CloudMD Software & Services Inc.

Management's Discussion and Analysis

For the three months and year ended December 31, 2020

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

DATED April 28, 2021

Contents

INTRODUCTION

This Management's Discussion and Analysis (**"MD&A"**) for CloudMD Software & Services Inc. (**"CloudMD"** or the **"Company")** is dated and based on information available to management as of April 28, 2021. This MD&A is prepared in accordance with National Instrument 51-102F1, and should be read in conjunction with the Company's audited consolidated financial statements and accompanying notes for the years ended December 31, 2020 and 2019. These documents, along with additional information about the Company, including the Annual Information Form (**"AIF"**) and short form prospectuses, are available under the Company's profile on SEDAR at www.sedar.com.

The financial data contained in this report and in the audited consolidated financial statements and accompanying notes of the Company for the years ended December 31, 2020 and 2019 have been prepared in accordance with International Financial Reporting Standards (**"IFRS"**) and are stated in Canadian dollars, unless otherwise indicated.

FORWARD-LOOKING STATEMENTS

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

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

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

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

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

RISK FACTORS

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

The information in this MD&A should be read carefully in conjunction with the risks and uncertainties detailed in the "*Forward-Looking Statements*" section of this MD&A, in the Company's most recently filed AIF dated April 28, 2021 and short form prospectuses dated May 28, 2020, September 15, 2020, November 2, 2020 and March 2, 2021, which are available under the Company's profile on SEDAR at www.sedar.com. Additional risks and uncertainties, not presently known to us, may become material in the future or those risks that we currently believe to be immaterial may become material in the future. If any of the foregoing risks actually occur, alone or in combination, our business, financial condition and results of operations, as well as the market price of our common shares, could be materially adversely affected.

NON-GAAP FINANCIAL MEASURES

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

Since non-GAAP financial measures do not have any standardized meanings prescribed by IFRS, other companies may calculate these non-IFRS measures differently and our non-GAAP financial measures may not be comparable to similarly titled measures of other companies. Accordingly, investors are cautioned not to place undue reliance on them and are also urged to read all IFRS accounting disclosures presented in the audited consolidated financial statements and the accompanying notes for the years ended December 31, 2020 and 2019.

EBITDA

EBITDA is a non-GAAP financial measure that does not have a standard meaning and may not be comparable to a similar measure disclosed by other issuers. EBITDA referenced herein relates to earnings before interest, taxes, depreciation and amortization. This measure does not have a comparable IFRS measure and is used by the Company to manage and evaluate the cash operating income (loss) of the business. Please refer to section on EBITDA for reconciliation.

Adjusted EBITDA

Adjusted EBITDA is a non-GAAP financial measure that does not have a standard meaning and may not be comparable to a similar measure disclosed by other issuers. Adjusted EBITDA referenced herein relates to earnings before interest; taxes; depreciation; amortization; share-based compensation; financing-related costs; acquisition and other related costs, net; litigation costs and loss provision; change in fair value of contingent consideration; and loss from discontinued operations. This measure does not have a comparable IFRS measure and is used by the Company to evaluate its cash operating income (loss) of the business, adjusted for factors that are unusual in nature or factors that are not indicative of the operating performance of the Company. Please refer to section on Adjusted EBITDA for reconciliation.

Gross Profit

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

Adjusted Cash Expenses

Adjusted Expenses is a non-GAAP financial measure that does not have a standard meaning and may not be comparable to a similar measure disclosed by other issuers. Adjusted Cash Expenses as referenced herein is defined as expenses before depreciation of property and equipment, amortization of intangible assets, share-based compensation, financing-related costs, acquisition-related costs and litigation costs. This measure does not have a comparable IFRS measure and is used by the Company to manage and evaluate its cash expenses for ongoing business operations.

Financing-Related Costs

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

Acquisition-Related Costs

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

Litigation Costs

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

Working Capital

Working Capital is a non-GAAP financial measure that does not have a standard meaning and may not be comparable to a similar measure disclosed by other issuers. Working Capital as referenced herein is defined as current assets less current liabilities. This measure does not have a comparable IFRS measure and is used to provide investors with an alternative understanding of the Company's core operating results and trends.

OVERVIEW

The Company is both a healthcare operator and technology developer, allowing the Company to combine professional health expertise with advanced digital platforms to empower medical professionals, enterprises and individuals. The Company's revenue is generated from digital services, enterprise health solutions, hybrid primary care clinics and pharmacy networks.

The Company is building one, centralized and connected healthcare platform that addresses all points of a patient's care, with a whole-person, patient-focused approach to delivery. This, coupled with a team-based approach, will result in better access to care and improved healthcare outcomes.

The Company offers health technology solutions to medical clinics across North America and has developed proprietary technology that delivers quality healthcare through the combination of connected primary care clinics, telemedicine and an artificial intelligence-enabled patient portal. The Company currently services a combined ecosystem of over 500 clinics, almost 4,000 licensed practitioners and 8 million patient charts across North America. The Company is planning to aggressively grow its patient base through acquisition and organic growth over the next 12 months. The Company is planning on acquiring, and/or partnering with other businesses and technologies that complement its business plan. The Company's patient-centric approach has been well received and the Company will continue to look for ways to improve access to convenient and efficient healthcare.

The Company's Enterprise Health Solutions (**"EHS"**) Division provides one centralized platform for employers and insurers to address the health and wellness of their workforce. Currently, corporations, insurers and advisors have siloed health programs that are costly and ineffective in providing a holistic care plan focused on ease of access, individual needs and recovery. The Company offers one platform that provides a comprehensive healthcare plan addressing primary care, mental health support, specialist care and educational resources for employees and their families. The Company believes this centralized platform dramatically changes the landscape where employers can now offer one solution that addresses the comprehensive healthcare needs of their workforce and eliminates the need for multiple vendors. Through a number of strategic acquisitions, the Company believes it is now positioned as a leading provider of holistic healthcare for enterprise clients. The combination of these solutions provides one centralized ecosystem focusing on longitudinal care while intending to increase patient satisfaction, reduce healthcare costs, decrease wait times, and provide better return to work outcomes.

COMPANY HIGHLIGHTS

The following significant corporate and financial events have taken place during the three months and year ended December 31, 2020:

- On January 10, 2020, the Company completed the acquisition of all of the issued and outstanding shares of Livecare Health Canada Inc. (**"Livecare"**), for consideration of an aggregate of 3,000,000 common shares of which 1,574,959 were cancelled and returned to treasury on April 17, 2020. Additionally, the Company paid $387 of cash to the former owners of Livecare.

- On February 5, 2020, the Company launched CloudMD, its direct-to-consumer telemedicine application.

- On March 3, 2020, the Company announced that it would partner with pharmacies across Canada to install kiosks that will enable on-demand telemedicine visits with licensed doctors.

- On March 20, 2020, the Company closed the first tranche of a brokered private placement (**"March 2020 Offering"**) of 4,875,449 units at a price of $0.48 per unit, for gross proceeds of $2,340; each unit consists of one common share and one-half of one common share purchase warrant. In connection with the closing of the first tranche of the March 2020 Offering, the Company issued 238,147 common shares and 500,109 agent's warrants.

- On March 30, 2020, the Company closed the second and final tranche of the March 2020 Offering of 1,423,166 units at a price of $0.48 per unit, for gross proceeds of $683, and aggregate gross proceeds of $3,023; each unit consists of one common share and one-half of one common share purchase warrant. In connection with the closing of the second tranche of the March 2020 Offering, the Company issued 103,714 agent's warrants.

- On May 4, 2020, the Company announced that it had signed a non-binding letter of intent with Save-On-Foods and separately with Pure Integrative Pharmacy to pilot telemedicine kiosks in nine stores throughout British Columbia.

- On May 7, 2020, the Company entered into a value-added reseller agreement with IDYA4 Corp., a leader in data interoperability and integration solutions within the government and private sectors.

- On June 2, 2020, the Company closed a short form prospectus offering (**"June 2020 Offering"**), on a bought deal basis, including the full exercise of the underwriters' over-allotment option. The Company issued a total of 21,357,800 units at a price of $0.70 per unit for aggregate gross proceeds of $14,950; each unit consists of one common share and one-half of one common share purchase warrant. The Company issued the underwriters an aggregate of 1,495,046 broker warrants.

- On June 4, 2020, the Company commenced trading its common shares on the TSX Venture Exchange.

- On August 5, 2020, the Company closed its acquisition of all of the issued and outstanding shares of South Surrey Medical Clinic Inc. (**"South Surrey Medical"**) for consideration of up to $200 in cash and up to $500 in common shares, a portion of which is subject to the achievement of certain performance conditions. South Surrey Medical is an integrated medical clinic based in Metro Vancouver, BC.

- On September 16, 2020, the Company announced that it appointed experienced industry leaders to its newly formed Chairman's Advisory Board. The advisory board will provide requested assistance on a periodic basis on governance, corporate growth strategy, along with input to the Company's mergers and acquisitions (**"M&A"**) transactions program.

- On September 22, 2020, the Company closed a short form prospectus offering (**"September 2020 Offering"**), on a bought deal basis, including the full exercise of the underwriters' over-allotment option. Pursuant to the offering, the Company issued a total of 15,065,000 common shares at a price of $1.38 per common share for aggregate gross proceeds of $20,790. The Company issued the underwriters an aggregate of 1,054,550 broker warrants.

- On October 8, 2020, the Company announced the launch of CloudMD on Demand, an online, virtual care service for companies, insurers and pharmacies to offer their customers easier, more convenient access to virtual medicine.

- On October 15, 2020, the Company closed its acquisition of Snapclarity, Inc. (**"Snapclarity"**), an enterprise mental health platform providing a continuity of care program. In consideration for the purchase of 100% of the outstanding securities of Snapclarity, the Company agreed to pay shareholders of Snapclarity an aggregate amount of $3,350, subject to certain holdbacks: (i) up to $975 in cash; and (ii) up to $2,375 in common shares. Subject to the achievement of certain performance conditions in 2021 and 2022, shareholders of Snapclarity may earn an additional $3,650 in equity-based consideration.

- On October 26, 2020, the Company closed its acquisition of a majority interest in Benchmark Systems, Inc. (**"Benchmark"**), a leading cloud-based provider of fully integrated solutions that automate healthcare workflow processes. In consideration for the purchase of 87.5% of the outstanding securities of Benchmark, the Company agreed to pay shareholders of Benchmark US$4,375 in cash.

- On October 26, 2020, the Company closed its acquisition of a US-based medical clinic serving chronic care patients. In consideration for the purchase of a 100% interest in the medical clinic, the Company agreed to a cash payment to the shareholders.

- On November 9, 2020, the Company closed the short form prospectus offering (**"November 2020 Offering"**), on a bought deal basis, including the full exercise of the underwriters' over-allotment option. Pursuant to the offering, the Company issued a total of 15,525,000 common shares at a price of $2.40 per common share for aggregate gross proceeds of $37,260. The Company also issued the underwriters an aggregate of 1,086,750 broker warrants.

- On November 12, 2020, the Company announced that it launched an Enterprise Health Solutions Division designed to create engagement and enable patients through personalized health and wellbeing solutions.

- On November 18, 2020, the Company closed its acquisition of iMD Health Global Corp. (**"iMD"**), a trusted platform used by healthcare professionals to provide factual, medical information that promotes positive patient behavior in all health sectors. In consideration for the purchase of 100% of the outstanding securities of iMD, the Company agreed to pay shareholders of iMD: (i) $1,500 in cash, subject to a working capital adjustment; (ii) $4,500 in shares of the Company; and (iii) performance-based earnouts of $4,000 which is payable in common shares in annual issuances over a period of two years.

- On November 19, 2020, the Company closed its acquisition of Re:Function Health Group Inc. (**"Re:Function"**), a leading rehabilitation clinic network. In consideration for the purchase of 100% of the outstanding securities of Re:Function, the Company agreed to pay shareholders of Re:Function: (i) $3,000 in cash, subject to a working capital adjustment; (ii) $3,500 in common shares; and (iii) a performance-based earnout of $1,500 payable in common shares in annual issuances over a period of three years.

- On December 7, 2020, the Company announced that it is expanding its already established relationship with Save-On-Foods, Western Canada's largest grocery chain, to provide an on-demand telemedicine service to its customers. Customers will be able to see a doctor either in one of the pharmacy kiosk locations or through the virtual telemedicine link from any device.

PRODUCTS AND SERVICES

The Company categorizes its products and services as follows: (1) Clinic Services & Pharmacies; (2) Digital Services; and (3) Enterprise Health Solutions.

Clinic Services & Pharmacies

The Company currently operates 14 brick-and-mortar medical and rehabilitation clinics located in British Columbia, Ontario and the United States, including telemedicine services available in British Columbia and Ontario. The Company 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.

The Company's strategy for maximizing income potential from its health clinics is based on its mergers and acquisitions strategy and shared services approach which includes, but is not limited to, acquiring additional primary health clinics, obtaining cost efficiencies and improvements through synergies (derived via scale enhancements as well as technology improvements) and providing digitally-enabled healthcare through technologies such as telemedicine.

CloudMD telemedicine application

CloudMD is a direct-to-consumer telemedicine platform that connects patients in British Columbia and Ontario, who hold valid health cards, to a licensed physician for real-time medical visits via videoconferencing technology. The CloudMD platform can be accessed via an application that is available for download on smartphones and tablets through the Apple and Google Play stores, or over the Internet via a web browser.

Medical Clinics

The Company currently operates a network of inter-connected, high-tech medical clinics in British Columbia, Ontario and the United States. The medical clinics provide full-service family practice and patient care at these facilities, including telemedicine visits. CloudMD's clinic network includes over 100 medical practitioners and services over 500,000 patients directly.

Re:Function Health Group

Re:Function is an integrated network of 8 rehabilitation clinics which includes specialists, mental health and allied health professionals providing various rehabilitation services. The group of expert clinicians have achieved advanced certification in assessment processes and work for enterprise clients, insurers and corporations for long-term disability claims and return to work outcomes.

Pharmacies / CloudMD on Demand

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

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

Digital Services

The Company offers health technology solutions to medical professionals including cloud-based electronic medical records (**"EMR"**) software, medical billing and practice management software, and an array of telemedicine platforms. The Company also offers digital platforms to serve individuals for their eyecare and specialty drug needs.

JunoEMR

JunoEMR is a cloud-based EMR solution which is currently used by approximately 400 clinics across Canada, over 3,000 licensed practitioners, 1,500 staff and services almost 3,000,000 registered patients. The JunoEMR software is used in medical clinics and enables physicians to electronically chart patient encounters. The JunoEMR software is held by the Company through its subsidiary, Cloud Practice Inc. (**"Cloud Practice"**).

MyHealthAccess

MyHealthAccess is an online patient portal that enables online appointment booking and telemedicine visits. The MyHealthAccess platform enables patients in the JunoEMR database to directly interact with their healthcare providers and primary care clinics via a user-friendly application. Through the web-based application, patients can book appointments in real time 24/7, chat with clinic staff and see their doctor via videoconferencing technology. The MyHealthAccess platform is held by the Company through its subsidiary, Cloud Practice.

Benchmark Systems

Benchmark is a US-based full-service suite of cloud-based medical practice solutions including patient portals, personal health records, scheduling solutions, billing, messaging, eFax, computerized physician order entry **("CPOE")** and prescription scripting. Benchmark is a trusted EMR provider serving over 200 clinics and 800 practitioners across 35 states.

ClinicAid

ClinicAid is a medical billing software that processes upwards of $40,000 in patient payments to over 3,000 health providers on a monthly basis. The ClinicAid software is held by the Company through its subsidiary, Cloud Practice.

Livecare Connect

Livecare Connect is a stand-alone telemedicine platform used by physicians and other allied health professionals across Canada. The Livecare Connect platform is EMR-agnostic and has application programming interface which allows seamless integration with several other EMR software systems such as OSCAR and Profile. The platform can also be white-labelled for organizations and enterprises wanting to customize or brand their virtual platforms. The Livecare Connect platform is held by the Company through its subsidiary, Livecare.

IDYA4

CloudMD has an innovative health data integration and security technology platform, the Real Time Intervention Platform (**"RTIP"**), that is the technology backbone of CloudMD's integration of its healthcare solutions providing one, digitally connected, patient-focused platform. Initial stages of the integration are well underway, and the Company will be deploying the unified product offering to partners and enterprise clients within a few months. The combined technology will also be valuable as CloudMD continues to emphasize patient engagement through connected technology, healthcare portals, telehealth applications, and wearable devices.

Various RTIP modules have been operational for last 15 years in the health, human services, homeland security and Public safety to enable information sharing and interoperability. The RTIP platform is currently being used at the highest levels of US Government across a number of programs including substance use disorder and the opioid crisis.

VisionPros

VisionPros is an online eyecare platform providing contact lenses and eyeglasses to customers across North America. VisionPros offers customers all of the leading brands of contact lenses and has its own line of eyeglasses and sunglasses called KIND Eyewear. A doctor-led company, VisionPros has developed and will soon launch an innovative, disruptive online vision test that uniquely ensures the accuracy and authentication of scripts unseen before with current existing online vision tests. For over 10 years, VisionPros has donated funding, equipment and medical personnel to bring the gift of sight to people in need in underdeveloped countries.

Rxi

Rx Infinity Inc., Rxi Pharmacy Inc., and Rxi Health Solutions Inc. (collectively **"Rxi"**) is a Canadian-based specialty drug wholesaler, pharmacy and technology/patient support program administrator. The company develops customized programs for a variety of clients that offer end-to-end solutions to optimize holistic disease management and clinical treatment outcomes for patients requiring complex and expensive pharmaceutical treatments. Rxi's pharmaceutical logistic services include drug distribution, patient navigation assistance, a preferred pharmacy network of over 500 pharmacies and real-time universal disease management software.

Enterprise Health Solutions

CloudMD's Enterprise Health Solutions Division includes one of the top 4 Employee Assistance Programs in Canada and offers one comprehensive, digitally connected platform for corporations, insurers and advisors to better manage the health and wellness of their employees and customers.

Through a number of strategic acquisitions, CloudMD is now positioned as a leading provider to the employer healthcare market. The combination of these solutions provides one centralized ecosystem focusing on longitudinal care while increasing patient satisfaction, reducing healthcare costs, decreasing wait times, and providing better return to work outcomes. CloudMD's capabilities include:

Mental Health Support

CloudMD's on-demand, digital platform that provides an assessment for mental health disorders that includes a personalized care plan, access to online resources, a clinical healthcare team, and the ability to match to the right therapists. CloudMD now provides an integrated digital platform that combines top-tier primary healthcare with clinically-proven mental health support, making it a comprehensive one-stop-shop solution supporting the entire needs of patients suffering from mental health or behaviour disorders. Mental health support is delivered by the Company through its subsidiaries, HumanaCare Organizational Resources Inc. (**"HumanaCare"**), Snapclarity and Oncidium Inc. (**"Oncidium"**).

Employee and Student Assistance Programs

CloudMD has the top 4 Employee and Student Assistance program in Canada and is a leader in employee health programs focused on delivering improved mental and physical health outcomes to organizations, employees and families.

Integrated with CloudMD's EHS services, the solution will offer a comprehensive, holistic approach to healthcare which includes telemedicine, triaging, on-demand mental health support, and educational healthcare resources. The combination creates the only employee assistance solution to deliver care plans to employees for short-term, long-term and chronic care.

Employee and student assistance programs are delivered by the Company through its subsidiaries, HumanaCare and Aspiria Corp. (**"Aspiria"**).

Healthcare Navigation & Specialist

CloudMD's real time digital database of over 55,000 publicly available specialists and their wait times, enables patient referrals to the right specialist in the shortest available time. The platform provides medical consultations, wellness plans and referrals to Canadian healthcare providers in support of patients' mental and physical health issues. The solutions are utilized by a wide range of customers including employers, individuals, disability case managers, life and health insurers and property and casualty insurers. Proven results include a 20% reduction in benefit and disability costs, 6-month reduction in disability duration (on average), access to treatment 220 days sooner (on average), improved employee satisfaction (reported by 75% of clients) and 420% ROI or greater in payroll savings due to reduced illness-related absences. Healthcare navigation and specialist services are delivered by the Company through its subsidiaries, Medical Confidence Inc. (**"Medical Confidence"**), Rxi and Oncidium.

Rehabilitation and Assessments

CloudMD has a national, integrated network of rehabilitation clinics with thousands of specialists and allied health professionals including occupational therapists, physiotherapists, kinesiologists, psychologists, psychiatrists and counsellors. Services include: independent medical assessments, return to work support, functional capacity evaluations, rehabilitation support, job demand analysis, etc. These services are delivered virtually, on-demand and on site. Rehabilitation and assessments are delivered by the Company through its subsidiaries, Re:Function and Oncidium.

Education

CloudMD has an award-winning platform providing peer-reviewed educational resources and trusted platform used by healthcare professionals to provide factual, medical information that promotes positive patient behaviour in all health sectors. The intuitive platform provides a robust digital library and consultative visual component which is available on any digital device. The platform has access to over 7.5 million patients and is currently being used by over 10,000 healthcare professionals and other users including: 3,800 doctors, 2,000 pharmacies, 140 hospitals, and 150 specialty clinics. In addition, it has partnerships with over 30 global pharmaceuticals companies, 18 digital healthcare integration providers, Health Canada and over 60 healthcare associations in North America. The robust medical library already has over 80,000 patient-friendly images, brochures and videos covering 2,100 health conditions, which includes the medical Mayo Clinic library. Education is delivered by the Company through its subsidiary, iMD.

Absence Management

Through the recently announced acquisition of Oncidium, CloudMD will have one of Canada's leading health management companies with clients from a number of Canada's Fortune 500 Companies. Oncidium's services focus on reducing occupational absence by delivering solutions that improve the health and wellness of employees. Oncidium's services include solutions that support absentee management, short-term and long-term disability, workers' compensation claims management, mental health assessment and evaluation services that focus on prevention, accommodation, and recovery. Oncidium's services are delivered virtually, on-demand and on-site through its network of over 1,000 healthcare professionals, assessors and medical centers nationally.

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

SELECTED FINANCIAL INFORMATION

The following tables provides key financial information for the three most recently completed fiscal years of the Company:

Statement of net loss comprehensive loss	**December 31, 2020**	**December 31, 2019**	**December 31, 2018**
Revenue	$ 15,016	$ 6,770	$ 1,202
Net comprehensive loss attributable to equity holders of the Company	(12,339)	(4,718)	(2,691)
Earnings per share (**"EPS"**), basic and diluted	(0.11)	(0.07)	(0.06)
Statement of financial position	**December 31, 2020**	**December 31, 2019**	**December 31, 2018**
Total assets	$ 121,860	$ 17,727	$ 6,423
Total non-current financial liabilities	6,715	3,910	-

The following table highlights key financial information for the three months and year ended December 31, 2020 as compared to the prior comparable periods:

Selected Financial Information	**Three months ended December 31, 2020**	**2019**	**Variance ($)**	**(%)**	**Year ended December 31, 2020**	**2019**	**Variance ($)**	**(%)**
Revenue	$ 5,810	$ 2,443	$ 3,367	138%	$ 15,016	$ 6,770	$ 8,246	122%
Cost of sales	(3,464)	(1,380)	(2,084)	151%	(9,256)	(3,731)	(5,525)	148%
Gross profit [1]	2,346	1,063	1,283	121%	5,760	3,039	2,721	90%
Gross profit %	*40.4%*	*43.5%*			*38.4%*	*44.9%*		
Expenses	8,336	2,443	5,893	241%	18,471	7,417	11,054	149%
Loss before other items	(5,990)	(1,380)	(4,610)	334%	(12,711)	(4,378)	(8,333)	190%
Other items and taxes	776	(94)	870	-926%	362	(340)	702	-206%
Non-controlling interest	10	-	10	100%	10	-	10	100%
Net comprehensive loss attributable to equity holders of the Company	(5,224)	(1,474)	(3,750)	254%	(12,339)	(4,718)	(7,641)	162%
Adjusted EBITDA [1]	$ (1,516)	$ (601)	$ (915)	152%	$ (4,960)	$ (2,112)	$ (2,848)	135%

(1) Gross profit and Adjusted EBITDA are non-GAAP measures as described in the Non-GAAP Financial Measures section of this MD&A.

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

OVERALL PERFORMANCE AND DISCUSSION OF OPERATIONS

Revenue

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

Revenue	Three months ended December 31, 2020	Three months ended December 31, 2019	Variance ($)	Variance (%)	Year ended December 31, 2020	Year ended December 31, 2019	Variance ($)	Variance (%)
Clinic services & pharmacies	$ 3,980	$ 2,047	$ 1,933	94%	$ 11,753	$ 5,418	$ 6,335	117%
Digital services	1,549	396	1,153	291%	2,982	1,352	1,630	121%
Enterprise health solutions	281	-	281	100%	281	-	281	100%
Total revenue	**$ 5,810**	**$ 2,443**	**$ 3,367**	**138%**	**$ 15,016**	**$ 6,770**	**$ 8,246**	**122%**

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

Revenue	Three months ended December 31, 2020	Three months ended December 31, 2019	Variance ($)	Variance (%)	Year ended December 31, 2020	Year ended December 31, 2019	Variance ($)	Variance (%)
Canada	$ 4,638	$ 2,443	$ 2,195	90%	$ 13,844	$ 6,770	$ 7,074	104%
Unites States	1,172	-	1,172	100%	1,172	-	1,172	100%
Total revenue	**$ 5,810**	**$ 2,443**	**$ 3,367**	**138%**	**$ 15,016**	**$ 6,770**	**$ 8,246**	**122%**

Total revenue for the three months and year ended December 31, 2020 increased by $3,367 or 138% and $8,246 or 122% over the prior comparable periods, respectively. The increase in overall revenue was primarily attributable to the Company's business acquisitions completed in the past two years, where 7 acquisitions were completed in 2020 and 2 acquisitions were completed in 2019.

Excluding the impact of business acquisitions, revenue also increased due to organic growth realized in all of its underlying businesses for the quarter and year ended December 31, 2020 as compared to 2019. The Company achieved this organic growth due to: (1) market adoption of telehealth services, as accelerated by COVID-19; (2) new product features and enhancements made towards the Company's digital platforms; and (3) positive impact from marketing campaigns in 2020 to increase awareness of the Company's brand and services.

COVID-19 caused an initial negative impact to revenues earned from clinic services and pharmacies, as public health officials recommended precautions to mitigate the spread of the virus. Subsequently, the Company managed this impact by transitioning its patients to its telehealth services.

Subsequent to December 31, 2020, the Company completed 6 business acquisitions and the Company expects its overall revenues to significantly increase over its 2020 fiscal year levels. The Company's growth strategy includes acquisitions, which is centered on acquiring products, capabilities, clinical specialties and technologies that are highly scalable and rapidly growing.

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

Gross Profit

Gross profit for the three months and year ended December 31, 2020 increased by $1,283 or 121% and $2,721 or 90% over the prior comparable periods, respectively, as a result of the increase in total revenue, primarily attributable to business acquisitions and organic growth.

The gross profit percentage was 40.4% and 38.4% for the three months and year ended December 31, 2020, a decrease from 43.5% and 44.9% for the same year-ago periods, respectively. In the current year, the Company reclassified certain expenses within its Statement of Net Loss and Comprehensive Loss to cost of sales, which resulted in an overall decrease in gross profit percentage as compared to the same-year ago periods. The Company's underlying gross profit percentage remains healthy and robust.

The Company expects its gross profit to increase in the future, underpinned by an expected increase in overall revenues due to 6 business acquisitions completed subsequent to December 31, 2020. The associated gross margin percentage will fluctuate and will be influenced by revenue earned from each individual business, as each business has its own inherent gross margin profile.

Expenses

Expenses	Three months ended				Year ended			
	December 31,		Variance		December 31,		Variance	
	2020	2019	($)	(%)	2020	2019	($)	(%)
Expenses, as reported	$ 8,336	$ 2,443	$ 5,893	241%	$ 18,471	$ 7,417	$ 11,054	149%
Non-cash expenses:								
Stock-based compensation	(2,134)	(530)	(1,604)	303%	(3,642)	(1,756)	(1,886)	107%
Depreciation and amortization	(701)	(297)	(404)	136%	(1,374)	(546)	(828)	152%
Cash expenses	5,501	1,616	3,885	240%	13,455	5,115	8,340	163%
Non-operating expenses:								
Financing-related costs (1)	(573)	(97)	(476)	491%	(1,078)	(97)	(981)	1011%
Acquisition-related costs (1)	(783)	(32)	(751)	2347%	(1,227)	(140)	(1,087)	777%
Litigation costs (1)	(165)	-	(165)	-100%	(232)	(21)	(211)	1005%
Adjusted cash expenses (1)	**$ 3,980**	**$ 1,487**	**$ 2,493**	**168%**	**$ 10,918**	**$ 4,857**	**$ 6,061**	**125%**

(1) Financing-Related Costs, Acquisition-Related Costs, Litigation Costs and Adjusted Cash Expenses are non-GAAP measure as described in the Non-GAAP Financial Measures section of this MD&A.

Total expenses for the three months and year ended December 31, 2020 increased by $5,893 or 241% and $11,054 or 149% over the prior comparable periods, respectively.

In the current period, the Company updated the presentation of its Statement of Net Loss and Comprehensive Loss. The Company updated its presentation to disclose the following:

- *Operating Expenses by Function* – its operating expenses have been classified as Sales and Marketing, Research and Development, and General and Administrative;
- *Non-Cash Expenses* – share-based compensation, depreciation of property and equipment, and amortization of intangible assets are separately reported to aid the reader in understanding the non-cash expenses incurred by the Company; and,
- *Non-Operating Expenses* – financing-related costs and acquisition-related costs represent significant costs to the Company's Statement of Net Loss and Comprehensive Loss, which are not operational in nature. These expenses have been separately reported to aid the reader in understanding the expenses required by the Company to operate its businesses.

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

The following table outlines the effect of the reclassification of expenses from Q4 2019 to Q4 2020:

	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Sales and marketing	$ 1,119	$ 769	$ 739	$ 777	$ 424
Research and development	690	393	427	334	464
General and administrative	2,336	1,499	1,223	844	599
Share-based compensation	2,134	559	504	445	530
Amortization of intangible assets	329	63	62	61	-
Depreciation of property and equipment	372	199	148	140	297
Financing-related costs	573	245	195	65	97
Acquisition-related costs	783	211	135	98	32
Total expenses	**$ 8,336**	**$ 3,938**	**$ 3,433**	**$ 2,764**	**$ 2,443**

The Company defines Adjusted Cash Expenses as expenses excluding non-cash expenses, non-operating expenses and litigation costs. Adjusted cash expenses for the three months and year ended December 31, 2020 increased by $2,494 or 168% and $6,062 or 125% over the prior comparable periods, respectively. The increase for the quarter and year was primarily due to the Company's acquisitions in 2020 and 2019, and higher staffing costs due to an expanded workforce to support the Company's growth strategy.

Adjusted cash expenses are expected to increase in the future due to the 6 business acquisitions completed subsequent to the period, and costs necessary to support the Company's growth strategy.

Operational Expenses	**Three months ended December 31, 2020**	**2019**	**Variance ($)**	**(%)**	**Year ended December 31, 2020**	**2019**	**Variance ($)**	**(%)**
Sale and marketing	$ 1,119	$ 424	$ 695	164%	$ 3,404	$ 1,796	$ 1,608	90%
Research and development	690	464	226	49%	1,844	790	1,054	133%
General and administrative	2,336	599	1,737	290%	5,902	2,292	3,610	158%
Operational expenses	**$ 4,145**	**$ 1,487**	**$ 2,658**	**179%**	**$ 11,150**	**$ 4,878**	**$ 6,272**	**129%**

Sales and Marketing

Sales and marketing expenses for the three months and year ended December 31, 2020 increased by $695 or 164% and $1,608 or 90% over the prior comparable periods, respectively. The increase is primarily attributable to marketing campaigns in 2020 to increase awareness of the Company's brand and services, additional staffing costs incurred to support its revenue growth, and additional expenses from businesses acquired in 2020.

Research and Development

Research and development expenses for the three months and year ended December 31, 2020 increased by $226 or 49% and $1,054 or 133% over the prior comparable periods, respectively. The increase is primarily attributable to additional staffing costs to support the software development activities for the Company's digital platforms; and additional expenses from businesses acquired in 2020.

General and Administrative

General and administrative expenses for the three months and year ended December 31, 2020 increased by $1,737 or 290% and $3,610 or 158% over the prior comparable periods, respectively. This increase is primarily attributable to additional expenses from businesses acquired in 2020; additional staffing costs to augment the Company's infrastructure; and higher investor relations costs.

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

Financing-Related Costs

Financing-related costs for the three months and year ended December 31, 2020 increased to $573 and $1,078, respectively. Financing-related costs include expenses incurred in relation to its equity offerings, including its brokered private placements and short form prospectus offerings. In 2020, the Company raised gross proceeds of $75,680 from the issuance of common shares arising from a brokered private placement and 3 bought deal short form prospectus offerings.

Acquisition-Related Costs

Acquisition-related costs for the three months and year ended December 31, 2020 increased to $783 and $1,227, respectively. Acquisition-related costs include expenses incurred in relation to the Company's corporate development and business acquisition activities. In 2020, the Company completed 7 business acquisitions (2019 – 2 business acquisitions).

Net Comprehensive Loss Attributable to Equity Holders of the Company

Total net comprehensive loss attributable to equity holders of the Company for the three months and year ended December 31, 2020 was $5,224 and $12,339, compared to a net comprehensive loss of $1,474 and $4,718 for the same year-ago periods, respectively. The increase in net comprehensive loss attributable to equity holders of the Company was primarily due to additional expenses incurred to support the Company's growth strategy, exceeding its increased revenue and gross profit for the period.

EBITDA and Adjusted EBITDA

EBITDA for the three months and year ended December 31, 2020 was a loss of $5,981 and $12,214 compared to a loss of $1,120 and $3,963 for the same year-ago periods, respectively.

Adjusted EBITDA for the three months and year ended December 31, 2020 was a loss of $1,516 and $4,960, compared to a loss of $601 and $2,112 for the same year-ago periods, respectively.

The following table provides a reconciliation of net loss for the period to EBITDA and Adjusted EBITDA for the three months and year ended December 31, 2020 and 2019:

	Three months ended				Year ended			
	December 31,		Variance		December 31,		Variance	
	2020	2019	($)	(%)	2020	2019	($)	(%)
Net comprehensive loss, attributable to equity holders of the Company	**$ (5,224)**	**$ (1,474)**	**$ (3,750)**	**254%**	**$ (12,339)**	**$ (4,718)**	**$ (7,621)**	**162%**
Add:								
Interest and accretion expense	66	57	9	16%	256	209	47	22%
Income taxes	104	-	104	100%	123	-	123	100%
Deferrred tax recovery	(1,628)	-	(1,628)	100%	(1,628)	-	(1,628)	100%
Depreciation and amortization	701	297	404	136%	1,374	546	828	152%
EBITDA[(1)] for the period	**(5,981)**	**(1,120)**	**(4,861)**	**434%**	**(12,214)**	**(3,963)**	**(8,251)**	**208%**
Stock-based compensation	2,134	530	1,604	303%	3,642	1,756	1,886	107%
Financing-related costs	573	97	476	491%	1,078	97	981	1011%
Acquisition and other related costs, net	783	32	751	2347%	1,092	140	952	680%
Litigation costs and loss provision	1,115	-	1,115	100%	1,582	21	1,561	7433%
Change in fair value of contingent consideration	(140)	-	(140)	100%	(140)	-	(140)	100%
Loss from discontinued operations	-	(140)	140	-100%	-	(163)	163	-100%
Adjusted EBITDA[(1)] for the period	**$ (1,516)**	**$ (601)**	**$ (915)**	**152%**	**$ (4,960)**	**$ (2,112)**	**$ (2,848)**	**135%**

(1) EBITDA and Adjusted EBITDA are non-GAAP measures as described in the Non-GAAP Financial Measures section of this MD&A.

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

SUMMARY OF QUARTERLY RESULTS

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

		Q4 2020	Q3 2020 (1)	Q2 2020 (1)	Q1 2020 (1)	Q4 2019	Q3 2019	Q2 2019	Q1 2019 (2)
Revenue	$	5,810	$ 3,359	2,790	$ 3,057	$ 2,443	$ 2,165	$ 1,062	$ 1,100
Gross profit	$	2,346	$ 1,259	1,031	$ 1,124	$ 1,062	$ 999	$ 527	$ 452
Gross profit %		40.4%	37.5%	37.0%	36.8%	43.5%	46.1%	49.6%	41.0%
Net comprehensive loss, attributable to equity holders of the Company	$	(5,224)	$ (2,724)	(2,768)	$ (1,623)	$ (1,474)	$ (810)	$ (1,081)	$ (1,353)
Adjusted EBITDA	$	(1,516)	$ (1,321)	(1,293)	$ (830)	$ (603)	$ (135)	$ (540)	$ (834)
EPS, basic and diluted	$	(0.04)	$ (0.02)	(0.03)	$ (0.02)	$ (0.02)	$ (0.01)	$ (0.02)	$ (0.02)
Cash and cash equivalents	$	59,714	$ 33,950	13,787	$ 2,760	$ 1,696	$ 14	$ 1,064	$ 932

(1) Gross profit for the period from Q1 2020 to Q3 2020 have been retroactively updated for the reclassification of certain expenses within its Statement of Net Loss and Comprehensive Loss.
(2) Q1 2019 included revenues and expenses from discontinued operations.

The growth in the Company's quarterly revenue is primarily attributable to business acquisitions and organic growth, and is not susceptible to seasonality. In the past 8 quarters, the Company completed 9 acquisitions.

In 2020, the Company reclassified certain expenses within its Statement of Net Loss and Comprehensive Loss to cost of sales, which resulted in an overall decrease in gross profit and gross profit percentage as compared to 2019. The Company's underlying gross profit remains healthy and robust, and its net loss and Adjusted EBITDA remains unchanged as a result of the reclassification.

In each quarter of 2020, the Company raised gross proceeds from the issuance of common shares. For the year ended December 31, 2020, the Company raised gross proceeds of $75,680 arising from a brokered private placement and 3 bought deal short form prospectus offerings.

OUTLOOK

The Company is focused on revolutionizing the healthcare industry by leveraging technology to digitalize the delivery of healthcare to provide both better access to care and better health outcomes. Through its team-based, patient-centric approach, CloudMD provides one, connected platform for patients, healthcare practitioners, and enterprise clients to address whole-person, longitudinal care. The Company has a multi-pronged growth strategy which focuses on organic growth, accretive mergers and acquisitions and its employer healthcare offering.

The Company's organic growth will be largely driven by its network of hybrid clinics and pharmacy partnerships, digital services and enterprise health solutions division. The Company's EMR platform has seen consistent growth through adoption of healthcare professionals and patients through its consumer facing app which is available in British Columbia and Ontario. Now that every province in Canada has telehealth billing codes, the Company has plans to expand its consumer telemedicine app across the entire country, allowing patients to see a licensed practitioner virtually, from the safety and convenience of their living rooms. Through a number of accretive acquisitions of leading healthcare solutions over the last few months, there are opportunities for cross-functional synergies and cross selling that will drive further organic growth.

The Company has a strong balance sheet which will allow it to continue deploying capital towards a robust pipeline of accretive, synergistic acquisitions. The Company's acquisition strategy is centered on acquiring products, capabilities, clinical specialties and technologies that are highly scalable and rapidly growing. The Company is actively seeking potential acquisition targets that are complementary to its business and digital healthcare strategy. In order to determine such targets, the Company performs comprehensive due diligence procedures with a focus on financial performance, personnel and compliance. Specifically, the Company plans to expand its brick-and-mortar medical clinic footprint across Canada with an initial focus in Ontario and Alberta. In addition, the Company anticipates expanding its health technology solutions offering with a focus on patient engagement tools and EMR software. The value of acquisitions of medical clinics and health technology solutions, such as an EMR software, depend upon their stage of development.

The Company's Enterprise Health Solutions Division which provides employers, insurers and advisors with a centralized platform to address a full spectrum of solutions to better service the health and wellness of the workforce. There is an urgent demand from enterprise clients for one centralized solution as the main pain point for these clients is the multiple vendors required to cover the spectrum of healthcare services. CloudMD delivers one platform that addresses access to primary and specialist care, mental health support, healthcare navigation, rehabilitation and educational resources. The solution provides personalized care plans unique to each individual through proven systems, triage, assessment and navigation, which in turn, creates an improved healthcare experience resulting in better outcomes, faster adoption rates and increased engagement. The Company has already seen early progress and anticipates significant future growth of this division as it partners with leading insurers and corporations across Canada.

With its 2020 financial performance, combined with organic growth, and completed and announced acquisitions, CloudMD is on track to achieve (i) annualized revenue run rate exceeding $120,000 and (ii) positive Adjusted EBITDA.

CloudMD will continue to focus on delivering meaningful shareholder value by executing on its growth strategy through accretive acquisition, strategic capital allocation and continuing to achieve organic growth across all divisions.

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

FINANCIAL POSITION

	As at December 31, 2020	As at December 31, 2019	Variance
Cash and cash equivalents	$ 59,714	$ 1,696	$ 58,018
Trade and other receivables	2,011	260	1,751
Inventory	729	762	(33)
Prepaid expenses, deposits and other	758	669	89
Net investment in sublease	154	-	154
Current assets	**63,366**	**3,387**	**59,979**
Line of credit	2	810	(808)
Accounts payable and accrued liabilities	3,451	944	2,507
Deferred revenue	888	-	888
Other current liabilities	-	67	(67)
Contingent consideration	136	-	136
Contingent liability	1,350	-	1,350
Current portion of lease liabilities	1,170	459	711
Current portion of long-term debt	619	295	324
Current liabilities	**7,616**	**2,575**	**5,041**
Working capital (1)	**$ 55,750**	**$ 812**	**$ 54,938**

(1) Working Capital is a non-GAAP measure as described in the Non-GAAP Financial Measures section of this MD&A.

For the year ended December 31, 2020, working capital increased to $55,750 compared to $812 at the beginning of the period. The increase is primarily due to completing a brokered private placement and 3 short form prospectus offerings, on a bought deal basis, resulting in net proceeds of $75,680. The ability to raise capital through the equity markets is pivotal to our growth strategy, which enables the Company to pursue further acquisitions and invest in growth drivers.

Various current assets and current liabilities increased primarily due to the 7 business acquisitions completed in 2020, including: (a) trade and other receivables; (b) net investment in sublease; (c) accounts payable and accrued liabilities; (d) deferred revenue; (e) contingent consideration; (f) lease liabilities; and (g) long-term debt.

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

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

LIQUIDITY AND CAPITAL RESOURCES

	Year ended December 31, 2020	Year ended December 31, 2019	Variance
Cash provided by / (used in):			
Net cash used in operating activities	$ (7,508)	$ (2,088)	$ (5,420)
Net cash used in investing activities	(10,546)	(2,579)	(7,967)
Net cash provided by financing activities	76,072	5,307	70,765
Increase in cash and cash equivalents	58,018	640	57,378
Cash and cash equivalents, beginning of period	1,696	1,056	640
Cash and cash equivalents, end of period	**$ 59,714**	**$ 1,696**	**$ 58,018**

The Company had cash and cash equivalents of $59,714 at December 31, 2020 compared to $1,696 at December 31, 2019. During the year ended December 31, 2020, the Company had cash outflows from operations of $7,508 compared to cash outflows of $2,088 in the same year-ago period. The increase in cash used in operating activities was primarily due to an increase in expenses from businesses acquired in 2020, and additional expenses incurred in the current year to support the Company's growth strategy and raise public awareness of its brand and services.

Cash used in investing activities during the year ended December 31, 2020 was $10,546 compared to cash used by investing activities of $2,579 for the same year-ago period. The increase in cash used in investing activities was mainly due to the completion of 7 business acquisitions in 2020, compared to 2 business acquisitions in 2019.

Cash provided by financing activities during the period ended December 31, 2020 was $76,072 compared to cash provided by financing activities of $5,307 for the same year-ago period. The increase in cash provided by financing activities was primarily due to proceeds from the issuance of common shares.

Subsequent to December 31, 2020, the Company completed a short form prospectus offering, on a bought deal basis. Including the full exercise of the underwriters' over-allotment option, the Company received gross proceeds of $58,212 for future acquisitions.

The Company's future capital requirements will depend on many factors, including, among others, its ability to earn cash flow from operations. Should the Company wish to pursue current and future business opportunities, additional funding will be required. If additional funds are raised through the issuance of equity securities, the percentage ownership of current shareholders will be reduced, and such equity securities may have rights, preferences, or privileges senior to those of the holders of the Company's common stock. No assurance can be given that additional financing will be available, or that it can be obtained on terms acceptable to the Company and its shareholders. If adequate funds are not available, the Company may not be able to meet its contractual requirements.

USE OF PROCEEDS

The Company anticipated that it would use the net proceeds from the bought deal financings and private placement for future acquisitions, working capital and general corporate purposes. The following table sets out the original proposed use of proceeds raised in 2020 and actual uses of proceeds up to December 31, 2020. To date, the Company continues to proceed towards its original business objectives for such funds.

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

		Proposed use	Proposed use of proceeds	Actual use of proceeds
Private placement	March 20, 2020	Working capital	$ 2,644	$ 2,644
Bought deal financing	June 2, 2020	Working capital	3,367	3,367
		Acquisition purposes	10,266	10,266 (1)
Bought deal financing	September 1, 2020	Working capital	1,577	1,577
		Acquisition purposes	17,521	1,937 (2)
Bought deal financing	November 9, 2020	Acquisition purposes	34,548	-

(1) Acquisition of South Surrey Medical, Snapclarity, Benchmark, Premier Podiatry LLC, iMD and Re:Function (partial)
(2) Acquisition of Re:Function (remainder). Remaining amount for future use.

CAPITAL MANAGEMENT

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

FINANCIAL INSTRUMENTS

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

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

Credit risk

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

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

As at December 31, 2020, the Company had $2,011 (2019 - $260) of trade and other receivables.

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

Liquidity risk

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

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

As at December 31, 2020

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

As at December 31, 2019

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

Market risk

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

a) Interest rate risk

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

b) Foreign currency risk

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

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

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

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

Sensitivity to foreign currency risk

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

PROPOSED TRANSACTIONS

There are no proposed transactions that have not been disclosed herein.

OFF-BALANCE SHEET ARRANGEMENTS

The Company had no off-balance sheet arrangements other than short-term lease agreements.

RELATED PARTY TRANSACTIONS

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

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

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

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

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

(i) Judgments

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

(ii) Use of critical accounting estimates and assumptions

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

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

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

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

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

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

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

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

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

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. 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 total claims are in excess of $2,750 plus unspecified damages associated with the value of share purchase warrants that were issued in connection with both the June 2020 Offering and the September 2020 Offering, plus interest and cost. The Company disputes the claims with respect to both the June 2020 Offering and the September 2020 Offering entirely. The claims are currently subject to arbitration proceedings which the Company is defending. The Company is of the view that its defense to the claims will prevail without liability to the Company; however, an estimate of the liability to the Company should the Gravitas claims succeed is $1,200 and therefore an accrual for that amount as a contingent liability has been recorded.

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

SUBSEQUENT EVENTS

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

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

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

- On January 26, 2021, the Company announced that it signed a binding term sheet to acquire Rxi, enhancing its specialty health services across Canada through Rxi's pharmaceutical logistic services and customer relationship management technology. As consideration for the purchase of 100% of the outstanding securities of Rxi, the Company agreed to pay shareholders of Rxi: (i) $2,500 in cash, subject to a working capital adjustment; (ii) 1,673,640 common shares; and (iii) a performance-based earnout in 1,255,230 common shares, which is payable in common shares in equal annual issuances over a period of two years.

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

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

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

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

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

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

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

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

OUTSTANDING SHARE DATA

The Company had the following securities issued and outstanding:

	As at	
Issued and outstanding	**April 28, 2021**	**December 31, 2020**
Common shares	200,118,724	164,905,459
Stock options	9,263,000	10,652,000
Warrants	13,045,037	14,112,447
Total	**222,426,761**	**189,669,906**