

# **CloudMD Software & Services Inc.**

## **Condensed Interim Consolidated Financial Statements**

For the three and nine months ended September 30, 2021 and 2020

(Unaudited)

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

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

	Note	September 30, 2021	December 31, 2020
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	14	\$ 53,685	\$ 59,714
Trade and other receivables		22,261	2,012
Inventory		3,405	729
Prepaid expenses, deposits and other		3,132	758
Net investment in sublease		59	154
<b>Total current assets</b>		<b>82,542</b>	<b>63,367</b>
Deposits		238	238
Net investment in sublease		-	20
Deferred tax assets		2,198	-
Investment in joint venture	4	319	-
Property and equipment	7	12,235	5,792
Intangible assets	8	11,814	8,184
Goodwill	8	205,183	44,259
<b>Total assets</b>		<b>\$ 314,529</b>	<b>\$ 121,860</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable, accrued liabilities and other		\$ 27,535	\$ 3,453
Deferred revenue		1,589	888
Contingent consideration	10	14,919	136
Contingent liability	18	1,350	1,350
Current portion of lease liabilities	11	2,139	1,170
Current portion of long-term debt	9	2,408	619
<b>Total current liabilities</b>		<b>49,940</b>	<b>7,616</b>
Contingent consideration	10	18,474	1,194
Lease liabilities	11	7,189	3,494
Long-term debt	9	22,582	2,027
<b>Total liabilities</b>		<b>98,185</b>	<b>14,331</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	13	227,560	112,351
Reserves		11,923	7,277
Shares under escrow		2,562	1,061
Contingent shares issuable		9,813	6,172
Accumulated other comprehensive loss		(74)	(2)
Deficit		(36,299)	(20,174)
<b>Equity attributable to equity holders of the parent</b>		<b>215,485</b>	<b>106,685</b>
<b>Non-controlling interest</b>		<b>859</b>	<b>844</b>
<b>Total shareholders' equity</b>		<b>216,344</b>	<b>107,529</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 314,529</b>	<b>\$ 121,860</b>

Subsequent event (Note 19)

Approved and authorized for issuance by the Board of Directors on November 29, 2021.

“Essam Hamza”  
Essam Hamza, Director

“Christopher Cherry”  
Christopher Cherry, Director

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

CLOUDMD SOFTWARE & SERVICES INC.

Condensed Interim Consolidated Statements of Net Loss and Comprehensive Loss

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

(Unaudited)

	Note	Three months ended		Nine months ended	
		September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Revenue	5	\$ 39,162	\$ 3,359	\$ 63,596	\$ 9,205
Cost of sales		25,866	2,100	41,152	5,792
<b>Gross profit</b>		<b>13,296</b>	<b>1,259</b>	<b>22,444</b>	<b>3,413</b>
Expenses					
Sales and marketing		2,530	769	5,453	2,285
Research and development		1,196	394	2,921	1,154
General and administrative		8,984	1,499	15,907	3,566
Share-based compensation	13	1,543	559	4,576	1,508
Amortization of intangible assets	8	307	63	758	186
Depreciation of property and equipment	7	776	199	1,843	487
Financing-related costs		-	245	871	505
Acquisition-related and integration costs		1,802	190	5,474	310
<b>Total expenses</b>		<b>17,138</b>	<b>3,918</b>	<b>37,803</b>	<b>10,001</b>
<b>Loss before undernoted</b>		<b>(3,842)</b>	<b>(2,659)</b>	<b>(15,359)</b>	<b>(6,588)</b>
Other income		102	17	360	82
Change in fair value of contingent consideration	10	640	-	966	-
Contingent liability expense	18	-	-	-	(400)
Finance costs		(774)	(63)	(974)	(190)
		(32)	(46)	352	(508)
Net loss before taxes		(3,874)	(2,705)	(15,007)	(7,096)
Deferred tax expense		(302)	-	(302)	-
Income tax expense		(143)	(19)	(298)	(19)
<b>Net loss for the period</b>		<b>(4,319)</b>	<b>(2,724)</b>	<b>(15,607)</b>	<b>(7,115)</b>
Other comprehensive loss					
<i>Item that may be reclassified to income in subsequent periods</i>					
Exchange differences on translation of foreign operations		90	-	(72)	-
<b>Total comprehensive loss for the period</b>		<b>\$ (4,229)</b>	<b>\$ (2,724)</b>	<b>\$ (15,679)</b>	<b>\$ (7,115)</b>
Net loss attributable to:					
Equity holders of the Company		\$ (4,327)	\$ (2,724)	\$ (15,622)	\$ (7,115)
Non-controlling interest		8	-	15	-
Total comprehensive loss attributable to:					
Equity holders of the Company		\$ (4,237)	\$ (2,724)	\$ (15,694)	\$ (7,115)
Non-controlling interest		8	-	15	-
Weighted average number of common shares, basic and diluted		232,085,178	116,363,565	203,989,994	100,420,694
Loss per share, basic and diluted		\$ (0.02)	\$ (0.02)	\$ (0.08)	\$ (0.07)

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

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

	Share capital	Reserves	Shares under escrow	Contingent shares issuable	Accumulated other comprehensive loss	Deficit	Non-controlling interest	Total
<b>Balance, December 31, 2019</b>	\$ 16,792	\$ 2,285	\$ -	\$ -	\$ -	\$ (7,835)	\$ -	\$ 11,242
Shares issued for business combinations	1,043	-	-	-	-	-	-	1,043
Private placements	3,023	-	-	-	-	-	-	3,023
Bought deal financing	35,740	-	-	-	-	-	-	35,740
Share issuance costs	(5,382)	1,969	-	-	-	-	-	(3,413)
Exercise of stock options	1,440	(623)	-	-	-	-	-	817
Exercise of warrants	3,393	(389)	-	-	-	-	-	3,004
Shares issued for settlement of debt	578	-	-	-	-	-	-	578
Shares issued for services	409	-	-	-	-	-	-	409
Share-based compensation	-	1,508	-	-	-	-	-	1,508
Other comprehensive loss	-	-	-	-	-	-	-	-
Net loss for the period	-	-	-	-	-	(7,115)	-	(7,115)
<b>Balance, September 30, 2020</b>	\$ 57,036	\$ 4,750	\$ -	\$ -	\$ -	\$ (14,950)	\$ -	\$ 46,836
<b>Balance, December 31, 2020</b>	\$ 112,351	\$ 7,277	\$ 1,061	\$ 6,172	\$ (2)	\$ (20,174)	\$ 844	\$ 107,529
Shares issued/issuable for business combinations	51,916	-	1,501	4,409	-	-	-	57,826
Shares issued for investment in joint venture	129	-	-	-	-	-	-	129
Shares issued/issuable for asset purchase	1,108	-	-	190	-	-	-	1,298
Bought deal financing	58,212	-	-	-	-	-	-	58,212
Contingent shares issued	1,461	-	-	(958)	-	(503)	-	-
Share issuance costs	(5,749)	1,528	-	-	-	-	-	(4,221)
Exercise of stock options	2,040	(773)	-	-	-	-	-	1,267
Exercise of restricted share units	470	(470)	-	-	-	-	-	-
Exercise of warrants	3,167	(1)	-	-	-	-	-	3,166
Shares issued for services	2,455	-	-	-	-	-	-	2,455
Share-based compensation	-	4,362	-	-	-	-	-	4,362
Other comprehensive loss	-	-	-	-	(72)	-	-	(72)
Net loss for the period	-	-	-	-	-	(15,622)	15	(15,607)
<b>Balance, September 30, 2021</b>	\$ 227,560	\$ 11,923	\$ 2,562	\$ 9,813	\$ (74)	\$ (36,299)	\$ 859	\$ 216,344

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

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

	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
<b>Operating activities</b>				
Net loss for the period	\$ (4,319)	\$ (2,724)	\$ (15,607)	\$ (7,115)
Adjustments for				
Interest expense on lease liabilities	87	38	211	98
Accretion expense on contingent consideration	283	-	307	-
Interest expense on long term debt	406	25	457	92
Deferred tax expense	302	-	302	-
Amortization of intangible assets	307	63	758	186
Depreciation of property and equipment	776	199	1,843	487
Share-based compensation	1,543	559	4,576	1,508
Shares issued for services	-	-	2,455	135
Gain on debt forgiveness	-	(20)	-	(135)
Contingent liability expense	-	-	-	400
Unrealized foreign exchange loss (gain)	51	-	(1)	-
Share in profits of joint venture	(7)	-	(9)	-
Interest income from net investment in sublease	(1)	(2)	(4)	(2)
Change in fair value of contingent consideration	(640)	-	(966)	-
Net change in non-cash working capital	(4,216)	146	(5,020)	64
<b>Net cash used in operating activities</b>	<b>(5,428)</b>	<b>(1,716)</b>	<b>(10,698)</b>	<b>(4,282)</b>
<b>Investing activities</b>				
Acquisition of businesses, net of cash acquired	(242)	(267)	(72,293)	(326)
Investment in joint venture	-	-	(181)	-
Short-term investments	-	(100)	-	(125)
Payments received from net investment in sublease	40	26	119	26
Purchase of intangible assets	(263)	(5)	(744)	(10)
Purchase of property and equipment	(318)	(32)	(537)	(116)
<b>Net cash used in investing activities</b>	<b>(783)</b>	<b>(378)</b>	<b>(73,636)</b>	<b>(551)</b>
<b>Financing activities</b>				
Shares issued for cash	-	20,789	58,212	38,763
Share issuance costs	-	(1,691)	(4,221)	(3,413)
Proceeds from exercise of stock options	355	2,820	1,267	3,000
Proceeds from exercise of warrants	262	742	3,166	822
Proceeds from long-term debt, net of financing costs	-	-	23,633	-
Payment of long-term debt	(1,057)	(263)	(2,153)	(581)
Payment of lease liabilities	(584)	(214)	(1,527)	(474)
Payment of line of credit	-	74	(2)	(1,030)
<b>Net cash (used in) provided by financing activities</b>	<b>(1,024)</b>	<b>22,257</b>	<b>78,375</b>	<b>37,087</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(7,235)</b>	<b>20,163</b>	<b>(5,959)</b>	<b>32,254</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>60,880</b>	<b>13,787</b>	<b>59,714</b>	<b>1,696</b>
<b>Foreign currency translation</b>	<b>40</b>	<b>-</b>	<b>(70)</b>	<b>-</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 53,685</b>	<b>\$ 33,950</b>	<b>\$ 53,685</b>	<b>\$ 33,950</b>

Supplemental cash flow information (Note 14)

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

## CLOUDMD SOFTWARE & SERVICES INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020

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

(Unaudited)

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### 1. CORPORATE INFORMATION

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

CloudMD is an innovator in the delivery of healthcare services for individuals using a comprehensive personalized approach to support their mental, physical, and social issues. The Company’s innovation comes from our ability to engage healthcare providers with productivity tools and personalized care plans that focus on health outcomes, supported through a connected care system that can engage and empower the individual in their care plan.

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

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of preparation

The condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting*, as issued by the International Accounting Standards Board (“IASB”). The Company has prepared the financial statements on the basis that it will continue to operate as a going concern. The Board of Directors considers that there are no material uncertainties that may cast significant doubt over this assumption. They have formed a judgment that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

#### (b) Significant accounting policies

These condensed interim consolidated financial statements have been prepared in accordance with the accounting policies adopted in the Company’s most recent annual financial statements for the year ended December 31, 2020, except for the following, which were adopted by the Company for the annual period beginning on January 1, 2021.

#### *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 and joint ventures 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.

CLOUDMD SOFTWARE & SERVICES INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020

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*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 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.

**(c) New standards, interpretations and amendments adopted by the Company**

The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments to existing standards are effective from January 1, 2021, but they are not expected to have an impact on the condensed interim consolidated financial statements of the Company.

**3. BUSINESS COMBINATIONS**

**(a) HumanaCare Organizational Resources Inc. (“HumanaCare”)**

On January 11, 2021, the Company completed the acquisition of HumanaCare by way of acquiring 100% of the issued and outstanding shares of First Health Care Services of Canada Inc. (“First Health”), which owned 100% of the issued and outstanding shares in the capital of HumanaCare. HumanaCare is an integrated Employee Assistance Program (“EAP”) solution which provides compassionate, holistic, physical and mental health support for employees and their families. Pursuant to the share purchase agreement, the Company issued 2,369,791 common shares on January 11, 2021 and paid \$6,126 in cash to the former owners of First Health. The common shares will be subject to certain contractual restrictions on trading for a period of up to 25 months from the closing date.

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

<b>Purchase consideration</b>	
Fair value of common shares issued	\$ 3,670
Cash consideration	6,126
Contingent shares issuable <sup>(1)</sup>	1,679
<b>Total</b>	<b>\$ 11,475</b>
<b>Fair value of net assets acquired</b>	
Trade and other receivables	\$ 673
Prepaid expenses, deposits and other	14
Property and equipment	320
Intangible assets	1
Accounts payable and accrued liabilities	(283)
Lease liabilities	(306)
Deferred revenue	(301)
Long-term debt	(262)
<b>Total net assets acquired</b>	<b>\$ (144)</b>
<b>Goodwill</b>	<b>\$ 11,619</b>

CLOUDMD SOFTWARE & SERVICES INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020

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

(Unaudited)

- (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 January 11, 2021 and the number of common shares issuable based on management's best estimate of future revenue results. The contingent shares issuable could be higher or lower depending on the related future revenue outcome.

The excess of the fair value of the purchase consideration over the fair values of the net assets acquired is considered as goodwill. Goodwill is attributable to the workforce, expected synergies and future profitability of the acquired business.

The above amounts included in the purchase price allocation are preliminary as management continues to gather relevant information that existed at the acquisition date to determine the fair value of the net identifiable assets acquired and liabilities assumed. The purchase price, including the fair value of common shares issued and contingent shares issuable, and the fair value of the net assets acquired and liabilities assumed are estimates, which were made by management at the time of the preparation of these condensed interim consolidated financial statements based on available information. Amendments may be made to these amounts, as well as the identification of intangible assets. Values based on estimates are subject to changes during the period ending 12 months after the acquisition date.

**(b) Medical Confidence Inc. ("Medical Confidence")**

On January 15, 2021, the Company completed the acquisition of 100% of the issued and outstanding shares of Medical Confidence. Medical Confidence offers a revolutionary healthcare navigation platform with proven results in wait time reduction and patient satisfaction. Pursuant to the share purchase agreement, as amended on April 30, 2021, the Company issued 857,143 common shares on January 15, 2021 and paid \$2,336 in cash to the former owners of Medical Confidence. The common shares will be subject to certain contractual restrictions on trading for a period of up to 20 months from the closing date.

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

<b>Purchase consideration</b>	
Fair value of common shares issued	\$ 1,389
Cash consideration	2,336
Contingent consideration <sup>(1)</sup>	533
Contingent shares issuable <sup>(1)</sup>	476
<b>Total</b>	<b>\$ 4,734</b>
<b>Fair value of net assets acquired</b>	
Cash and cash equivalents	\$ 161
Trade and other receivables	297
Property and equipment	44
Intangible assets	520
Accounts payable and accrued liabilities	(284)
Long-term debt	(87)
<b>Total net assets acquired</b>	<b>\$ 651</b>
<b>Goodwill</b>	<b>\$ 4,083</b>



CLOUDMD SOFTWARE & SERVICES INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020

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(Unaudited)

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

The excess of the fair value of the purchase consideration over the fair values of the net assets acquired is considered as goodwill. Goodwill is attributable to the workforce, expected synergies and future profitability of the acquired business.

The above amounts included in the purchase price allocation are preliminary as management continues to gather relevant information that existed at the acquisition date to determine the fair value of the net identifiable assets acquired and liabilities assumed. The purchase price, including the fair value of common shares issued, contingent consideration, contingent shares issuable, and the fair value of the net assets acquired and liabilities assumed are estimates, which were made by management at the time of the preparation of these condensed interim consolidated financial statements based on available information. Amendments may be made to these amounts, as well as the identification of intangible assets. Values based on estimates are subject to changes during the period ending 12 months after the acquisition date.

(c) **Tetra Ventures LLC ("IDYA4")**

On March 23, 2021, the Company completed the acquisition of 100% of the issued and outstanding membership interests of IDYA4. IDYA4 is a leading health technology company focused on data interoperability and cybersecurity based in the United States. Pursuant to the membership interest purchase agreement, the Company issued 3,889,169 common shares on March 23, 2021 and paid \$6,717 in cash to the former owners of IDYA4. The common shares will be subject to certain contractual restrictions on trading for a period of up to 30 months from the closing date.

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

<b>Purchase consideration</b>	
Fair value of common shares issued	\$ 4,897
Cash consideration	6,717
Contingent consideration <sup>(1)</sup>	199
Contingent shares issuable <sup>(1)</sup>	1,638
<b>Total</b>	<b>\$ 13,451</b>
<b>Fair value of net assets acquired</b>	
Cash and cash equivalents	\$ 1,772
Trade and other receivables	868
Intangible assets	440
Accounts payable and accrued liabilities	(1,010)
<b>Total net assets acquired</b>	<b>\$ 2,070</b>
<b>Goodwill</b>	<b>\$ 11,381</b>

CLOUDMD SOFTWARE & SERVICES INC.

Notes to the Condensed Interim Consolidated Financial Statements

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- (1) The contingent consideration and contingent shares issuable represent two earn-out revenue milestone payments for the years ending December 31, 2021 and December 31, 2022. Preliminary valuation of the contingent consideration was calculated using the expected cash outflow based on management's best estimate of future revenue results. Preliminary valuation of the contingent shares issuable was calculated using the closing price of the Company's common shares on March 23, 2021 and the number of common shares issuable based on management's best estimate of future revenue results. The contingent consideration and contingent shares issuable could be higher or lower depending on the related future revenue outcome. The contingent consideration is reviewed and remeasured on a quarterly basis.

The excess of the fair value of the purchase consideration over the fair values of the net assets acquired is considered as goodwill. Goodwill is attributable to the workforce, expected synergies and future profitability of the acquired business.

The above amounts included in the purchase price allocation are preliminary as management continues to gather relevant information that existed at the acquisition date to determine the fair value of the net identifiable assets acquired and liabilities assumed. The purchase price, including the fair value of common shares issued, contingent consideration, contingent shares issuable, and the fair value of the net assets acquired and liabilities assumed are estimates, which were made by management at the time of the preparation of these condensed interim consolidated financial statements based on available information. Amendments may be made to these amounts, as well as the identification of intangible assets. Values based on estimates are subject to changes during the period ending 12 months after the acquisition date.

**(d) Aspiria Corp ("Aspiria")**

On April 1, 2021, the Company completed the acquisition of 100% of the issued and outstanding shares of Aspiria. Aspiria provides an Integrated Employee and Student Assistance Program ("SAP"), that focuses on a comprehensive suite of mental health and wellness solutions for all employer and educational sectors. Pursuant to the share purchase agreement, the Company issued 460,526 common shares on April 1, 2021 and paid \$889 in cash to the former owners of Aspiria. The common shares will be subject to certain contractual restrictions on trading for a period of up to 30 months from the closing date.

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

CLOUDMD SOFTWARE & SERVICES INC.

Notes to the Condensed Interim Consolidated Financial Statements

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<b>Purchase consideration</b>	
Fair value of common shares issued	\$ 587
Cash consideration	889
Contingent shares issuable <sup>(1)</sup>	617
<b>Total</b>	<b>\$ 2,093</b>
<b>Fair value of net assets acquired</b>	
Cash and cash equivalents	\$ 85
Trade and other receivables	96
Prepaid expenses, deposits and other	13
Property and equipment	159
Intangible assets	1
Goodwill	481
Accounts payable and accrued liabilities	(565)
Deferred revenue	(27)
Lease liabilities	(147)
<b>Total net assets acquired</b>	<b>\$ 96</b>
<b>Goodwill</b>	<b>\$ 1,997</b>

<sup>(1)</sup> The contingent shares issuable represents an earn-out revenue milestone payment for the year ending December 31, 2021. Preliminary 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. The contingent shares issuable could be higher or lower depending on the related future revenue outcome.

The excess of the fair value of the purchase consideration over the fair values of the net assets acquired is considered as goodwill. Goodwill is attributable to the workforce, expected synergies and future profitability of the acquired business.

The above amounts included in the purchase price allocation are preliminary as management continues to gather relevant information that existed at the acquisition date to determine the fair value of the net identifiable assets acquired and liabilities assumed. The purchase price, including the fair value of common shares issued and contingent shares issuable, and the fair value of the net assets acquired and liabilities assumed are estimates, which were made by management at the time of the preparation of these condensed interim consolidated financial statements based on available information. Amendments may be made to these amounts, as well as the identification of intangible assets. Values based on estimates are subject to changes during the period ending 12 months after the acquisition date.

**(e) Rx Infinity Inc., Rxi Pharmacy Inc. and Rxi Health Solutions Inc. (collectively "Rxi")**

On May 11, 2021, the Company completed the acquisition of 100% of the issued and outstanding shares of Rxi. Rxi provides pharmaceutical logistic services including drug distribution, patient navigation assistances, a preferred pharmacy network of over 500 pharmacies and real time universal disease management software. Pursuant to the share purchase agreement, the Company issued 1,673,640 common shares on May 11, 2021 and paid \$2,750 in cash to the former owners of Rxi, of which \$346 is receivable from the former owners of Rxi due to an estimated net working capital adjustment as at September 30, 2021. The common shares will be subject to certain contractual restrictions on trading for a period of up to 20 months from the closing date.

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

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<b>Purchase consideration</b>	
Fair value of common shares issued	\$ 2,595
Cash consideration	2,404
Contingent consideration <sup>(1)</sup>	637
<b>Total</b>	<b>\$ 5,636</b>
<b>Fair value of net assets acquired</b>	
Cash and cash equivalents	\$ 631
Trade and other receivables	2,366
Prepaid expenses, deposits and other	6
Inventory	43
Property and equipment	693
Intangible assets	1
Accounts payable and accrued liabilities	(2,930)
Lease liabilities	(115)
<b>Total net assets acquired</b>	<b>\$ 695</b>
<b>Goodwill</b>	<b>\$ 4,941</b>

<sup>(1)</sup> The contingent consideration represents two earn-out profitability milestone payments for the years ending December 31, 2021 and December 31, 2022. Preliminary valuation of the contingent consideration was calculated using the closing price of the Company's common shares on May 11, 2021 and the number of common shares issuable based on management's best estimate of future profitability results. The contingent consideration could be higher or lower depending on the related future profitability outcome. The contingent consideration is reviewed and remeasured on a quarterly basis.

The excess of the fair value of the purchase consideration over the fair values of the net assets acquired is considered as goodwill. Goodwill is attributable to the workforce, expected synergies and future profitability of the acquired business.

The above amounts included in the purchase price allocation are preliminary as management continues to gather relevant information that existed at the acquisition date to determine the fair value of the net identifiable assets acquired and liabilities assumed. The purchase price, including the fair value of common shares issued, contingent consideration, and the fair value of the net assets acquired and liabilities assumed are estimates, which were made by management at the time of the preparation of these condensed interim consolidated financial statements based on available information. Amendments may be made to these amounts, as well as the identification of intangible assets. Values based on estimates are subject to changes during the period ending 12 months after the acquisition date.

**(f) 0869316 BC Ltd., 1143556 BC Ltd. and 1153046 BC Ltd. (collectively "VisionPros")**

On June 23, 2021, the Company completed the acquisition of 100% of the issued and outstanding shares of VisionPros. VisionPros is a vertically integrated digital eyewear platform servicing customers across North America. Pursuant to the share purchase agreement, the Company agreed to issue 9,818,181 common shares of the Company and pay \$26,005 in cash to the former owners of VisionPros, of which \$2,226 is receivable from the former owners of VisionPros due to an estimated net working capital adjustment as at September 30, 2021. There is an indemnification holdback of a further 1,090,909 shares and \$3,000 of cash payable to the former owners of VisionPros for a period of up to two years following the closing date. The common shares will be subject to certain contractual restrictions on trading for a period of up to 24 months from the closing date.

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

<b>Purchase consideration</b>	
Fair value of common shares issued	\$ 13,511
Cash consideration	23,779
Shares under escrow	1,501
Indemnification holdback	3,000
Contingent consideration <sup>(1)</sup>	4,786
<b>Total</b>	<b>\$ 46,577</b>

<b>Fair value of net assets acquired</b>	
Cash and cash equivalents	\$ 161
Trade and other receivables	1,602
Prepaid expenses, deposits and other	35
Inventory	2,622
Property and equipment	770
Intangible assets	1
Accounts payable and accrued liabilities	(6,657)
Lease liabilities	(43)
Long-term debt	(60)
<b>Total net assets acquired</b>	<b>\$ (1,568)</b>

<b>Goodwill</b>	<b>\$ 48,145</b>
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<sup>(1)</sup> The contingent consideration represents two earn-out revenue-based milestone payments for the years ending December 31, 2021 and December 31, 2022. The contingent consideration can be settled using cash or common shares at the Company's discretion. Preliminary valuation of the contingent consideration was calculated using the expected cash outflow based on management's best estimate of future revenue-based results. The contingent consideration could be higher or lower depending on the related future revenue-based outcome. The contingent consideration is reviewed and remeasured on a quarterly basis.

The excess of the fair value of the purchase consideration over the fair values of the net assets acquired is considered as goodwill. Goodwill is attributable to the workforce, expected synergies and future profitability of the acquired business.

The above amounts included in the purchase price allocation are preliminary as management continues to gather relevant information that existed at the acquisition date to determine the fair value of the net identifiable assets acquired and liabilities assumed. The purchase price, including the fair value of common shares issued, contingent consideration, and the fair value of the net assets acquired and liabilities assumed are estimates, which were made by management at the time of the preparation of these condensed interim consolidated financial statements based on available information. Amendments may be made to these amounts, as well as the identification of intangible assets. Values based on estimates are subject to changes during the period ending 12 months after the acquisition date.

**(g) Oncidium Inc. ("Oncidium")**

On June 25, 2021, the Company completed the acquisition of 100% of issued and outstanding share of Oncidium. Inc. Oncidium is a Canadian healthcare provider to employers. Pursuant to the share purchase agreement, the Company issued 16,521,739 common shares on June 25, 2021 and paid \$28,976 in cash to the former owners of Oncidium. There is a working capital holdback of \$500 of cash payable to the former owners. The common shares will be subject to certain contractual restrictions on trading for a period of up to 30 months from the closing date.

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

<b>Purchase consideration</b>	
Fair value of common shares issued	\$ 25,157
Cash consideration	28,976
Working capital holdback	500
Contingent consideration <sup>(1)</sup>	26,702
<b>Total</b>	<b>\$ 81,335</b>
<b>Fair value of net assets acquired</b>	
Cash and cash equivalents	\$ 1,560
Trade and other receivables	8,033
Prepaid expenses, deposits and other	1,506
Property and equipment	4,061
Intangible assets	1,384
Deferred tax assets	2,500
Goodwill	23,430
Accounts payable and accrued liabilities	(12,306)
Lease liabilities	(3,680)
<b>Total net assets acquired</b>	<b>\$ 26,488</b>
<b>Goodwill</b>	<b>\$ 54,847</b>

<sup>(1)</sup> The contingent consideration represents three revenue and three profitability earn-out milestone payments for the years ending December 31, 2021, December 31, 2022 and December 31, 2023. The contingent consideration can be settled using cash or common shares at the Company's discretion. Preliminary valuation of the contingent consideration was calculated using the expected cash outflow based on management's best estimate of future revenue and profitability results. The contingent consideration could be higher or lower depending on the related future revenue and profitability outcome. The contingent consideration is reviewed and remeasured on a quarterly basis.

The excess of the fair value of the purchase consideration over the fair values of the net assets acquired is considered as goodwill. Goodwill is attributable to the workforce, expected synergies and future profitability of the acquired business.

The above amounts included in the purchase price allocation are preliminary as management continues to gather relevant information that existed at the acquisition date to determine the fair value of the net identifiable assets acquired and liabilities assumed. The purchase price, including the fair value of common shares issued, contingent consideration, and the fair value of the assets acquired and liabilities assumed are estimates, which were made by management at the time of the preparation of these condensed interim consolidated financial statements based on available information. Amendments may be made to these amounts, as well as the identification of intangible assets. Values based on estimates are subject to changes during the period ending 12 months after the acquisition date.

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**4. INVESTMENT IN JOINT VENTURE**

On February 8, 2021, the Company acquired 51% of the issued and outstanding shares in West Mississauga Medical Ltd. (“West Mississauga”), a joint venture providing comprehensive family medicine and a specialist medical clinic with 8 family doctors and 4 specialists serving over 100,000 patients. Ownership was acquired in exchange for the issuance of 74,074 common shares on February 8, 2021 and the payment of \$181 in cash. Under the terms of the shareholder agreement, CloudMD is able to appoint one of two directors of West Mississauga and all critical decisions require unanimous consent of the shareholders of West Mississauga. West Mississauga is structured as a separate vehicle and the Company has a residual interest in the net assets of West Mississauga. As a result, the Company treated its investment of West Mississauga as a joint venture and is accounted for using the equity method.

The activities of the Company’s investment in West Mississauga Medical Ltd. during the period were as follows:

Balance, January 1, 2021	\$	-
Investment in joint venture		310
Share in profits for the period		9
<b>Balance, September 30, 2021</b>	<b>\$</b>	<b>319</b>

**5. REVENUE**

	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Clinics & pharmacies	\$ 9,553	\$ 2,900	\$ 19,928	\$ 7,860
Digital health solutions	10,039	459	16,471	1,345
Enterprise health solutions	19,570	-	27,197	-
<b>Total revenues</b>	<b>\$ 39,162</b>	<b>\$ 3,359</b>	<b>\$ 63,596</b>	<b>\$ 9,205</b>

**6. EXPENSES BY NATURE**

	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Cost of sales and other	\$ 31,767	\$ 3,770	\$ 54,908	\$ 9,770
Wages and employee benefits	8,611	1,448	16,870	3,976
Share-based compensation	1,543	559	4,576	1,508
Amortization of intangible assets	307	63	758	186
Depreciation of property and equipment	776	199	1,843	487
<b>Total</b>	<b>\$ 43,004</b>	<b>\$ 6,039</b>	<b>\$ 78,955</b>	<b>\$ 15,927</b>

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**7. PROPERTY AND EQUIPMENT**

	Equipment and other	Computers	Leasehold improvements	Right-of-use assets	Total
<b>Cost</b>					
Balance, January 1, 2020	\$ 167	\$ 31	\$ 81	\$ 2,725	\$ 3,004
Business combinations	370	37	892	1,570	2,869
Additions	59	28	63	1,034	1,184
Disposals	(2)	(1)	(6)	-	(9)
Foreign exchange differences	(2)	-	(6)	-	(8)
Balance, December 31, 2020	592	95	1,024	5,329	7,040
Business combinations	1,279	193	243	4,326	6,041
Additions	204	265	54	1,736	2,259
Disposals	-	-	-	(34)	(34)
Foreign exchange differences	(3)	-	-	-	(3)
<b>Balance, September 30, 2021</b>	<b>\$ 2,072</b>	<b>\$ 553</b>	<b>\$ 1,321</b>	<b>\$ 11,357</b>	<b>\$ 15,303</b>
<b>Accumulated Depreciation</b>					
Balance, January 1, 2020	\$ 22	\$ 12	\$ 17	\$ 345	\$ 396
Depreciation	72	28	111	648	859
Disposals	(2)	(1)	(4)	-	(7)
Balance, December 31, 2020	92	39	124	993	1,248
Depreciation	268	69	164	1,342	1,843
Disposals	-	-	-	(23)	(23)
<b>Balance, September 30, 2021</b>	<b>\$ 360</b>	<b>\$ 108</b>	<b>\$ 288</b>	<b>\$ 2,312</b>	<b>\$ 3,068</b>
<b>Net Book Value</b>					
At December 31, 2020	\$ 500	\$ 56	\$ 900	\$ 4,336	\$ 5,792
<b>At September 30, 2021</b>	<b>\$ 1,712</b>	<b>\$ 445</b>	<b>\$ 1,033</b>	<b>\$ 9,045</b>	<b>\$ 12,235</b>

For the three and nine months ended September 30, 2021, the Company recorded depreciation expense of \$776 and \$1,843 (2020 – \$199 and \$487) within expenses.



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**8. GOODWILL AND INTANGIBLE ASSETS**

	Customer relationships	Content Licenses	Brands	Technology platforms	Assets under development	Total intangible assets	Goodwill
<b>Cost</b>							
Balance, January 1, 2020	\$ 1,368	\$ -	\$ -	\$ 885	\$ -	\$ 2,253	\$ 9,498
Business combinations	209	90	737	5,557	-	6,593	34,761
Additions	5	-	-	5	-	10	-
Balance, December 31, 2020	1,582	90	737	6,447	-	8,856	44,259
Business combinations	1,496	-	-	525	327	2,348	160,924
Additions	387	-	-	1,254	399	2,040	-
<b>Balance, September 30, 2021</b>	<b>\$ 3,465</b>	<b>\$ 90</b>	<b>\$ 737</b>	<b>\$ 8,226</b>	<b>\$ 726</b>	<b>\$ 13,244</b>	<b>\$ 205,183</b>
<b>Accumulated Amortization</b>							
Balance, January 1, 2020	\$ 75	\$ -	\$ -	\$ 82	\$ -	\$ 157	\$ -
Amortization	148	-	-	367	-	515	-
Balance, December 31, 2020	223	-	-	449	-	672	-
Amortization	213	-	-	545	-	758	-
<b>Balance, September 30, 2021</b>	<b>\$ 436</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 994</b>	<b>\$ -</b>	<b>\$ 1,430</b>	<b>\$ -</b>
<b>Net Book Value</b>							
At December 31, 2020	\$ 1,359	\$ 90	\$ 737	\$ 5,998	\$ -	\$ 8,184	\$ 44,259
<b>At September 30, 2021</b>	<b>\$ 3,029</b>	<b>\$ 90</b>	<b>\$ 737</b>	<b>\$ 7,232</b>	<b>\$ 726</b>	<b>\$ 11,814</b>	<b>\$ 205,183</b>

For the three and nine months ended September 30, 2021, the Company recorded amortization expense of \$307 and \$758 (2020 – \$63 and \$186) within expenses.

The Company did not identify any indicators of impairment for the three and nine months ended September 30, 2021.

**9. LONG-TERM DEBT**

	Interest rate	Maturity	September 30, 2021	December 31, 2020
Fixed interest rate bank loans <sup>(1)</sup>	3.20%	October 31, 2026	\$ 164	\$ 186
	3.35%	December 31, 2022	1,375	1,559
	3.97%	October 31, 2026	165	187
Variable interest rate bank loans	CDOR +3.50% <sup>(2)</sup>	June 30, 2024	23,107	338
	Prime +1.00% <sup>(3)</sup>	April 30, 2023	119	175
	Prime + 0.50%		-	95
Interest free loans				
RRRF Loan			-	38
CEBA Loan			60	68
<b>Balance</b>			<b>24,990</b>	<b>2,646</b>
Current portion			2,408	619
<b>Long-term portion</b>			<b>\$ 22,582</b>	<b>\$ 2,027</b>

<sup>(1)</sup> The fixed interest rate bank loans are secured by first ranking security interest over all property of CloudMD and certain subsidiaries for a maximum guarantee amount of \$3,414.

<sup>(2)</sup> As at September 30, 2021, the interest rate for the variable interest rate bank loan was 4.19%.

<sup>(3)</sup> As at September 30, 2021, the interest rate for the variable interest rate bank loan was 3.45%.

Effective June 25, 2021, the Company, through its subsidiary Oncidium, established credit facilities of up to

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\$62,000 (the “Facilities”) comprised of the following:

- (1) Revolver Facility of \$3,000; and,
- (2) Term Facility of \$59,000.

The Facilities mature 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% dependent upon certain financial ratios. The fair value of the long-term debt approximates its carrying value.

As at September 30, 2021, the Company was in compliant with all financial covenants.

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

## 10. CONTINGENT CONSIDERATION

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

<b>Contingent consideration, December 31, 2019</b>	<b>\$ -</b>
Contingent consideration for business combinations	1,470
Change in fair value	(140)
<b>Contingent consideration, December 31, 2020</b>	<b>1,330</b>
Contingent consideration for business combinations	32,857
Payment of contingent consideration	(135)
Accretion expense	307
Change in fair value	(966)
<b>Contingent consideration, September 30, 2021</b>	<b>33,393</b>
Current portion	14,919
<b>Long-term portion</b>	<b>\$ 18,474</b>

The estimated amounts payable related to the contingent consideration is measured at fair value based on unobservable inputs and is considered a Level 3 financial instrument. The determination of the fair value of contingent consideration is primarily driven by the Company’s estimates of the respective acquired entities in achieving milestones based on financial targets and could be higher or lower depending on the related future performance outcome. Significant increases or decreases in related financial measures would result in a higher or lower fair value of the contingent consideration liability, while significant increases or decreases in the discount rate and performance risk would result in a lower or higher fair value of the liability.

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## 11. LEASES

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

### (a) As a lessee

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

<b>Balance, December 31, 2019</b>	<b>\$</b>	<b>2,438</b>
Lease renewal		1,034
Additions from business combinations		1,806
Interest expense on lease liabilities		140
Lease payments		(754)
<b>Balance, December 31, 2020</b>		<b>4,664</b>
Additions		1,708
Additions from business combinations		4,283
Interest expense on lease liabilities		211
Lease payments		(1,527)
Lease terminations		(11)
<b>Balance, September 30, 2021</b>		<b>9,328</b>
Current portion		2,139
<b>Long-term portion</b>	<b>\$</b>	<b>7,189</b>

The following is a breakdown of contractual undiscounted cash flows for lease liabilities by maturities as at September 30, 2021:

		<b>September 30, 2021</b>
Less than one year	\$	2,452
One to five years		6,766
More than five years		1,054
<b>Total</b>	<b>\$</b>	<b>10,272</b>

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## 12. RELATED PARTY TRANSACTIONS

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

Remuneration of key management and Board of Directors:

	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Cash-based compensation	\$ 333	\$ 204	\$ 1,176	\$ 521
Share-based compensation	1,311	231	2,559	644
<b>Total</b>	<b>\$ 1,644</b>	<b>\$ 435</b>	<b>\$ 3,735</b>	<b>\$ 1,165</b>

## 13. SHARE CAPITAL

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

(b) **Issued and outstanding**

The following is a summary of share capital activities:

	Number of common shares	Share capital
<b>Balance, December 31, 2019</b>	<b>81,213,470</b>	<b>\$ 16,792</b>
Shares issued for business combinations	11,640,219	16,994
Shares issued for settlement of Livecare debt	1,500,000	578
Private placements	6,298,615	3,023
Bought deal financing	51,947,800	73,000
Share issuance costs	294,035	(9,681)
Exercise of stock options	1,928,250	2,066
Exercise of warrants	9,183,070	9,170
Shares issued for services	900,000	409
<b>Balance, December 31, 2020</b>	<b>164,905,459</b>	<b>112,351</b>
Shares issued for business combinations	35,809,217	51,916
Shares issued for investment in joint venture	74,074	129
Shares issued for asset purchase	574,468	1,108
Bought deal financing	21,560,000	58,212
Contingent shares issued	568,182	1,461
Share issuance costs	-	(5,749)
Exercise of stock options	2,161,500	2,040
Exercise of restricted share units	256,000	470
Exercise of warrants	3,819,837	3,167
Shares issued for services	1,741,392	2,455
<b>Balance, September 30, 2021</b>	<b>231,470,129</b>	<b>\$ 227,560</b>

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(c) **Bought deal financing**

	Type	Shares issued	Exercise price	Gross proceeds	Share issuance costs	Agent warrants issued <sup>(1)</sup>	Exercise price
March 2021	Bought deal	21,560,000	\$ 2.70	\$ 58,212	\$ 5,749	1,509,200	\$ 2.70

<sup>(1)</sup> 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) **Agents' warrants**

The following is a summary of agents' warrants activities during the nine months ended September 30, 2021:

	Number of Agents' Warrants	Weighted Average Exercise Price
<b>Balance outstanding, December 31, 2019</b>	<b>501,520</b>	<b>\$ 0.76</b>
Issued	4,473,447	1.35
Exercised	(3,131,096)	(0.91)
<b>Balance outstanding, December 31, 2020</b>	<b>1,843,871</b>	<b>1.94</b>
Issued	1,509,200	2.70
Exercised	(3,437)	(0.48)
<b>Balance outstanding, September 30, 2021</b>	<b>3,349,634</b>	<b>\$ 2.28</b>

As at September 30, 2021, the Company had the following agents' warrants outstanding, all of which were exercisable:

Range of exercise prices	Agents' warrants outstanding		
	Number of agents' warrants outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price
\$0.00 to \$0.50	22,676	0.47	\$ 0.48
\$0.51 to \$1.00	149,504	0.67	1.00
\$1.01 to \$1.50	581,504	0.98	1.38
\$2.01 to \$2.50	1,086,750	1.11	2.40
\$2.51 to \$3.00	1,509,200	1.44	2.70
	<b>3,349,634</b>		

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**(e) Shareholders' warrants**

The following is a summary of shareholders' warrants activities during the nine months ended September 30, 2021:

	Number of Shareholders' Warrants	Weighted Average Exercise Price
<b>Balance outstanding, December 31, 2019</b>	<b>4,492,344</b>	<b>\$ 0.80</b>
Issued	13,828,206	-
Exercised	(6,051,974)	(0.83)
<b>Balance outstanding, December 31, 2020</b>	<b>12,268,576</b>	<b>0.93</b>
Issued	-	-
Exercised	(3,816,400)	(0.83)
Expired	(230,769)	(1.00)
<b>Balance outstanding, September 30, 2021</b>	<b>8,221,407</b>	<b>\$ 0.98</b>

As at September 30, 2021, the Company has 8,221,407 shareholders' warrants outstanding with the exercise price ranging from \$0.51 to \$1.00, the weighted average exercise price and remaining contractual life is \$0.98 and 0.66 years, respectively. The shareholders' warrants have a fair value of \$nil, valued using the residual value method.

**(f) Shares under trading restrictions**

As at September 30, 2021, the Company has issued 42,163,824 common shares that were subject to trading restrictions (December 31, 2020 – 18,263,173).

**(g) Stock options**

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

	Number of Stock Options	Weighted Average Exercise Price
<b>Balance outstanding, December 31, 2019</b>	<b>5,250,000</b>	<b>\$ 0.60</b>
Granted	7,449,000	1.30
Exercised	(1,928,250)	0.53
Forfeited	(118,750)	0.44
<b>Balance outstanding, December 31, 2020</b>	<b>10,652,000</b>	<b>1.08</b>
Granted	1,985,000	2.00
Exercised	(2,161,500)	0.59
Forfeited	(150,000)	1.91
<b>Balance outstanding, September 30, 2021</b>	<b>10,325,500</b>	<b>\$ 1.34</b>

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As at September 30, 2021, the Company had the following stock options outstanding and exercisable:

Range of exercise prices	Options outstanding			Options exercisable	
	Number of options outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of options exercisable	Weighted average exercise price
\$0.00 to \$0.50	3,017,500	3.13	\$ 0.49	2,857,750	\$ 0.49
\$0.51 to \$1.00	2,235,000	3.04	0.73	2,072,500	0.73
\$1.01 to \$1.50	400,000	3.91	1.38	200,000	1.38
\$1.51 to \$2.00	1,460,000	4.32	1.78	230,000	2.00
\$2.01 to \$2.50	3,100,000	4.19	2.36	1,177,500	2.29
\$2.51 to \$3.00	113,000	4.04	2.56	56,500	2.56
	<b>10,325,500</b>			<b>6,594,250</b>	

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

	Three months ended	
	September 30, 2021	September 30, 2020
Expected option life	5 years	5 years
Risk-free interest rate	1.11%	0.35%
Dividend yield	0%	0%
Volatility rate	60%	100%
Forfeiture rate	0%	0%

**(h) Restricted Share Units (“RSU”)**

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
Exercised	(256,000)
<b>Balance outstanding, September 30, 2021</b>	<b>680,000</b>

**(i) Deferred Share Units (“DSU”)**

Effective May 1, 2021, the Company adopted a cash-settled DSU plan for its independent directors (the “DSU Plan”), which provides that the Board of Directors may, from time to time, award DSUs in its discretion to the independent directors. All DSUs granted vest immediately and are credited to each independent directors’ account.

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

	<b>Number of Deferred Share Units</b>
Balance outstanding, December 31, 2020	-
Issued	140,000
<b>Balance outstanding, September 30, 2021</b>	<b>140,000</b>

(j) Share-based compensation

	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Stock options	\$ 1,077	\$ 559	\$ 3,650	\$ 1,508
RSUs	364	-	712	-
DSUs	102	-	214	-
<b>Total share-based compensation expense</b>	<b>\$ 1,543</b>	<b>\$ 559</b>	<b>\$ 4,576</b>	<b>\$ 1,508</b>

14. SUPPLEMENTAL CASH FLOW INFORMATION

(a) Cash and cash equivalents

	September 30, 2021	December 31, 2020
Cash	\$ 20,523	\$ 41,658
Cash equivalents	33,162	18,056
<b>Total</b>	<b>\$ 53,685</b>	<b>\$ 59,714</b>



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**(b) Other cash flow information**

	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
<b>Change in non-cash working capital</b>				
Trade and other receivables	\$ (2,375)	\$ (6)	\$ (3,828)	\$ (75)
Inventory	(179)	(42)	(12)	5
Prepaid expenses, deposits and other	(736)	310	(869)	113
Accounts payable, accrued liabilities and other	(709)	(110)	(685)	21
Deferred revenue	(218)	(6)	373	-
	\$ (4,217)	\$ 146	\$ (5,021)	\$ 64
<b>Non-cash investing and financing activities</b>				
Shares issued for acquisition of Livecare	\$ -	\$ -	\$ -	\$ 663
Shares issued for acquisition of Livecare debt	-	-	-	600
Shares issued for acquisition of South Surrey	110	-	110	380
Shares issued for acquisition of HumanaCare	-	-	3,670	-
Shares issued for acquisition of Medical Confidence	-	-	1,389	-
Shares issued for acquisition of IDYA4	-	-	4,897	-
Shares issued for acquisition of Aspiria	-	-	587	-
Shares issued for acquisition of Rxi	-	-	2,595	-
Shares issued for acquisition of VisionPros	-	-	13,511	-
Shares issued for acquisition of Oncidium	-	-	25,157	-
Shares issued for investment in joint venture	-	-	129	-
Shares issued for asset purchase	-	-	1,108	-
Shares issued for services	-	-	2,455	409
Issuance of agent warrants as share issuance costs	-	497	1,528	685
<b>Other cash flow information</b>				
Cash received for interest	\$ 37	\$ -	\$ 166	\$ -
Cash paid for interest	(251)	(30)	(315)	(66)
Cash paid for income taxes	(102)	-	(257)	-

**15. CAPITAL MANAGEMENT**

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maximize shareholder value. The Company's capital is comprised of equity and long-term debt, net of cash and cash equivalents. The Company manages the capital structure and adjusts in response to changes in economic conditions and the risk characteristics of the underlying assets. To secure the additional capital necessary to pursue these plans, the Company intends to raise additional funds through equity or debt financing.

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

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

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## 16. FINANCIAL INSTRUMENTS

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

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

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

### **Credit risk**

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

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

The Company's exposure to credit risk is considered to be low, given the size and nature of the various counterparties involved and their history of collections.

As at September 30, 2021, the Company had \$22,261 (December 31, 2020 – \$2,012) of trade and other receivables, net of an allowance for doubtful accounts of \$283 (December 31, 2020 - \$157).

### **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.

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

**As at September 30, 2021**

	Less than one year	One to five years	More than five years	Total
Accounts payable, accrued liabilities and other	\$ 27,535	\$ -	\$ -	\$ 27,535
Contingent consideration	15,045	18,725	-	33,770
Long-term debt	2,940	23,393	6	26,339
	<b>\$ 45,520</b>	<b>\$ 42,118</b>	<b>\$ 6</b>	<b>\$ 87,644</b>

**As at December 31, 2020**

	Less than one year	One to five years	More than five years	Total
Accounts payable, accrued liabilities and other	\$ 3,453	\$ -	\$ -	\$ 3,453
Contingent consideration	145	-	-	145
Long-term debt	619	1,969	58	2,646
	<b>\$ 4,217</b>	<b>\$ 1,969</b>	<b>\$ 58</b>	<b>\$ 6,244</b>

**Market risk**

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

**(a) Interest rate risk**

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

At September 30, 2021, the Company had variable rate borrowing rate loans amounting to \$23,253 (December 31, 2020 – \$608). With all other variables held constant, a 1% increase in the interest rate would have increased net loss by approximately \$116 (2020 – \$3) for the nine months ended September 30, 2021. There would be an equal and opposite impact on net loss with a 1% decrease in the interest rate.

**(b) Foreign currency risk**

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

At September 30, 2021, the Company held net monetary assets in United States dollar ("USD") equal to \$3,896 (December 31, 2020 – \$545). The Company estimates the impact of a 5% change in the Canadian dollar exchange rate on its net monetary assets to be \$195 (December 31, 2020 – \$35).

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## 17. SEGMENTED INFORMATION

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

### Clinics & Pharmacies

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

### Digital Health 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.

A breakdown of revenue and cost of sales for each operating segment for the three and nine months ended September 30, 2021 and 2020 is as follows:

<b>Three months ended September 30, 2021</b>	<b>Clinics &amp; Pharmacies</b>	<b>Digital Health Solutions</b>	<b>Enterprise Health Solutions</b>	<b>Total</b>
Revenue	\$ 9,553	\$ 10,039	\$ 19,570	\$ 39,162
Cost of sales	8,232	6,459	11,175	25,866
<b>Gross profit</b>	<b>\$ 1,321</b>	<b>\$ 3,580</b>	<b>\$ 8,395</b>	<b>\$ 13,296</b>

<b>Three months ended September 30, 2020</b>	<b>Clinics &amp; Pharmacies</b>	<b>Digital Health Solutions</b>	<b>Enterprise Health Solutions</b>	<b>Total</b>
Revenue	\$ 2,900	\$ 459	\$ -	\$ 3,359
Cost of sales	1,970	130	-	2,100
<b>Gross profit</b>	<b>\$ 930</b>	<b>\$ 329</b>	<b>\$ -</b>	<b>\$ 1,259</b>

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<b>Nine months ended September 30, 2021</b>	<b>Clinics &amp; Pharmacies</b>	<b>Digital Health Solutions</b>	<b>Enterprise Health Solutions</b>	<b>Total</b>
Revenue	\$ 19,928	\$ 16,471	\$ 27,197	\$ 63,596
Cost of sales	16,020	9,789	15,343	41,152
<b>Gross profit</b>	<b>\$ 3,908</b>	<b>\$ 6,682</b>	<b>\$ 11,854</b>	<b>\$ 22,444</b>

<b>Nine months ended September 30, 2020</b>	<b>Clinics &amp; Pharmacies</b>	<b>Digital Health Solutions</b>	<b>Enterprise Health Solutions</b>	<b>Total</b>
Revenue	\$ 7,860	\$ 1,345	\$ -	\$ 9,205
Cost of sales	5,412	380	-	5,792
<b>Gross profit</b>	<b>\$ 2,448</b>	<b>\$ 965</b>	<b>\$ -</b>	<b>\$ 3,413</b>

See below segmented geographical information as follows:

<b>Non-Current Assets</b>	<b>September 30, 2021</b>	<b>December 31, 2020</b>
Canada	\$ 213,279	\$ 51,766
United States	18,704	6,727
<b>Total</b>	<b>\$ 231,983</b>	<b>\$ 58,493</b>

<b>Revenue</b>	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>September 30, 2021</b>	<b>September 30, 2020</b>	<b>September 30, 2021</b>	<b>September 30, 2020</b>
Canada	\$ 31,737	\$ 3,359	\$ 51,513	\$ 9,205
United States	7,425	-	12,083	-
<b>Total</b>	<b>\$ 39,162</b>	<b>\$ 3,359</b>	<b>\$ 63,596</b>	<b>\$ 9,205</b>

## 18. LITIGATION AND OTHER CONTINGENCIES

(a) During the three months ended June 30, 2020, Gravitas Securities Inc. (“Gravitas”) commenced an arbitration alleging breach of the terms of a right of first refusal in connection with an offering which was in the form of a bought deal equity financing underwritten by a syndicate of other investment banks in May 2020, and was completed on June 2, 2020 (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”). The total claims are in excess of \$6,850 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, and the March 2021 Financing, plus interest and cost. The Company disputes the claims with respect to each of the June 2020 Financing, the September 2020 Financing, and the March 2021 Financing entirely. The claims are currently subject to arbitration proceedings which the Company is defending, and the arbitration is scheduled to proceed to a final hearing in April 2022. 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.

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(b) On September 29, 2020, Snapclarity was named as a defendant to an action commenced in the Ontario Superior Court of Justice by a former shareholder of Snapclarity and companies such shareholder purports to control (the “Plaintiff”) (the “Action”). The nature of the Action involves various intellectual property, wrongful dismissal, unpaid invoices, defamation, and other related issues raised by the Plaintiff. The Plaintiff seeks payment of at least \$928 plus costs and interest as well as non-monetary relief. Snapclarity disputes the claim in its entirety. The Company is of the view that its defenses to the claims will prevail without liability to the Company; however, an estimate of the liability to the Company should the Plaintiff’s claims succeed is \$150 and therefore an accrual for that amount as a contingent liability has been recorded.

On December 21, 2020, Snapclarity was named as a respondent to an application commenced in the Ontario Superior Court of Justice by a former shareholder of Snapclarity (the “Applicant”) (the “Application”). In the Application, the Applicant purports to exercise the Applicant’s her dissent rights under s. 190(5) of the CBCA. The Applicant also seeks an order fixing the fair value of the Applicant’s shares in Snapclarity and requiring Snapclarity to pay the value of the shares together with costs and interest. The Applicant has claimed that the fair value of the Applicant’s shares totals at least \$1,850. Snapclarity disputes this claim. On February 23, 2021, Snapclarity filed a Notice of Motion for an order converting the Application into an Action and consolidating the actions. The Applicant has not responded to the Notice of Motion as of this date.

In the Action, Snapclarity sought an injunction enjoining the former shareholder from, among other things, competing against Snapclarity. The injunction was not granted and Snapclarity must pay costs of \$150 to the former shareholder as a result.

## 19. SUBSEQUENT EVENT

On November 14, 2021, the Company entered into the Arrangement Agreement with MindBeacon pursuant to which the Company agreed to acquire all of MindBeacon’s issued and outstanding common shares. MindBeacon is one of North America’s leading clinically-validated internet-based cognitive behavioural therapy (“iCBT”) solutions. Under the terms of the Arrangement Agreement, each common share of MindBeacon will be exchanged for \$1.22 cash and 2.285 common shares of CloudMD, with the total consideration expected to be up to approximately \$29,683 in cash and up to approximately 55.59 million common shares of CloudMD. Closing of the transaction is subject to a number of customary closing conditions, including approval by at least two-thirds of the votes cast at a special meeting of MindBeacon’s shareholders, as well as court and regulatory approval. The MindBeacon shareholder meeting is expected to be held on or about January 10, 2022 and, subject to the satisfaction or waiver of the other closing conditions, closing is expected to occur shortly thereafter, on or about January 14, 2022.