

CAREBOOK TECHNOLOGIES INC.

Interim Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2021 and 2020

Notice of No Auditor Review of Interim Condensed Consolidated Financial Statements

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim condensed consolidated financial statements for the three-and-six-month periods ended June 30, 2021 and 2020 have been prepared by the management in accordance with International Financial Reporting Standards and approved by the Board of Directors of Carebook Technologies Inc. (the "Company"). These interim condensed consolidated financial statements have not been reviewed by the Company's independent auditor.

CAREBOOK TECHNOLOGIES INC.
UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021 AND 2020

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CAREBOOK TECHNOLOGIES INC.

Interim condensed consolidated financial statements
for the three and six months ended June 30, 2021 and 2020
Unaudited

CAREBOOK TECHNOLOGIES INC.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE THREE-AND-SIX-MONTH PERIODS ENDED JUNE 30, 2021 and 2020
Unaudited (Expressed in \$000s CAD, unless otherwise indicated)

		THREE MONTHS ENDED		SIX MONTHS ENDED	
	Note	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
REVENUE	4	\$ 1,139	\$ 857	\$ 2,002	\$ 1,822
Cost of revenue		\$ 97	\$ 54	\$ 171	\$ 103
Gross profit		\$ 1,041	\$ 803	\$ 1,830	\$ 1,719
EXPENSES					
Sales and marketing	5	\$ 503	\$ 682	\$ 979	\$ 871
Research and development	5	\$ 1,215	\$ 1,271	\$ 2,284	\$ 2,215
General and administrative	5	\$ 1,124	\$ 1,647	\$ 2,051	\$ 2,188
Loss from operations		\$ (1,800)	\$ (2,797)	\$ (3,483)	\$ (3,555)
Loss (gain) on embedded derivatives		\$ -	\$ (15)	\$ -	\$ (84)
Transaction costs	6	\$ 44	\$ -	\$ 155	\$ -
M&A costs	6	\$ 308	\$ -	\$ 379	\$ -
Finance costs	2	\$ 273	\$ 128	\$ 289	\$ 257
Net loss		\$ (2,425)	\$ (2,910)	\$ (4,305)	\$ (3,728)
Total comprehensive loss		\$ (2,425)	\$ (2,910)	\$ (4,305)	\$ (3,728)
<i>Basic and diluted loss per share</i>		\$ (0.07)	\$ (0.13)	\$ (0.13)	\$ (0.17)
<i>Weighted average number of basic and diluted common shares</i>		34,381,875	21,667,081	32,462,649	21,667,081

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

CAREBOOK TECHNOLOGIES INC.Interim condensed consolidated financial statements
for the three and six months ended June 30, 2021 and 2020*Unaudited***CAREBOOK TECHNOLOGIES INC.**

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT JUNE 30, 2021 and DECEMBER 31, 2020

Unaudited (Expressed in \$000s CAD)

	Note	June 30, 2021	December 31, 2020
ASSETS			
Current Assets			
Cash and cash equivalents		\$ 1,243	\$ 3,628
Trade and other receivables	7	\$ 742	\$ 245
Prepaid expenses		\$ 220	\$ 111
Deferred financing costs	12	\$ 272	\$ -
Total current assets		\$ 2,477	\$ 3,984
Non-Current Assets			
Property and equipment, net	8	\$ 386	\$ 372
Right-of-use leased assets	11	\$ 441	\$ 466
Goodwill	3, 9	\$ 17,353	\$ 4,370
Intangible assets	9	\$ 813	\$ -
Total non-current assets		\$ 18,993	\$ 5,208
Total Assets		\$ 21,470	\$ 9,192
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	10	\$ 2,483	\$ 1,313
Contract liabilities	4	\$ 421	\$ 298
Current portion of lease liabilities	11	\$ 74	\$ 66
Revolving Facility	12	\$ 6,000	\$ -
Term Loan Facility	12	\$ 4,000	\$ -
Total current liabilities		\$ 12,978	\$ 1,677
Non-Current Liabilities			
Lease liabilities	11	\$ 642	\$ 675
Total non-current liabilities		\$ 642	\$ 675
SHAREHOLDERS' EQUITY			
Share capital	13	\$ 28,743	\$ 23,660
Warrant reserve	13	\$ 2,393	\$ 2,421
Contributed surplus	13	\$ 8,247	\$ 7,987
Accumulated deficit		\$ (31,533)	\$ (27,228)
Total shareholders' equity		\$ 7,850	\$ 6,840
Total Liabilities and Shareholders' Equity		\$ 21,470	\$ 9,192

Approved by the Board of Directors on August 18, 2021:

(s) Josh Blair

Director

(s) Stuart M. Elman

Director

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

CAREBOOK TECHNOLOGIES INC.

Interim condensed consolidated financial statements
for the three and six months ended June 30, 2021 and 2020
Unaudited

CAREBOOK TECHNOLOGIES INC.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER EQUITY (DEFICIT)

FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2021 and 2020

Unaudited (Expressed in \$000s CAD, except share amounts)

	Note	Share capital		Warrants reserve	Contributed surplus	Accumulated deficit	Total shareholders' equity (deficit)
		#	\$	\$	\$	\$	\$
At January 1, 2020		21,667,081	\$ 8,116	\$ -	\$ 5,240	\$ (16,337)	\$ (2,981)
Stock-based compensation			\$ -	\$ -	\$ 2,113	\$ -	\$ 2,113
Net loss from operations			\$ -	\$ -	\$ -	\$ (3,728)	\$ (3,728)
At June 30, 2020		21,667,081	\$ 8,116	\$ -	\$ 7,353	\$ (20,065)	\$ (4,596)
At January 1, 2021		30,522,098	\$ 23,660	\$ 2,421	\$ 7,987	\$ (27,228)	\$ 6,840
Issuance of shares	3	4,132,232	\$ 4,918	\$ -	\$ -	\$ -	\$ 4,918
Issuance of warrants to Lender	13		\$ -	\$ 137	\$ -	\$ -	\$ 137
Exercising of Replacement Principal Warrants	13	308,819	\$ 165	\$ (165)	\$ -	\$ -	\$ -
Stock-based compensation	13		\$ -	\$ -	\$ 259	\$ -	\$ 259
Net loss from operations			\$ -	\$ -	\$ -	\$ (4,305)	\$ (4,305)
At June 30, 2021		34,963,149	\$ 28,743	\$ 2,393	\$ 8,247	\$ (31,533)	\$ 7,850

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

CAREBOOK TECHNOLOGIES INC.

Interim condensed consolidated financial statements
for the three and six months ended June 30, 2021 and 2020
Unaudited

CAREBOOK TECHNOLOGIES INC.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASHFLOW
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2021 and 2020
Unaudited (Expressed in \$000s CAD)

	Note	SIX MONTHS ENDED	
		June 30, 2021	June 30, 2020
Cash flows from (used in) operating activities			
Net loss		\$ (4,305)	\$ (3,728)
Adjustments for non-cash items:			
Stock based compensation	13	\$ 259	\$ 2,113
Warrant reserve	13	\$ 137	
Depreciation		\$ 185	\$ 74
Amortization of intangible assets		\$ 33	\$ -
Gain (loss) on embedded derivative		\$ -	\$ (84)
Accretion of long-term debt		\$ -	\$ 36
Accretion of lease liability		\$ -	\$ 2
Interest expense		\$ 219	\$ 219
Changes in non-working capital items:			
Trade and other receivables		\$ (658)	\$ 4
Prepaid expenses		\$ (109)	\$ (4)
Accounts payable and accrued liabilities	10	\$ 972	\$ 241
Contract liabilities		\$ 124	\$ (50)
Net cash from (used in) operating activities		\$ (3,142)	\$ (1,177)
Cash flows from (used in) investing activities			
Purchases of property and equipment	8	\$ (15)	\$ (14)
Addition of intangible assets	9	\$ (813)	\$ -
Acquisition of InfoTech	3	\$ (7,899)	\$ -
Net cash from (used in) investing activities		\$ (8,726)	\$ (14)
Cash flows from (used in) financing activities			
Issuance (repayment) of advances due to related parties		\$ -	\$ 1,125
Payments of principal on lease liabilities	11	\$ (26)	\$ (23)
Lease inducements and prepayments, net		\$ -	\$ (8)
Interest paid		\$ (219)	\$ (110)
Issuance (repayment) of PME MTL Term Loans		\$ -	\$ 200
Issuance (repayment) of Revolving Facility	12	\$ 6,000	\$ -
Issuance (repayment) of Term Loan Facility	12	\$ 4,000	\$ -
Deferred financing costs	12	\$ (272)	\$ -
Net cash from (used in) financing activities		\$ 9,483	\$ 1,185
Net increase (decrease) in cash and cash equivalents		\$ (2,385)	\$ (7)
Cash and cash equivalents - beginning of period		\$ 3,628	\$ 117
Cash and cash equivalents - end of period		\$ 1,243	\$ 110

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

Note 1 - General Information

Carebook Technologies Inc. (the “Company” or “Carebook”) was incorporated on July 11, 2018 under the *Business Corporations Act (British Columbia)* (“BCBCA”) under the name Pike Mountain Minerals Inc. (“Pike”).

On October 1, 2020, the Company (then known as Pike), together with its wholly-owned subsidiary 12235978 Canada Ltd. (“Subco”), concluded a three-cornered amalgamation with Carebook Technologies (2020) Inc., formerly known as Carebook Technologies Inc. (“Carebook 2020”), to complete an arm’s length reverse takeover transaction (the “RTO”). In connection with the closing of the RTO on October 1, 2020 (described in Note 18 - Reverse Takeover Transaction), the Company changed its name to “Carebook Technologies Inc.”.

For accounting purposes, it has been determined that Pike was the accounting acquiree and Carebook 2020 was the accounting acquirer since the shareholders of Carebook 2020 now control Carebook Technologies Inc., based on the guidance of IFRS 10, Consolidated Financial Statements, and IFRS 3, Business Combinations, to identify the accounting acquirer (Note 18 - Reverse Takeover Transaction).

These consolidated financial statements are prepared as a continuation of the financial statements of Carebook 2020, but reflecting the continuation of the equity instruments of Pike as a result of the RTO. As a result, comparative information included herein from the three and six months ended June 30, 2020 is solely that of Carebook 2020. For simplicity, transactions undertaken by Carebook 2020, during the first three quarters of 2020, are referred to as being undertaken by the Company. Also for simplicity, for all periods prior to October 1, 2020, references to the Company are references to Carebook 2020, unless the context requires otherwise.

On April 6, 2021, the Company acquired 100% of the shares of InfoTech Inc. (“InfoTech”). InfoTech was incorporated in 1984.

The registered office of the Company is 1700-666 Burrard Street, Vancouver, British Columbia, Canada, V6C 2X8 and its executive office is situated at 1400-2045 rue Stanley, Montréal, Québec, Canada, H3A 2V4.

The principal activities of the Company consist of the development and commercialization of mobile health management and health risk assessment systems for individuals, their families, pharmacies, employers, insurers, and clinics. The Company’s common shares trade on the TSX Venture Exchange (“TSXV”) under the symbol CRBK, on the OTC Markets under the symbol CRBKF, and on the Frankfurt Stock Exchange under the symbol PMM1.

Note 2 - Summary of Significant Accounting Policies

2.1 Basis of presentation and going concern

Basis of presentation

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting as issued by the International Accounting Standards Board (“IASB”). These interim condensed consolidated financial statements should be read in conjunction with the December 31, 2020 annual consolidated financial statements, which have been prepared in accordance with IFRS as issued by the IASB.

The Company’s Board of Directors approved these interim condensed consolidated financial statements on August 18, 2021. These interim condensed consolidated financial statements have been

prepared in accordance with the following significant accounting policies that have been applied consistently to all the periods presented.

The Company operates in a single reporting segment. Prior to the acquisition of InfoTech, all revenues were generated in Canada. During the quarter, the Company generated revenue primarily in Canada and the United States, with some revenue generated in Europe, Latin America and Asia. All non-current assets are held in Canada.

Basis of consolidation

The Company consolidates all controlled subsidiaries. These interim condensed consolidated financial statements include the accounts of Carebook Technologies Inc. and its wholly-owned subsidiaries, Carebook Technologies (US), Inc. and InfoTech Inc. The financial information of the subsidiaries is prepared for the same reporting period as the Company, using consistent accounting policies. All intercompany transactions and balances are eliminated upon consolidation.

Functional and presentation currency

The functional currency of the Company is the Canadian dollar. All figures are presented in thousands of Canadian dollars (“\$000s CAD”) unless they refer to share or per share figures, or it is otherwise specified.

Going concern

These interim condensed consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due.

During 2018, the Company signed a five-year software development contract; however, licensing and other revenue streams are still being developed. Despite the addition of InfoTech’s client base and revenue, there is no guarantee that future revenue will generate sufficient income to offset operating expenses of the Company.

In March 2020, the World Health Organization (“WHO”) declared COVID-19 a pandemic. In response to the WHO declaration and continuing spread of COVID-19, several social distancing measures were taken by the Company and third parties including governments, regulatory authorities, businesses, and customers that could negatively impact the Company’s operations and financial results in future periods. Given the unprecedented and pervasive impact of changing circumstances surrounding the COVID-19 pandemic, there is inherently more uncertainty associated with future operating assumptions and expectations as compared to prior periods.

The pandemic caused by the spread of a novel strain of coronavirus, COVID-19, has resulted in no negative impact on the Company’s existing revenue. However, the broad economic slowdown due to COVID-19 has impacted the Company’s business development and global expansion initiatives. While the Company remains in active conversations with potential clients globally, the travel bans, cancelled trade shows/conferences, and other impacts of COVID-19 have slowed the Company’s sales activities. Additionally, potential clients have lengthened their sales cycle, as they focus on dealing with COVID-19.

As at June 30, 2021, the Company’s current liabilities exceeded its current assets by \$10.5 million. The Company has incurred significant operating losses and negative cash flows from operations since inception, resulting in an accumulated deficit of \$31.5 million as at June 30, 2021. To date, the Company has incurred significant costs relating to the development of its technology and service offerings, recruitment of key personnel, and establishing a market for the Company’s services. The Company expects to incur further losses in the development of its business in the near-term and given the funds

required for its monthly burn rate, the Company's working capital may be insufficient to meet its obligations. Therefore the Company must rely on debt and equity financing to finance its operations, meet its working capital needs, service the repayment of debt and fund its growth initiatives, including its mergers and acquisitions ("M&A").

The going concern expectation is based on certain assumptions and estimates such as the ability of the Company to generate revenue from current and prospective customers, meet general and administrative expense requirements, and the ability of the Company to raise capital through equity issuances or debt financing.

While the Company has been successful in securing debt financing in the past as described in Note 12 - Borrowings, raised equity financing in October 2020 as described in Note 18 - Reverse Takeover Transaction, secured credit facilities in April 2021 as described in Note 21 - Subsequent Events, and successfully completed a private placement in August 2021 as described in Note 21 - Subsequent Events, the Company's ability to successfully raise additional funds is dependent on several factors outside the Company's control and largely unknown particularly due to the state of the global economy as a result of the COVID-19 pandemic. As such, there can be no assurance that these initiatives will be successful or sufficient. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern. Management is evaluating alternatives to secure additional financing so that the Company can continue to operate as a going concern. Furthermore, management received confirmation of certain approved financing and subsidies during 2020, and continues to evaluate the Company's eligibility with respect to various subsidies recently made available by the Canadian government to businesses, which is expected to provide additional sources of cash flow to the Company in 2021.

These interim condensed consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary if the going concern assumption was determined to be inappropriate and these adjustments could be material.

2.2 Significant accounting policies

The significant accounting policies used in preparing these interim condensed consolidated financial statements are the same as those disclosed in Note 2 - Summary of Significant Accounting Policies of the Company's annual audited consolidated financial statements for the year ended December 31, 2020, except for the following additions or updates to the policies as set out below:

Finance costs

Interest expense on short- and long-term financing is recorded at the relevant rates on the various borrowing agreements. The components of finance costs within the interim condensed consolidated statements of loss and comprehensive loss for the three and six months ended June 30, 2021 and 2020 were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Finance costs consist of the following:				
Term Note payable	\$ -	\$ 33	\$ -	\$ 74
Convertible Debt	\$ -	\$ 79	\$ -	\$ 149
Amortization of warrants issued to Lender	\$ 21	\$ -	\$ 21	\$ -
Amortization of holdback	\$ 17	\$ -	\$ 17	\$ -
Credit Facilities	\$ 215	\$ -	\$ 215	\$ -
Lease liabilities	\$ 17	\$ 15	\$ 33	\$ 32
PME MTL Term Loans	\$ -	\$ -	\$ -	\$ 1
Other	\$ 3	\$ 1	\$ 3	\$ 1
Total finance costs	\$ 273	\$ 128	\$ 288	\$ 257

Investment tax credits

The Company incurs research and development expenditures, which are eligible for investment tax credits. The recorded investment tax credits are based on management's estimates expected to be recovered and are subject to audit by taxation authorities.

Investment tax credits for research and development are reflected as a reduction in the expenses to which they relate. In 2019, SR&ED tax credits relating to 2017 were recorded in the amount of \$20. In June 2020, SR&ED tax credits relating to 2018 were recorded in the amount of \$26. In June 2021, tax SR&ED credits related to 2019 were accrued in the amount of \$46 and the recovery of such credits is expected during August 2021. The amounts of expected recovery in connection with R&D activities performed in 2020 and the first half of 2021 have not been accrued as of the first half of 2021 due to uncertainty surrounding the amounts expected to be recovered.

Intangible assets

Recognition, measurement, and amortization

Expenditures related to research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in the interim condensed consolidated statements of loss and comprehensive loss as incurred, net of related tax credits.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Costs incurred on development projects are recognized as intangible assets when the following criteria are met:

- It is technically feasible to complete the intangible asset so that it will be available for use;
- Management intends to complete and use the intangible asset;
- There is an ability to use the intangible asset;
- It can be demonstrated how the intangible asset will generate probable future economic benefits;
- Adequate technical, financial, and other resources to complete the development and use or sell the intangible asset are available; and
- The expenditure attributable to the intangible asset during its development can be reliably measured.

As at June 30 2021, these criteria were all met and as such development expenditures were capitalized as incurred, net of related tax credits.

Development assets are depreciated using the straight-line method over their estimated useful life of 10 years.

Impairment tests for property and equipment and intangible assets

At the end of each reporting period, the Company reviews the carrying value of its property and equipment, including its right-of-use assets, and intangible assets with finite useful lives, to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

No impairment losses have been recognized in the interim condensed consolidated statements of loss and comprehensive loss.

2.3 Significant judgments and estimates

The preparation of the Company's interim condensed consolidated financial statements requires management to make judgments, estimates, and assumptions that affect the reporting amounts of revenues, expenses, assets, and liabilities, and the disclosure of contingent liabilities, at each reporting date. The outcome of these uncertainties about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The judgments, estimates, and assumptions applied in the preparation of these interim condensed consolidated financial statements are consistent with those disclosed in Note 2 of the Company's annual audited consolidated financial statements for the year ended December 31, 2020, with the addition of or updates to the following:

Provisions

Provisions for the following are considered on an ongoing basis: (a) legal and other potential claims; and (b) onerous contracts.

During 2020, the Company received a claim for wrongful termination from a former executive. The claim sought a severance payment, and an amount for stock options and commissions. As at June 30, 2021, an estimated final amount for severance has been accrued as a provision for the pending settlement. In July 2021, the Company and the former executive reached a settlement and the severance payment has since been paid to the complainant.

As at June 30, 2021, there were no provisions for onerous contracts.

Any amounts for provisions represent management's best estimates of the expenditure required to settle the obligation at the date of the interim condensed consolidated statements of financial position and will be revised each quarter until the actual liability is settled.

Useful lives of property and equipment and finite-life intangible assets

Property and equipment and finite-life intangible assets represent a significant proportion of the Company's total assets. Determining the useful lives of intangible assets requires management to exercise reasonable judgment with respect to the period over which a capital asset is expected to be available for use by the Company based on its experience with similar assets. Management reviews the estimated useful lives at each financial year end and adjusts prospectively, if appropriate.

Changes in technology or the Company's intended use of these assets, as well as changes in business prospects or economic and industry factors, may cause the estimated useful lives of these assets to change.

To date, there have been no changes to the estimated useful lives of intangible assets.

Capitalization of internally generated intangible assets

Expenses incurred to build Carebook's platforms during the development phase are capitalized as an internally generated intangible asset when the criteria are met as per IAS 38. Management uses significant judgments to assess whether specific individual projects should be eligible for capitalization. Costs incurred during the research phase are expensed in the period in which they were incurred.

Share-based payments

The calculation of the fair value of stock options and warrants granted require management to make estimates and assumptions about expected volatility, expected life, and expected forfeiture rates, which could affect the Company's results if the current estimates change.

Going concern

Determining whether there exists material uncertainty that casts significant doubt about the Company's ability to continue as a going concern requires management to exercise its judgment in particular about its ability to obtain future financing and projected future cash flows and liabilities. Significant judgments related to the Company's ability to continue as a going concern are disclosed in Note 2.1.

2.4 Fair value measurement

Fair value accounting guidance establishes a framework for measuring fair value and expands disclosure about fair value measurements. The framework is intended to enable the reader of the interim condensed consolidated financial statements to assess the inputs used to develop those measurements by establishing the hierarchy for ranking the quality and reliability of the information used to determine fair values. The fair value hierarchy consists of three broad levels described below:

Level 1: Quoted market prices in active markets for identical assets and liabilities.

Level 2: Inputs other than quoted market prices that are observable either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs that are both significant to the fair value measurement and unobservable.

The classification of financial instruments held by the Company as at June 30, 2021 and 2020 is as follows:

- Derivatives not designated in hedge relationships that qualify for hedge accounting in accordance with IAS 39, "Financial Instruments" ("IAS 39"), are classified and subsequently measured at fair value through profit or loss ("FVPL") and measured at their fair value determined upon available market data. Profit or losses on derivatives are recorded in loss (gain) in embedded derivatives in the condensed consolidated statements of loss and comprehensive loss.
- Cash and cash equivalents, trade and other receivables, and advance to shareholders are classified as and subsequently measured at amortized cost using the effective interest rate method. These financial assets are held within a business model whose objective is to hold the assets in order to collect contractual cash flows provided they give rise to cash flows that are

'solely payments of principal and interest' on the principal amount outstanding and are carried at amortized cost using the effective interest rate method, less any impairment. These assets are classified as current or non-current assets based on their maturity date.

- Accounts payable and accrued liabilities, contract liabilities, advances due to related parties, Term Note payable, PME Term Loans, Term Loan Facility, Revolving Facility and long term debt are classified as and subsequently measured at amortized cost using the effective interest rate method.

Refer to Note 12 - Borrowings and Note 14 - Financial Instruments for more information.

Note 3 - Business Combination

Description of the business combination

On April 6, 2021, the Company acquired 100% of the outstanding shares of InfoTech, an industry-leading business-to-business enterprise software-as-a-service company. The aggregate purchase price for the acquisition is \$14,000, subject to customary adjustments for working capital, debt and cash, consisting of a combination of:

- A cash payment of \$9,000 (subject to customary post-closing adjustments and a \$1,000 holdback to secure against potential post-closing indemnification claims); and
- Issuance at closing of \$5,000 worth of common shares of the Company at a price of C\$1.21 per share. This represented a total of 4,132,232 common shares.

The cash consideration for the acquisition was financed using the proceeds from the Company's \$11,000 debt financing which closed on April 6, 2021. This acquisition meets the definition of a business combination under IFRS 3, Business Combinations.

The acquisition of InfoTech marked Carebook's entry into the employer vertical through the addition of the interactive health risk assessment *Wellness Checkpoint* to the Company's offering.

Assets acquired and liabilities assumed as at the acquisition date

The final purchase price allocation is expected to be completed within twelve months following the acquisition date when management has gathered all the information available and considered necessary to finalize this allocation.

The preliminary details of the business combination are as follows:

	Preliminary allocation
	\$
Assets	
Current assets	
Cash and cash equivalents	765
Trade and other receivables	1,151
Prepaid expenses	541
	<u>2,457</u>
Non-current assets	
Property and equipment, net	62
Right-of-use leased assets	9
Goodwill	12,983
Total	<u>15,510</u>
Liabilities	
Current liabilities	
Accounts payable and accrued liabilities	663
Contract liabilities	235
Current portion of lease liabilities	4
	<u>903</u>
Non-current liabilities	
Lease liabilities	5
Future income taxes	40
Total	<u>948</u>
Identifiable net assets acquired	14,563
Less cash acquired	-765
Fair value of net assets acquired, less cash acquired	<u>13,798</u>

The application of IFRS requires management to determine the fair value of the net assets acquired and liabilities assumed (with certain exceptions). As the acquisition closed during the quarter ended June 30, 2021, management has not completed its assessment, so the fair values outlined above are provisional and subject to revision as a result of information discovered after the acquisition date that relates to events and conditions as at the acquisition date. The period when such revisions may be made is not more than 12 months from the date of the acquisition. Any such revisions made could be material.

In particular, the Company has not yet completed its fair value assessment of the intangible assets and goodwill acquired as at June 30, 2021. Consequently, most of the fair value adjustments relating to acquired software, customer relationships, trademark and deferred income tax were included in goodwill in the preliminary fair value assessment. Hence, the valuation of intangible assets and goodwill are provisional and subject to the finalization of independent valuations.

Fair value of consideration transferred:

Total consideration	
Cash consideration transferred (net of cash acquired of \$765)	7,899
Share capital issued	4,918
Adjustment relating to working capital payable to sellers	81
Holdback payable	900
	13,798

Acquisition-related costs

The acquisition-related costs totaled \$230 as at June 30, 2021, and they are included in M&A costs in the Interim Condensed Consolidated Statements of Loss and Comprehensive loss.

Determination of fair value

As at the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at the acquisition-date fair value.

Trade and other receivables, prepaid expenses, and accounts payable and accrued liabilities arising from a business combination are recognized at their fair value, which is not substantially different from their gross contractual value and expected receipts and disbursements.

Contract liabilities from business combinations are recorded at fair value. This corresponds to the future costs to perform the services, the collection of which took place before the acquisition, plus a profit margin. This profit margin is the average margin the Company realizes for the delivery of the same kind of service.

Goodwill is measured as the excess of the total consideration, over the net balance of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed.

Goodwill arising from the business combination

The goodwill recognized from this business combination is not deductible for tax purposes.

Impact of the business combinations on the Company's financial performance

If this business combination had been completed on January 1, 2021, the Company's consolidated revenues for the six-month period ended June 30, 2021 would have been as follows:

Impact of Business Combination	June 30, 2021
Revenue	2,883
Net Loss	-4,326

The Company considers the pro forma figures to be an approximate measurement of the financial performance of the combined business over a six-month period. However, pro forma information does not account for synergies or historical transactions and is not necessarily indicative of the (loss) profit that the Company would have realized if the acquisition had actually occurred on January 1, 2021, nor of the (loss) profit that may be achieved in the future.

To determine the Company's pro forma consolidated revenues and (loss) profit if InfoTech had been acquired on January 1, 2021, the Company:

- calculated the amortization of other acquired intangible assets based on the fair value arising from initial recognition of the business combination rather than the carrying amounts recognized in the pre-acquisition financial statements; and
- calculated the revenues according to the fair value of deferred revenues at the acquisition date.

Note 4 - Revenue

The Company's revenue by service offering for the three and six months ended June 30, 2021 and 2020 were:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Revenue consists of the following:				
Software as a service (SaaS)	\$ 442	\$ 164	\$ 588	\$ 193
Software development	\$ 695	\$ 700	\$ 1,423	\$ 1,651
Revenue share	\$ (11)	\$ (7)	\$ (22)	\$ (22)
Other revenue	\$ 13	\$ -	\$ 13	\$ -
Total revenue	\$ 1,139	\$ 857	\$ 2,002	\$ 1,822

As described in Note 16 - Commitments, the Company has certain revenue share obligations.

The following table outlines the changes in contract liabilities for the periods presented:

	2021	2020
Balance as at January 1,	\$ 298	\$ 333
Decrease from satisfied performance obligations	\$ (1,755)	\$ (1,801)
Increase from changes as a result of the measures in progress	\$ 1,643	\$ 1,751
Increase from acquisition of InfoTech	\$ 235	\$ -
Balance as at June 30,	\$ 421	\$ 283
Of which current	\$ 421	\$ 283
Of which non-current	\$ -	\$ -

The Company's minimum performance commitments to its customers remain through 2023. The Company expects to recognize a minimum revenue of approximately \$1.9 million, \$2.1 million, and \$0.3 million in the second half of 2021, and the years ending December 31, 2022, and 2023, respectively, for partial and fully unsatisfied performance obligations under its fixed fee arrangements and other contracts.

Note 5 - Operating Expenses by Function

The Company's operating expenses are broken down by function for the three and six months ended June 30, 2021 and 2020 as follows:

Sales and marketing expenses consisted of the following for the:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Labour & employee benefits	\$ 567	\$ 191	\$ 1,009	\$ 363
Stock based compensation	\$ (159)	\$ 480	\$ (153)	\$ 480
Marketing	\$ 40	\$ 7	\$ 68	\$ 14
Business development	\$ 55	\$ 4	\$ 55	\$ 14
Total sales and marketing expenses	\$ 503	\$ 682	\$ 979	\$ 871

Research and development expenses consisted of the following for the:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Labour & employee benefits	\$ 927	\$ 529	\$ 1,765	\$ 1,345
Stock based compensation	\$ 34	\$ 599	\$ 61	\$ 599
Research and development	\$ 184	\$ 129	\$ 368	\$ 244
Depreciation & amortization	\$ 70	\$ 13	\$ 90	\$ 26
Total research and development expenses	\$ 1,215	\$ 1,271	\$ 2,284	\$ 2,215

General and administrative expenses consisted of the following for the:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Labour & employee benefits	\$ 532	\$ 226	\$ 781	\$ 487
Stock based compensation	\$ 123	\$ 1,036	\$ 349	\$ 1,036
Rent	\$ 53	\$ 43	\$ 87	\$ 76
Professional fees	\$ 298	\$ 279	\$ 572	\$ 458
General and administrative	\$ 119	\$ 39	\$ 167	\$ 84
Depreciation	\$ 4	\$ 25	\$ 33	\$ 48
Total general and administrative expenses	\$ 1,130	\$ 1,647	\$ 2,050	\$ 2,188

In connection with the term loan from PME MTL, described in Note 12 - Borrowings, the Company received a \$15 grant in February 2020. The grant was used toward research and development labour expenses.

In April 2020, the Company was approved for a joint grant with a third-party technology firm for a patient-centric artificial intelligence research project, whereby certain admissible project expenses will be reimbursed to the companies by the grantor—a Quebec nonprofit organization—up to \$285. The Company's maximum potential reimbursements would equal \$143 for project expenses. As at June 30, 2021, the Company has received \$121 under this program. A final amount of \$22 is expected to be recovered upon completion of the project in 2022.

Note 6 - Transaction and M&A Costs

The Company has incurred non-routine expenses as part of its financing and M&A activities. Non-capitalized costs related to debt and equity financings are recorded as Transaction Costs. Costs related to M&A are recorded as M&A Costs. Transaction and M&A costs for the six-months ended June 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Transaction costs	\$ 155	\$ -
M&A costs	\$ 379	\$ -
Total Transaction and M&A costs as at June 30,	\$ 534	\$ -

Note 7 - Trade and Other Receivables

The Company had \$742 in trade and other receivables as at June 30, 2021 and \$245 in other receivables as at December 31, 2020. These receivables consisted of sales tax receivables, trade receivables for unpaid client invoices, and reimbursements from the provincial government related to the *RL-7 Summary - Summary of Source Deductions and Employer Contributions*.

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
Sales tax receivable	\$ 131	\$ 210
Trade receivables	\$ 576	\$ -
Other receivables	\$ 35	\$ 35
Total trade and other receivables	\$ 742	\$ 245

Impairment allowance

The Company periodically reviews its customers' account aging, credit worthiness, payment histories, and balance trends in order to evaluate trade receivables for impairment under the current expected credit loss. Management also considers historical losses and whether changes in general economic conditions and if the industries in which the Company operates are likely to impact the ability of the Company's customers to remain within agreed payment terms or to pay their account balances in full.

No impairment allowances were recognized during 2020 and the first half of 2021.

The maximum exposure to credit risk as at the reporting date was the carrying value of trade and other receivables. The Company did not hold any collateral from its customers or debtors as security as at June 30, 2021 and December 31, 2020.

Currency concentrations

As at December 31, 2020, the Company had no outstanding trade receivables transacted in currencies other than the Company's functional currency (Canadian dollars). As at June 30, 2021 there were trade receivables totaling \$315 (\$000s USD) and \$9 (\$000s Euro), which were converted to \$390 and \$13 in the Company's functional currency.

Note 8 - Property and Equipment

Property and equipment balances and movements were comprised of the following:

	Leasehold Improvements	Furniture	Computer Hardware	Software	Office Equipment	Total
Balance as at January 1, 2020	\$ 288	\$ 65	\$ 55	\$ -	\$ -	\$ 408
Additions	\$ 4	\$ 4	\$ 48	\$ -	\$ -	\$ 56
Disposals	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation expense	\$ (34)	\$ (20)	\$ (39)	\$ -	\$ -	\$ (93)
Balance as at December 31, 2020	\$ 258	\$ 49	\$ 64	\$ -	\$ -	\$ 371
Cost	\$ 352	\$ 135	\$ 220	\$ -	\$ -	\$ 707
Less accumulated depreciation	\$ (94)	\$ (86)	\$ (156)	\$ -	\$ -	\$ (336)
Balance as at December 31, 2020	\$ 258	\$ 49	\$ 64	\$ -	\$ -	\$ 371
Balance as at January 1, 2021	\$ 258	\$ 49	\$ 64	\$ -	\$ -	\$ 371
Additions	\$ -	\$ -	\$ 8	\$ -	\$ -	\$ 8
Additions acquired through InfoTech acquisition	\$ 12	\$ 13	\$ 29	\$ 4	\$ 6	\$ 64
Disposals	\$ -	\$ -	\$ (1)	\$ -	\$ -	\$ (1)
Depreciation expense	\$ (20)	\$ (11)	\$ (24)	\$ (1)	\$ -	\$ (56)
Balance as at June 30, 2021	\$ 250	\$ 51	\$ 76	\$ 3	\$ 6	\$ 386
Cost	\$ 363	\$ 148	\$ 256	\$ 4	\$ 6	\$ 777
Less accumulated depreciation	\$ (113)	\$ (97)	\$ (180)	\$ (1)	\$ -	\$ (391)
Balance as at June 30, 2021	\$ 250	\$ 51	\$ 76	\$ 3	\$ 6	\$ 386

As at June 30, 2021, the Company did not have any accrued balances for acquired property and equipment within accounts payable and accrued liabilities.

The Company did not recognize any impairments of property and equipment during the periods ended June 30, 2021 and December 31, 2020, but disposed of \$1 in hardware expenses during the first quarter of 2021.

The amount of contractual commitments for the acquisition of property and equipment is disclosed in Note 16 — Commitments.

Note 9 - Intangible Assets and Goodwill

Changes in intangible assets were as follows:

	Capitalized Development	Goodwill
Balance as at January 1, 2020	\$ -	\$ 4,370
Additions	\$ -	\$ -
Balance as at December 31, 2020	\$ -	\$ 4,370
Cost	\$ -	\$ 4,370
Less accumulated amortization	\$ -	\$ -
Balance as at December 31, 2020	\$ -	\$ 4,370
Balance as at January 1, 2021	\$ -	\$ 4,370
Additions	\$ 844	\$ 12,983
Amortization	\$ (31)	\$ -
Balance as at June 30, 2021	\$ 813	\$ 17,353
Cost	\$ 844	\$ 17,353
Less accumulated amortization	\$ (31)	\$ -
Balance as at June 30, 2021	\$ 813	\$ 17,353

In the first half of 2021, the Company met all of the criteria for the capitalization of development under IAS 38. Management estimated that the useful life of development is 10 years and expenses will be amortized on a straight-line basis.

The addition of \$12,983 of goodwill during the quarter pertains to the business combination described in Note 3. As noted therein, the fair value of the intangible assets acquired have not yet been determined and were consequently recorded as goodwill. The fair value of the intangible assets and goodwill acquired will be assessed as part of the purchase price allocation and will be presented accordingly once the valuation has been completed.

Note 10 - Accounts Payable and Accrued Liabilities

As at June 30, 2021 and December 31, 2020 the accounts payable and accrued liabilities consisted of the following:

	June 30, 2021	December 31, 2020
Trade payables	\$ 517	\$ 372
Employee entitlements	\$ 353	\$ 135
Holdback	\$ 900	\$ -
Other payables and accrued liabilities	\$ 713	\$ 807
Total accounts payable and accrued liabilities	\$ 2,483	\$ 1,313

Note 11 - Leases

Office Lease

The Company leases office space for use in its operations. In March 2018, the Company signed its current building lease for an initial term of 10 years with two additional five-year extensions exercisable by the Company. At lease commencement, the extensions were not deemed to be reasonably certain to

be exercised by the Company; thus, these extensions were not included in the term for the lease liability and right-of-use (“ROU”) asset. The lease provides for additional rent payments that relate to the property taxes levied on the lessor, insurance payments made by the lessor, and operating expenses and common area maintenance expenses charged by the lessor. These amounts are generally determined annually.

In March 2020, the Company amended the building lease to increase the square footage of office space lease utilized. The terms of the additional office space lease remained consistent with the original lease agreement and represented incremental lease payments in consideration for the increased space for use by the Company. The additional office space was deemed a new lease and included in the carrying amounts of the lease liability and ROU asset. The Company also has low-value and short-term leases primarily for printers and office equipment, with terms of one to five years. The Company typically recognizes lease expenses on a straight-line basis over the life of the lease for these assets.

In April 2021, the Company acquired a lease liability for InfoTech’s office space. The term remaining on the lease was less than 1 year as at the acquisition date, therefore the lease liability and ROU asset were not recognized under IFRS 16. Instead, the lease payments are expensed over the lease term. The lease liability and ROU asset will be revalued upon renewal of the lease in 2022.

Lease of Equipment

InfoTech entered into a three-year lease of data back-up equipment in February 2020. As at the acquisition date, the gross value remaining on this lease was \$10, which was discounted at a rate of 8% when adopting IFRS 16. The ROU asset recorded as at the acquisition date for this equipment was \$9.

The following table represents the changes in ROU assets for the six months ended June 30, 2021 and 2020:

Cost of right-of-use assets	2021	2020
Balance as at January 1,	\$ 597	\$ 431
Additions	\$ 9	\$ 166
Balance as at June 30,	\$ 606	\$ 597
Less accumulated amortization	\$ 165	\$ 111
Net book value as at June 30,	\$ 441	\$ 486

The following table outlines the maturity of the contractual payments due under the Company’s lease arrangements as at June 30, 2021 and December 31, 2020:

	June 30, 2021	December 31, 2020
Less than 1 year	\$ 132	\$ 127
1 to 5 years	\$ 679	\$ 671
More than 5 years	\$ 141	\$ 211
Total	\$ 952	\$ 1,009
Less: impact of discounting	\$ 236	\$ 268
Total lease obligations	\$ 715	\$ 741
Of which non-current	\$ 642	\$ 675
Of which current	\$ 74	\$ 66

Note 12 - Borrowings

12.1 Analysis by nature

	June 30, 2021			
	Carrying Amount	Fair Value	Nominal Rate	Effective Rate
Revolving facility	\$ 6,000	\$ 6,000		8.00%
Term loan facility	\$ 4,000	\$ 4,000		4.50%
Total short-term borrowings	\$ 10,000	\$ 4,000		
Lease liability	\$ 716	\$ 716		9.95%
Total long-term borrowings	\$ 716	\$ 716		
Total borrowings	\$ 10,716	\$ 716		
Of which non-current	\$ 642			
Of which current	\$ 10,074			

	December 31, 2020			
	Carrying Amount	Fair Value	Nominal Rate	Effective Rate
Lease liability	\$ 741	\$ 741		9.95%
Total borrowings	\$ 741	\$ 741		
Of which non-current	\$ 675			
Of which current	\$ 66			

12.2 Movements in borrowings

	2021	2020
Balance as at January 1,	\$ 741	\$ 2,809
Issuance (repayment) of PME MTL Term Loans	\$ -	\$ 200
Issuance of Revolving Facility	\$ 6,000	\$ -
Issuance of Term Loan Facility	\$ 4,000	\$ -
Accretion of long-term debt	\$ -	\$ 36
Incurrence of lease liability	\$ 9	\$ 96
Modification of existing lease liability	\$ -	\$ 59
Accretion of lease liability	\$ -	\$ 2
Repayment of lease liability	\$ (34)	\$ (24)
Balance as at June 30,	\$ 10,716	\$ 3,179

12.3 Main features of borrowings

Convertible Debt

On April 2, 2018, the Company issued an unsecured convertible debt for a principal amount of \$2,500 at an annual interest rate of 8%, which had a maturity date in April 2023 (the "Convertible Debt"). Subject to certain prepayment features, the Convertible Debt was convertible into either common shares or the most senior class of issued and outstanding equity securities, at the holder's option, at the end of its five-year term. The conversion option was automatically exercised in the event of a qualified financing or a change of control. The equity conversion options were deemed to be an embedded derivative to the underlying debt instrument with a term contemporaneous with the Convertible Debt. In September, 2020, the Convertible Debt holder signed a waiver of conversion and consent to

prepayment of the Convertible Debt. In October 2020, the obligations totaling \$3,030, being the principal amount of \$2,500 together with \$530 of accrued and unpaid interest on such principal amount, were repaid.

See Note 14 – Financial Instruments for more information on the embedded derivative.

Covenants

Prior to repayment of the Convertible Debt in October 2020, the Company was in compliance with all of the covenants related to the Convertible Debt.

PME MTL Centre-Ville Loans

In January 2020, the Company received term loans totaling \$200 from the PME MTL Centre-Ville investment funds (“PME MTL Term Loans”) – \$100 each from the PME MTL Fund and the Fonds local de solidarité Montréal. The PME MTL Term Loans were issued with a term of five years at 8.5% interest, payable monthly until repayment or maturity.

The term loan agreement contained certain customary covenants. Concurrent with the PME MTL Term Loans, the Company was awarded a \$15 grant from the PME MTL Centre-Ville’s Young Business Fund (“YBF”). The PME MTL Term Loans contained no prepayment penalty after the first two years. However, if repaid within the first 24 months, the YBF grant would have to be repaid to PME MTL Centre-Ville at the time of early extinguishment.

In March 2020, PME MTL Centre-Ville issued a six-month moratorium on payments under the PME MTL Term Loans in response to the COVID-19 pandemic. The interest moratorium was determined to be a non-substantial loan modification, as the terms and conditions did not change in a meaningful way and the present value of the contractual cash flows were not materially different due to the changes in the timing of payments.

Following the completion of the RTO, the PME MTL Term Loans totaling \$200 were reimbursed together with \$1 in interest in October, 2020. The YBF grant of \$15 was not required to be repaid.

Short-term borrowings – Term Note payable

In April 2017, the Company entered into a one-year term note with National Bank of Canada with a principal amount of \$2,500 (the “Term Note”). The Term Note bore a variable annual interest rate of the prime rate plus 2.75% and had an original maturity in April 2018.

Concurrent with issuance of the Term Note, certain shareholders of the Company, being Persistence Capital Partners II, L.P. and Persistence Capital Partners II (International), L.P. were issued 205,482 and 6,661 warrants of Carebook 2020 (“Carebook 2020 Principal Warrants”), respectively, as consideration for providing a guarantee of repayment to National Bank of Canada for the Term Note. Each such Principal Warrant entitled the holder thereof to purchase a Class A common share of Carebook 2020 for each Principal Warrant held.

The issued Carebook 2020 Principal Warrants were fully vested at the time of the RTO. The Carebook 2020 Principal Warrants related to the guarantee were considered outstanding as at each renewal date and reporting period with no subsequent or incremental consideration exchanged.

In July 2018, the Company renewed the Term Note under the same terms and conditions and an updated maturity of June 2019. In July 2019, the Company renewed the Term Note under the same terms and conditions and an updated maturity of June 2020. In July 2020, the Company renewed the Term Note with an updated maturity through December 31, 2020 and variable annual interest rate of the prime rate plus 3.25%. The other terms and conditions remained unchanged.

As part of the RTO, the Carebook 2020 Principal Warrants held by Persistence Capital Partners II, L.P. and Persistence Capital Partners II (International), L.P. were exchanged for 354,459 and 11,490 replacement principal warrants of the Company ("Replacement Principal Warrants"), respectively. These new Replacement Principal Warrants entitle the holders thereof to purchase a common share of the Company for each Replacement Principal Warrant held. The number of Replacement Principal Warrants exchanged reflects the fact that in connection with the RTO, Carebook 2020 completed a split of its common shares on a 1.725-for-one basis. There was no change to the exercise value of the originally issued Carebook 2020 Principal Warrants as the strike price and number of underlying common shares were each modified at the same 1.725 to one ratio to reflect the share split.

In November 2020, the Company repaid the Term Note along with \$14 of interest.

Credit Facilities

On April 6, 2021, the Company entered into a new credit agreement (the "Credit Agreement") with a leading Canadian Schedule 1 bank and one of its affiliates (together, the "Lenders") under which the Lenders have provided a one-year secured revolving credit facility of up to \$7,000 (the "Revolving Facility") as well as a term loan facility of \$4,000 (the "Term Loan Facility") (collectively, the "Credit Facilities").

The Credit Agreement matures on April 6, 2022, and any unpaid amounts are due in full at maturity. As at June 30, 2021 the amount drawn on the Revolving Facility was \$6,000 and the amount drawn on the Term Loan Facility was \$4,000. The Credit Facilities are renewable annually, at the sole discretion of the Lenders.

All obligations under the Credit Agreement are secured by a first-ranking lien on substantially all of the Company's consolidated assets, tangible and intangible, present and future. On May 6, 2021, in connection with the closing of the transactions under the Credit Agreement, Carebook issued to one of the Lenders 417,646 warrants to purchase common shares of Carebook. Each such warrant entitles the Lender to purchase, on or before April 6, 2022, one common share of Carebook at an exercise price of \$1.22. The warrants, and the common shares of Carebook issuable upon exercise of the warrants, are subject to a restriction on resale for a period of four months and one day following the issuance of the warrants.

In addition to having used the net proceeds of this financing to fund the cash portion of the purchase price for the acquisition of InfoTech, Carebook plans to use the remaining net proceeds of this financing for working capital needs and general corporate purposes.

An amendment of the Credit Agreement was entered into on August 4, 2021. The amendments were primarily administrative in nature and are described in Note 21 - Subsequent Events. On August 5, 2021, Carebook completed a private placement of common shares of Carebook for aggregate gross proceeds of \$11,280 to partially reimburse the Revolving Facility and finance the cash consideration for the acquisition of CoreHealth Technologies Inc. ("CoreHealth"). For more information regarding the Offering (as defined below), the acquisition of CoreHealth, and the amendments to the Credit Agreement, please refer to Note 21 - Subsequent Events.

Revolving Facility

Under the Credit Agreement, the Revolving Facility is available for a one year committed term, renewable annually, and bears interest at CDOR plus an applicable margin for Canadian variable loan rates. The initial applicable margin will be 8.0%.

Borrowings under the Revolving Facility can be made by way of the following options: i) Canadian variable rate loans at a rate of CDOR plus the applicable margin; ii) bankers' acceptances; or iii) US variable rate loans at a rate of LIBOR plus the applicable margin.

As at June 30, 2021, the maximum borrowing capacity available under the Revolving Facility was \$7,000 and the effective interest rate was 8.0%.

As of August 6, 2021, the Revolving Facility is subject to a borrowing base equal to six times the monthly recurring revenues of Carebook and its subsidiaries, minus all amounts which could give rise to a claim which ranks or is capable of ranking in priority to the Lenders security or otherwise in priority to any claim by the Lenders for repayment of any amounts owing under the Credit Agreement. The amount available under the Revolving Facility decreased from \$7,000 to the lesser of the then current borrowing base (\$3,408) and \$4,000 on August 6, 2021.

Term Loan Facility

Under the Credit Agreement, the Term Loan Facility matures on April 6, 2022, and is renewable annually. Loans under the Term Loan Facility can be in the form of variable rate loans in Canadian or US dollars. The Canadian variable rate loans under the Term Loan Facility bear interest at a rate based on CDOR, plus a margin of 4.5%. The US variable rate loans under the Term Loan Facility bear interest at a rate based on the bankers' acceptance rate or LIBOR, plus a margin of 4.5%. The Term Loan Facility was fully drawn to complete the acquisition of InfoTech and the \$4,000 was outstanding as at June 30, 2021 at an effective interest rate of 4.5%.

Financial Covenants

The Credit Agreement contains certain covenants and certain events of default customary for loans of this nature, including certain limitations to the levels of investments and acquisitions, capital expenditures and distributions. The Credit Agreement is also subject to restrictive covenants requiring certain financial covenants to be maintained. As at June 30, 2021, the Company was in compliance with the financial covenants prescribed under the restrictive covenants set out in the Credit Agreement.

Deferred Financing Costs

The deferred financing costs in the amount of \$273 include the fair value of the warrants issued to one of the Lenders, legal fees, regulatory filing fees and other finance costs in connection with the Credit Agreement expiring on April 6, 2022. These costs are amortized straight-line over the 12-month term of the Credit Agreement.

Note 13 - Equity Instruments

Authorized

Unlimited common shares without par value.

Issued Common Shares

As at June 30, 2021, the issued share capital comprises 34,963,149 common shares. The issued common shares as at December 31, 2020 was 30,522,098.

	June 30, 2021		December 31, 2020	
	Shares	Amounts	Shares	Amounts
Common shares	34,963,149	\$ 28,743	30,522,098	\$ 23,660
Total shares issued and outstanding	34,963,149	\$ 28,743	\$ 30,522,098	\$ 23,660

Options to purchase Common Shares

Prior to the completion of the RTO, Carebook 2020 had issued individual stock options ("Carebook 2020 Options") that entitled key employees to purchase Class A common shares of Carebook 2020

("Carebook 2020 Common Share"). The Carebook 2020 Options generally expired 10 years after the grant date and typically vested over a period of four years, subject to a non-market performance condition related to the occurrence of a liquidity event. The Carebook 2020 Options were exercisable at the fair value of the shares at the date of grant.

On August 7, 2020, the Company (then known as Pike) and Carebook 2020 entered into the Business Combination Agreement pursuant to which the Company (then known as Pike) and Carebook 2020 agreed to complete the RTO. The RTO is described in Note 18 – Reverse Takeover Transaction.

The RTO represented a liquidity event that satisfied the non-market performance condition of unvested stock options and as such, the recognition of the expense pertaining to the Carebook 2020 Options became estimable as the occurrence of the RTO became probable. The share-based compensation expenses related to these stock options are within the interim statements of loss and comprehensive loss for the three and six months ended June 30, 2020.

In the third quarter of 2020, there was a forfeiture of stock options due to the termination of an employee that resulted in a net recovery of \$93.

In connection with the RTO, the Company adopted a new stock option plan and holders of Carebook 2020 Options received, concurrent with the Amalgamation (as defined below), a vested option to acquire 1.725 common shares of the Company for each Carebook 2020 Common Share underlying the vested portion of the Carebook 2020 Options held by such holder. These options should have expired upon completion of the RTO, but the life of these now fully-vested stock options were extended to their original expiry date. Therefore, in connection with the RTO, an aggregate of 2,678,368 stock options of the Company were granted. There was no change to the exercise value of these stock options as the exercise price and number of underlying common shares were each modified at the same 1.725 to one ratio to reflect the share split. In December 2020, an employee exercised 11,450 stock options.

In October 2020, 385,000 stock options were granted to directors and officers of the Company. The options vest at equal, quarterly intervals over a period of one year and expire 10 years after the grant date.

In December 2020, the Company granted its employees 450,470 stock options. The options expire 10 years after the grant date and will vest over a period of three years.

In January 2021, the Company granted its employees 1,000 stock options. The options expire 10 years after the grant date and will vest over a period of three years.

In May 2021, the Company granted its directors and officers 522,500 stock options. These options expire 10 years after the grant date and will vest over a period of one year. At the same time, the Company issued 827,934 stock options to its employees that will expire in 10 years after the grant date and vest over a period of three years.

During the quarter, there was a forfeiture of 314,017 stock options due to employee turnover, most of which had been fully vested and expensed during 2020, which resulted in a net recovery of \$179.

Other than what has been disclosed above, there were no changes in the number of stock options or their fair value, and no other grants, exercises, expirations, or forfeitures occurred during the period.

As at June 30, 2021, the number of stock options outstanding is 4,598,534.

Warrants to purchase Common Shares

Prior to the RTO, there were 1,724,475 Carebook 2020 Principal Warrants issued to certain related parties. As with the Carebook 2020 Options described above, the holders of Carebook 2020 Principal Warrants were issued Replacement Principal Warrants at a 1.725-for-one ratio in connection with the RTO. There

was no change to the exercise value of the originally issued Carebook 2020 Principal Warrants as the change in strike price and number of underlying common shares of the Company reflect the same 1.725 to one ratio, in accordance with the share split. Post-split, this represented a total of 2,974,740 Replacement Principal Warrants.

As part of the private placement financings, described in Note 18 - Reverse Takeover Transaction, Carebook 2020 issued 4,200,000 warrants to purchase Carebook 2020 Common Shares ("Carebook 2020 Warrants"). In connection with the private placement financings described in Note 18 - Reverse Takeover Transaction, the Company also issued 480,000 warrants to purchase Carebook 2020 Common Shares as compensation to the brokers who arranged such private placement financings ("Carebook 2020 Broker Warrants"), which were exercisable to acquire an aggregate of 480,000 Carebook Units (as defined below) at an exercise price equal to \$2.50 per Carebook Unit.

As part of the RTO, described in Note 18, the 4,200,000 Carebook 2020 Warrants were exchanged for an equivalent number of warrants to purchase common shares of the Company, each entitling the holder thereof to acquire one common share of the Company at a price of \$3.125 for a period of 24 months following the completion of the RTO (a "Replacement Warrant"). In addition, the 480,000 Carebook 2020 Broker Warrants were exchanged for an equivalent number of purchase warrants of the Company, entitling the holder thereof to purchase a unit of the Company at a price of \$2.50 per unit and expiring on the date that is 24 months following the completion of the RTO. Each such unit comprises one common share of the Company and one-half of one Replacement Warrant.

Prior to the RTO, the Company also had 338,102 warrants outstanding ("Pike Broker Warrants") which entitled the holder thereof to acquire one common share of the Company at a price of \$0.10 until September 16, 2021. In connection with the RTO, such Pike Broker Warrants were exchanged for an equivalent number of warrants entitling the holder thereof to purchase such number of common shares of the Company as would have resulted if the exercise of the Pike Broker Warrants had taken place prior to the consolidation, and the exercise price per common share of the Company was adjusted accordingly. Post-consolidation, there were 25,639 Pike Broker Warrants issued and outstanding.

As part of the transactions under the Credit Facilities described in Note 12, on May 6, 2021, the Company issued 417,646 warrants to purchase common shares of the Company to one of the Lenders at an exercise price of \$1.22 per common share of the Company.

On June 30, 2021, 452,526 Replacement Principal Warrants were exercised on a cash-free basis and exchanged for 308,819 common shares of the Company. The total number of issued and outstanding warrants to purchase common shares of the Company as at June 30, 2021 was 7,885,499.

Note 14 - Financial Instruments

14.1 Financial assets and liabilities by categories

The Company's financial assets include cash and cash equivalents, trade and other receivables, and shareholder advances, and its financial liabilities consisted of accounts payable and accrued liabilities, and short-term borrowings. Cash and cash equivalents, trade and other receivables, and advances to shareholders are carried at amortized cost using the effective interest rate method, less any impairment. Accounts payable and accrued liabilities, and short-term borrowings are financial liabilities measured at amortized cost using the effective interest rate method.

As at June 30, 2021 and December 31, 2020 the Company's financial assets and liabilities were as follows:

	June 30, 2021			December 31, 2020	
	At Carrying Value or Amortized Cost	At FVPL	Total	At Carrying Value or Amortized Cost	Total
Cash and cash equivalents	\$ 1,243	\$ -	\$ 1,243	\$ 3,628	\$ 3,628
Trade & other receivables	\$ 742	\$ -	\$ 742	\$ 245	\$ 245
Total financial assets	\$ 1,985	\$ -	\$ 1,985	\$ 3,873	\$ 3,873
Trade payables	\$ 517	\$ -	\$ 517	\$ 372	\$ 372
Borrowings	\$ 10,000	\$ -	\$ 10,000	\$ -	\$ -
Total financial liabilities	\$ 10,517	\$ -	\$ 10,517	\$ 372	\$ 372

The Company endeavors to utilize the best available information in measuring fair value. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

14.2 Fair values

The carrying values of the Company's Term Loan, Credit Facilities, and related party advances were the redemption value at maturity.

The fair values of all of the Company's other financial assets and liabilities approximated their carrying values as a result of their liquidity or short maturity.

14.3 Valuation hierarchy

The Company analyzes its financial instruments measured at fair value and groups them into levels based on the degree to which the fair value was observable.

The carrying amounts of cash and cash equivalents, trade and other receivables, advances to shareholders, accounts payable and accrued liabilities, advances due to related parties, and short-term borrowings approximate their fair value because of the short-term maturity and highly liquid nature of these instruments and are considered Level 1.

The Convertible Debt was carried at the present value of the discounted future cash flows using rates currently available for debt of similar terms and maturity, net of unamortized discount and deferred costs, as of the end of the reporting period (Level 3). The carrying value of the Convertible Debt approximates its fair value.

The estimated fair value of the embedded derivative related to the equity conversion option of the Convertible Debt is determined using a discounted cash flow method, which includes assumptions based on unobservable inputs. In light of the methodologies employed to obtain the fair values, the embedded derivative is classified as Level 3 in the fair value hierarchy. The carrying value equaled the estimated fair value of the instrument and was recorded in the interim condensed consolidated statements of financial position.

Prior to the closing of the RTO, the Convertible Debt holder signed a waiver of conversion and consent to prepayment whereby the Convertible Debt holder agreed to be repaid the principal and accrued interest in cash and forgo its equity conversion option upon completion of the RTO. This resulted in the acceleration of the depreciation of the debt to its nominal value and a gain on the reversal of the embedded derivative.

During the three and six months ended June 30, 2021 and 2020, the Company recognized the following changes to this instrument:

	2021	2020
Balance as at January 1,	\$ -	\$ 1,110
Net unrealized (gains) losses on derivatives at FVPL	\$ -	\$ (69)
Balance as at June 30,	\$ -	\$ 1,041

The significant unobservable inputs utilized in the estimation of the fair value of the embedded derivative primarily relate to the probability of occurrence of certain financing events as defined within the debt arrangement and estimates and judgments around the estimated forward and spot prices of the convertible shares.

There were no transfers into or out of Level 1, Level 2, or Level 3 during the three and six months ended June 30, 2021 and 2020.

Note 15 - Risk Management

The Company's financial risk management strategy focused on creating and marketing viable software products for sale and distribution and minimizing the cash flow impacts of volatility in interest rates, while maintaining the financial flexibility the Company required in order to successfully execute its business strategies.

Due to the Company's capital structure and the nature of the Company's operations, the Company is exposed to the following financial risks: (i) market risk, including interest rate risk and foreign exchange risk; (ii) credit risk; and (iii) liquidity and capital management risk.

15.1 Market risk

(i) Interest rate risk

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Company to cash flow risk. This risk is partially offset by cash and cash equivalents earning interest at variable market rates.

Financial assets and liabilities that bear interest at fixed rates are subject to fair value interest rate risk. The Company is not currently exposed to significant risk with respect to financial assets and liabilities due to their short-term maturities.

With respect to floating-rate financial obligations, a negative impact on cash flows would occur if there were an increase in the reference rates such as CDOR or LIBOR, the rate of bankers' acceptances and the Canadian prime rate.

During 2020, the Company's interest rate risk arose principally from the Term Note. In 2021, the interest rate risk stems from the Credit Facilities.

All other things being equal, a reasonably possible 1.0% increase in the interest rate applicable to the daily balances of the Credit Facilities and Term Note would have had a negative impact of \$23 and \$12 in the Company's loss for the six months ended June 30, 2021 and 2020, respectively. A 1.0% decrease in the interest rate would have had the opposite impact on the Company's net loss.

(ii) Foreign exchange risk

The Company has minimal risk attributable to certain U.S. dollar-denominated transactions pertaining to purchases of products and services. However, since the acquisition of InfoTech, the Company is faced with risk attributable to revenue invoiced and collected in U.S. dollars. InfoTech also invoices and collects some revenue in Euros, but the overall amount is insignificant, and poses a minimal risk to the Company. The Company manages its exposure to currency fluctuations by monitoring its level of cash in foreign currencies. Management did not hedge these exposures as at June 30, 2021 or 2020.

Foreign exchange rate sensitivity

The Company is exposed to changes in currency exchange rates on certain of the Company's operating transactions, when revenue and expense transactions are denominated in a currency other than the Canadian dollar, the Company's functional currency. With the acquisition of InfoTech, the Company has an increased exposure to the U.S. dollar. A hypothetical 10% strengthening (weakening) of the U.S. dollar in relation to the Canadian dollar from June 30, 2021 levels would have had an impact of +/- \$69 on net loss.

15.2 Credit risk

Credit risk pertains to the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk with financial institutions and other parties as a result of cash-in-bank and customer trade receivables arising from the Company's operating activities. The maximum exposure to credit risk at the reporting date was the carrying value of each class of financial asset as described in Note 14 — Financial Instruments. The Company did not hold any collateral as security as at June 30, 2021 and 2020.

Credit risk related to transactions with financial institutions

Credit risk with financial institutions was managed by the Company's finance department. Management was not aware of any significant risks associated with financial institutions as a result of cash and cash equivalents deposits, including short-term investments.

Credit risks related to customer trade receivables

The Company's customer base consisted of two primary customers, one of which represented approximately 99% of revenue for both the three and six months ended June 30, 2020. This risk has been mitigated to some extent by the acquisition of InfoTech, as the primary customer now represents approximately half of the Company's pro forma revenues for the three and six months ended June 30, 2021. Payment terms varied, and credit limits were typically established based on internal or external rating criteria, which take into account such factors as the customer's financial condition, credit history, and risk associated with their industry segment. Customer trade receivables represent the majority of the Company's trade and other receivables, so this necessitates the active monitoring and management of the outstanding receivables from customers by the Company. Historically, the Company has an extremely low level of customer default as a result of its historical experience with the Company's customer base and an active credit monitoring function. Collateral is generally not required to be posted by the Company's customers.

15.3 Liquidity and capital management risk

The capital structure of the Company included shareholders' equity (deficit) and borrowings. Management's overriding objectives when managing capital are to have sufficient liquidity to meet its liabilities when due, safeguard the business as a going concern, and create value through market growth and future returns. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. During the quarter, the Company entered into debt financing which included a condition that the Company raise \$11,000 in capital by August 4,

2021 should it wish to proceed with a specific acquisition. In August 2021, the Credit Agreement was amended such that the Company was required to raise \$11,280 by August 6, 2021 and complete the acquisition of CoreHealth. The Company met this capital raise obligation through the Offering and the Acquisition (as defined below), both of which are described in Note 21 - Subsequent Events.

Note 16 - Commitments

Capital expenditure and purchase commitments

As at June 30, 2021 and 2020, the Company had no future commitments for purchases of property and equipment and intangible assets.

Marketing and distribution agreement

The Company's marketing and distribution agreement with a third party requires the Company to pay a commission on certain revenue-generating contracts.

Note 17 - Related Party Transactions

As at June 30, 2021 and December 31, 2020 there were no balances due to or from related parties.

Advance to a shareholder

In 2017, the Company loaned \$10 to a certain shareholder bearing interest at 1% annually and maturing on March 31, 2022. This advance was written off during the third quarter of 2020.

Advances due to related parties

Prior to the RTO, the Company received short-term, interest free advances from certain shareholders to cover short term liquidity needs. As at June 30, 2021 and 2020, advances due to related parties totaled \$0 and \$1,975 respectively. The Company reimbursed all non-interest-bearing advances from shareholders, upon completion of the RTO.

Refer to Note 12 – Borrowings for information on the guarantee of repayment on the Term Note provided by a shareholder.

Related party agreements

In June 2020, the Company entered into a twelve-month agreement with a related party for the services of their CFO. In the first half of 2021, total expenses related to the services of the CFO were \$96. In April 2021, this agreement was extended for an additional six months.

The Company entered into an agreement with a related party, which held the exclusive Canadian rights to a leading third party technology required for the development of their virtual care solution.

In connection with the RTO, the Company entered into a Registration Rights Agreement and an Investors Rights Agreement with a related party who, at closing of the RTO, beneficially owned or had control or direction over 16,702,334 common shares of the Company and principal warrants to acquire an additional 2,974,740 common shares of the Company, representing approximately 53.6% of the issued and outstanding common shares of the Company on a non-diluted basis (and approximately 40.6% on a fully-diluted basis) at the time the agreement was signed.

Extension of Warrants

In July 2021, the Company agreed to extend for an additional two-year period the expiry date of 2,156,265 Replacement Principal Warrants expiring July 29, 2021 owned by MedTech Investment L.P. an entity controlled by Dr. Sheldon Elman and Stuart M. Elman. These Replacement Principal Warrants will therefore expire on July 29, 2023. All other terms and conditions of these Replacement Principal Warrants remain unchanged, including the exercise price of \$1.2429 per common share of the Company.

Management's participation in the Offering

Certain officers (collectively, the "Insiders") of Carebook subscribed in the Offering for an aggregate of 60,000 Units (defined below). As related parties of the Company participated in the Offering, their subscriptions were deemed to be a "related party transaction" within the meaning of Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions ("MI 61-101"). The Company relied on an exemption from the formal valuation and minority shareholder approval requirements set out in MI 61-101, as the fair market value of the Insiders' participation in the Offering does not exceed 25% of the Company's market capitalization calculated in accordance with MI 61-101.

More information on the Offering can be found at Note 21 - Subsequent Events.

Note 18 - Reverse Takeover Transaction

Reverse Takeover Transaction

On October 1, 2020, the Company (then known as Pike) completed a business combination with Carebook 2020 involving a three-cornered amalgamation (the "Amalgamation") of the Company (then known as Pike), Carebook 2020, and Subco, a wholly-owned subsidiary of Pike incorporated under the *Canada Business Corporations Act* for the sole purpose of effecting the Amalgamation.

The business combination resulted in, among other things,

- (i) the reverse takeover of the Company by the former securityholders of Carebook 2020,
- (ii) the Company changing its name to "Carebook Technologies Inc.",
- (iii) the entity resulting from the Amalgamation becoming a wholly-owned subsidiary of the Company, and
- (iv) the listing of the Company's common shares on the TSXV.

These transactions are collectively referred to as the "RTO".

The common shares of the Company began trading on the TSXV on October 6, 2020 under the symbol "CRBK".

Private Placement

In connection with the RTO, Carebook 2020 secured private placement financings for aggregate gross proceeds of \$21,000 comprised of: (i) the issuance of 6,932,000 subscription receipts of Carebook 2020 ("Carebook Subscription Receipts") at a price of \$2.50 per Carebook Subscription Receipt for aggregate gross proceeds of \$17,330, which offering was completed on August 7, 2020, (ii) the issuance of 400,000 units of Carebook 2020 ("Carebook Units") to certain members of Carebook 2020 management or affiliates thereof at a price of \$2.50 per Carebook Unit for aggregate gross proceeds of \$1,000, which subscriptions were completed concurrently with the closing of the RTO, and (iii) the issuance of 1,068,000 Carebook Units to certain arm's length investors at a price of \$2.50 per Carebook Unit for aggregate gross proceeds of \$2,670 which subscriptions were completed concurrently with the closing of the RTO. As part of the Amalgamation, each Carebook Subscription Receipt and each Carebook Unit

was exchanged for one common share of the Company and one half of one warrant entitling the holder thereof to acquire a common share of the Company.

The Secondary Portion

In connection with the RTO, Carebook 2020 completed an internal reorganization, whereby certain holders of Carebook 2020 Common Shares exchanged their Carebook 2020 Common Shares for Carebook redeemable shares, which were, in accordance with the Amalgamation, exchanged for Amalco redeemable shares, which were then subsequently redeemed by Amalco as a means to enable such Carebook shareholders to achieve liquidity on a portion of their shareholdings of Carebook. All holders of Carebook 2020 Common Shares were provided with an opportunity to participate in the Secondary Portion (the Secondary) on a pro rata basis based on their respective shareholdings, as provided for in the Carebook shareholders' agreement.

Pursuant to the amalgamation agreement governing the Amalgamation, each Amalco redeemable share was automatically redeemed by Amalco at a redemption price of \$1.00 per Amalco redeemable share, payment of which was satisfied on October 2, 2020 by Amalco using \$5,330 of the proceeds from the private placements described above.

Reverse acquisition of Pike Mountain Minerals Inc. by Carebook

As described above, on October 1, 2020, the former security holders of Carebook 2020 acquired control of the Company by way of the RTO.

The RTO was a reverse acquisition of the Company by the former security holders of Carebook 2020. Since Pike's operations did not meet the definition of a business under IFRS 3, the RTO did not qualify as a business combination and was accounted for under IFRS 2.

The reverse acquisition costs and associated RTO transaction costs were expensed in the consolidated statements of loss and comprehensive loss for the year ended December 31, 2020.

Trading on Frankfurt Stock Exchange

Carebook began trading on the Frankfurt Stock Exchange (the "XETR") under the symbol "PMM1" in October 2020.

Trading on OTC Market

In December 2020, Carebook began trading on the OTC Market under the symbol "CRBKF". As of March 2021, the Company's common shares were eligible for electronic clearing and settlement through The Depository Trust Company ("DTC") in the United States.

Note 19 - Amalgamation

Amalgamation of Carebook Entities

On January 1, 2021, the following companies were amalgamated under the *Business Corporations Act* (British Columbia):

- The Company;
- Carebook 2020; and
- Carebook Technologies (OPS) Inc. (a wholly owned subsidiary of Carebook 2020)

The amalgamated entity resulting from this amalgamation retained the name Carebook Technologies Inc.

Note 20 - Stock Option Plan Amendment and Continuance

On May 18, 2021, the Board of Directors of the Company approved an amendment to the Stock Option Plan of the Company (the "Stock Option Plan Amendment") to increase the maximum number of common shares of the Company that may be issued pursuant to the exercise of options under the Stock Option Plan from 5,500,000 to 6,237,779. At the Company's annual general and special meeting of holders of common shares of the Company held on June 30, 2021 (the "Meeting"), a majority of disinterested shareholders present in person or represented by proxy at the Meeting approved the Stock Option Plan Amendment, which was also approved by the TSXV and is now effective.

At the Meeting, shareholders also authorized, by way of special resolution, the Company to continue out of the Province of British Columbia under the provisions of the Business Corporations Act (British Columbia) and into the federal jurisdiction under the provisions of the Canada Business Corporations Act at such time as the directors of the Company, in their sole discretion may determine (the "Continuance"). The Company intends to apply for a Certificate of Continuance and file Articles of Continuance on or about September 15, 2021.

Refer to the Company's management information circular dated May 18, 2021 and filed under the Company's profile on SEDAR on May 31, 2021 for further details on the Stock Options Plan Amendment and the Continuance.

Note 21 - Subsequent Events

Amendments to the Credit Agreement:

On April 6, 2021, the Company entered into the Credit Agreement with the Lenders, as described in Note 12. The Credit Agreement was amended on August 4, 2021. The majority of the amendments were administrative in nature and included the following changes. First, the Credit Agreement was updated to reflect that the Company would be acquiring CoreHealth. Second, the required amount of equity to raise under the Offering, to finance said acquisition and repay certain indebtedness, increased from up to \$11,000 to \$11,280, and the timeframe in which to raise said equity was changed from 120 to 122 days following the signature of the Credit Agreement. Finally, the interest rate on the Revolving Facility remained at an effective interest rate of 8.00% and will decrease to 3.25% conditional upon the successful completion of a surplus equity injection of \$2,720.

The Offering:

On August 5, 2021 (the "Closing Date"), the Company completed an offering of 11,280,000 units of the Company at a price of \$1.00, for aggregate gross proceeds of \$11,280,000 (the "Offering"). Each unit consists of one common share of Carebook and one-half of one warrant to purchase a common share of Carebook, for a total of 11,280,000 common shares of the Company and 5,640,000 warrants to purchase common shares of the Company. Each whole warrant entitles the holder thereof to acquire a common share of the Company at an exercised price of \$1.47 per common share of the Company for a period of 24 months from issuance. 60,000 units were purchased by management. See Note 17 - Related Party Transactions, above.

In connection with the Offering, the brokers received, as compensation: (i) cash compensation of \$673,800; and (ii) 673,800 broker warrants (the "Broker Warrants"), each Broker Warrant entitling the holder thereof to acquire a common share of the Company at \$1.00 for a period of 24 months from issuance. The Company also paid iA Private Wealth Inc. a corporate finance work fee of \$50,000, plus applicable taxes.

The securities issued have a hold period of four months and one day from the Closing Date.

The Company used the net proceeds of the private placement to complete the acquisition of CoreHealth, partially repay indebtedness, and for general corporate and working capital purposes.

Acquisition of CoreHealth:

On June 29, 2021, Carebook entered into a share purchase agreement for the acquisition of all of the issued and outstanding securities of CoreHealth, an industry leading company providing a technology platform that powers health and well-being programs for major corporations and organizations around the world (the "Acquisition").

On August 6, 2021, Carebook completed the Acquisition.

The aggregate purchase price payable for the Acquisition is \$9,000 on a cash free and debt free basis, consisting of a combination of \$7,500 in cash and \$1,500 in common shares of Carebook at a deemed price of \$0.99 per common share of Carebook (being the volume weighted average trading price of the common shares of Carebook on the TSX Venture Exchange ("VWAP") for the five (5) trading days immediately preceding the closing date of the acquisition, therefore resulting in an issuance of 1,509,207 common shares of Carebook. The purchase price is subject to customary post-closing adjustments for working capital, transaction expenses and net debt, and \$2,000 of the cash portion of the purchase price is being deferred subject to CoreHealth achieving certain revenue performance in the 12-month period following closing and also as an indemnification holdback. The vendors of CoreHealth will also be entitled to a separate earn-out based on revenue performance of CoreHealth for the 12-month period that commences 6 months following closing, up to a maximum of \$4,000, payable entirely in common shares of Carebook at a price to be based on the VWAP for the five (5) trading days immediately preceding the earn-out payment date.

The cash portion of the purchase price for the Acquisition was financed through the Offering described above.