CloudMD Software & Services Inc.

Unaudited Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2023 and 2022

(Amended and Restated)

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

NOTE TO READER

These amended and restated unaudited interim consolidated financial statements for the three and nine months ended September 30, 2023 and 2022 replace and supersede the previously filed interim consolidated financial statements in respect of the same periods filed on November 29, 2023. As disclosed on November 29, 2023, after the issuance of the audited consolidated financial statements for the years ended December 31, 2022 and 2021, the Company's external auditors and management performed additional procedures and certain adjustments were identified that required restatement of the annual consolidated financial statements. Such additional procedures were also performed over the interim financial statements in connection with the completion by the Company's external auditor of its interim review procedures. Such procedures resulted in a number of adjustments that required a restatement of the interim financial statements, as fully described in Note 2 to these restated interim consolidated financial statements.

CLOUDMD SOFTWARE & SERVICES INC.
Unaudited Condensed Interim Consolidated Statements of Financial Position
(in thousands of Canadian Dollars, except number of shares and per share amounts)
(Unaudited)

	Note	September 30, 2023 (Restated – Note 2)	December 31, 2022
ASSETS			
Current assets			
Cash and cash equivalents		**$ 13,287**	$ 24,058
Trade and other receivables	6	**16,594**	18,780
Inventory		**17**	979
Prepaid expenses, deposits and other		**5,711**	4,622
		35,609	48,439
Assets held for sale	15	**6,320**	3,794
Total current assets		**41,929**	52,233
Deposits		**113**	113
Property and equipment		**5,200**	7,751
Intangible assets		**71,129**	84,558
Goodwill		**37,403**	41,784
Total assets		**$ 155,774**	$ 186,439
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Bank Indebtedness		**$ 190**	$ -
Accounts payable, accrued liabilities and other		**19,299**	20,911
Deferred revenue		**1,889**	2,256
Contingent consideration	7	**765**	2,177
Contingent liability	17	**-**	1,200
Current portion of lease liabilities		**1,148**	2,015
Current portion of long-term debt	9	**16,474**	19,617
		39,765	48,176
Liabilities directly associated with the assets held for sale	15	**3,362**	5,917
Total current liabilities		**43,127**	54,093
Contingent consideration	7	**-**	241
Lease liabilities		**3,415**	4,290
Deferred tax liability		**9,854**	11,609
Liability to non-controlling interests	8	**-**	743
Long-term debt	9	**2,680**	$ 106
Total liabilities		**59,076**	$ 71,082
SHAREHOLDERS' EQUITY			
Share capital	11	**308,322**	$ 304,817
Reserves		**14,215**	13,143
Shares under escrow		**596**	596
Contingent shares issuable		**1,730**	4,436
Accumulated other comprehensive gain		**80**	186
Deficit		**(228,245)**	$ (208,848)
Equity attributable to equity holders of the parent		**96,698**	$ 114,330
Non-controlling interest		**-**	1,027
Total shareholders' equity		**96,698**	$ 115,357
Total liabilities and shareholders' equity		**$ 155,774**	$186,439

Approved and authorized for issuance by the Board of Directors on December 12, 2023.

“Karen Adams”	***“Gaston Tano”***
Karen Adams, CEO & Director	Gaston Tano, Audit and Risk Committee Chair

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

CLOUDMD SOFTWARE & SERVICES INC.
Unaudited Condensed Interim Consolidated Statements of Net loss and Comprehensive Loss
(in thousands of Canadian Dollars, except number of shares and per share amounts)

		Three months ended		Nine months ended	
	Note	**September 30, 2023 (Restated – Note 2)**	September 30, 2022 (Adjusted – Note 2)	**September 30, 2023 (Restated – Note 2)**	September 30, 2022 (Adjusted – Note 2)
Continuing operations					
Revenue	16	**$ 22,932**	$ 23,545	**$ 69,018**	$ 77,136
Cost of sales		**13,797**	15,548	**42,579**	50,374
Gross profit		**$ 9,135**	$ 7,997	**$ 26,439**	$ 26,762
Expenses					
Sales and marketing		**774**	1,543	**2,759**	5,154
Research and development		**397**	968	**1,300**	3,354
General and administrative		**7,772**	8,790	**24,537**	27,199
Share-based compensation	11	**100**	273	**500**	1,295
Amortization of intangible assets		**3,096**	2,635	**8,759**	7,896
Depreciation of property and equipment		**587**	926	**1,809**	2,281
Acquisition and divestiture-related, integration and restructuring costs		**1,071**	1,659	**2,813**	9,183
Total expenses		**13,797**	16,794	**42,477**	56,362
Operating Loss		**$ (4,662)**	$ (8,797)	**$ (16,038)**	$ (29,600)
Other income		**375**	33	**606**	305
Change in fair value of contingent consideration	7	**142**	996	**142**	7,046
Change in fair value of liability to non-controlling interest		**-**	(64)	**(549)**	(232)
Change in contingent liability	17	**-**	-	**760**	-
Loss on sale of investment in joint venture		**-**	(221)	**-**	(221)
Impairment		**-**	(80,867)	**-**	(80,867)
Finance costs		**(596)**	(515)	**(1,652)**	(1,541)
Net loss before taxes from continuing operations		**(4,741)**	(89,435)	**(16,731)**	(105,110)
Income tax recovery		**213**	795	**526**	742
Net loss for the period from continuing operations		**(4,528)**	(88,640)	**(16,205)**	(104,368)
Discontinuing operations					
Loss after tax for the period from discontinuing operations	15	**(850)**	(7,213)	**(3,192)**	(41,346)
Net loss for the period		**$ (5,378)**	$ (95,853)	**$ (19,397)**	$ (145,714)
Other comprehensive loss					
Exchange gain (loss) on translation of foreign operations		**(3)**	521	**(106)**	831
Total comprehensive loss for the period		**$ (5,381)**	$ (95,332)	**$ (19,503)**	$ (144,883)
Net loss attributable to:					
Equity holders of the Company		**$ (5,378)**	$ (95,910)	**$ (19,397)**	$ (145,780)
Non-controlling interest		**1**	57	**1**	66
Total comprehensive loss attributable to:					
Equity holders of the Company		**$ (5,381)**	$ (95,389)	**$ (19,503)**	$ (144,949)
Non-controlling interest		**1**	57	**1**	66
Weighted average number of common shares, basic and diluted		**302,302,166**	299,263,577	**301,163,288**	292,352,237
Loss per share, basic and diluted		**(0.02)**	(0.32)	**(0.06)**	(0.50)
Loss per share, basic and diluted from continuing operations		**(0.01)**	(0.29)	**(0.05)**	(0.35)

** Current period and comparative information has been re-presented due to a discontinued operations, see note 15.*

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

CLOUDMD SOFTWARE & SERVICES INC.
Unaudited Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
(in thousands of Canadian Dollars, except number of shares and per share amounts)
(Unaudited)

	Share capital	Reserves	Shares under escrow	Contingent shares issuable	Accumulated other comprehensive gain/ (loss)	Deficit (Note 2)	Non-controlling interest	Total
Balance, December 31, 2021	**$ 241,395**	**$ 11,932**	**$ 596**	**$ 8,510**	**$ (227)**	**$ (53,634)**	**$ 791**	**$ 209,363**
Shares issued/issuable for business	53,176	-	-	-	-	-	-	53,176
Shares returned on sale of investment in joint venture	(86)	-	-	-	-	-	-	(86)
Gain on modification in contingent shares issuable	-	-	-	(2,224)	-	2,224	-	-
Contingent shares issued	2,497	-	-	(2,497)	-	-	-	-
Contingent consideration settled in shares	6,616	-	-	-	-	-	-	6,616
Exercise of stock options	87	(37)	-	-	-	-	-	50
Exercise of warrants	281	(5)	-	-	-	-	-	276
Shares issued for services	15	-	-	(15)	-	-	-	-
Share-based compensation	-	1,275	-	-	-	-	-	1,275
Other comprehensive loss	-	-	-	-	831	-	-	831
Net loss for the period (Adjusted – Note 2)	-	-	-	-	-	(145,780)	66	(145,714)
Balance, September 30, 2022 (Adjusted – Note 2)	**$ 303,981**	**$ 13,165**	**$ 596**	**$ 3,774**	**$ 604**	**$ (197,190)**	**$ 857**	**$ 125,787**
Balance, December 31, 2022 (Note 2)	**$ 304,817**	**$ 13,143**	**$ 596**	**$ 4,436**	**$ 186**	**$ (208,848)**	**$ 1,027**	**$ 115,357**
Contingent shares issued	2,706	-	-	(2,706)	-	-	-	-
Contingent consideration settled in shares	765	-	-	-	-	-	-	765
Share-based compensation	34	44	-	-	-	-	-	78
Transfer from non-controlling interest	-	1,028	-	-	-	-	(1,028)	-
Other comprehensive loss	-	-	-	-	(106)	-	-	(106)
Net loss for the period (Restated – Note 2)	-	-	-	-	-	(19,397)	1	(19,396)
Balance, September 30, 2023 (Restated – Note 2)	**$ 308,322**	**$ 14,215**	**$ 596**	**$ 1,730**	**$ 80**	**$ (228,245)**	**$ -**	**$ 96,698**

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

CLOUDMD SOFTWARE & SERVICES INC.
Unaudited Condensed Interim Consolidated Statements of Cash Flows
(in thousands of Canadian Dollars, except number of shares and per share amounts)
(unaudited)

	Note	Nine months ended **September 30, 2023 (Restated – Note 2)**	 September 30, 2022 (Adjusted – Note 2)
Operating activities			
Net loss for the period		**$ (19,397)**	$ (145,714)
Adjustments for			
Interest expense on lease liabilities		**128**	306
Interest expense on long term debt		**1,525**	1,424
Deferred tax (recovery) expense		**(725)**	(1,496)
Depreciation and amortization		**11,118**	12,006
Share-based compensation		**500**	1,295
Change in fair value of contingent consideration		**(142)**	(7,046)
Change in fair value of liability to non-controlling interest		**549**	232
Change in fair value of contingent liability		**(760)**	-
Loss on sale in investment in joint venture		**-**	221
Gain on sale of subsidiary		**(190)**	-
Impairment		**-**	121,001
Other		**(72)**	237
Net change in non-cash working capital	12	**(3,333)**	(3,653)
Net cash used in operating activities		**(10,799)**	(21,187)
Investing activities			
Acquisition of businesses, net of cash acquired	5	**-**	12,163
Payment of contingent consideration	7	**(746)**	(1,183)
Dividend received from joint venture		-	26
Cash received on sale of joint venture		**(1,292)**	77
Payments received from net investment in sublease		-	124
Purchase of intangible assets		**(1,652)**	(2,633)
Proceeds from disposal of business	15	**7,406**	24
Purchase of property and equipment		**(75)**	(234)
Net cash provided by investing activities		**3,641**	8,364
Financing activities			
Proceeds from exercise of stock options		-	50
Proceeds from exercise of warrants		**-**	276
Proceeds from long-term debt, net of financing cost	9	**1,091**	467
Payment of long-term debt		**(3,121)**	(3,226)
Payment of lease liabilities		**(1,773)**	(2,325)
Net cash used in financing activities		**(3,803)**	(4,758)
Net decrease in cash and cash equivalents		**$ (10,961)**	$ (17,581)
Cash and cash equivalents, beginning of period		**24,058**	45,082
Effect of foreign exchange on cash and cash equivalent		**-**	5
Cash and cash equivalents, end of period	12	**$ 13,097**	$ 27,506

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

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

1. CORPORATE INFORMATION

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

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

2. RESTATEMENTS AND ADJUSTMENTS

Restatement

The Company's external auditors and management performed additional procedures over the unaudited interim financial statements for the three and nine months ended September 30, 2023 and 2022 (the "interim financial statements") in connection with the completion by the Company's external auditor of its interim review procedures. Such procedures resulted in a number of adjustments that required a restatement of the interim financial statements, which were mainly as a result of revenues and related cost of sales at period end and impact of restatement of results from the prior year which were previously impacted in the current period.

The following is a summary of the adjustments that impact the unaudited Condensed Interim Consolidated Statements of Financial Position, unaudited Condensed Interim Consolidated Statements of Net Loss and Comprehensive Loss and unaudited Condensed Interim Consolidated Statement of Cash Flows, for the three and nine months ended September 30, 2023:

Unaudited Condensed Interim Consolidated Statements of Financial Position

As at September 30, 2023:	Previously reported	Adjustment	Restated
Trade and other receivables	17,288	(694)	16,594
Prepaid expenses, deposits and other	4,124	1,587	5,711
Total current assets	**41,036**	**893**	**41,929**
Total Assets	**154,881**	**893**	**155,774**
Accounts payable, accrued liabilities and other	18,799	500	19,299
Total current liabilities	**42,626**	**501**	**43,127**
Total Liabilities	**58,575**	**501**	**59,076**
Deficit	(228,637)	392	(228,245)
Equity attributable to equity holders of the parent	**96,306**	**392**	**96,698**
Total shareholders' equity	**96,306**	**392**	**96,698**
Total liabilities and shareholders' equity	**154,881**	**893**	**155,774**

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

Unaudited Condensed Interim Consolidated Statements of Net Loss and Comprehensive Loss

For the Three months ended September 30, 2023:	Previously reported	Adjustment	Restated
Revenue	23,612	(680)	22,932
Cost of Sales	15,130	(1,333)	13,797
Gross Profit	**8,482**	**653**	**9,135**
General and administrative	7,636	136	7,772
Total Expenses	**13,661**	**136**	**13,797**
Operating Loss	**(5,179)**	**517**	**(4,662)**
Other income	374	1	375
Finance costs	(472)	(124)	(596)
Net loss before taxes from continuing operations	**(5,135)**	**394**	**(4,741)**
Net loss for the period from continuing operations	**(4,922)**	**394**	**(4,528)**
Net loss for the period	**(5,771)**	**393**	**(5,378)**
Total Comprehensive loss for the period	**(5,774)**	**393**	**(5,381)**

For the Nine months ended September 30, 2023:	Previously reported	Adjustment	Restated
Revenue	69,698	(680)	69,018
Cost of Sales	43,912	(1,333)	42,579
Gross Profit	**25,786**	**653**	**26,439**
General and administrative	24,401	136	24,537
Total Expenses	**42,341**	**136**	**42,477**
Operating Loss	**(16,555)**	**517**	**(16,038)**
Other income	605	1	606
Finance costs	(1,528)	(124)	(1,652)
Net loss before taxes from continuing operations	**(17,125)**	**394**	**(16,731)**
Net loss for the period from continuing operations	**(16,599)**	**394**	**(16,205)**
Net loss for the period	**(19,789)**	**392**	**(19,397)**
Total Comprehensive loss for the period	**(19,895)**	**392**	**(19,503)**

Unaudited Condensed Interim Consolidated Statements of Cash Flows

For the nine months ended September 30, 2023:	Previously reported	Adjustment	Restated
Net loss for the period	(19,791)	394	(19,397)
Interest expense on long term debt	1,401	124	1,525
Net change in non-cash working capital	(2,815)	(518)	(3,333)
Net Cash used in operating activities	**(10,799)**	**-**	**(10,799)**
Net cash provided by investing activities	**3,641**	**-**	**3,641**
Net cash used in financing activities	**(3,803)**	**-**	**(3,803)**
Net decrease in cash and cash equivalents	**(10,961)**	**-**	**(10,961)**

Adjustments

In relation to the additional procedures performed as discussed in the restatement above, a non material error related to the prior year impairment of goodwill was identified and has been adjusted in the three and nine month comparative period. The following is a summary of the adjustments that impact the unaudited Condensed Interim Consolidated Statements of Net Loss and Comprehensive Loss and unaudited Condensed Interim Consolidated Statement of Cash Flows:

Unaudited Condensed Interim Consolidated Statements of Net Loss and Comprehensive Loss

For the Three months ended September 30, 2022:	Previously reported	Adjustment	Adjusted
Impairment	(79,866)	(1,001)	(80,867)
Net Loss before taxes from continuing operations	**(88,434)**	**(1,001)**	**(89,435)**
Net loss for the period from continuing operations	**(87,639)**	**(1,001)**	**(88,640)**
Net loss for the period	**(94,852)**	**(1,001)**	**(95,853)**
Total Comprehensive loss for the period	**(94,331)**	**(1,001)**	**(95,332)**

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

For the Nine months ended September 30, 2022:	**Previously reported**	**Adjustment**	**Adjusted**
Impairment	(79,866)	(1,001)	(80,867)
Net Loss before taxes from continuing operations	**(104,109)**	**(1,001)**	**(105,110)**
Net loss for the period from continuing operations	**(103,367)**	**(1,001)**	**(104,368)**
Net loss for the period	**(144,713)**	**(1,001)**	**(145,714)**
Total Comprehensive loss for the period	**(143,882)**	**(1,001)**	**(144,883)**

Unaudited Condensed Interim Consolidated Statements of Cash Flows

For the nine months ended September 30, 2022:	**Previously reported**	**Adjustment**	**Adjusted**
Net loss for the period	(144,713)	(1,001)	(145,714)
Impairment	120,000	1,001	121,001
Net change in working capital	(4,654)	1,001	(3,653)
Net Cash used in operating activities	**(22,188)**	**(1,001)**	**(21,187)**
Purchase of intangible assets	(1,632)	(1,001)	(2,633)
Net cash provided by investing activities	**9,365**	**(1,001)**	**8,364**
Net cash used in financing activities	**(4,758)**	**-**	**4,758**
Net decrease in cash and cash equivalents	**(17,581)**	**-**	**(17,581)**

3. BASIS OF PREPARATION

a) Basis of Preparation

The unaudited condensed consolidated interim financial statements ("interim financial statements") have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") and should be read in conjunction with the Company's restated annual consolidated financial statements as at and for the year ended December 31, 2022. They do not include all the disclosures required for a complete set of financial statements prepared in accordance with IFRS standards.

These interim financial statements were authorized for issue by the Board of Directors on December 12, 2023.

b) Going Concern

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

The Company has incurred losses and has generated negative cash flows from operations. For the nine months ended September 30, 2023, the Company recorded a net loss from continuing operations of $16,205 and cash used in operations of $10,799. As at September 30, 2023, the Company had Cash and cash equivalents of $13,097.

As stated in Note 2 of the restated annual financial statements, the Company was not in compliance with certain financial covenants under the Facilities and as a result, $17,584 has been included in the current liabilities in the Consolidated Statements of Financial Position as of December 31, 2022. As noted below, the Company amended the credit agreement governing the Facilities during the first quarter of 2023 and the Company was in compliance with its financial covenants as at September 30, 2023. However, as of the date that these unaudited condensed interim financial statements were approved and authorized for issuance, the Company's projected cash flows are not sufficient to repay the full amount of the Facilities on the maturity date of June 30, 2024 and fund operations.

To continue as a going concern, the Company must generate sufficient operating cash flows and obtain additional financing to fund its operations and repay the Facilities. The Company is in discussions with its lender about refinancing the Facilities prior to maturity, and after evaluating the uncertainties, considers it appropriate to continue to adopt the going concern basis in preparing the Company's financial statements. However, there is no assurance that the Facilities will be renewed, or that such renewal will be on terms that are favourable to the Company.

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

Subsequent to year ended December 31, 2022, during the first quarter of 2023, the Company amended the credit agreement governing the Facilities. Under the terms of the amending agreement, the credit parties were expanded to include CloudMD Holdings Inc., Humanacare Organizational Resources Inc., Medical Confidence Inc. and Re: Function Health Group Inc. In addition, the Company is permitted to net up to $2.5 million of cash or cash equivalents that are deposited in a restricted cash account with the lender against the outstanding debt amount for purposes of calculating certain financial covenants. The debt is secured by a first-ranking security interest on all present and after-acquired assets of the Company's above listed entities. As at September 30, 2023, the Company was in compliance with all financial covenants.

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

c) Basis of Consolidation

These interim financial statements comprise of the financial statements of the Company and its subsidiaries as at September 30, 2023. All inter-company transactions and balances have been eliminated on consolidation. These interim financial statements incorporate the assets, liabilities and results of the Company and its subsidiaries for the three and nine months ended September 30, 2023, and 2022. As at September 30, 2023, the Company owned 27 subsidiaries that are wholly-owned or controlled by virtue of a management services agreement, based in Canada and the USA.

d) Significant Accounting Judgments, Estimates and Assumptions

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

The same accounting policies and methods of computation are followed in these interim financial statements as compared with the most recent audited annual consolidated financial statements, except for the new standards, interpretations and amendments adopted by the Company as as described in Note 4 below.

4. SIGNIFICANT ACCOUNTING POLICIES

These interim financial statements have been prepared in accordance with the accounting policies adopted in the Company's most recent annual financial statements for the year ended December 31, 2022 (being restated annual financial statements) except for the following changes in accounting policies:

New standards, interpretations and amendments adopted by the Company

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

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

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

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Company adopted these amendments on January 1, 2023, which did not have a material impact on the Company's interim financial statements.

Definition of Accounting Estimates - Amendments to IAS 8

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

The Company adopted these amendments on January 1, 2023, which did not have a material impact on the Company's interim financial statements.

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

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.The Company adopted these amendments on January 1, 2023, which did not have a material impact on the Company's interim financial statements.

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

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

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognized for all deductible and taxable temporary differences associated with leases and decommissioning obligations. The Company adopted these amendments on January 1, 2023, which did not have a material impact on the Company's interim financial statements.

5. BUSINESS COMBINATIONS

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

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

The purchase price for this acquisition is as follows:

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

6. TRADE AND OTHER RECEIVABLES

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

As at	**September 30, 2023 (Restated - Note 2)**	December 31, 2022
Trade receivables	**$ 14,122**	$ 15,884
Other receivables	**3,727**	4,760
Allowance for expected credit losses	**(1,255)**	(1,864)
Total	**$ 16,594**	$ 18,780

7. CONTINGENT CONSIDERATION

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

Balance, December 31, 2022	**$ 2,418**
Payment of contingent consideration	(746)
Change in fair value of contingent consideration	(142)
Contingent consideration settled in shares	(765)
Balance, September 30, 2023	**$ 765**
Current portion	765
Long-term portion	**$ -**

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

8. LIABILITY TO NON-CONTROLLING INTERESTS

The following table shows a reconciliation of the liability to non-controlling interests:

Balance, December 31, 2022	**$ 743**
Change in fair value	549
Acquisition of non-controlling interest	(1,292)
Balance, September 30, 2023	**$ -**

On March 14, 2023, the non-controlling shareholder has notified the Company of their intention to exercise the put option granted under the shareholder's agreement. As such the liability has been re-valued using the expected settlement amount to acquire the remaining 12.5% interest held by the non-controlling interest. The buyout was completed on May 19, 2023 and the non-controlling interest balance up to the date of buyout has been reclassified to Reserves under Shareholders' Equity.

9. LONG TERM DEBT

	September 30, 2023	December 31, 2022
Bank loans:		
Variable interest rate	**$ 15,952**	$ 17,584
Variable interest rate	**-**	25
Fixed interest rate loan	**-**	102
Interest free loans:		
Federal Economic Development Agency Loan	**3,142**	1,952
CEBA Loan[1]	**60**	60
Balance	**$ 19,154**	$ 19,723
Current portion	**16,474**	19,617
Long-term portion	**$ 2,680**	$ 106

[1] Loan matures on December 31, 2023

<u>Bank Loans</u>

The Company, through its subsidiary Oncidium, has credit facilities of up to $29,375 (the "Facilities") comprised of the following:

(1) Revolver Facility of $3,000;
(2) Term Facility of $16,375, subject to certain restrictions for use beyond the balance already drawn; and,
(3) Additional term facility of $10,000 subject to lender approval.

As stated in Note 2 of the restated annual financial statements, the Company was not in compliance with certain financial covenants under the Facilities and as a result, $17,584 was included in the current liabilities in the Consolidated Statements of Financial Position as of December 31, 2022. As noted below, the Company amended the credit agreement governing the Facilities during the first quarter of 2023 and the Company was in compliance with its financial covenants as at September 30, 2023. However, as of the date that these unaudited condensed interim financial statements were approved and authorized for issuance, the Company's projected cash flows are not sufficient to repay the full amount of the Facilities on the maturity date of June 30, 2024 and fund operations. The Company is in discussions with its lender about refinancing the Facilities prior to maturity.
The Facilities mature on June 30, 2024 and as a result have been presented as a current liability on the unaudited condensed interim consolidated statement of financial position. On June 30, 2023, the Company commenced renewal

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

discussions with its lender. The Company has formed a judgment that there is a reasonable expectation that the Company will be able to renew its credit facility agreement prior to maturity.

On March 28, 2023, the Company amended the credit agreement governing the Facilities. Under the terms of the amended agreement, the credit parties have been expanded to include CloudMD Holdings Inc., Humanacare Organizational Resources Inc. Medical Confidence Inc., and Re: Function Health Group Inc. In addition, the Company can net up to $2.5 million of cash or cash equivalents that are deposited in a restricted cash account with the lender against the outstanding debt amount for purposes of calculating the financial covenants.

Interest accrues daily on advances at the applicable Canadian Dealer Offered Rate ("CDOR") plus a margin of between 2.0% and 3.5% dependent upon certain financial ratios. The fair value of the long-term debt approximates its carrying value. The interest rate on the loans as at September 30, 2023 was 9.05%.

As at September 30, 2023, 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 above listed entities.
Interest free loans

MindBeacon entered into a contribution agreement with the Federal Economic Development Agency for Southern Ontario for up to $4,000 in interest free loans to support its transition into a digital mental health platform provider, with the objective of growing recurring revenue by offering its platform as a service to customers in global markets. The loan is repayable over a period of five years, beginning January 2024. The government grant was calculated using a discount rate of 11.9% ,which is the expected interest rate on a similar type of loan. During the nine month ended period the Company received $1,091 (2022 - $467) of additional loans.

10. RELATED PARTY TRANSACTIONS

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

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

	Three months ended		**Nine months ended**	
	September 30, 2023	September 30, 2022	**September 30, 2023**	September 30, 2022
Cash-based compensation	**$ 671**	$ 769	**$ 2,199**	$ 3,559
Stock-based compensation	**14**	228	**414**	824
Total	**$ 685**	$ 997	**$ 2,613**	$ 4,383

During the three and nine months ended September 30, 2023, the Company paid $551 and $1,683 (September 30, 2022 - $661 and $2,364) for services acquired and the cost of facility sharing, and the Company received $74 and $258 (September 30, 2022 – $196 and $375) 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, 2023, there was an amount payable of $1,512 (December 31, 2022 - $1,479) and amount receivable of $231 (December 31, 2022 - $386). 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, 2023, the Company paid nil and $67 (September 30, 2022 - $36 and $95) to a company which owned 12.5% of one of the Company's subsidiaries, prior to the Company acquiring the minority interest. The payments made related to processing support for Revenue Cycle Management offering. Payments are made in accordance with the terms of the agreement established and agreed to by the related parties.

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

11. SHARE CAPITAL

The following is a summary of the share capital activities:

	Number of common shares	Share capital
Balance, December 31, 2022	**294,048,103**	**$ 304,817**
Contingent shares issued	4,729,606	2,706
Contingent consideration settled in shares	3,478,261	765
Exercise of restricted share units	250,000	34
Balance, September 30, 2023	**302,505,970**	**$ 308,322**

During the nine months ended September 30 2023, the Company granted the following stock options, restricted share units and deferred share units to employees and Directors of the Company:

- 1,050,000 stock options with exercise prices ranging from $0.14 to $0.17 and an exercise term of 5 years from the date of grant. The value of the award is determined by the fair value at the date when the grants were made using the Black-Scholes valuation model and estimated to be $74. The expense is recognized over the vesting period of 2 years.
- 7,416,058 of restricted share units. The awards vest 3 years from the date of grant and can be settled in cash or shares or combination thereof at the Board's discretion. The value of the awards is measured at fair value based on the closing price of the Company's common shares on September 30, 2023, which was $0.135, and the related expense is recognized over the vesting period.
- 2,448,760 of deferred share units. The awards vest immediately and the holders have the option to choose to receive the units in shares or cash equivalent. The value of the awards is measured at fair value based on the closing price of the Company's common shares on September 30, 2023, which was $0.135, and the full amount of the award has been recognized as stock-based compensation during the three months ended September 30, 2023, with the corresponding credit to accounts payable, accrued liabilities and other.

12. SUPPLEMENTAL CASH FLOW INFORMATION

(a) Cash and cash equivalents

As at:	September 30, 2023	December 31, 2022
Cash	**$ 10,138**	$ 15,868
Cash equivalents	**3,149**	8,190
Bank Indebtedness	**(190)**	-
Total	**$ 13,097**	$ 24,058

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

(b) Other cash flow information

For the period ended:	**September 30, 2023 (Restated – Note 2)**	September 30, 2022 (Adjusted – Note 2)
Change in non-cash working capital		
Trade and other receivables	**$ 3,160**	$ 6,534
Inventory	**918**	947
Prepaid expenses, deposits and other	**(928)**	(197)
Accounts payable, accrued liabilities and other	**(6,559)**	(11,012)
Deferred revenue	**76**	75
	$ (3,333)	$ (3,653)
Non-cash investing activities		
Contingent consideration settled in shares	**$ 765**	-
Shares issued for acquisition of MindBeacon	**-**	$ 53,176

13. 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's bank loan matures on June 30, 2024 and management has begun discussions with its lender about the renewal of its bank loan prior to maturity. Management believes there is a reasonable expectation that the Company will be able to renew its credit facility agreement prior to maturity.

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 for both the near-term and the upcoming three quarters.

14. FINANCIAL INSTRUMENTS

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

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

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

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.

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

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 provisions are 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, 2023, the Company had $16,594 (December 31, 2022 – $18,780) of trade and other receivables, net of an allowance for expected credit losses of $1,255 (December 31, 2022 - $1,864).

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, 2023 (Restated - Note 2)	**Less than one year**	**One to five years**	**More than five years**	**Total**
Accounts payable, accrued liabilities and other	$ 19,299	$ -	$ -	$ 19,299
Contingent consideration	765	-	-	765
Lease liability	1,148	3,415	-	4,563
Long-term debt	16,474	3,278	260	20,012
	$ 37,686	**$ 6,693**	**$ 260**	**$ 44,639**

As at December 31, 2022	**Less than one year**	**One to five years**	**More than five years**	**Total**
Accounts payable, accrued liabilities and other	$ 20,911	$ -	$ -	$ 20,911
Contingent consideration	2,177	241	-	2,418
Lease liability	2,340	4,869	-	7,209
Long-term debt	18,364	2,393	577	21,334
	$ 43,792	$ 7,503	$ 577	$ 51,872

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.

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

At September 30, 2023, the Company had variable rate borrowing loans amounting to $15,952 (December 31, 2022 – $17,609). With all other variables held constant, a 1% increase in the interest rate would have increased the net loss by approximately $59 (September 30, 2022 – $108) for the nine months ended September 30, 2023. 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 US operations functional currency is USD, and therefore any fluctuation in USD relative to CAD will result in a change in other comprehenvie income for the period.

The Company's exposure to foreign currency risk to profit before tax is based on changes in the fair value of unhedged foreign currency monetary assets and liabilities and as at the balance sheet date is immaterial.

15. DISCONTIUNED OPERATIONS

Benchmark System Inc

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

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

	September 30, 2023
Accounts receivable	$ (591)
Prepaid expenses	(31)
Inventory	(30)
Property and equipment	(786)
Goodwill and intangible assets	(6,858)
Accounts payable and accrued liabilities	166
Deferrred revenue	443
Lease liabilities	731
Net assets and liabilities	**$ (6,956)**
Total consideration	8,341
Less: Holdback	(1,001)
Less: Transaction costs	(1,195)
Net cash inflows	**$ 6,145**

VisionPros

During the second quarter of 2023, management commenced a sale process to dispose of its Vision Pros e-commerce business. As a result the assets and liabilities of VisionPros have been classified as held-for-sale. As of the date of these Unaudited Condensed Interim Consolidated Financial Statements, the Company has not reached a definitive arrangement to sell this business.

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

Clinic Services & Pharmacies segment

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

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

The above entities also represent the entirety of the Clinic Services & Pharmacies segment. The Company sold 100% of its shares in South Surrey Medical Clinic, Healthvue and Cloud Practice Inc. on November 1, 2022. The Company sold 100% of its shares in Steveston and Cloverdale Pharmacies on December 19, 2022.

During the nine months ended September 30, 2023, the Company received $1,261 for the settlement of working capital and certain customary holdbacks as part of the sale agreements.

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

	Three months ended September 30,		**Nine months ended September 30,**	
	2023	2022	**2023**	2022
Revenue	**$ 1,904**	$14,674	**$ 9,302**	$ 42,762
Expenses	**2,375**	15,282	**11,272**	44,480
Impairment	**-**	4,044	**-**	33,286
Operating loss	**$ (471)**	$ (4,652)	**$ (1,970)**	$ (35,004)
Finance costs	**6**	(154)	**(75)**	(189)
Other income	**-**	(2,824)	**14**	(6,579)
Loss before tax from discontinuing operations	**$ (465)**	$ (7,630)	**$ (2,031)**	$ (41,772)
Tax (expense)/benefit	**(385)**	417	**(1,351)**	426
Gain on sale of Benchmark's business	-	-	**190**	-
Loss after tax for the period from discontinuing operations	**$ (850)**	$ (7,213)	**$ (3,192)**	$ (41,346)
Loss per share from discontinuing operations	**$ (0.00)**	$ (0.02)	**$ (0.01)**	$ (0.14)

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

As at September 30, 2023, RXI and VisionPros have assets of $6,320 less liabilities of $3,362, detailed as below:

	As at September 30, 2023
Accounts receivable	$ 607
Prepaid expenses	76
Inventory	510
Property and equipment	1,011
Goodwill and intangible assets	4,116
Accounts payable and accrued liabilities	(1,733)
Lease liability	(597)
Deferred tax liability	(1,032)
Total	**$ 2,958**

The net cash flows incurred by the disposal groups are, as follows:

For the period ended:	**September 30, 2023**	September 30, 2022
Operating	**$ (795)**	$ (1,198)
Financing	**(322)**	(750)
Investing	**(19)**	66
Net cash (outflow)	**$ (1,136)**	$ (1,882)

16. SEGMENTED INFORMATION

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

Health and Productivity Solutions ("HPS")

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

Health and Wellness Services ("HWS")

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

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

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

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

A breakdown of revenue for each operating segment for the three and nine months ended September 30, 2023 and 2022 is as follows:

Revenue	**Three months ended September 30,**		**Nine months ended September 30,**	
(Unaudited)	**2023 (Restated – Note 2)**	2022 (Adjusted – Note 2)	**2023 (Restated – Note 2)**	2022 (Adjusted – Note 2)
Health and Wellness Services	**$ 21,668**	$ 21,818	**$ 64,580**	$ 72,327
Health and Productivity Solutions	**1,264**	1,727	**4,438**	4,809
Total revenue	**$ 22,932**	$ 23,545	**$ 69,018**	$ 77,136

A geographic breakdown of revenue for each operating segment for the three and nine months ended September 30, 2023 and 2022 is as follows:

Revenue	**Three months ended September 30,**		**Nine months ended September 30,**	
(*Unaudited*)	**2023 (Restated – Note 2)**	2022 (Adjusted – Note 2)	**2023 (Restated – Note 2)**	2022 (Adjusted – Note 2)
Canada	**$ 19,860**	$ 20,322	**$ 59,339**	$ 67,441
United States	**3,072**	3,223	**9,679**	9,695
Total revenue	**$ 22,932**	$ 23,545	**$ 69,018**	$ 77,136

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

17. LITIGATION AND OTHER CONTINGENCIES

In 2020, Gravitas Securities Inc. 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. In the second quarter of 2023, a decision of the arbitrator was reached resulting in a settlement amount owing of $440. The Company had previously provisioned $1,200 for the contingent liability and consequently reversed $760 during the second quarter of 2023.