Total intangible assets	Goodwill
Cost									
Balance, January 1, 2021	$ 3,605	$ 90	$ 10,688	$ -	$ -	$ 4,439	$ -	$ 18,822	$ 43,081
Business combinations	49,006	-	12,726	-	368	9,013	-	71,113	101,941
Additions	444	-	-	-	-	875	547	1,866	-
Impairment	(150)	-	(507)	-	-	(647)	-	(1,304)	(5,574)
Disposals	-	-	-	-	-	-	-	-	(81)
Balance, December 31, 2021	52,905	90	22,907	-	368	13,680	547	90,497	139,367
Acquisition	760	-	1,000	950	-	16,860	-	19,570	23,741
Foreign exchange	91	-	74	-	-	242	-	407	-
Additions	-	-	-	-	-	2,075	1,195	3,270	-
Impairment	(3,154)	-	(7,214)	-	-	(414)	-	(10,782)	(116,569)
Transfer to Held for sale	(484)	-	-	-	-	(179)	-	(663)	-
Disposals	(1,406)	-	(230)	-	-	(1,091)	-	(2,727)	(4,755)
Balance, December 31, 2022	**$ 48,712**	**$ 90**	**$ 16,537**	**$ 950**	**$ 368**	**$ 31,173**	**$ 1,742**	**$ 99,572**	**$ 41,784**
Accumulated Amortization									
Balance, January 1, 2021	$ 266	$ -	$ -	$ -	$ -	$ 238	$ -	$ 504	$ -
Amortization	3,411	-	-	-	115	1,090	-	4,616	-
Balance, December 31, 2021	3,677	-	-	-	115	1,328	-	5,120	-
Amortization	5,168	-	-	455	122	5,581	-	11,326	-
Foreign exchange	13	-	-	-	-	31	-	44	-
Transfer to held for sale	(484)	-	-	-	-	(85)	-	(569)	-
Disposals	(484)	-	-	-	-	(423)	-	(907)	-
Balance, December 31, 2022	**$ 7,890**	**$ -**	**$ -**	**$ 455**	**$ 237**	**$ 6,432**	**$ -**	**$ 15,014**	**$ -**
Net Book Value									
At December 31, 2021	$ 49,228	$ 90	$ 22,907	$ -	$ 253	$ 12,352	$ 547	$ 85,377	$ 139,367
At December 31, 2022	**$ 40,822**	**$ 90**	**$ 16,537**	**$ 495**	**$ 131**	**$ 24,741**	**$ 1,742**	**$ 84,558**	**$ 41,784**

For the year ended December 31, 2022, the Company recognized impairment charge of $116,569 (2021 - $5,574) to its goodwill balance, of which $112,967 (2021 - $2,736) was recognized in continuing operations and $3,602 (2021 – $2,838) was recognized in discontinued operations.

For the year ended December 31, 2022, the company recognized an impairment charge of $10,782 (2021 - $1,304) to its intangible assets balance, of which $7,214 (2021 – nil) was recognized in continuing operations and $3,568 (2021 - $1,304) was recognized in discontinued operations.

As at December 31, 2022, the carrying amount of goodwill and intangible assets is allocated to following CGUs:

- Enterprise Health Solutions ("EHS") CGU – Recoverable amount of this CGU was calculated as $92,767 based on a value in use calculation using a cash flow projection covering a five-year period. The carrying value of the CGU as at December 31, 2022 was $92,255 therefore no impairment was recorded as a result of the annual impairment test.
- IDYA4 CGU – Recoverable amount of this CGU was calculated as $5,551 based on a value in use calculation using a cash flow projection covering a five-year period. The carrying value of the CGU as at December 31, 2022 was $5,495 therefore no impairment was recorded as a result of the annual impairment test.
- IMD CGU – Recoverable amount of this CGU was calculated as $5,819 based on a value in use calculation using a cash flow projection covering a five-year period. The carrying value of the CGU as at December 31, 2022 was $5,701 therefore no impairment was recorded as a result of the annual impairment test.
- Benchmark CGU – Recoverable amount of this CGU was calculated as $8,146 based on a value in use calculation using a cash flow projection covering a five-year period. The carrying value of the CGU as at December 31, 2022 was $7,763 therefore no impairment was recorded as a result of the annual impairment test.
- VisionPros CGU – Recoverable amount of this CGU was calculated as $4,352 based on a value in use calculation using a cash flow projection covering a five-year period. The carrying value of the CGU as at

December 31, 2022 was $10,830 therefore an impairment charge of $6,441 was recorded to intangible assets as a result of the annual impairment test. The remaining carrying value of the intangible asset after impairment was $4,389. Any changes in assumptions used would result in a further impairment.

The Company performed it annual impairment test on December 31, 2022. The recoverable amount of the CGUs was based on its value in use covering a five-year cash flow projection based on management's estimate of future operating results. Value in use was determined by discounting the future cash flows to be generated from the continuing use of the CGU. The following significant assumptions were used:

- Discount rate: The discount rate used in our testing ranged from 13.5% to 14.5% (2021 – 12%). The discount rate reflected appropriate adjustments relating to market risk and specific risk factors for the specific CGU. A 0.5% increase in the discount rate would result in a decrease in total enterprise value calculated by $7,018.

- Cash flows: Estimated cash flows were projected based on actual operating results from internal sources as well as management's expectations of market development. Estimated cash flows are primarily driven by revenue growth rates and forecasted EBITDA. The average revenue growth rates assumed in the model range from 7.1% to 15% (2021 – 5% to 22.9%). A 1% decrease in the average revenue growth rate will decrease total enterprise value calculated by $12,709. The average EBITDA percentages assumed in the model range from 7.3% to 19.4% (2021 – 11.0% to 27.4%), excluding Vision Pros CGU which is forecasted EBITDA of low single digit percentage. A 0.5% decrease in annual EBITDA percentages will decrease the total enterprise value calculated by $11,506.

- Terminal value growth rate: The terminal growth rate was based on historical and projected consumer price inflation and projected industry growth. For the annual impairment testing, cash flows have been extrapolated beyond the five using a 3.5% to 4.0% (2021 – 3.5%) growth rate. A 0.5% decrease in terminal value growth rate will decrease the total enterprise value calculated by $5,989.

September 30, 2022 - Impairment testing

The carrying amount of the EHS CGU was determined to be higher than its recoverable amount of $94,544 and impairment loss of $63,794 was recognized. The entire impairment loss was allocated to goodwill.

The carrying amount of the IDYA4 CGU was determined to be higher than its recoverable amount of $5,034 and impairment loss of $9,826 was recognized. The entire impairment loss was allocated to goodwill.

The carrying amount of the IMD CGU was determined to be higher than its recoverable amount of $6,094 and impairment loss of $7,242 was recognized. The entire impairment loss was allocated to goodwill.

The carrying amount of the VisionPros CGU was determined to be higher than its recoverable amount of $8,381 and impairment loss of $4,045 was recognized. The impairment loss was allocated to goodwill in the amount $3,272 reducing the goodwill balance to nil, and to intangible assets in the amount of $773.

June 30, 2022 – Impairment testing

The carrying amount of the VisionPros CGU was determined to be higher than its recoverable amount of $7,511 and an impairment loss of $28,833 was recognised. The impairment loss was allocated fully to goodwill.

The carrying amount of the RXI CGU was determined to be higher than its recoverable amount of $2,000 and an impairment loss of $3,780 was recognised. The impairment loss was allocated to goodwill in the amount of $2,581 reducing the goodwill to nil, and to intangible assets in the amount of $1,199.

(Expressed in thousands of Canadian dollars, unless otherwise indicated)

Classification to held for sale

As at September 30, 2022, due to the planned sale of certain legal entities (see Note 17), the Company valued the entities at fair value less cost to sell. As a result, $1,021 (2021 – nil) of goodwill impairment loss and $1,960 of intangible assets impairment loss was recognized.

As at December 31, 2022, the recoverable amount of the entity that continued to be classified as held-for-sale (See note 17) was reassessed and an impairment loss of $409 (2021 – nil) was recognized.

Change in accounting estimate for intangible assets

During 2022, the Company conducted a review of its technology platforms, which resulted in changes in the expected usage of certain platforms. The platforms, which management had previously intended to use for 10 years, is now expected to be used in 5 to 8 years. As a result, the expected useful life of the technology platform decreased. As this was a change in estimate, the effects of these changes were applied to these financial statements prospectively starting on January 1, 2022.

10. LONG TERM DEBT

	Interest Rate	Maturity	December 31, 2022	December 31, 2021
Fixed interest rate bank loans	3.20%	October 31, 2026	**-**	$ 156
	3.35%	October 31, 2026	**-**	1,313
	6.22%	November 1, 2026	**102**	116
	3.97%	October 31, 2026	**-**	158
Variable interest rate bank loans	Prime +3.50%[(1)]	June 30, 2024	**17,584**	22,635
	Prime +1.00%[(2)]	April 30, 2023	**25**	100
Interest free loans:				
Federal Economic Development Agency loan[(3)]			**1,952**	-
CEBA Loan			**60**	90
Balance			**19,723**	24,568
Current portion			19,617	2,438
Long-term portion			**106**	$ 22,130

(1) As at December 31, 2022, the interest rate for the variable interest rate bank loan was 6.73%.
(2) As at December 31, 2022, the interest rate for the variable interest rate bank loan was 7.38%.
(3) MindBeacon entered into a contribution agreement with the Federal Economic Development Agency for Southern Ontario for up to $4,000 in interest free loans to support its transition into a digital mental health platform provider, with the objective of growing recurring revenue by offering its platform as a service to customers in global markets. The funds are provided as a non-interest-bearing loan, with repayment over five years, commencing in 2024. The government grant was calculated using a discount rate of 11.9%, which is the expected interest rate on a similar type of loan

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 (subject to certain restrictions for use beyond the balance already drawn of $18,250); and,
3. Additional term facility of $10,000, subject to lender approval.

The Facilities mature on June 30, 2024, being three 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%

(Expressed in thousands of Canadian dollars, unless otherwise indicated)

dependent upon certain financial ratios. The fair value of the long-term debt approximates its carrying value.
As stated in Note 2, the Company was not in compliance with certain financial covenants under the Facilities as at December 31, 2022. Accordingly, since the lender has the right to demand accelerated repayment as of such date, and continues to hold such right as of the issuance date of these financial statements, $17,584 has been included in the current liabilities in the Consolidated Statements of Financial Position. As of the date that these financial statements were approved and authorized for issuance, the Company's projected cash flows are not sufficient to repay the full amount of the Facilities on the maturity date of June 30, 2024. The Company is in discussions with its lender about refinancing the Facilities prior to maturity.

Subsequent to year end, during the first quarter of 2023, the Company amended the credit agreement governing the Facilities. Under the terms of the amending agreement, the credit parties were expanded to include CloudMD Holdings Inc., Humanacare Organizational Resources Inc., Medical Confidence Inc. and Re: Function Health Group Inc. In addition, the Company is permitted to net up to $2.5 million of cash or cash equivalents that are deposited in a blocked account with the lender against the outstanding debt amount for purposes of calculating certain financial covenants.

11. CONTINGENT CONSIDERATION AND CONTINGENT SHARES ISSUABLE

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

Contingent consideration, December 31, 2020	**$**	**2,865**
Contingent consideration for business combinations		16,219
Additions		836
Payment of contingent consideration		(135)
Change in fair value		(1,471)
Contingent consideration, December 31, 2021		**18,314**
Reclassification to equity		(1,302)
Payment of contingent consideration		(7,799)
Change in fair value		(6,795)
Contingent consideration, December 31, 2022		**2,418**
Current portion		2,177
Long-term portion	**$**	**241**

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

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

On May 27, 2022 the Company entered into an amendment agreement of the original Oncidium Share Purchase Agreement to the effect of amending future contingent consideration payments. Under the original terms, the contingent consideration was based on future revenue and profitability outcome. Under the amended terms, the contingent consideration is based on future revenue and a time-based earnout. The Company has attributed $1,199 to the change in consideration due to the extinguishment of the Share Purchase Agreement and has included the amount in 'Changes in fair value of contingent consideration' in the consolidated statements of net loss and comprehensive loss. The contingent consideration represents two time-based and future revenue-based payments for the years ending December 31, 2022, and December 31, 2023. The contingent consideration can be settled, at the Company's discretion, using cash or common shares issuable at $2.30. As a result of this change the time-based portion of the consideration in the amount of $1,302 was reclassified into equity.

(Expressed in thousands of Canadian dollars, unless otherwise indicated)

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

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

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

12. LEASES

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

As a lessee

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

Balance, December 31, 2021	**$ 8,885**
Additions	3,764
Additions from business combinations	866
Interest expense on lease liabilities	404
Foreign exchange	96
Disposals (note 17)	(4,033)
Transferred to liabilities held for sale (note 17)	(434)
Lease payments	(3,243)
Balance, December 31, 2022	**$ 6,305**
Current portion	2,015
Long-term portion	**$ 4,290**

The following is a breakdown of contractual undiscounted cash flows for lease liabilities by maturities as at December 31, 2022:

	December 31, 2022
Less than one year	$ 2,340
One to five years	4,869
More than five years	-
Total	**$ 7,209**

(Expressed in thousands of Canadian dollars, unless otherwise indicated)

13. RELATED PARTY TRANSACTIONS

Key management personnel include the Company's Board of Directors, members of the senior executive team, close family members, and enterprises which are under common control or controlled by these individuals. The below transactions are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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

	Year ended	
	December 31, 2022	**December 31, 2021**
Cash-based compensation	**$ 3,038**	$ 2,610
Stock-based compensation	**853**	3,022
Total	**$ 3,891**	$ 5,632

During the year ended December 31, 2022, the Company paid $2,929 (2021 - $2,420) for services acquired and the cost of facility sharing, and the Company received $451 (2021 - $1,113) for services acquired for projects subcontracted to a company controlled by key management of one the Company's subsidiaries for IT development service. At December 31, 2022, there was an amount payable of $1,479 (December 31, 2021 - $675) and amount receivable of $386 (December 31, 2021 - $383). These services were paid for the development of one of the Company's key operational platforms.

During the year ended December 31, 2022, the Company paid $151 (2021 - $161) to a company which owns 12.5% of one of the Company's subsidiaries. The payments made related to processing support for Revenue Cycle Management offering.

Payments are made in accordance with the terms of the agreement established and agreed to by the related parties.

14. SHARE CAPITAL

(a) Authorized

Unlimited common shares without par value

(Expressed in thousands of Canadian dollars, unless otherwise indicated)

(b) Issued and outstanding

The following is a summary of share capital activities:

	Number of common shares	Share capital
Balance, December 31, 2020	**164,905,459**	**117,418**
Shares issued for business combinations	30,701,779	59,345
Shares issued for investment in joint venture	74,074	193
Shares issued for asset purchase	574,468	1,471
Bought deal financing	21,560,000	58,212
Contingent consideration settled in shares	198,348	110
Contingent shares issued	568,182	1,537
Share issuance costs	-	(5,244)
Exercise of stock options	2,211,500	2,108
Exercise of restricted share units	349,750	623
Exercise of warrants	3,819,837	3,167
Shares issued for services	1,741,392	2,455
Balance, December 31, 2021	**226,704,789**	**241,395**
Shares issued for business combinations	54,820,961	53,176
Shares returned on sale of investment accounted under equity method	(44,444)	(86)
Contingent shares issued	3,490,761	3,333
Contingent consideration settled in shares	8,529,280	6,616
Exercise of stock options	100,000	87
Exercise of warrants	354,289	281
Shares issued for services	92,467	15
Balance, December 31, 2022	**294,048,103**	**$ 304,817**

Certain shares issued as part of VisionPros business combination was subsequently cancelled in 2022 as part of the settlement agreement (refer to note 20). These cancellations are reflected in 2021 in the continuity above as part of measurement period adjustments which purchase price allocation was finalized.

(c) Bought deal financing

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

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

(d) Agent's warrants

The following is a summary of agent's warrants activities during the years ended December 31, 2022 and 2021:

	Agents' Warrants	Weighted Average Exercise Price
Balance outstanding, December 31, 2020	**1,843,871**	**$ 1.94**
Issued	1,509,200	$ 2.70
Exercised	(3,437)	$ 0.48
Balance outstanding, December 31, 2021	**3,349,634**	**$ 2.28**
Exercised	(21,738)	$ 0.48
Expired	(1,818,696)	$ 1.96
Balance outstanding, December 31, 2022	**1,509,200**	**$ 2.70**

(Expressed in thousands of Canadian dollars, unless otherwise indicated)

(e) Shareholder's warrants:

The following is a summary of shareholders' warrants activities during the years ended December 31, 2022 and 2021:

	Shareholders' Warrants		Weighted Average Exercise Price
Balance outstanding, December 31, 2020	**12,268,576**	**$**	**0.93**
Exercised	(3,508,650)		0.84
Forfeiture	(230,767)		1.00
Expired	(307,750)		0.65
Balance outstanding, December 31, 2021	**8,221,409**	**$**	**0.98**
Exercised	(327,102)		0.79
Expired	(7,894,307)		0.99
Balance outstanding, December 31, 2022	**-**	**$**	**-**

As at December 31, 2021, the Company has 8,221,407 warrants outstanding with the exercise price ranging from $0.80 to $1.00, the weighted average exercise price and remaining contractual life is 1.0 years. The shareholders' warrants have a fair value of $nil, valued using the residual value method.

(f) Shares under trading restrictions:

As at December 31, 2022, the Company has issued 10,113,851 common shares that were subject to trading restrictions (December 31, 2021 – 33,986,312).

(g) Escrow Shares:

As at December 31, 2022, the Company has 10,113,851 common shares held in escrow (December 31, 2021 – 33,986,312).

Escrow shares will be released as follows:

- 125,620 shares on January 29, 2023.
- 795,454 shares on May 18, 2023.
- 473,963 shares on February 11, 2023.
- 777,832 shares on March 22, 2023, and the same amount released every six months thereafter until the last 777,841 shares are released on September 22, 2023.
- 92,105 shares on April 1, 2023, and the same amount released every six months thereafter until the last 92,106 shares are released on October 1, 2023.
- 251,046 shares on January 11, 2023.
- 3,304,289 shares on June 25, 2023, and the same amount released every six months thereafter until the last 3,304,583 shares are released on Dec 25, 2023.
- 39,668 shares on January 31, 2023, and the same amount released every six months thereafter until the last 39,676 shares are released on January 31, 2024.

(h) Stock Options

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

(Expressed in thousands of Canadian dollars, unless otherwise indicated)

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

	Number of Stock Options	Weighted Average Exercise Price
Balance outstanding, December 31, 2020	**10,652,000**	**1.08**
Granted	1,985,000	2.00
Exercised	(2,211,500)	0.59
Cancelled/Forfeited	(263,750)	2.41
Balance outstanding, December 31, 2021	**10,161,750**	**1.33**
Granted	761,667	0.47
Exercised	(100,000)	0.50
Cancelled/Forfeited	(1,169,250)	1.57
Expired	(636,250)	1.07
Balance outstanding, December 31, 2022	**9,017,917**	**1.26**

As at December 31, 2022, the Company had the following stock options outstanding and exercisable:

			Options outstanding				Options exercisable		
Range of exercise prices			Number of options outstanding	Weighted average remaining contractual life (years)		Weighted average exercise price	Number of options exercisable		Weighted average exercise price
$0.00	to	$0.50	3,421,667	2.72	$	0.48	3,020,000	$	0.49
$0.51	to	$1.00	1,595,000	1.77		0.74	1,595,000		0.74
$1.01	to	$1.50	400,000	2.66		1.38	400,000		1.38
$1.51	to	$2.00	1,151,250	3.42		1.80	923,750		1.81
$2.01	to	$2.50	2,375,000	2.24		2.39	2,298,750		2.39
$2.51	to	$3.00	75,000	2.79		2.56	75,000		2.56
			9,017,917	**2.53**	**$**	**2.51**	**8,312,500**	**$**	**1.27**

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

For the period ended:	2022	2021
Expected option life	**5 years**	5 years
Risk-free interest rate	**3.16%**	0.43%-1.09%
Dividend yield	**0%**	0%
Volatility rate	**60%**	59-60%
Forfeiture rate	**0%**	0%

(i) Restricted Share Units ("RSU")

The Company has adopted a restricted share unit ("RSU") plan (the "RSU Plan"), which provides that the Board of Directors of the Company may, from time to time, award RSUs in its discretion to directors, employees, and consultants to the Company. The aggregate number of Common Shares reserved for issuance under the RSU Plan, together with any other security-based compensation arrangements, at any point in time may not exceed 10% of the issued and outstanding Common Shares within a 12-month period. RSUs awarded under the RSU Plan can have a maximum term of 10 years from the award date. Vesting terms will be determined at the time of the award by the Board of Directors.

(Expressed in thousands of Canadian dollars, unless otherwise indicated)

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

	Number of Restricted Share Units
Balance outstanding, December 31, 2020	**-**
Granted	936,000
Expired	(354,750)
Balance outstanding, December 31, 2021	**581,250**
Granted	908,250
Expired	(243,750)
Balance outstanding, December 31, 2022	**1,245,750**

(j) Deferred Share Units ("DSU")

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

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

	Number of Deferred Share Units
Balance outstanding, December 31, 2020	**-**
Granted	140,000
Balance outstanding, December 31, 2021	**140,000**
Granted	40,000
Balance outstanding, December 31, 2022	**180,000**

Share-based compensation

For the period ended:	**December 31, 2022**	December 31, 2021
Stock options	**$ 649**	$ 3,875
RSUs	**604**	1,184
DSUs	**20**	164
Total share-based compensation expense	**$ 1,273**	$ 5,223

15. SUPPLEMENTAL CASH FLOW INFORMATION

(a) Cash and cash equivalents

As at:	**December 31, 2022**	December 31, 2021
Cash	**$ 15,868**	$11,893
Cash equivalents	**8,190**	33,189
Total	**$ 24,058**	**$ 45,082**

(Expressed in thousands of Canadian dollars, unless otherwise indicated)

(b) Other cash flow information

For the year ended:	**December 31, 2022**	December 31, 2021
Change in non-cash working capital		
Trade and other receivables	**3,530**	$ (10,896)
Inventory	**1,300**	(359)
Prepaid expenses, deposits and other	**(394)**	(117)
Accounts payable, accrued liabilities and other	**(8,783)**	(207)
Deferred revenue	**268**	(179)
	(4,079)	$ (11,758)
Non-cash investing and financing activities		
Shares issued for acquisition of HumanaCare	**-**	5,237
Shares issued for acquisition of IDYA4	**-**	7,817
Shares issued for acquisition of Medical Confidence	**-**	1,903
Shares issued for investment in joint venture	**-**	193
Shares issued for asset acquisition	**-**	1,471
Shares issued for acquisition of Aspiria	**-**	866
Shares issued for acquisition of Rxi	**-**	3,397
Shares issued for acquisition of VisionPros	**-**	9,229
Shares issued for acquisition of Oncidium	**-**	30,896
Shares issued for acquisition of MindBeacon	**53,176**	-
Shares issued for services	**15**	2,455
Issuance of agent warrants as share issuance costs	**-**	1,023

16. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maximize shareholder value. The Company'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.

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

The Company is subject to certain financial covenants in its debt obligations. The Company's strategy is to ensure it remains in compliance with all of its covenants under the Facilities and pursue refinancing of the Facilities prior to their maturity so as to ensure the Company can continue as a going concern. Management reviews results and forecasts to monitor the Company's compliance for both the near-term and the upcoming four quarters.

17. FINANCIAL INSTRUMENTS

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

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

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

(Expressed in thousands of Canadian dollars, unless otherwise indicated)

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 December 31, 2022, the Company had $18,780 (December 31, 2021 – $24,429) of trade and other receivables, net of an allowance for expected credit losses of $1,864 (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 December 31, 2022

	Less than one year	One to five years	More than five years	Total
Accounts payable, accrued liabilities and other	$ 20,911	$ -	$ -	$ 20,911
Contingent consideration	2,177	241	-	2,418
Lease liability	2,340	4,869	-	7,209
Long-term debt	18,364	2,393	577	21,334
	$ 43,792	**$ 7,503**	**$ 577**	**$ 51,872**

As at December 31, 2021

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

Market risk

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

a) Interest rate risk

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

(Expressed in thousands of Canadian dollars, unless otherwise indicated)

At December 31, 2022, the Company had variable rate borrowing rate loans amounting to $17,609 (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 $176 (December 31, 2021 – $114) for the year ended December 31, 2022. There would be an equal and opposite impact on net loss with a 1% decrease in the interest rate

b) Foreign currency risk

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

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

(Denominated in USD)	December 31, 2022	December 31, 2021
Financial assets		
Cash	**$ 2,045**	$ 2,034
Trade and other receivables	**2,115**	2,924
Financial liabilities		
Accounts payable and accrued liabilities	**2,622**	1,711
Net exposure to foreign currency risk	**$ 1,538**	$ 3,247

Sensitivity to foreign currency risk

The impact on the Company's profit before tax is based on changes in the fair value of unhedged foreign currency monetary assets and liabilities at balance sheet date. For the year ended December 31, 2022, the change in USD to CAD currency rate of 5% will have an impact of $175 before tax (December 31, 2021 – $205).

18. DISCOUNTED OPERATIONS AND ASSETS HELD-FOR-SALE

In September 2022, management committed to a plan to sell the following legal entities:

- South Surrey Medical Clinic ("SSMC") (within the Clinic Services & Pharmacies segment)
- Healthvue Ventures Limited ("Healthvue") (within the Clinic Services & Pharmacies segment)
- Cloverdale Pharmacy Ltd. ("Cloverdale") (within the Clinic Services & Pharmacies segment)
- Steveston Health Centre Ltd. ("Steveston") (within the Clinic Services & Pharmacies segment)
- RX Infinity Inc., RXI Pharmacy Inc. & RXI Health Solutions (collectively "RXI" and within the Clinic Services & Pharmacies segment)
- Cloud Practice Inc. (within the Digital Health Solutions segment)

The above entities also represent the entirety of the Clinic Services & Pharmacies segment. The Company sold 100% of its shares in SSMC, Healthvue and Cloud Practice Inc. on November 1, 2022. The Company sold 100% of its shares in Steveston and Cloverdale Pharmacies on December 19th, 2022. Premier Podiatry, a component within the Clinic Services & Pharmacies segment was disposed in October 2021 and was not previously classified as held-for-sale or as a discontinued operation. The comparative profit and loss from the component have been re-presented to show the discontinued operation separately from continuing operation.

(Expressed in thousands of Canadian dollars, unless otherwise indicated)

The results of the entities held-for-sale and other discontinued operations for the periods are presented below:

For the year ended:	December 31, 2022	December 31, 2021
Revenue	**$ 39,806**	$ 32,277
Expenses	**(42,967)**	(34,275)
Impairment (note 7 & 8)	**(7,307)**	(4,143)
Operating loss	**$ (10,468)**	$ (6,141)
Finance costs	**(165)**	(97)
Other income	**153**	19
Loss before tax from discontinuing operations	**$ (10,480)**	$ (6,219)
Gain/(loss) on sale of subsidiary	**1,113**	(451)
Tax (expense)/benefit	**567**	(212)
Loss after tax for the period from discontinuing operations	**$ (8,800)**	$ (6,882)
Loss per share from discontinuing operations	**(0.03)**	$ (0.03)

The effect of the disposals on the financial position of the Company is as follows:

	2022
Accounts receivable	$ (1,210)
Prepaid expenses	(137)
Inventory	(648)
Deposits	(130)
Net investment in sub-lease	(644)
Property and equipment	(3,388)
Goodwill and intangible assets	(6,575)
Accounts payable and accrued liabilities	1,754
Deferred tax liability	62
Long term debt	1,341
Lease liability	4,033
Net assets and liabilities	**$ (5,542)**
Consideration received, satisfied in cash in 2022	**8,004**
Transaction costs, settled in cash in 2022	**(1,003)**
Cash and cash equivalents disposed of	**(428)**
Net cash inflows	**$ 6,573**

As at December 31, 2022 the Company’s disposal groups, comprised of assets of $3,794 less liabilities of $5,917, detailed as below:

	As at December 31, 2022
Accounts receivable	$ 2,631
Prepaid expenses	68
Inventory	497
Deposits	-
Net investment in sub-lease	482
Property and equipment	23
Goodwill and intangible assets	93
Accounts payable and accrued liabilities	(5,483)
Deferred tax liability	-
Lease liability	(434)
Total	**$ (2,123)**

(Expressed in thousands of Canadian dollars, unless otherwise indicated)

The net cash flows generated/(incurred) by the disposal groups are, as follows:

For the year ended:	December 31, 2022	December 31, 2021
Operating	**$ (2,465)**	$ (6,826)
Financing	**(1,303)**	(1,584)
Investing	**75**	(69)
Net cash inflow/(outflow)	**$ (3,693)**	$ (8,479)

19. SEGMENTED INFORMATION

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

Digital Health Solutions

Digital Health Solutions are offered on a subscription or license to use basis. The solutions are sold to companies, insurers, clinics and pharmacies (including those owned by the Company) who use our technology to create connectivity, and improve the healthcare practitioner, client and user experience while creating efficiencies in administration.

Enterprise Health Solutions

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

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

The demand for certain services within the EHS division that employ a per-case billing model is subject to seasonal fluctuations. This is attributable to lower patient and consumer visits and engagement in the summer months and around the holiday season at the end of the year. In addition, in our IDYA4 business, revenues tend to be higher in the fourth quarter of the year in-line with U.S. government budget spend.

	Year ended	
	December 31, 2022	**December 31, 2021**
Enterprise health solutions	**$ 92,768**	$ 45,769
Digital health solutions	**21,872**	24,286
Total revenues	**$ 114,640**	$ 70,055

A breakdown of revenue for each operating segment for the year ended December 31 2022 and 2021 is as follows:

Year ended December 31, 2022	Digital Health Solutions	Enterprise Health Solutions	Total
Total segment revenue	**$ 22,606**	**$ 92,768**	**$ 115,374**
Inter-segment revenue	**(734)**	**-**	**(734)**
Revenue from external customers	**$ 21,872**	**$ 92,768**	**$ 114,640**

(Expressed in thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2021	**Digital Health Solutions**	**Enterprise Health Solutions**	**Total**
Total segment revenue	$ 25,444	$ 45,769	$ 71,213
Inter-segment revenue	(1,158)	-	(1,158)
Revenue from external customers	$ 24,286	$ 45,769	$ 70,055

A geographic breakdown of revenue for each operating segment for the year ended December 31, 2022 and 2021 is as follows:

Revenue	**December 31, 2022**	**December 31, 2021**
Canada	**$ 91,285**	$ 50,409
United States	**23,355**	19,646
Total	**$ 114,640**	$ 70,055

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

As at December 31, 2022, and December 31, 2021, the Company had $2,256 and $1,311, respectively, of unearned revenue related to performance obligations not yet met.

20. INCOME TAX

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

For the year ended:	**December 31, 2022**	**December 31, 2021**
Net loss before taxes for the year	**$ (154,104)**	$ (23,501)
Statutory rate	**27%**	27%
Expected income tax recovery	**(41,608)**	(6,345)
Change in tax rates	**491**	(32)
Permanent differences	**27,875**	2,945
Adjustment in respect of current tax in previous years	**(1,846)**	(49)
Change in unrecognized deferred tax assets	**10,838**	3,809
Other	**(647)**	27
	$ (4,897)	$ 355

Significant components of income tax expense (recovery) comprise the following:

For the year ended:	**December 31, 2022**	**December 31, 2021**
Current income tax charge	**$ 581**	$ 1,176
Adjustments in respect of current income tax of previous years	**(1,064)**	(49)
Adjustments in respect of deferred income tax of previous years	**(902)**	-
Deferred tax recovery	**(3,512)**	(772)
Total income tax expense/(recovery)	**$ (4,897)**	$ 355

(Expressed in thousands of Canadian dollars, unless otherwise indicated)

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

	December 31, 2022	December 31, 2021
Intangible assets	**$ (18,745)**	$ (21,549)
Right of use assets	**(1,371)**	(2,070)
Property and equipment	**(119)**	(134)
Lease liability	**1,433**	2,130
Non-capital losses carried forward	**7,191**	5,141
Share issuance costs	**1**	1
Other	**1**	280
	$ (11,609)	$ (16,201)

Reconciliation of deferred tax liabilities, net	December 31, 2022	December 31, 2021
At the beginning of the year	**$ (15,614)**	$ (3,389)
Recognized in profit or loss	**4,414**	784
Deferred tax acquired in business combinations	**(377)**	(13,596)
Other	**(32)**	-
	$ (11,609)	$ (16,201)

Tax attributes not recognized	December 31, 2022	December 31, 2021
Property and equipment	**$ 343**	$ 212
Intangible assets	**7,661**	546
Lease liability	**8**	80
Share issuance costs	**6,457**	11,760
Contingent liabilities	**1,200**	1,861
Allowance for expected credit losses	**261**	-
Non-capital loss carryforward	**96,986**	45,287
Capital loss carryforward	**2,086**	540
	$ 115,002	$ 60,286

As at December 31, 2022, the company had approximately $119,703 in non-capital losses in Canada which expire between 2022 and 2042. As at December 31, 2022, the Company had approximately $4,077 in non-capital losses in United States which can be carried forward indefinitely.

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

21. LITIGATION AND OTHER CONTINGENCIES

During the three months ended June 30, 2020, Gravitas Securities Inc. ("Gravitas") commenced an arbitration alleging breach of the terms of a right of first refusal in connection with an offering which was in the form of a bought deal equity financing underwritten by a syndicate of other investment banks in May 2020 and was completed on June 2, 2020 (the "June 2020 Financing"). During the three months ended September 30, 2020, Gravitas amended its claims for damages to include commissions and damages arising from an additional bought deal equity financing which was completed on September 22, 2020 (the "September 2020 Financing"). During the three months ended June 30, 2021, Gravitas amended its claim for damages to include commissions and damages arising from an additional bought deal equity financing which was completed on March 12, 2021 (the "March 2021 Financing"). In May 2022, Gravitas amended its claim for damages to include commissions and damages arising from an additional bought deal equity financing which was completed on November 9, 2020 (the "November 2020 Financing"). The total claims are in excess of $9,458 plus unspecified damages associated with the value of share purchase warrants that were issued in connection with the June 2020 Financing, the September 2020 Financing, the November 2020 Financing, and the

March 2021 Financing, plus interest and cost. The Company disputes the claims with respect to the June 2020 Financing, the September 2020 Financing, the November 2020 Financing, and the March 2021 Financing entirely. The claims are currently subject to arbitration proceedings which the Company is defending, and the arbitration hearing was completed in February 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.

During year ended December 31, 2022, the Company 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 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 will now be the responsibility of the Sellers, who have indemnified CloudMD for any such payments. Finally, the Sellers agreed to pay $350 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. During the year ended December 31, 2022 the Company received the holdback amount of $3,000 and the $350 in cash.

22. SUBSEQUENT EVENTS

Subsequent to year end, during the first quarter of 2023, the Company amended the credit agreement governing the Facilities. Under the terms of the amending agreement, the credit parties were expanded to include CloudMD Holdings Inc., Humanacare Organizational Resources Inc., Medical Confidence Inc. and Re: Function Health Group Inc. In addition, the Company is permitted to net up to $2.5 million of cash or cash equivalents that are deposited in a blocked account with the lender against the outstanding debt amount for purposes of calculating certain financial covenants.

In 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. Subsequent to year end, a decision of the arbitrator was reached resulting in a settlement amount owing of $440. The Company had previously provisioned $1,200 for the contingent liability and consequently reversed $760 in the second quarter of 2023.

On June 29 2023, the Company sold its assets and liabilities associated with Benchmark System Inc.'s business for a consideration of USD $6,300 (CAD $8,341), subject to adjustment related to final working capital. The sale price comprised of up front cash payment of USD $5,544 (CAD $7,340) and a holdback amount of USD $756 (CAD $1,001) payable on the first anniversary of the closing date of the transaction.