CloudMD Software & Services Inc.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2022 and 2021

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

Contents

INTRODUCTION

This Management's Discussion and Analysis for the three and nine months ended September 30, 2022 and 2021 ("**MD&A**") for CloudMD Software & Services Inc. ("**CloudMD**" or the "**Company**") is dated and based on information available to management as of November 14, 2022. This MD&A is prepared in accordance with National Instrument 51-102F1 and should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and accompanying notes for the three and nine months ended September 30, 2022 and 2021, and the audited annual consolidated financial statements and accompanying notes for the year ended December 31, 2021. These documents, along with additional information about the Company, are available under the Company's profile on SEDAR at www.sedar.com.

The financial data contained in this MD&A and the unaudited condensed interim consolidated financial statements and accompanying notes of the Company for the three and nine months ended September 30, 2022 and 2021 have been prepared in accordance with IAS 34 Interim Financial Reporting and should be read in conjunction with the Company's last annual consolidated financial statements as at and for the year ended December 31, 2021. Amounts are stated in Canadian dollars, unless otherwise indicated. In this MD&A, where the context so requires, references to the "Company", "CloudMD", "we", "us", "our" or similar expressions refer to CloudMD Software & Services Inc.

FORWARD-LOOKING STATEMENTS

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

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

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

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

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

RISK FACTORS

Our business is subject to significant risks and uncertainties and past performance is no guarantee of future performance. Our future results could differ materially from the results contemplated in this MD&A due to a number of important factors. The information in this MD&A should be read carefully in conjunction with the risks and uncertainties detailed in the "*Forward-Looking Statements*" section of this MD&A, and in the Company's filed Annual Information Form dated April 28, 2021, which are available under the Company's profile on SEDAR at www.sedar.com. Additional risks and uncertainties, not presently known to us, may become material in the future or those risks that we currently believe to be immaterial may become material in the future. 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. If any of the foregoing risks actually occur, alone or in combination, our business, financial condition and results of operations, as well as the market price of our common shares, could be materially adversely affected.

NON-GAAP FINANCIAL MEASURES

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

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

EBITDA

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

Adjusted EBITDA

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

Gross Profit

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

Gross Margin

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

Financing-Related Costs

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

Acquisition and Divestiture-Related, Integration and Restructuring Costs

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

Litigation Costs

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

Working Capital and Adjusted Working Capital

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

Cash outflow and Normalized cash outflow

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

ABOUT CLOUDMD

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

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

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

An example of this is our proprietary industry-first mental health coaching platform that was piloted with Sun Life in 2021 and is now being sold through their account executives to plan sponsors. This solution is the first of its kind to provide assessment, care plans and coaching to support people on their mental health journey. This platform created such high engagement and positive outcomes that it earned us the ability to promote the service to all Sun Life clients. This was officially launched to all SunLife plan sponsors with expected adoption in 2023.

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

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

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

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

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

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

- Significant cross-selling opportunities exist in our EHS division through a combined network of 7,200 corporate clients.

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

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

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

The Company's DHS division offers health and productivity tools intended to create a better experience for those needing healthcare. DHS offers clients a suite of healthcare technology solutions that support an organization's healthcare offering. It offers stand-alone solutions and supports medical practitioners streamline practices and make businesses more accessible and efficient. The Company currently services a combined ecosystem of over 5,700 clinicians, 1,800+ mental health practitioners, 1,600+ allied health professionals, 1,400+ doctors and nurses and covers 12 million individual lives across North America. The Company's patient-centric approach has been well received and the Company will continue to look for ways to improve healthcare access by leveraging its technology to ensure we deliver on the Company's value proposition of innovation in the delivery of healthcare.

PRODUCTS AND SERVICES

The Company categorizes its revenues under two divisions: (1) Enterprise Health Solutions (EHS) and (2) Digital Health Solutions (DHS). During the third quarter of 2022, the Company initiated a plan to sell the businesses underlying our former Clinic Services & Pharmacies segment and Cloud Practice Inc. within our Digital Health Solutions segment. As a result, the financial results from these businesses are reflected in our consolidated statement of income, retrospectively, as discontinued operations.

Enterprise Health Solutions (EHS)

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

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

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

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

The Kii services 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 from some of these services include a 20% reduction in benefit and disability costs, a six-month reduction in disability duration (on average), access to treatment 220 days sooner (on average), improved employee satisfaction (reported by 75% of clients) and an estimated 420% return on investment in payroll savings due to reduced illness-related absences. The Kii program is offered either as a per employee subscription or as a per case fee.

CloudMD's capabilities include:

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

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

Health Coaching Telemedicine

The telemedicine medical care program is offered in conjunction with our mental health coach program. We have the ability to offer comprehensive mental and physical health coaching to support an individual in prevention and intervention of issues that impedes health living. The program provides a personalized treatment plan led by nurses and nurse practitioners and supported by primary care doctors and specialists. The nurses and nurse practitioners are trained to deliver comprehensive initial medical assessments, psychosocial healthcare support and treatment for most primary and mental healthcare issues. They act as the first point of contact for referrals to specialists and other important services offered within Kii, to help guide individuals through their personalized healthcare journey.

Healthcare Navigation Complex Cases

The cornerstone of our Enterprise Health Services division is our healthcare navigators who become advocators and advisors as individuals access treatment for return to function. The nurse navigators provide knowledge and clinical expertise and utilize relationships with over 55,000 physician specialists and therapists to manage complex disability and healthcare situations. The nurse resource is highly trained to help employees navigate care, build personalized care plans and check in on progress.

Rehabilitation and Assessments

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

Absence Management and Occupational Health

Our Absence Management and Occupational Health services focus on reducing occupational absences by delivering solutions that improve the health and wellness of employees. Services include solutions supporting absentee management, short-term and long-term disability, workers' compensation claims management, mental health assessment and evaluation services focusing on prevention, accommodation, and recovery. Our services are delivered virtually, on-demand and on-site through our network of over 1,000 healthcare professionals, assessors, and medical centers nationally.

Digital Health Solutions (DHS)

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

The following describes the solutions available to healthcare practitioners:

Benchmark Systems

US based product suite that includes Electronic Health Records (EHR) and Practice Management (PM) for Ambulatory Clinics and Allied Health Professionals, currently active in 35 states. Both EHR and PM support multiple outpatient specialties with the PM providing additional support for inpatient and institutional billing. Benchmark Systems offers billing solutions that increase productivity and efficiency for clinics that choose to outsource their billing. In addition, Benchmark offers Remote Patient Monitoring (RPM), both as a software platform as well as a service, providing support for required patient interactions as part of an RPM program. Lastly, Benchmark provides outsourced IT services to provide secure infrastructure and proactive threat monitoring to clinics and other professional based businesses where data security is important. All of these products and services can be implemented as a single product suite or individually as needed by an individual clinic.

MyHealthAccess

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

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

CloudMD's Health Wellness Network and Real Time Intervention Platform Solution

The healthcare industry is rapidly moving toward vision where the patient will be at the center of our healthcare information technology systems—wired in, always on, wearing or implanted with digital health technology evolved to the point where every woman, man, and child can be connected and cared for digitally, remotely, and holistically. CloudMD's solution supports this vision. The components of the solution are the Health and Wellness Network ("HWN") and Real Time Intervention Platform ("RTIP").

Real Time Intervention Platform (RTIP)

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

Health and Wellness Network (HWN)

The HWN app focuses on enabling healthcare providers to be in constant connection with their patients. The HWN app provides for an array of services including, but not limited to, curated education tailored to meet the needs of any entity or group, peer support capability, health vitals monitoring, and also allows for connecting existing services into the app for a consolidated patient or user experience. The HWN solution enables the patients to be cared for digitally, remotely and holistically in conjunction with the RTIP platform that enables data from multiple disparate sources to be aggregated and data driven data insights provided to healthcare providers to enable enhanced patient care and improved outcomes.

Education

CloudMD has an award-winning health education platform providing peer-reviewed resources that are trusted and used by healthcare professionals to provide credible medical information that promotes positive patient behaviour. This platform is integrated into CloudMD commercial offerings sold to third-party payors in its EHS division. The intuitive and robust digital resource library is available on any digital device. The platform is currently utilized by over 17,500 healthcare professionals and is integrated in a variety of consultative health settings, including: 2,000 pharmacies, 280 hospitals, and 300 specialty clinics. It has partnered with over 110 healthcare associations, 30 digital health companies (including the Mayo Clinic), and 55 pharmaceutical brands to provide over 110,000 patient-friendly PDFs, videos, and images across over 6,000 health conditions.

Vision Care

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

2022 THIRD QUARTER SUMMARY

Below is a summary of CloudMD's operations during and subsequent to the third quarter of 2022:

- Third quarter revenue from continuing operations was $27.5 million, which does not include revenue generated from its Clinic & Pharmacies Division and Cloud Practice, which are classified as discontinuing operations. This represents a decrease of 5% over the same period in 2021. The third quarter revenue was impacted by the conclusion of one-time mandates, including the COVID-19 testing contracts in the EHS division in the second quarter of 2022, and lower VisionPros revenues in the DHS division; combined, these impacted revenue growth by approximately 25%. Compared to the second quarter of 2022, as expected, third quarter revenues were negatively impacted by changes to the Ontario Health contract in the delivery of iCBT. Year-to-date revenue from continuing operations was $88.6 million, an increase of 111% over the same period in 2021. Including discontinued operations, revenue for the third quarter of 2022 was $38.2 million and for the nine months ended September 30, 2022, was $119.9 million.

- Gross profit margin from continuing operations was 34.5% in the third quarter of 2022 compared to 36.1% in the third quarter of 2021. The year-over-year change is due to revenue mix, as described under *Gross Margin* below. These margins reflect an increase from the second quarter of 2022 reported margins as the businesses that are being divested, and classified as discontinuing operations, have lower overall gross profit margins, in aggregate.

- Adjusted EBITDA for the third quarter was ($3.0) million, compared to $0.9 million in the prior year period. Adjusted EBITDA for the nine months ended 2022 was ($8.1) million, compared to ($1.5) million in the prior year. Net loss for the third quarter was ($94,851), compared to ($5,781) in the prior year period. The net loss for the quarter was primarily due to the non-cash impairment charge as discussed below.

- The Company continues to identify and has actioned cost reductions subsequent to the third quarter of 2022, the impact of which will be realized in part in the fourth quarter with the full run-rate impact expected in the first quarter of 2023. During the third quarter of 2022, R&D, S&M and G&A expenses were lower than the second quarter of 2022 by $1.4 million in our continuing operations, a result of on-going cost reduction initiatives.

- Use of cash in the third quarter was $2.2 million, a significant improvement from the use of cash in the second quarter of 2022. Normalized cash outflow for the third quarter was $4.2 million. As of September 30, 2022 the Company had $27.5 million of cash and cash equivalents. This does not include the cash associated with the divestiture of assets detailed below.

- During the third quarter, CloudMD experienced a triggering event due to sustained decreases in the Company's share price, prompting an accounting related impairment assessment of goodwill and long-lived intangible assets. As a result of the assessment, the Company recorded a non-cash accounting impairment charge of $83.9 million in the third quarter of 2022. The assumptions used in the impairment analysis included discount rates that reflect higher interest rates, market volatility and the company risk premium compared to our valuation as at December 31, 2021. The impairment does not reflect a change in the Company's outlook which is focused on growth, expanding profitability and cash flow.

- Through the third quarter of 2022 CloudMD has signed multi-year contracts contributing to its organic growth and annual recurring revenue ("**ARR**") of $8.8 million.

- During the third quarter of 2022, the Company initiated a plan to sell the businesses underlying our former Clinic Services & Pharmacies segment and Cloud Practice Inc. within our Digital Health Solutions segment. As a result, the financial results from these businesses were reflected in our consolidated statement of income, retrospectively, as discontinued operations. The net loss after tax from these operations for the nine months ended September 30, 2022 was $7.5 million which includes a $6.9 million non-cash impairment charge. The discontinued operations also represented a use of cash of $1.9 million for the nine months ended September 30, 2022.

- On October 11, 2022, CloudMD announced the divestment of its BC-based primary care clinics, South Surrey Medical Clinic and Healthvue Ventures Limited as well as Cloud Practice, its cloud-based electronic medical records and practice management software to WELL Health Technologies ("**WELL**") for approximately $5.75 million in cash. CloudMD will retain ownership of its online patient portal, MyHealthAccess, and will retain the right (under a license granted by WELL at closing of the Transaction) to use Juno EMR, which have both been integrated into its Kii Personalized & Connected Care offering. On November 2, 2022, CloudMD announced the closing of the transaction to divest of its clinics and Cloud Practice to Well.

- On October 31, 2022, the Company announced the sale of Cloverdale Pharmacy Ltd. and Steveston Health Centre Ltd. to Neighbourly Pharmacy Inc. ("**Neighbourly**") for approximately $3.8 million in cash. The transaction is subject to satisfying closing conditions, and closing is expected to occur in the fourth quarter of 2022.

- On July 22, 2022, CloudMD announced that it had entered into a settlement agreement with the former owners of VisionsPros, following the previously announced review of the Company's acquisition of VisionPros. The settlement reduced the purchase consideration paid for VisionPros by $12.6 million and removed any future earnout payments. On June 15, 2022 the Company announced that it initiated product sales on its vision care platform in the United States for the first time since the fourth quarter of 2021.

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

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

OVERALL PERFORMANCE AND DISCUSSION OF OPERATIONS

Selected Financial Information	**Three months ended September 30**		**Nine months ended September 30**	
Figures below are unaudited	**2022**	**2021**	**2022**	**2021**
Revenue	**$ 27,505**	**$ 28,946**	**$ 88,595**	**$ 41,943**
Cost of sales	18,023	18,483	57,402	25,628
Gross profit [(1)]	**$ 9,482**	**$ 10,463**	**$ 31,193**	**$ 16,315**
Gross profit %	***34.5%***	***36.1%***	***35.2%***	***38.9%***
Indirect Expenses				
Sales and marketing	2,218	2,000	6,971	3,989
Research and development	1,043	828	3,618	1,745
General and administrative	9,638	6,932	29,725	12,531
Share-based compensation	273	1,543	1,295	4,576
Depreciation and amortization	3,721	1,991	10,639	3,410
Financing-related costs [(1)]	-	-	-	871
Acquisition and divestiture-related, integration and restructuring costs [(1)]	1,659	1,790	9,232	5,447
Loss before undernoted	$ (9,070)	$ (4,621)	$ (30,287)	$ (16,254)
Other income	282	162	483	336
Gain on fair value of contingent consideration	996	640	7,046	966
Loss on fair value of liability to non-controlling interests	(64)	-	(232)	-
Finance costs	(621)	(737)	(1,592)	(855)
Impairment	(83,910)	-	(113,152)	-
Loss on sale of joint venture	(221)	-	(221)	-
Current and deferred income tax expense	811	(407)	742	(549)
Net loss for the period from continuing operations	**(91,797)**	**(4,963)**	**(137,213)**	**(16,356)**
Net loss after tax from discontinuing operations	**(3,054)**	**(824)**	**(7,500)**	**(1,353)**
Net loss for the period	**$ (94,851)**	**$ (5,787)**	**$ (144,713)**	**$ (17,709)**
Add:				
Depreciation and amortization	3,721	1,991	10,639	3,410
Finance costs	621	737	1,592	855
Impairment	83,910	-	113,152	-
Current and deferred income tax expense	(811)	407	(742)	549
EBITDA [(1)]	**$ (7,410)**	**$ (2,652)**	**$ (20,072)**	**$ (12,895)**
Share-based compensation	273	1,543	1,295	4,576
Financing-related costs	-	-	-	871
Acquisition and divestiture-related, integration and restructuring costs [(1)]	1,659	1,790	9,232	5,447
Litigation costs [(1)]	101	37	555	83
Loss on fair value of liability to non-controlling interests	64	-	232	-
Gain on fair value of contingent consideration	(996)	(640)	(7,046)	(966)
Net loss after tax from discontinuing operations	3,054	824	7,500	1,353
Loss on sale of joint venture	221	-	221	-
Adjusted EBITDA [(1)]	**$ (3,034)**	**$ 902**	**$ (8,083)**	**$ (1,531)**
Loss per share, basic and diluted	(0.32)	(0.02)	(0.49)	(0.09)

[(1)] *This is a non-GAAP measure. Refer to the Non-GAAP Financial Measures section of this MD&A for further information.*

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

Revenue

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

Revenue	Three months ended September 30,		Variance		Nine months ended September 30,		Variance	
	2022 (unaudited)	**2021** (unaudited)	**($)**	**(%)**	**2022** (unaudited)	**2021** (unaudited)	**($)**	**(%)**
Enterprise Health Solutions	$ 21,818	$ 19,570	$ 2,248	11%	$ 72,327	$ 27,197	$ 45,130	166%
Digital Health Solutions	5,687	9,376	(3,689)	(39%)	16,268	14,746	1,522	10%
Total revenue	**$ 27,505**	**$ 28,946**	**$ (1,441)**	**(5%)**	**$ 88,595**	**$ 41,943**	**$ 46,652**	**111%**

Revenue for the three months ended September 30, 2022, decreased by $1,441 and for the nine months ended September 30, 2022, increased by $46,652 over the prior year comparable periods. The decrease in revenue for the three-month period was impacted by the decline in revenue from Vision Pros due to supplier issues identified in late 2021; volumes have been slow to rebound to the revenue levels achieved in 2021. The impact in the third quarter of 2022 compared to the prior year period was $4.2 million. Furthermore, as previously disclosed, Q3 2022 was the first quarter with no COVID-19 related testing revenue in the EHS division contributing to a revenue decline over the comparative period of $3.1 million. This was offset by the acquisition of MindBeacon in the first quarter of 2022. The increase in the 2022 year-to-date revenue compared to 2021 was primarily attributable to the Company's five acquisitions completed since the start of the second quarter 2021.

Revenue in the EHS segment was $21,818 for the three months ended September 30, 2022, compared to $19,570 in the comparable period. The increase is due to the acquisition of MindBeacon which was completed in January 2022 and organic growth in the business. This was offset by the decrease in COVID-19 related testing service revenue in three months ended September 30, 2022 which had an impact of $3.1 million. EHS revenues for the nine months ended September 30, 2022, were $72,327 compared to $27,197 in the comparable period. The increase is due to the acquisitions of Aspiria Corp. (as defined below), Oncidium (as defined below) and MindBeacon completed since the start of the second quarter of 2021. Towards the latter part of the third quarter, we saw several of the previously announced new revenue contracts go live and commence contributing to our revenue. Of the $6.4 million in new ARR contract wins in EHS year-to-date, approximately 42% of that revenue will be recorded this year based on projected start times. We have also taken a critical eye to all our contracts and have started to engage in some purposeful churn from legacy lower-margin contracts, which do not meet our margin target. The impact of this churn was approximately $0.36 million in annualized revenue in the three months ended September 30, 2022. We continue to have momentum in sales, are increasing our pipeline and signed several new contracts in the third quarter with expected revenue contributions to begin in the latter part of the fourth quarter and first quarter of 2023. As anticipated, during the third quarter, the Ontario Health COVID-19 iCBT program came to an end. We have been selected for a new multi-year contract which is in its implementation phase and expected to commence at some point during the fourth quarter of 2022. The value of the new program will be approximately $1,875 per year. This is expected to have a negative impact on the fourth quarter revenue (compared to the third quarter of 2022) of approximately $1,500. Finally, the third quarter revenues were lower than the second quarter of 2022 due to the end of the COVID-19 testing contracts and some seasonality in our assessment and absence and disability management businesses which are primarily a fee-for-service model.

Some of our key highlights and differentiators impacting the revenues in EHS include:

- We are winning new customers on the strength of our integrated and comprehensive product offering that includes a full continuum of service offerings to treat the mental and physical health of an employer population. New contract wins have been across diverse sectors including major public and private sector companies.
- Health coaching has been expanded to offer both mental and physical health. Health navigators are creating engagement and empowering individuals to healthier outcomes. We are leveraging our combined services using health navigators who create engagement with users and proven improvement in health outcomes. This, coupled with our excellent end-user experiences for our stakeholders, is driving successful customer acquisitions.
- We consolidated MindBeacon into our Mental Health Services during the first quarter of 2022 adding their clinically proven iCBT into our full continuum of mental health support. We are active in our cross-sell efforts to increase attach rates through integrated offerings to new and existing customers and expect to see increased launches in early 2023.

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

- We have a strong roster of long-tenured blue-chip clients that are using one of our capabilities. The client management team is focused on introducing existing clients to the full spectrum of capabilities that enable a full care model where we are addressing physical and mental health from mild to acute to chronic.
- In 2022, we have shifted our focus to direct sales to organizations and multi-product sales which tend to be more profitable contracts. As a result of this shift we have observed that our average contract value is higher compared to prior years.
- There is a growing recognition of the need for government support to address the mental health crisis in North America. In 2022, CloudMD established its Public Sector Division to service these contracts. Our Public Sector division is focused on this unique client base and has recently won contracts for our Mental Health Solutions from major colleges and universities in both Ontario and the Atlantic Region. Along with mental health support this team is driving new contract wins for our employee and family assistance programs from various townships and municipalities across Canada.

Revenues from the DHS segment for the three months ended September 30, 2022, were $5,687 compared to $9,376 in the comparable period. The decrease is primarily driven by the supplier issues we had faced in our VisionPros business. Although we have secured the contracts with our major suppliers and commenced selling into the United States in the third quarter of 2022, the volumes are significantly lower compared to 2021 having an impact of $4.2 million quarter-over-quarter. Furthermore, there was a decrease in revenue from our IDYA4 business (as defined below) in the third quarter of 2022 partly due to the timing of activities for certain projects. We are expecting to see a small uptick in the fourth quarter of 2022 and see more meaningful progress in early 2023. These headwinds were offset by growth in our Benchmark Systems business which continued to experience high transactional volumes.

Revenue from the DHS segment for the nine months ended September 30, 2022, was $16,268 compared to $14,746 in the prior period. This is mostly due to acquired revenues from VisionPros which was acquired late in the second quarter of 2021.

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

Revenue	Three months ended September 30,		Variance		Nine months ended September 30,		Variance	
	2022 (unaudited)	2021 (unaudited)	($)	(%)	2022 (unaudited)	2021 (unaudited)	($)	(%)
Canada	$ 21,645	$ 21,545	$ 100	0%	$ 71,725	$ 30,080	$ 41,645	138%
United States	5,860	7,401	(1,541)	(21%)	16,870	11,863	5,007	42%
Total revenue	**$ 27,505**	**$ 28,946**	**$ (1,441)**	**(5%)**	**$ 88,595**	**$ 41,943**	**$ 46,652**	**111%**

Revenues earned in Canada for the three and nine months ended September 30, 2022 increased by $100 and $41,645 over the prior year comparable periods due to the impact of the acquisitions we had completed part way through 2021 and in 2022, offset by the impact of decrease in COVID-19 related service revenue.

Revenues earned in United States for the three and nine months ended September 30, 2022, represented 21% and 19% respectively of total revenues compared to 26% and 28% in the comparable period in 2021. Revenues earned in the United States have decreased year over year for the three-month period as a result of the aforementioned decreased revenue in our VisionPros business due to supplier issues, offset by the revenue contribution from the acquisitions completed for U.S.-based companies including Nevada-based Harmony Healthcare which was acquired through the acquisition of MindBeacon that was completed in January 2022.

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

Gross Profit

Gross profit for the three months ended September 30, 2022, decreased by $981 or 9% over the prior year comparable periods. This decrease is attributable to a decrease in contribution from our VisionPros business due to the supplier issues we have faced in 2022; although began selling into the United States in the third quarter of 2022, the volumes were not at the levels as in the prior period. Our approach with the VisionPros business going forward is to focus on recurring higher margin clients and distribution partnership that will not result in the revenue levels from 2021, however will be more profitable and generate higher margins. Further, there was lower gross profit in our IDYA4 business, which is attributable to delays in receiving task orders for previously awarded government contracts, due to the midterm elections in the United States. Finally, we saw reduced gross profit due to the COVID -19 testing contracts that were in the prior year period. These were offset by contributions from MindBeacon, which was acquired in January 2022. Gross profit for the nine months ended September 30, 2022, increased by $14,878 or 91% over the prior year comparable period, as a result of the increase in total revenue, primarily attributable to business acquisitions and organic growth.

The gross profit margin was 34.5% and 35.2% for the three and nine months ended September 30, 2022, compared to 36.1% and 38.9% for the same periods in the prior year. The decrease in overall gross profit percentage for the three and nine months ended September 30, 2022, was primarily due to the revenue mix in the periods and the conclusion of one-time COVID-19 mandates in the EHS division which contributed to a margin decline in the third quarter. For the nine month period, the decline is attributable to revenue mix, including Vision Pros which is a lower margin offering that was acquired in the second quarter of 2021. Additionally, as previously noted, the delays in projects in IDYA4 have impacted the margins in the business year-to-date. We expect gross profit margin to increase over time with the ongoing efforts to integrate acquisitions and increase our operational efficiency, and as the MindBeacon business is fully integrated.

Expenses

Operational expenses for continuing operations	**Three months ended September 30,**		**Variance**		**Nine months ended September 30,**		**Variance**	
(unaudited)	**2022**	**2021**	**($)**	**(%)**	**2022**	**2021**	**($)**	**(%)**
Sales and marketing	2,218	2,000	218	11%	6,971	3,989	2,982	75%
Research and development	1,043	828	215	26%	3,618	1,745	1,873	107%
General and administrative	9,638	6,932	2,706	39%	29,725	12,531	17,194	137%
Share-based compensation	273	1,543	(1,270)	(82%)	1,295	4,576	(3,281)	(72%)
Depreciation and amortization	3,721	1,991	1,730	87%	10,639	3,410	7,229	212%
Financing-related costs	-	-	-	-	-	871	(871)	(100%)
Acquisition and divestiture-related, integration and restructuring costs	1,659	1,790	(131)	(7%)	9,232	5,447	3,785	69%
Operational expenses	**$ 18,552**	**$ 15,084**	**$ 3,468**	**23%**	**$ 61,480**	**$ 32,569**	**$ 28,911**	**89%**

<u>Sales and Marketing</u>

Sales and marketing expenses for the three and nine months September 30, 2022, increased by $218 and $2,982 or 11% and 75% over the prior year comparable period. Sales and marketing decreased by approximately $0.3 million from Q2 to Q3 2022. The increase year-over-year is attributable to additional expenses from businesses acquired since the start of 2021. A significant portion of the Company's marketing spend was on customer acquisition costs in the direct to consumer business within the mental health and vision care distribution. As previously discussed, the reduction in the Ontario Health volume for our iCBT offering will lead to reduced marketing spend on customer acquisition in the fourth quarter of 2022. We have already observed a decrease in the marketing spend on customer acquisition in the second half of the third quarter of 2022. With our acquisitions, we continue to reduce our customer acquisition costs as a percentage of revenue as we realize greater economies of scale in our sales, cross sell and shared marketing infrastructure. This is evident by the fact that sales and marketing expenses were 8% of revenue in the nine months ended September 30, 2022 compared to 10% for the same period in 2021. We expect this trend to continue as we execute on our cross-sell initiatives that will deliver greater revenue with lower sales and marketing costs.

Research and Development

Research and development expenses for the three and nine months ended September 30, 2022, increased by $215 and $1,873 or 26% and 107% over the prior year comparable period. Research and development expenses decreased by approximately $0.5 million from Q2 to Q3 2022. The increase year-over-year is primarily attributable to additional expenses assumed from businesses acquired since the start of 2021, including MindBeacon, which was acquired in January 2022. In the period, we focused our research and development on new product development activities including the development of our Kii offering. The decrease in expense from the second to third quarter of 2022 is the result of ongoing integration activities.

General and Administrative

General and administrative expenses for the three and nine months ended September 30, 2022, increased by $2,706 and 17,194 or 39% and 137% over the prior comparable periods. General and administrative expenses decreased by $0.5 million from Q2 to Q3 2022. The increase year-over-year is primarily attributable to additional expenses from businesses acquired in the last twelve months; additional staffing costs to support the Company's geographic expansion; higher professional fees; and investments in data privacy and security. The decrease from Q2 to Q3 2022 is reflective of the Company's continued integration and optimization efforts. We expect these costs to continue to decrease going into 2023 as we action on our cost savings initiatives.

Share-based Compensation

Shared-based compensation expenses for the three and nine months ended September 30, 2022, decreased by $1,270 and $3,281 or 82% and 72% over the prior comparable period. The decrease is primarily attributable to one-time additional grants in 2021 and lower share prices in 2022 compared to 2021.

Depreciation and Amortization

Depreciation and amortization expenses for the three and nine months ended September 30, 2022, increased by $1,730 and $7,229 or 87% and 212% over the prior comparable period. The increase is primarily attributable to increased depreciation and amortization, in-line with the growth in our fixed and intangible assets from acquisitions. During 2022, the Company also conducted a review of its technology platforms, which resulted in changes in the expected usage of certain technology platforms. Certain platforms, which management had previously intended to use for 10 years, are now expected to be used for 5 to 8 years. As a result, the expected useful life of the technology platforms decreased. The effects of these changes were applied to the financial statements prospectively starting on January 1, 2022, and resulted in the increased depreciation and amortization charge for 2022 compared to 2021.

Financing-Related Costs

Financing-related costs for the nine months ended September 30, 2022, decreased by $871 over the comparable period. The decrease is attributable to a short form prospectus offering, on a bought-deal basis, completed in March 2021. Eligible costs that were directly attributable to the debt financing have been recorded as a reduction in long-term debt on the statement of financial position. There were no financing-related costs incurred in the three months ended September 2022 and 2021 periods.

Acquisition and Divestiture-Related, Integration and Restructuring Costs

Acquisition and divestiture-related, integration and restructuring costs for the three and nine months ended September 30, 2022, were $1,659 and $9,232, and $1,790 and $5,447 in the comparable periods. Acquisition and divestiture-related, integration and restructuring costs include expenses incurred in relation to the Company's corporate development, divestitures, fees for advisory, accounting and costs of integration which includes severance. The Company has completed five acquisitions since the start of the second quarter of 2021 and has been focused on cost optimization and integration activities which will deliver positive cash flow and EBITDA in the coming years. In addition, subsequent to the third quarter of 2022, the Company announced two divestiture transactions of businesses within its former Clinics and Pharmacies segment and one in its DHS segment. Acquisition and divestiture-related, integration and restructuring costs have begun to decrease as evidenced by the lower expenses of $3,390 or 67% in three months ended September 30, 2022 compared to the three months ended June 30, 2022. We expect this trend to continue as we move forward, although there are some costs expected in the fourth quarter of 2022 and into 2023.

Other Income

Other income for the three and nine months ended September 30, 2022, increased by $120 and $147 or 74% and 44% over the prior comparable periods. The increase is primarily attributable to higher interest on cash and cash equivalents due to the higher interest rates.

Gain on fair value of contingent consideration

The gain is due to the change in fair value of contingent consideration for the three and nine months ended September 30, 2022, which increased by $356 and $6,080 or 56% and 629% over the prior year comparable periods. Contingent consideration is comprised of earn-out payments due to sellers of acquired entities for meeting certain time based or revenue conditions over a period of up to 3 years following the date of the acquisition. The change during the period is related to changes in the underlying assumptions impacting the valuation of the liability, including decreasing share price and the selection of the discount rates.

Finance costs

Finance costs for the three months ended September 30, 2022, decreased by $116 or 16% over the prior comparable period. This is primarily attributable to the debt repayments made since prior year, which has decreased the interest payments since prior quarter. For the nine months ended September 30, 2022, finance costs increased by $737 or 86% over the prior comparable period. The increase is primarily attributable to the increase in long-term debt which was used to fund the Oncidium acquisition in the second quarter of 2021.

Impairment

In the three months ended September 30, 2022, the Company experienced a triggering event due to sustained decreases in the Company's share price, prompting impairment assessments of goodwill and long-lived intangible assets.

Consistent with prior goodwill impairment testing, the testing completed as of September 30, 2022 reflected the recoverable amount of the cash generating units ("**CGU**") based on its value-in-use covering a five-year cash flow projection based on management's estimate of future operating results. The impairment testing, as compared to our December 31, 2021 testing, includes updated assumptions around estimated future cash flows, including revenues, margin, and capital expenditures to reflect our best estimates at this time. We also updated certain significant inputs into the valuation models including the discount rate, which increased reflecting higher interest rates and market volatility. The discount rate also includes a higher company risk premium to reflect the current perception of risks of achieving projected cash flows.

As a result of this review, we did not identify an impairment to our long-lived intangible assets, however, we recorded a $83,910 goodwill impairment charge (or $0.28 per basic and diluted share) for the quarter ended September 30, 2022. This non-cash accounting charge does not impact CloudMD's working capital, cash flow or liquidity position, and will not impact the day-to-day operations of the business.

Overall, in the event there are future adverse changes in our estimated future cash flows and/or changes in key assumptions, including but not limited to discount rate increases, lower revenue growth, lower margin, and/or a lower terminal growth rates, we may be required to record additional non-cash impairment charges to our goodwill, or impairment charges to other intangibles, and/or long-lived assets. Such non-cash charges would likely have a material adverse effect on our consolidated statements of comprehensive income and statement of financial position in the reporting period of the charge.

Following September 30, 2022, for the CGU's tested for impairment, there is no excess of CGU recoverable amount over the carrying amount, so any further decrease in estimated recoverable amount would result in an additional goodwill impairment charge.

In addition to the above, in the nine months ended September 30, 2022, the Company reported an impairment charge of $29,074 in its VisionPros business. As a result of some of the supplier issues and other management practices, while VisionPros was owned by the former owners (refer to the *Litigation and Other Contingencies* section below), the Company was unable to sell in the United States until the end of the second quarter of 2022 and necessitated the negotiation and signing of new supplier agreements. In part as a result of the issues discovered and their impact on the Company's financial projections, the Company recorded a non-cash goodwill and intangible asset impairment charge in the second quarter of 2022.

Loss on sale of joint venture

On July 25, 2022, the Company sold its 51% share ownership in West Mississauga Medical Ltd. ("**West Mississauga**"), which was acquired in February 2021. The sale price was valued at $175. The carrying value of West Mississauga joint venture prior to the sale in the Company's books was $396 and as a result of the sale a non-cash loss of $221 was recognized in the three months ended September 30, 2022.

Current and deferred income taxes expense

The current and deferred income taxes expense for the three and nine months ended September 30, 2022, decreased by $1,218 or 299% and $1,291 or 235%, respectively over the prior comparable periods. The decrease is primarily attributable to the benefit expected to accrue to the company due to timing differences related to intangible assets and expected use of loss carry forwards.

Net loss from continuing operations

Net loss from continuing operations for the three and nine months ended September 30, 2022, was $91,797 and $137,213 respectively, compared to $4,963 and $16,356 for the same year-ago periods. The increase in net loss was primarily due to the impairment charges taken in the period. The Company is highly focused on profitable growth and generating positive net profits is a key objective for the Company.

Net loss from discontinuing operations

During the third quarter of 2022, the Company initiated a plan to sell the businesses underlying its former Clinic Services & Pharmacies segment and Cloud Practice Inc. within our Digital Health Solutions segment. As a result, the financial results from these businesses are reflected in our consolidated statement of income, retrospectively, as discontinued operations.

As detailed in the Subsequent Events section below, as of the date of this MD&A, the Company has successfully divested South Surrey Medical Clinic, Healthvue Ventures Limited and Cloud Practice Inc. to WELL for approximately $5,750 in cash. The Company has also entered into a definitive agreement to divest Cloverdale Pharmacy Ltd. and Steveston Health Centre Ltd. to Neighbourly for approximately $3,800 in cash. Closing of the transaction with Neighbourly is subject to standard closing conditions and the consideration is subject to standard adjustments.

The Company's RXI business (RX Infinity Inc., Rxi Pharmacy Inc. & Rxi Health Solutions (collectively "**RXI**") is the last business included in the Clinic Services & Pharmacies segment that the Company has not reached a definitive arrangement to sell. However it is actively engaged in a process to sell. The RXI business generates significant revenue; however, gross margins are low and it does not generate profit or positive cash flows. If successful in completing a sale of this business, the Company expects it will provide an insignificant amount of cash. The benefit of the sale is the improvement in the overall gross margins of the business and improved cash flows.

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

The results of the entities that were classified as discontinued operations in the period are presented below:

Unaudited	**Three months ended September 30**		**Nine months ended September 30**	
	2022	**2021**	**2022**	**2021**
Revenue	**$ 10,713**	**$ 10,236**	**$ 31,303**	**$ 21,653**
Expenses	11,079	10,920	32,333	22,850
Operating income	(366)	(684)	(1,030)	(1,197)
Finance costs	(48)	(37)	(138)	(119)
Impairment	(3,070)	-	(6,848)	-
Other income	19	(65)	89	14
Loss before tax from discontinuing operations	**(3,465)**	**(786)**	**(7,927)**	**(1,302)**
Tax (expense)/benefit	411	(38)	427	(51)
Loss after tax for the period from discontinuing operations	**(3,054)**	**(824)**	**(7,500)**	**(1,353)**
Loss per share from discontinuing operations	**$ (0.01)**	**$ (0.00)**	**$ (0.03)**	**$ (0.01)**

EBITDA and Adjusted EBITDA

EBITDA for the three and nine months ended September 30, 2022, was a loss of $7,410 and $20,072 respectively, compared to a loss of $2,652 and $12,895 for the same periods in the prior year.

Adjusted EBITDA for the three and nine months ended September 30, 2022, was a loss of $3,034 and $8,083 respectively, compared to a gain of $902 and a loss of $1,531 for the same year-ago periods.

The following table provides a reconciliation of net loss for the periods to EBITDA and Adjusted EBITDA for the nine months ended September 30, 2022 and 2021.

	Three months ended September 30,		**Variance**		**Nine months ended September 30,**		**Variance**	
Unaudited	**2022**	**2021**	**$**	**%**	**2022**	**2021**	**$**	**%**
Net loss	**$ (94,851)**	**$ (5,787)**	**(89,064)**	**1,539%**	**$ (144,713)**	**$ (17,709)**	**(127,004)**	**717%**
Add:								
Interest and accretion expense	621	737	(116)	(16%)	1,592	855	737	86%
Current deferred and income tax expense	(811)	407	(1,218)	(299%)	(742)	549	(1,291)	(235%)
Impairment	83,910	-	83,910	100%	113,152	-	113,152	100%
Depreciation and amortization	3,721	1,991	1,730	87%	10,639	3,410	7,229	212%
EBITDA(1) for the period	**$ (7,410)**	**$ (2,652)**	**(4,758)**	**179%**	**$ (20,072)**	**$ (12,895)**	**(7,177)**	**56%**
Share-based compensation	273	1,543	(1,270)	(82%)	1,295	4,576	(3,281)	(72%)
Financing-related costs	-	-	-	-	-	871	(871)	(100%)
Acquisition and divestiture-related, integration and restructuring costs	1,659	1,790	(131)	(7%)	9,232	5,447	3,785	69%
Litigation costs and loss provision	101	37	64	173%	555	83	472	569%
Change in fair value of liability to non-controlling interests	64	-	64	100%	232	-	232	100%
Change in fair value of contingent consideration	(996)	(640)	(356)	56%	(7,046)	(966)	(6,080)	629%
Net loss from discontinuing operations	3,054	824	2,230	271%	7,500	1,353	6,147	454%
Loss on sale of joint venture	221	-	221	100%	221	-	221	100%
Adjusted EBITDA(1) for the period	**$ (3,034)**	**$ 902**	**(3,936)**	**(436%)**	**$ (8,083)**	**$ (1,531)**	**(6,552)**	**428%**

(1) EBITDA, Adjusted EBITDA, Financing-related costs, Acquisition and divestiture-related and integration costs, litigation costs and loss provision are non-GAAP measures. Refer to the Non-GAAP Financial Measures section of this MD&A for further information.

(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:

	Q3 2022 (unaudited)	Q2 2022 (unaudited)	Q1 2022 (unaudited)	Q4 2021 (unaudited)	Q3 2021 (unaudited)	Q2 2021 (unaudited)	Q1 2021 (unaudited)	Q4 2020 (unaudited)
Revenue (1)	$ 27,505	$ 40,301	$ 41,378	$ 38,735	$ 39,162	$ 15,659	$ 8,775	$ 5,810
Gross profit(1)	$ 9,482	$ 12,488	$ 13,466	$ 11,605	$ 13,296	$ 5,557	$ 3,591	$ 2,346
Gross profit % (1)	34.5%	31.0%	32.5%	30.0%	34.0%	35.5%	40.9%	40.4%
Net loss	$ (94,851)	$ (44,214)	$ (5,648)	$ (15,131)	$ (4,319)	$ (6,632)	$ (5,290)	$ (5,045)
Adjusted EBITDA (1)	$ (3,034)	$ (3,183)	$ (1,644)	$ 560	$ 725	$ (579)	$ (1,573)	$ (1,505)
EPS, basic and diluted	$ (0.32)	$ (0.15)	$ (0.02)	$ (0.06)	$ (0.02)	$ (0.03)	$ (0.03)	$ (0.04)
Cash and cash equivalents	$ 27,506	$ 29,703	$ 45,082	$ 45,082	$ 53,685	$ 60,880	$ 99,220	$ 59,714

(1) Revenue, Gross Profit, Gross Profit % and Adjusted EBITDA for Q3 2022 reflect results from our continuing operations and does not include entities classified as discontinued operations. Prior quarter figures have not been restated to match this presentation.

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

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

In Q4 2020 to Q1 2021, the Company raised gross proceeds from the issuance of common shares. See the *Use of Proceeds* section for details of how the Company used the net proceeds from such share issuances.

In the second and third quarter of 2022 the company incurred a non-cash impairment charge. Please refer to the discussion under *Impairment* above. Further, in third quarter of 2022, the Company initiated a plan to sell the businesses underlying its former Clinic Services & Pharmacies segment and Cloud Practice Inc. within our Digital Health Solutions segment. As a result, the financial results from these businesses are reflected in our consolidated statement of income, retrospectively, as discontinued operations.

OUTLOOK

The Company continues to remain focused on the integration of its previous acquisitions and products to create an innovative market leadership position and delivering profitable results. The Company has now turned its attention to rationalizing and operationalizing these assets, so that it can drive value creation for shareholders and clients. The Company has experienced a period of transition as a result of leadership turnover and significant number of acquisitions in a short period of time. CloudMD has solidified its leadership with the confirmation of Karen Adams as Chief Executive Officer and John Plunkett as Chief Financial Officer during the third quarter of 2022. Since their appointment, Karen Adams and John Plunkett have been focused on assessing business and financial performance, risks, and the strategic opportunities. The management team is focused on allocating resources against profitable revenue streams that deliver increased shareholder value and rationalizing products and related expenses that do not fit the long-term strategy of the Company.

The Company has been focused on acquisition integration, which has resulted in several personnel changes within the organization. It has put behind the issues encountered in the 2021 VisionPros acquisition (see the *Litigation and Other Contingencies* section below). The Company has undertaken an on-going strategic review of some smaller, non-core assets to determine how best to maximize shareholder value from these assets. Subsequent to the third quarter of 2022, the Company announced significant progress against this objective with two definitive agreements signed to divest of non-core assets. At this point, the Company is focused on leveraging the foundational assets for organic growth, becoming cash flow positive and financial sustainability. The Company has identified significant opportunities to realign its cost base through restructuring and strategic priorities and executing on this is a priority in the fourth quarter of 2022. Becoming cash flow positive is predicated on some key client wins and continuing to optimize our cost structure; the Company is focused on improving this each sequential quarter. In the near-term, the Company expects to benefit from capital raised from the divestiture of some of its smaller, non-core assets.

The COVID-19 pandemic altered the patterns and distribution of healthcare services and expenditures in 2020 and 2021. It created a focus on the systemic deficiencies and inequalities that existed in access to care long before the pandemic, during the pandemic, and we anticipate long after. The current economic market conditions do not impact the services that CloudMD offers. In fact, the needs for mental health supports are resilient to economic markets and become more valuable in helping people cope during difficult times. Employers continue to invest in the areas of health during difficult economic times. The current market environment has underscored the need to provide timely and critical access to mental and physical health treatment and resources. CloudMD is uniquely positioned to shape the future of personalized healthcare. The Company is focused on creating innovation in the delivery of healthcare service leveraging technology to improve access to care, leading to better health outcomes. Through its team-based, personalized care approach, CloudMD provides comprehensive solutions to patients, healthcare practitioners, individuals, and enterprise clients through our call center, digitally or in person.

The Company has a multi-pronged growth strategy which focuses on shareholder value creation, organic growth, cost optimization, and leveraging of our core assets. The Company plans to drive shareholder value through the following priorities, including: (1) integrating acquisitions to generate financial and operational synergies; (2) driving continuous improvement across the organization to improve productivity, product quality and consistency, advancement of integrated program offerings and lower customer acquisition costs; and (3) generating organic growth in the EHS and DHS divisions.

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

The Company has identified approximately $6,000 of cost efficiencies and it will execute against these in the fourth quarter of 2022. These will yield a quarterly EBITDA improvement in the first quarter of 2023. These are required to bring the Company to cash flow positivity, however continued growth is an equally important part of the equation. These synergies will come with a cost of severance, or working notice, which will impact cash flows in the fourth quarter of 2022 and into early 2023. The Company is highly focused on profitable growth and becoming cash flow positive is a key objective for the Company.

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

FINANCIAL POSITION

	As at		
Unaudited	**September 30, 2022**	**December 31, 2021**	**Variance ($)**
Cash and cash equivalents	$ 27,506	$ 45,082	(17,576)
Trade and other receivables	18,332	24,429	(6,097)
Inventory	1,489	3,424	(1,935)
Prepaid expenses, deposits and other	4,410	2,427	1,983
Net investment in sublease	-	20	(20)
Current assets (1)	**51,737**	**75,382**	**(23,645)**
Accounts payable and accrued liabilities	20,358	30,586	(10,228)
Deferred revenue	2,063	1,311	752
Contingent consideration	2,938	11,807	(8,869)
Contingent liability	1,200	1,350	(150)
Current portion of lease liabilities	1,858	1,973	(115)
Current portion of long-term debt	1,632	2,438	(806)
Current liabilities (1)	**30,049**	**49,465**	**(19,416)**
Working capital (2)	**$ 21,688**	**$ 25,917**	**(4,229)**
Contingent consideration settled in shares (3)	2,034	7,627	(5,593)
Adjusted working capital	**$ 23,722**	**$ 33,544**	**(9,822)**

(1) Current assets and current liabilities above exclude the assets held for sale and liabilities associated with the assets held for sale.
(2) Working Capital and Adjusted Working Capital are non-GAAP measures. Refer to the Non-GAAP Financial Measures section of this MD&A for further information.
(3) Adjustment for settlement of the Oncidium contingent consideration, assuming it is settled in shares. CloudMD has the option to settle the contingent consideration, in shares (at a deemed price of $2.30 per share), or cash.

For the nine months ended September 30, 2022, working capital decreased to $21,688 compared to $25,917 at the beginning of the period. The decrease is due to lower cash and cash equivalents, trade receivables and inventory, and higher deferred revenue. This was offset by higher prepaid expenses, lower accounts payable and accrued liabilities, lower contingent consideration and lower current portion of long-term debt. The decrease in cash reflects payments made related to the MindBeacon acquisition for legal and financial advisory; payments of severances related to acquisition integration; payments for accounting and valuation work for 2021 acquisitions completed; legal costs and supplier payments associated with the settlement with the VisionPros sellers and other acquisitions completed; and other non-recurring acquisition expenditures.

The decrease in trade and other receivables from year end is primarily due to diligent efforts made by the Company to collect on amounts due in a timelier basis. Further, the decrease in inventory is attributable to the fact that businesses underlying our former clinics and pharmacies segment held the majority of the inventory balance and are now considered held-for-sale.

The increase in prepaid expense and deferred revenue is primarily due to assets obtained and liabilities assumed related to the MindBeacon acquisition. The decrease in accounts payable and contingent consideration is attributable to payments made on those obligations since December 31, 2021, and the revaluation of the contingent consideration.

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

For the nine months ended September 30, 2022, adjusted working capital decreased to $23,722 compared to $33,544 at the beginning of the period. A significant majority of the contingent consideration relates to the Oncidium acquisition, which was completed in the second quarter of 2021. The contingent consideration can be settled, at the Company's discretion, using cash or common shares issuable at a deemed price of $2.30 per share. If the Company elects to settle the liability in shares at $2.30, this would result in an increase of $2,034 in the Company's working capital.

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

LIQUIDITY AND CAPITAL RESOURCES

	Three months ended September 30,		Variance	Nine months ended September 30,		Variance
Unaudited	**2022**	**2021**		**2022**	**2021**	
Cash provided by / (used in):						
Net cash provided by/ (used in) operating activities	$ 56	$ (5,899)	$ 5,955	$ (22,188)	$ (16,037)	$ (6,151)
Net cash (used in)/provided by investing activities	(433)	(291)	(142)	9,365	(68,307)	77,672
Net cash (used in)/provided by financing activities	(1,833)	(1,045)	(788)	(4,758)	78,385	(83,143)
Decrease in cash and cash equivalents	(2,210)	(7,235)	5,025	(17,581)	(5,959)	(11,622)
Cash and cash equivalents, beginning of period	29,703	60,880	(31,177)	45,082	59,714	(14,632)
Effect of foreign exchange on cash and cash equivalents	13	40	(27)	5	(70)	75
Cash and cash equivalents, end of period	**$ 27,506**	**$ 53,685**	**$ (26,179)**	**$ 27,506**	**$ 53,685**	**$ (26,179)**

The Company had cash and cash equivalents of $27,506 as at September 30, 2022 compared to $53,685 at September 30, 2021.

During the three and nine months ended September 30, 2022, the Company had cash inflows from operations of $56 and outflows from operations of $22,188, respectively, compared to cash outflows of $5,899 and $16,037 in the prior year's comparable periods. The decrease in cash used in operating activities for the three months period was primarily due to positive working capital changes offset by an increased net loss due to acquisition and integration related activities, adjusted for non-cash items. The decrease in the nine months period was primarily due to changes in working capital in the period and acquisition and divestiture-related integration costs which are $3,785 higher than the comparative period.

Cash outflow from investing activities during the three months ended September 30, 2022 was $433 and cash inflow from investing activities for nine months ended September 30, 2022, was $9,365 compared to cash outflow of $291 and $68,307 for the same periods in the prior year. The variance in cash used for investing activities for the three months period was due to the higher capital expenditure in 2022 on intangible assets as we continue to develop our technology platforms including Kii. This was offset by the cash received on the sale of our investment in joint venture. The variance in cash used for the nine months period was primarily due to the MindBeacon acquisition which resulted in a net cash increase for the Company offset by increased spend on intangible assets to develop our technology platforms.

Cash used in financing activities during the three and nine months ended September 30, 2022, was $1,833 and $4,758 compared to cash used for financing activities of $1,045 and cash provided of $78,385 for the same year-ago periods. The change in cash related for financing activities was primarily due to proceeds from the issuance of common shares and proceeds from long-term debt in the same period last year which did not re-occur in the current period. This was offset by higher principal and interest payments on our long-term debt and lease liabilities.

The Company's strategy of divesting non-core assets will add some additional cash to the balance sheet in the fourth quarter of 2022. As of the date of this MD&A, the Company has successfully closed one transaction and has signed a definitive agreement in a second transaction to divest non-core assets which will result in a cash inflow of approximately $9 million.

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

Normalized cash outflows

Table below provides a reconciliation of the one-time cash outflows in the three months ended September 30, 2022:

		(unaudited)
Cash and cash equivalents as at June 30, 2022	$	29,703
Cash and cash equivalents as at September 30, 2022		27,506
Cash outflow (1)	**$**	**(2,197)**
Net cash provided by operating activities	**$**	**56**
Adjustments		
Net changes in non-cash working capital		(3,823)
Adjustments to EBITDA (2)		1,760
Adjusted net cash used in operating activities	**$**	**(2,007)**
Net cash used in investing activities	**$**	**(433)**
Net cash used in financing activities	$	**(1,833)**
Add back: Net cash used in discontinuing operations excluding non-cash working capital	**$**	**60**
Normalized cash outflow (1)	**$**	**(4,213)**

(1) Cash outflow and Normalized cash outflow are non-GAAP measures. Refer to the Non-GAAP Financial Measures section of this MD&A for further information.
(2) Adjustments to EBITDA include Acquisition and divestiture-related, integration and restructuring costs and litigation costs.

During the third quarter of 2022, the Company's use of cash returned to expected levels. In the prior quarter, there were significant negative changes in working capital that related to settlements of non-recurring expenditures from prior periods for acquisitions, professional fees, and severances. During the third quarter, we had less non-recurring cash expenditures. The favourable change in working capital in the third quarter was in part due to the receipt of $3.3 million related to the settlement with the former owners of VisionPros. The Company incurred some outflows related to non-recurring expenditures in the third quarter of 2022 and expects some in the fourth quarter of 2022 mostly related to severance and divestiture activities. In addition, the Company expects to receive positive cash inflows from the divestment of non-core assets in the fourth quarter of 2022. As discussed above, the Company has closed one divestiture and has signed a definitive agreement for the second subsequent to the end of the third quarter. These transactions will provide over $9 million in cash, before transaction related expenses. This combined with the Company's continued focus on profitable operations, is expected to improve the Company's capital structure as it exits 2022. The Company is monitoring cash flow closely, and believes it has the required capital to fund working capital requirements and advance its business strategy.

Debt financing

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

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

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

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

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

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

USE OF PROCEEDS

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

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

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

CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maximize shareholder value. The Company's capital is comprised of equity and long-term debt, net of cash and cash equivalents. The Company manages the capital structure and adjusts in response to changes in economic conditions and the risk characteristics of the underlying assets.

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.

FINANCIAL INSTRUMENTS

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

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

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

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

Credit risk

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

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

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

As at September 30, 2022, the Company had $18,332 (December 31, 2021 – $24,429) of trade and other receivables, net of an allowance for doubtful accounts of $380 (December 31, 2021 - $300).

Liquidity risk

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

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

As at September 30, 2022	**Less than one year**	**One to five years**	**More than five years**	**Total**
Accounts payable, accrued liabilities and other	$ 20,358	$ -	$ -	$ 20,358
Contingent consideration	2,938	531	-	3,469
Lease liability	2,088	3,903	1,474	7,465
Long-term debt	3,034	22,582	681	26,297
	$ 28,418	**$ 27,016**	**$ 2,155**	**$ 57,589**
As at December 31, 2021	**Less than one year**	**One to five years**	**More than five years**	**Total**
Accounts payable, accrued liabilities and other	$ 30,586	$ -	$ -	$ 30,586
Contingent consideration	11,807	6,507	-	18,314
Lease liability	2,259	6,543	964	9,766
Long-term debt	3,063	22,706	-	25,769
	$ 47,715	**$ 35,756**	**$ 964**	**$ 84,435**

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

Market risk

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

(a) Interest rate risk

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

At September 30, 2022, the Company had variable rate borrowing loans amounting to $20,265 (December 31, 2021 – $22,735). With all other variables held constant, a 1% increase in the interest rate would have increased net loss by approximately $101 (September 30, 2021– $114) for the nine months ended September 30, 2022. There would be an equal and opposite impact on net loss with a 1% decrease in the interest rate.

(b) Foreign currency risk

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

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

(Denominated in USD)	September 30, 2022	December 31, 2021
Financial assets		
Cash	1,803	2,034
Trade and other receivables	3,510	2,924
Financial liabilities		
Accounts payable and accrued liabilities	2,675	1,711
Net exposure to foreign currency risk	**$ 2,638**	**$ 3,247**

Sensitivity to foreign currency risk

The impact on the Company's profit before tax is based on changes in the fair value of unhedged foreign currency monetary assets and liabilities at balance sheet date. For the nine months ended September 30, 2022, the change in USD to CAD currency rate of 5% would have an impact of $167 before tax (September 30, 2021 – $195).

OFF-BALANCE SHEET ARRANGEMENTS

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

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

RELATED PARTY TRANSACTIONS

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

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

	Three months ended		Nine months ended	
	September 30, 2022	September 30, 2021	**September 30, 2022**	September 30, 2021
Cash-based compensation	**$ 769**	$ 615	**$ 3,559**	$ 1,505
Stock-based compensation	**228**	1,311	**824**	2,805
Total	**$ 997**	$ 1,926	**$ 4,383**	$ 4,310

During the three and nine months ended September 30, 2022, the Company paid $616 and $2,364 (September 30, 2021 - $670 and $1,254) for services acquired and the cost of facility sharing, and the Company received $196 and $375 (September 30, 2021 – $396 and $677) for services acquired for projects subcontracted to a company controlled by key management of one the Company's subsidiaries for IT development service. As at September 30, 2022, there was an amount payable of $789 (December 31, 2021 - $675) and amount receivable of $292 (December 31, 2021 - $383). These services were paid for the development of one of the Company's key operational platforms.

During the three and nine months ended September 30, 2022, the Company paid $36 and $95 (September 30, 2021 - $75 and $144) to a company which owns 12.5% of one of the Company's subsidiaries. The payments made related to continued enhancement of one of our CMR related technologies.

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent assets and liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. The Company's significant accounting policies are presented in note 2 to the annual consolidated financial statements and in our MD&A for the year ended December 31, 2021. The IASB continues to issue new and revised IFRS. There are no pending accounting standard changes that would have a significant effect on the Company's results and operations. The condensed consolidated unaudited interim financial statements for the three and nine months ended September 30, 2022, have been prepared using the critical accounting estimates and assumptions consistent with those applied in the audited consolidated financial statements for the year ended December 31, 2021, apart from those below:

Consolidation of entities

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

The Company evaluates all relevant facts and circumstances in assessing whether it has power over ProfCo, a key determinant of control, including assessing its rights, and the potential voting rights, contained in the management services agreement. In addition, the Company assesses its exposure, or rights, to variable returns and its ability to use its power over ProfCo to affect the amount of its returns. These evaluations are complex and involve judgment.
Judgment is required to determine whether the Company has the right to make decisions that control the relevant activities of ProfCo, and thus the ability to impact its economic returns. Management must assess which activities most significantly affect

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

the economic performance of ProfCo and whether it has control over these activities. Judgment is also required to determine if the Company has power through potential voting rights. The Company makes an evaluation of whether its potential voting rights, through a call option to purchase all the outstanding shares of ProfCo for a nominal amount, are substantive. The Company evaluates whether the call option is in-the-money, whether it has the financial ability to exercise its option and whether the option is currently exercisable.

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

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

New standards, interpretations and amendments adopted by the Company

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

ACQUISITIONS COMPLETED

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

Company name	**Acquisition date**	**Share/Asset purchase**	**Ownership**	**Line of business**
Humanacare Organizational Resources Inc ("**Humanacare**")	11-01-21	Share	100%	Employer Healthcare
Medical Confidence Inc ("**Medical Confidence**")	15-01-21	Share	100%	Navigation Software
Canadian Medical Directory ("**CMD**")	21-01-21	Asset	100%	Directory
Tetra Ventures LLC ("**IDYA4**")	22-03-21	Share	100%	Employer Healthcare
Aspiria Corp ("**Aspiria**")	01-04-21	Share	100%	Employer Healthcare
RX Infinity Inc., Rxi Pharmacy Inc. & Rxi Health Solutions ("**RXI**")	11-05-21	Share	100%	Pharmacy
0869316 BC Ltd, 1143556 BC Ltd & 11533046 BC Ltd ("**Vision Pros**")	23-06-21	Share	100%	Vision wear
Oncidium Inc. ("**Oncidium**")	25-06-21	Share	100%	Employer Healthcare
MindBeacon Holdings Inc. ("**MindBeacon**")	13-01-22	Share	100%	Digital Healthcare

Description of acquiree businesses:

- HumanaCare is an integrated Employee Assistance Program ("**EAP**") solution which provides compassionate, holistic, physical and mental health support for employees and their families.
- Medical Confidence offers a revolutionary healthcare navigation platform with proven results in wait time reduction and patient satisfaction.
- Canadian Medical Directory is a listing of registered practitioners in Canada.
- IDYA4 is a leading health technology company focused on data interoperability and cybersecurity based in the United States.

- Aspiria provides an Integrated Employee and Student Assistance Program ("**SAP**"), that focuses on a comprehensive suite of mental health and wellness solutions for all employer and educational sectors.
- RSI provides pharmaceutical logistic services including drug distribution and patient navigation assistance.
- VisionPros is a vertically integrated digital eyewear platform servicing customers across North America.
- Oncidium is a Canadian healthcare provider to employers.
- MindBeacon is a leading mental healthcare provider offering a continuum of care, focusing on iCBT, which is a highly effective therapy provided through a computer or a mobile device.

LITIGATION AND OTHER CONTINGENCIES

During the three months ended June 30, 2020, Gravitas Securities Inc. ("**Gravitas**") commenced an arbitration alleging breach of the terms of a right of first refusal in connection with an offering which was in the form of a bought deal equity financing underwritten by a syndicate of other investment banks in May 2020 and was completed on June 2, 2020 (the "**June 2020 Financing**"). During the three months ended September 30, 2020, Gravitas amended its claims for damages to include commissions and damages arising from an additional bought deal equity financing which was completed on September 22, 2020 (the "**September 2020 Financing**"). During the three months ended June 30, 2021, Gravitas amended its claim for damages to include commissions and damages arising from an additional bought deal equity financing which was completed on March 12, 2021 (the "**March 2021 Financing**"). In May 2022, Gravitas amended its claim for damages to include commissions and damages arising from an additional bought deal equity financing which was completed on November 9, 2020 (the "**November 2020 Financing**"). The total claims are in excess of $9,458 plus unspecified damages associated with the value of share purchase warrants that were issued in connection with the June 2020 Financing, the September 2020 Financing, the November 2020 Financing, and the March 2021 Financing, plus interest and cost. The Company disputes the claims with respect to the June 2020 Financing, the September 2020 Financing, the November 2020 Financing, and the March 2021 Financing entirely. The claims are currently subject to arbitration proceedings which the Company is defending, and the arbitration is scheduled to proceed to a final hearing some time between the fourth quarter of 2022 and the second quarter of 2023. The Company is of the view that its defense to the claims will prevail without liability to the Company; however, an estimate of the liability to the Company should the Gravitas claims succeed is $1,200 and therefore an accrual for that amount as a contingent liability has been recorded.

During nine months ended September 30, 2022, the Company finalized the review and settlement of the VisionPros acquisition. Prior to reaching a settlement, management's concerns on issues with VisionPros resulted in the Audit Committee undertaking the review of the Company's acquisition of VisionPros, with the assistance of independent legal counsel and financial advisors. As a result of that review, recommendations were made to CloudMD's Board of Directors that the Company proceed with settlement negotiations with the former owners of VisionPros (the "**Sellers**"). The settlement agreement (the "**Settlement Agreement**") between the Company and the Sellers was unanimously endorsed by CloudMD's Board of Directors. Pursuant to the terms of the Settlement Agreement, the holdback amounts of $3,000 and 1,090,909 common shares of the Company that were held in escrow as part of the original acquisition of VisionPros were released to CloudMD rather than the Sellers. Additionally, another 4,909,091 of the common shares of the Company issued to the Sellers on the closing of the acquisition were returned to CloudMD. All common shares returned to CloudMD were cancelled upon receipt. Furthermore, the Company will not be required to make any future performance based earnout payments or other payments to the Sellers. The Company also obtained confirmation that certain trade payables of VisionPros in the approximate amount of $800 will now be the responsibility of the Sellers, who have indemnified CloudMD for any such payments. Finally, the Sellers agreed to pay $350 in cash to the Company. The reduction in the purchase price related to the Settlement Agreement was $12.6 million. No other payments will be made by either party to the other in connection with the acquisition of VisionPros and full releases will be exchanged by the parties. During the three months ended September 30, 2022 the Company received the holdback amount of $3,000 and the $350 in cash.

SUBSEQUENT EVENTS

On October 11, 2022, the Company announced the sale of South Surrey Medical Clinic, Healthvue Ventures Limited and Cloud Practice Inc. to WELL for approximately $5,750 in cash. The transaction closed on November 1, 2022.

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

On October 31, 2022, the Company announced the sale of Cloverdale Pharmacy Ltd. and Steveston Health Centre Ltd. to Neighbourly for approximately $3,800 in cash. Subject to satisfying the closing conditions, closing of the transaction is expected to occur in the fourth quarter of 2022.

OUTSTANDING SHARE DATA

The Company had the following securities issued and outstanding:

	As at	
Issued and outstanding	**November 14, 2022**	**September 30, 2022**
Common shares	293,288,555	293,288,555
Stock options	9,548,750	9,548,750
Restricted share units	1,118,250	1,118,250
Warrants	1,509,200	2,595,950
Total	**305,464,755**	**306,551,505**