

CAREBOOK TECHNOLOGIES INC.

Interim Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2022 and 2021

CAREBOOK TECHNOLOGIES INC.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2022 AND 2021

Index to the Interim Condensed Consolidated Financial Statements

Notice of No Auditor Review of Interim Condensed Consolidated Financial Statements	1
Interim Condensed Consolidated Statements of Loss and Comprehensive Loss	2
Interim Condensed Consolidated Statements of Financial Position	3
Interim Condensed Consolidated Statements of Changes in Shareholders' Equity (Deficit)	4
Interim Condensed Consolidated Statements of Cash Flows	5
Notes to the Interim Condensed Consolidated Financial Statements	6

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, 2022 and 2021 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.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS (UNAUDITED)

For the three-and-six-month periods ended June 30, 2022 and 2021

(Expressed in \$000s CAD, except for number of shares and per share amounts)

	Note	THREE MONTHS ENDED		SIX MONTHS ENDED	
		June 30, 2022	June 30, 2021 (restated)	June 30, 2022	June 30, 2021 (restated)
REVENUE	4	\$ 2,335	\$ 1,139	\$ 4,732	\$ 2,002
Cost of revenue		\$ 330	\$ 97	\$ 495	\$ 172
Gross profit		\$ 2,005	\$ 1,042	\$ 4,237	\$ 1,830
			\$ -		\$ -
EXPENSES			\$ -		\$ -
Sales and marketing	5	\$ 761	\$ 503	\$ 1,638	\$ 978
Research and development	5	\$ 2,411	\$ 1,641	\$ 4,093	\$ 3,087
General and administrative	5	\$ 1,098	\$ 1,124	\$ 2,439	\$ 2,051
Reclass		\$ -	\$ -	\$ -	\$ -
Loss from operations		\$ (2,265)	\$ (2,226)	\$ (3,933)	\$ (4,286)
Transaction costs		\$ -	\$ 44	\$ -	\$ 155
M&A costs		\$ 17	\$ 308	\$ 17	\$ 378
Finance costs	6	\$ 290	\$ 273	\$ 562	\$ 289
Net loss before taxes		\$ (2,572)	\$ (2,851)	\$ (4,512)	\$ (5,108)
Income tax expense (gain)		\$ (137)	\$ -	\$ (273)	\$ -
Net loss		\$ (2,435)	\$ (2,851)	\$ (4,239)	\$ (5,108)
Total comprehensive loss		\$ (2,435)	\$ (2,851)	\$ (4,239)	\$ (5,108)
<i>Weighted average number of basic and diluted common shares</i>		62,257,851	34,381,875	55,005,103	32,462,649
<i>Basic and diluted loss per share</i>		\$ (0.04)	\$ (0.07)	\$ (0.08)	\$ (0.13)

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

CAREBOOK TECHNOLOGIES INC.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

As at June 30, 2022 and December 31, 2021

(Expressed in \$000s CAD)

	<u>Note</u>	<u>June 30, 2022</u>		<u>December 31, 2021</u>	
ASSETS					
Current Assets					
Cash and cash equivalents	7	\$	378	\$	1,455
Trade and other receivables	8	\$	1,840	\$	1,376
Prepaid expenses		\$	263	\$	307
Deferred financing costs	13	\$	57	\$	118
Total current assets		\$	2,538	\$	3,256
Non-Current Assets					
Property and equipment, net	9	\$	248	\$	389
Right-of-use assets	12	\$	494	\$	549
Goodwill	10	\$	11,186	\$	11,111
Intangible assets	10	\$	9,269	\$	10,135
Deferred tax assets		\$	153	\$	153
Total non-current assets		\$	21,350	\$	22,337
Total Assets		\$	23,888	\$	25,593
LIABILITIES					
Current Liabilities					
Accounts payable and accrued liabilities	11	\$	5,854	\$	4,227
Contract liabilities	4	\$	2,196	\$	2,112
Current portion of lease liabilities	12	\$	98	\$	102
Revolving Facility	13	\$	1,870	\$	3,000
Term Loan Facility	13	\$	2,917	\$	4,000
Tax liabilities		\$	15	\$	15
Total current liabilities		\$	12,950	\$	13,456
Non-Current Liabilities					
Non-current portion of holdbacks payable		\$	-	\$	456
Non-current portion of contingent consideration		\$	-	\$	801
Lease liabilities	12, 13	\$	666	\$	721
Loan Agreements	13	\$	1,000	\$	1,000
Deferred tax liabilities		\$	2,473	\$	2,746
Total non-current liabilities		\$	4,139	\$	5,724
SHAREHOLDERS' EQUITY					
Share capital	14	\$	43,558	\$	39,067
Contributed surplus	14	\$	9,488	\$	9,228
Warrants reserve	14	\$	4,508	\$	4,635
Accumulated deficit	14	\$	(50,756)	\$	(46,517)
Total shareholders' equity		\$	6,798	\$	6,413
Total Liabilities and Shareholders' Equity		\$	23,888	\$	25,593

Approved by the Board of Directors on August 29, 2022:

(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 STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT) (UNAUDITED)

For the six-month periods ended June 30, 2022 and 2021

(Expressed in \$000s CAD, except for number of shares)

	Note	Share capital		Warrants reserve	Contributed surplus	Accumulated deficit	Total shareholders' equity (deficit)
		#	\$	\$	\$	\$	\$
At January 1, 2021		30,522,098	\$ 23,660	\$ 2,421	\$ 7,988	\$ (27,228)	\$ 6,841
Issuance of shares		4,132,232	\$ 4,918	\$ -	\$ -	\$ -	\$ 4,918
Issuance of warrants to Lender		-	\$ -	\$ 137	\$ -	\$ -	\$ 137
Exercising of Replacement Principal Warrants		308,819	\$ 165	\$ (165)	\$ -	\$ -	\$ -
Stock-based compensation	14	-	\$ -	\$ -	\$ 259	\$ -	\$ 259
Net loss		-	\$ -	\$ -	\$ -	\$ (5,108)	\$ (5,108)
At June 30, 2021 (Restated)		34,963,149	28,743	2,393	8,247	(32,336)	7,047
At January 1, 2022		47,752,356	\$ 39,067	\$ 4,635	\$ 9,228	\$ (46,517)	\$ 6,413
Stock-based compensation	14		\$ -	\$ -	\$ 124	\$ -	\$ 124
Issuance of warrants to Shareholder				\$ 9			\$ 9
Expiration of lender warrants				\$ (136)	\$ 136		\$ -
Issuance of shares		30,000,000	\$ 4,491				\$ 4,491
Net loss			\$ -	\$ -	\$ -	\$ (4,239)	\$ (4,239)
At June 30, 2022		77,752,356	\$ 43,558	\$ 4,508	\$ 9,488	\$ (50,756)	\$ 6,798

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

CAREBOOK TECHNOLOGIES INC.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

For the six-month periods ended June 30, 2022 and 2021

(Expressed in \$000s CAD)

	Note	SIX MONTHS ENDED	
		June 30, 2022	June 30, 2021 (Restated)
Cash flows from (used in) operating activities			
Net loss		\$ (4,239)	\$ (5,108)
Adjustments for non-cash items:			
Income tax		\$ (273)	\$ -
Share-based compensation	14	\$ 124	\$ 259
Change in the fair value of warrants	15	\$ -	\$ 138
Depreciation	9	\$ 197	\$ 185
Amortization of intangible assets	10	\$ 849	\$ 2
Amortization of deferred financing costs		\$ 62	\$ -
Interest expense		\$ 337	\$ 219
Changes in non-cash working capital items:			
Trade and other receivables	8	\$ (465)	\$ (658)
Prepaid expenses		\$ 44	\$ (109)
Accounts payable and accrued liabilities	11	\$ 965	\$ 972
Contract liabilities	4	\$ 85	\$ 124
Net cash from (used in) operating activities		\$ (2,389)	\$ (3,976)
		\$ -	\$ -
Cash flows from (used in) investing activities			
Purchases of property and equipment	9	\$ -	\$ (15)
Addition of intangible assets	10	\$ (29)	\$ 21
Acquisition of InfoTech	3	\$ (551)	\$ (7,899)
Net cash from (used in) investing activities		\$ (580)	\$ (7,893)
Cash flows from (used in) financing activities			
Issuance of shares and warrants	3, 15	\$ 4,500	\$ -
Payments of principal on lease liabilities	12	\$ (58)	\$ (26)
Interest paid		\$ (337)	\$ (219)
Issuance (repayment) of Revolving Facility	14	\$ (1,130)	\$ 6,000
Issuance (repayment) of Term Loan Facility	14	\$ (1,083)	\$ 4,000
Deferred financing costs		\$ -	\$ (272)
Net cash from (used in) financing activities		\$ 1,892	\$ 9,483
Net increase (decrease) in cash and cash equivalents		\$ (1,077)	\$ (2,385)
Cash and cash equivalents - beginning of period		\$ 1,455	\$ 3,628
Cash and cash equivalents - end of period		\$ 378	\$ 1,243

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

CAREBOOK TECHNOLOGIES INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the three and six months ended June 30, 2022 and 2021
(Expressed in \$000s CAD)

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 (See Note 20 - Reverse Takeover Transaction of the Company’s annual audited consolidated financial statements for the year ended December 31, 2021), 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 former shareholders of Carebook 2020 now control the Company, based on the guidance of IFRS 10, Consolidated Financial Statements, and IFRS 3, Business Combinations, to identify the accounting acquirer (See Note 20 of the Company’s annual audited consolidated financial statements for the year ended December 31, 2021).

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.

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.

Effective as of September 15, 2021, the Company continued out of the jurisdiction of the *Business Corporations Act (British Columbia)* and into the jurisdiction of the *Canada Business Corporations Act*.

On April 6, 2021, the Company acquired 100% of the shares of InfoTech Inc. (“InfoTech”). InfoTech was incorporated in 1984. On August 6, 2021, the Company acquired 100% of the shares of CoreHealth Technologies Inc. (“CoreHealth”), which was incorporated in 2004.

The registered and executive office of the Company is 1400-2045 rue Stanley, Montréal, Québec, Canada, H3A 2V4.

The principal activities of the Company consist of the development and commercialization of complete end-to-end digital health platforms that feature assessments, reporting, and targeted solutions offered through an array of selected partners and resellers, or directly to its primary end customers which are large employers across a variety of industries and pharmacies.

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 Open Market of 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**

The unaudited interim condensed consolidated financial statements of the Company have been prepared under International Financial Reporting Standards (“IFRS”) in accordance with International Accounting Standard 34, “Interim Financial Reporting” (“IAS 34”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee (“IFRIC”).

The Company operates in a single reporting segment. Prior to the acquisitions of InfoTech and CoreHealth, all revenues were generated in Canada. During the six months ended June 30, 2022, the Company generated revenue primarily in the United States and Canada, with some revenue generated in Europe, Latin America and Asia. All non-current assets are held in Canada.

These unaudited interim condensed consolidated financial statements follow the same accounting policies and method of computation as the Company’s annual audited consolidated financial statements for the year ended December 31, 2021, except for certain disclosures that are normally required to be included in annual consolidated financial statements which have been condensed or omitted. These interim condensed consolidated financial statements should be read in conjunction with the Company’s audited annual consolidated financial statements for the year ended December 31, 2021. The Company’s Board of Directors approved these interim condensed consolidated financial statements on August 29, 2022.

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., InfoTech Inc., and CoreHealth Technologies 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 and its wholly-owned subsidiaries is the Canadian dollar. All figures are presented in thousands of Canadian dollars (“\$000s CAD”) unless they refer to share or per share figures, including other securities, such as warrants and options, which are also not presented in \$000s, or it is otherwise specified.

Restatement of comparative information

The Interim Condensed Consolidated Statements of Loss and Comprehensive Loss for the three-and six-month periods ended June 30, 2021 and the Interim Condensed Consolidated Statements of Cash Flows for the six-month period ended June 30, 2021 are being restated as the Company incorrectly capitalized internally generated development costs associated with its pharmacy business, once the IAS 38 Intangible Assets criteria were no longer met. Therefore, the amount of research and development expenses, which were previously reported at \$2,284 for the six-months ended June 30, 2021 on the Interim Condensed Consolidated Statements of Loss and Comprehensive Loss and Note 5 - Operating Expenses by Function, were increased by \$803, as if development costs incurred in the period were never capitalized, which includes impact of the amortization of capitalized development costs. Similarly, the amount of \$813 presented on the line Addition of Intangible Assets on the Investing Activities section of the Interim Condensed Consolidated Statements of Cash Flows was reduced. As a consequence, Net Loss presented in the Interim Condensed Consolidated Statements of Changes in Shareholders' Equity (Deficit) for the six-month period ended June 30, 2021 was reduced by the same amount and it is now being presented at \$5,108. The impact of the restatement described above is summarized below:

CAREBOOK TECHNOLOGIES INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the three and six months ended June 30, 2022 and 2021
(Expressed in \$000s CAD)

Condensed Consolidated Statements of Loss and Comprehensive Loss

	For the six-month period ending June 30,	
	2021	2021
	Restated	As originally presented
Research and development	\$ 3,087	\$ 2,284

Condensed Consolidated Statement of Changes in Shareholders' Equity (Deficit)

	For the six-month period ending June 30,	
	2021	2021
	Restated	As originally presented
Net Loss from Operations	\$ (5,108)	\$ (4,305)

Condensed Consolidated Statements of Cash Flows

	For the six-month period ending June 30,	
	2021	2021
	Restated	As originally presented
Addition of intangible assets	\$ -	\$ (813)

Going concern

The 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 with a major client. In addition to this agreement, licensing and other revenue streams have been acquired. Despite the addition of InfoTech's and CoreHealth's clients 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.

CAREBOOK TECHNOLOGIES INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the three and six months ended June 30, 2022 and 2021
(Expressed in \$000s CAD)

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 restrictions, cancelled trade shows/conferences, and other impacts of COVID-19 have slowed the Company's sales activities in 2021 and in the first months of 2022. Additionally, especially during 2021 and the first few months of 2022, potential clients lengthened their sales cycle, as they focused on dealing with COVID-19.

As at June 30, 2022, the Company's current liabilities exceeded its current assets by \$10,412. The Company has incurred significant operating losses and negative cash flows from operations since inception, resulting in an accumulated deficit of \$50,756 as at June 30, 2022 (\$46,517 at December 31, 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, as well as other obligations related to the acquisitions (see Note 3 - Business Combination of the Company's annual audited consolidated financial statements for the year ended December 31, 2021), 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 and equity financings in the past as described in Note 14 - Borrowings, Note 20 - Reverse Takeover Transaction and Note 23 - The Offering of the Company's annual audited consolidated financial statements for the year ended December 31, 2021, and completed an equity financing in May 2022 as described in Note 14 - Equity Instruments, 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 consequence of the COVID-19 pandemic and resulting inflation. 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 evaluates 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, grants and subsidies during 2021 and 2022, and continues to evaluate the Company's eligibility with respect to the programs made available by the Canadian and provincial governments. The Company expects that these programs will provide additional sources of cash flow to the Company. There is no guarantee however that the Company will receive additional government funds under the programs that the Company is currently evaluating.

These interim condensed consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported expenses, and statement of financial position classifications that would be necessary if the going concern assumption was determined to be inappropriate. 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, 2021.

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. There have been no changes in significant judgments and estimates from those disclosed in the Company's annual audited consolidated financial statements for the year ended December 31, 2021.

2.5 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, 2022 and December 31, 2021 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 consolidated statements of loss and comprehensive loss.
- Cash and cash equivalents, and trade and other receivables 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, Credit Facilities and Loan Agreements are classified as and subsequently measured at amortized cost using the effective interest method

Refer to Note 13 - Borrowings and Note 15 - Financial Instruments for more information.

CAREBOOK TECHNOLOGIES INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the three and six months ended June 30, 2022 and 2021
(Expressed in \$000s CAD)

Note 3 - Business Combinations

As disclosed on Note 3 - Business Combinations of the Company's annual audited consolidated financial statements for the year ended December 31, 2021, the purchase price allocations for the acquisitions of InfoTech and CoreHealth have been completed during the fourth quarter of 2021.

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

The impact of the business combinations on the Company's revenue and net loss for the six-month period ended June 30, 2022, are as follows:

	<u>June 30, 2022</u>
Revenue from InfoTech	\$ 1,365
Revenue from CoreHealth	\$ 2,262
Net Loss from InfoTech	\$ (613)
Net Income from CoreHealth	\$ 242

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

	<u>June 30, 2021</u>
Revenue	\$ 4,321
Net Loss	\$ (6,290)

The Company considers the pro forma figures to be an approximate measurement of the financial performance of the combined business for the quarter. 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 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 revenue and profit (loss) if InfoTech and CoreHealth had been acquired on January 1, 2021, the Company calculated the revenues according to the fair value of contract liabilities at the acquisition date.

Payments related to the acquisitions

During the six months ended June 30, 2022, the Company paid the former shareholders of InfoTech the sum of \$88 related to the adjustment relating to working capital payable in connection with the acquisition, and the sum of \$463 representing a portion of the holdback amount that was due in connection with the acquisition, adjusted for certain working capital items.

During the three months ended June 30, 2022, the Company paid \$105 to the former shareholders of CoreHealth related to the collection of GST and scientific research and experimental development (SR&ED) claims for periods preceding the acquisition of CoreHealth.

CAREBOOK TECHNOLOGIES INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 For the three and six months ended June 30, 2022 and 2021
 (Expressed in \$000s CAD)

Note 4 - Revenue

The Company's revenue by service offering for six-month periods ended June 30, 2022 and 2021 were:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Revenue consists of the following:				
Software as a service (SaaS)	\$ 1,750	\$ 441	\$ 3,300	\$ 588
Software development	\$ 533	\$ 695	\$ 1,354	\$ 1,423
Revenue share	\$ -	\$ (11)	\$ (4)	\$ (22)
Other revenue	\$ 52	\$ 13	\$ 82	\$ 13
Total revenue	\$ 2,335	\$ 1,139	\$ 4,732	\$ 2,002

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

	2022	2021
Balance as of January 1	\$ 2,112	\$ 298
Decrease from satisfied performance obligations	\$ (2,287)	\$ (1,755)
Increase from changes as a result of the measures in progress	\$ 2,371	\$ 1,643
Increase from acquisition of InfoTech	\$ -	\$ 235
Increase from acquisition of CoreHealth	\$ -	\$ -
Balance at June 30,	\$ 2,196	\$ 421
Of which current	\$ 2,196	\$ 421
Of which non-current	\$ -	\$ -

CAREBOOK TECHNOLOGIES INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 For the three and six months ended June 30, 2022 and 2021
 (Expressed in \$000s CAD)

Note 5 - Operating Expenses by Function

The Company's operating expenses are broken down by function for the three and six-month periods ended June 30, 2022 and 2021 as follows:

Sales and marketing expenses consisted of the following for the:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Labour & employee benefits	\$ 936	\$ 567	\$ 1,764	\$ 1,008
Stock based compensation	\$ (222)	\$ (159)	\$ (195)	\$ (153)
Marketing	\$ 37	\$ 40	\$ 50	\$ 68
Business development	\$ 10	\$ 55	\$ 19	\$ 55
Total sales and marketing expenses	\$ 761	\$ 503	\$ 1,638	\$ 978

Research and development expenses consisted of the following for the:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Labour & employee benefits	\$ 1,358	\$ 1,374	\$ 2,290	\$ 2,599
Stock based compensation	\$ 36	\$ 34	\$ 77	\$ 61
Research and development	\$ 540	\$ 184	\$ 772	\$ 368
Depreciation & amortization	\$ 477	\$ 49	\$ 954	\$ 59
Total research and development expenses	\$ 2,411	\$ 1,641	\$ 4,093	\$ 3,087

General and administrative expenses consisted of the following for the:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Labour & employee benefits	\$ 180	\$ 527	\$ 773	\$ 843
Stock based compensation	\$ (209)	\$ 123	\$ (159)	\$ 349
Rent	\$ 5	\$ 53	\$ 77	\$ 87
Professional fees	\$ 619	\$ 298	\$ 1,074	\$ 572
General and administrative	\$ 314	\$ 119	\$ 446	\$ 167
Depreciation	\$ 189	\$ 4	\$ 228	\$ 33
Total general and administrative expenses	\$ 1,098	\$ 1,124	\$ 2,439	\$ 2,051

CAREBOOK TECHNOLOGIES INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 For the three and six months ended June 30, 2022 and 2021
 (Expressed in \$000s CAD)

Note 6 – Finance Costs

The components of finance costs within the interim condensed consolidated statements of loss and comprehensive loss for the six months ended June 30, 2022 and 2021 were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Finance costs consist of the following:				
Amortization of deferred financing costs	\$ 78	\$ 21	\$ 155	\$ 21
Amortization of holdback	\$ 31	\$ 17	\$ 69	\$ 17
Credit Facilities	\$ 138	\$ 215	\$ 249	\$ 215
Loan Agreements	\$ 27	\$ -	\$ 54	\$ -
Lease liabilities	\$ 11	\$ 17	\$ 28	\$ 33
Other	\$ 5	\$ 3	\$ 6	\$ 3
Total finance costs	\$ 290	\$ 273	\$ 561	\$ 289

Note 7 – Cash and cash equivalents

	June 30, 2022	December 31, 2021
Cash and cash equivalents	\$ 378	\$ 1,455

As at June 30, 2022 and December 31, 2021, all cash and cash equivalents represented cash in banks and on hand.

Note 8 - Trade and Other Receivables

The Company had \$1,840 and \$1,376 in trade and other receivables as at June 30, 2022 and December 31, 2021, respectively. These receivables consisted of sales tax receivables, trade receivables for unpaid client invoices, and receivables from government agencies.

	June 30, 2022	December 31, 2021
Sales tax receivable	\$ 166	\$ 176
Trade receivables	\$ 1,818	\$ 1,201
Impairment allowance	\$ (144)	\$ (138)
Other receivables	\$ -	\$ 137
Total trade and other receivables	\$ 1,840	\$ 1,376

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.

As at the acquisition date of CoreHealth during the third quarter of 2021, CoreHealth recognized an impairment allowance of \$138 for a customer who filed for bankruptcy. An additional impairment allowance of \$20 was recognized in the first quarter of 2022 for other customers.

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, 2022.

CAREBOOK TECHNOLOGIES INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the three and six months ended June 30, 2022 and 2021
(Expressed in \$000s CAD)

Currency concentrations

As at June 30, 2022, there were trade receivables totaling \$898 denominated in USD. Those trade receivables amount to \$1,157 when presented in the Company's functional currency (Canadian dollars).

Note 9 - 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, 2021	\$ 258	\$ 49	\$ 65	\$ -	\$ -	\$ 372
Additions	\$ -	\$ -	\$ 14	\$ -	\$ -	\$ 14
Additions through acquisitions	\$ 49	\$ 13	\$ 38	\$ 4	\$ 16	\$ 119
Disposals	\$ -	\$ (1)	\$ (1)	\$ -	\$ -	\$ (1)
Depreciation expense	\$ (40)	\$ (23)	\$ (49)	\$ (2)	\$ (1)	\$ (114)
Balance as at December 31, 2021	\$ 267	\$ 39	\$ 67	\$ 2	\$ 15	\$ 389
Cost	\$ 400	\$ 147	\$ 271	\$ 4	\$ 16	\$ 837
Less accumulated depreciation	\$ (133)	\$ (108)	\$ (204)	\$ (2)	\$ (1)	\$ (448)
Balance as at December 31, 2021	\$ 267	\$ 39	\$ 67	\$ 2	\$ 15	\$ 389
Balance as at January 1, 2022	\$ 267	\$ 39	\$ 67	\$ 2	\$ 15	\$ 390
Depreciation expense	\$ (7)	\$ (23)	\$ (39)	\$ (1)	\$ (8)	\$ (142)
Balance as at June 30, 2022	\$ 196	\$ 16	\$ 28	\$ 1	\$ 7	\$ 248
Cost	\$ 400	\$ 147	\$ 271	\$ 4	\$ 16	\$ 838
Less accumulated depreciation	\$ (204)	\$ (131)	\$ (243)	\$ (3)	\$ (9)	\$ (590)
Balance as at June 30, 2022	\$ 196	\$ 16	\$ 28	\$ 1	\$ 7	\$ 248

As at June 30, 2022, 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, 2022 and 2021.

Note 10 - Intangible Assets and Goodwill

Changes in intangible assets were as follows:

	Capitalized Development	Trademark	Technology	Intellectual Property	Others	Goodwill
Balance as at January 1, 2021	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,370
Additions	\$ 43	\$ -	\$ -	\$ -	\$ -	\$ -
Additions through acquisitions	\$ -	\$ 2,180	\$ 8,440	\$ -	\$ 490	\$ 13,911
Amortization	\$ (4)	\$ (213)	\$ (775)	\$ -	\$ (26)	\$ -
Disposals	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Impairment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (7,170)
Balance as at December 31, 2021	\$ 39	\$ 1,967	\$ 7,665	\$ -	\$ 464	\$ 11,111
Cost	\$ 43	\$ 2,180	\$ 8,440	\$ 1,950	\$ 490	\$ 11,111
Less accumulated depreciation or impairment losses	\$ (4)	\$ (213)	\$ (775)	\$ (1,950)	\$ (26)	\$ -
Balance as at December 31, 2021	\$ 39	\$ 1,967	\$ 7,665	\$ -	\$ 464	\$ 11,111
Balance as at January 1, 2022	\$ 39	\$ 1,967	\$ 7,665	\$ -	\$ 464	\$ 11,111
Additions	\$ 59	\$ -	\$ -	\$ -	\$ -	\$ 75
Amortization	\$ (15)	\$ (182)	\$ (703)	\$ -	\$ (25)	\$ -
Disposals	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Balance as at June 30, 2022	\$ 83	\$ 1,785	\$ 6,962	\$ -	\$ 440	\$ 11,186
Cost	\$ 102	\$ 2,180	\$ 8,440	\$ 1,950	\$ 490	\$ 11,186
Less accumulated depreciation	\$ (19)	\$ (395)	\$ (1,478)	\$ (1,950)	\$ (50)	\$ -
Balance as at June 30, 2022	\$ 83	\$ 1,785	\$ 6,962	\$ -	\$ 440	\$ 11,186

The addition of goodwill, trademark, technology and other intangible assets (customers' relationship) are derived from the business combinations completed in 2021, as described in Note 3 of the Company's annual audited consolidated financial statements for the year ended December 31, 2021. As part of the acquisition process, intangible assets were identified and measured at their fair values as per IFRS 3. The excess of the purchase price paid over the acquired net assets were recorded as goodwill.

CAREBOOK TECHNOLOGIES INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the three and six months ended June 30, 2022 and 2021
(Expressed in \$000s CAD)

As disclosed in Note 11 of the Company's annual audited consolidated financial statements for the year ended December 31, 2021, impairment losses amounting to \$7,170 were recognized for the pharmacy (\$4,370) and health risk assessment (\$2,800) cash-generating units.

Note 11 - Accounts Payable and Accrued Liabilities

As at June 30, 2022 and December 31, 2021, the accounts payable and accrued liabilities consisted of the following:

	<u>June 30, 2022</u>	<u>December 31, 2021</u>
Trade payables	\$ 1,528	\$ 795
Employee entitlements	\$ 305	\$ 252
Current portion of holdbacks	\$ 1,454	\$ 1,429
Current portion of consideration payable	\$ 1,820	\$ 569
Other payables and accrued liabilities	\$ 747	\$ 1,182
Total accounts payable and accrued liabilities	\$ 5,854	\$ 4,227

Note 12 - Leases**Office Lease**

The Company leases office space for use in its operations in Montreal. 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 Montreal 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 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. This lease was not renewed in 2022.

In August 2021, the Company acquired a lease liability for CoreHealth's office space with a five-year term ending January 2025, with no renewal option. 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.

CAREBOOK TECHNOLOGIES INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 For the three and six months ended June 30, 2022 and 2021
 (Expressed in \$000s CAD)

Changes in ROU Assets

The following table represents the changes in ROU assets for the periods ended June 30, 2022 and December 31, 2021:

	June 30, 2022	December 31, 2021
Cost of right-of-use assets		
Balance at January 1	\$ 762	\$ 597
Additions	\$ -	\$ 165
Balance at end of period	\$ 762	\$ 762
Less accumulated amortization	\$ 268	\$ 213
Net book value at end of period	\$ 494	\$ 549

Lease Liabilities

The following table outlines the maturity of the contractual payments due under the Company's lease arrangements as at June 30, 2022 and December 31, 2021:

	June 30, 2022	December 31, 2021
Less than 1 year	\$ 179	\$ 181
1 to 5 years	\$ 633	\$ 653
More than 5 years	\$ 142	\$ 212
Total	\$ 954	\$ 1,046
Less: impact of discounting	\$ 189	\$ 223
Total lease liabilities	\$ 765	\$ 823
Of which non-current	\$ 666	\$ 721
Of which current	\$ 98	\$ 102

CAREBOOK TECHNOLOGIES INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 For the three and six months ended June 30, 2022 and 2021
 (Expressed in \$000s CAD)

Note 13 – Borrowings**13.1 Analysis by nature**

	As at June 30, 2022		
	Carrying Amount	Fair Value	Effective Rate
Revolving Facility	\$ 1,870	\$ 1,870	10.99%
Term Loan Facility	\$ 2,917	\$ 2,917	10.99%
Lease liability	\$ 98	\$ 98	8.69%
Total short-term borrowings	\$ 4,885	\$ 4,885	
Loan Agreements	\$ 1,000	\$ 1,000	11.99%
Lease liability	\$ 666	\$ 666	8.69%
Total long-term borrowings	\$ 1,666	\$ 1,666	
Total borrowings	\$ 6,551	\$ 6,551	
Of which non-current	\$ 1,666		
Of which current	\$ 4,885		

	As at December 31, 2021		
	Carrying Amount	Fair Value	Effective Rate
Revolving Facility	\$ 3,000	\$ 3,000	8.41%
Term Loan Facility	\$ 4,000	\$ 4,000	4.91%
Lease liability	\$ 102	\$ 102	8.69%
Total short-term borrowings	\$ 7,102	\$ 7,102	
Loan Agreements	\$ 1,000	\$ 1,000	10.00%
Lease liability	\$ 721	\$ 721	8.69%
Total long-term borrowings	\$ 1,721	\$ 1,721	
Total borrowings	\$ 8,823	\$ 8,823	
Of which non-current	\$ 1,721		
Of which current	\$ 7,102		

13.2 Movements in borrowings

	2022	2021
Balance as at January 1,	\$ 8,823	\$ 741
Net Issuance of Term Note	\$ (1,083)	\$ -
Net Issuance of Revolving Facility	\$ (1,130)	\$ 6,000
Net Issuance of Term Loan Facility	\$ -	\$ 4,000
Issuance of Loan Agreements	\$ -	\$ -
Interest - Credit Facilities and Loan Agreements	\$ 303	\$ -
Interest payments	\$ (303)	\$ -
Repayment of lease liability	\$ (58)	\$ (33)
Balance as at June 30,	\$ 6,551	\$ 10,717

13.3 Main features of borrowings**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

CAREBOOK TECHNOLOGIES INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the three and six months ended June 30, 2022 and 2021
(Expressed in \$000s CAD)

Facility”) as well as a term loan facility of \$4,000 (the “Term Loan Facility”) (collectively, the “Credit Facilities”).

The Credit Facilities had an initial maturity date of April 6, 2022 which was extended to August 31, 2023. Any amounts outstanding under the Credit Facilities are due in full at maturity. As at June 30, 2022, the amount drawn on the Revolving Facility was \$1,870 and the amount drawn on the Term Loan Facility was \$2,917.

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. These warrants expired on April 6, 2022.

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 planned to use the remaining net proceeds of this financing for working capital and general corporate purposes.

An amendment of the Credit Agreement was entered into on August 4, 2021. The amendment was primarily administrative in nature and is described below.

On August 5, 2021, Carebook completed a private placement of common shares of Carebook (“The Offering”) for aggregate gross proceeds of \$11,280 to partially pay down the Revolving Facility, to finance the cash consideration for the acquisition of CoreHealth, and for working capital and general corporate purposes. For more information regarding the Offering and the acquisition of CoreHealth, please refer to Note 23 - The Offering and Note 3 - Business Combinations of the Company’s annual audited consolidated financial statements for the year ended December 31, 2021.

A second amendment of the Credit Agreement was entered into on December 1, 2021. The amendment was primarily administrative in nature and is described below.

A third amendment of the Credit Agreement was entered into on April 7, 2022. The amendment was primarily administrative in nature and is described below.

On May 17, 2022, Carebook completed a Rights Offering - see Note 14 – Equity Instruments for aggregate gross proceeds of \$4,500 and repaid \$1,000 under the Term Loan Facility, resulting in a permanent reduction of the Term Loan Facility. Furthermore, beginning in June 2022, the Company started repaying the principal outstanding under the Term Loan Facility, which is to be repaid at a rate of \$1,000 per year, in equal monthly installments.

Effective July 31, 2022, the Company entered into a fourth amendment to its Credit Agreement. The amendment was primarily administrative in nature and is described below.

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. Commencing on April 7, 2022, the date of the third amendment to the Credit Agreement, the applicable margin is 9.0%.

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; or ii) bankers’ acceptances.

As at June 30, 2022, the outstanding amount owed on the Revolving Facility was \$1,870, at an effective interest rate of 11.0%.

CAREBOOK TECHNOLOGIES INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the three and six months ended June 30, 2022 and 2021
(Expressed in \$000s CAD)

Term Loan Facility

Under the Credit Agreement, the Term Loan Facility had an initial maturity date of April 6, 2022, which was extended to November 30, 2022. Loans under the Term Loan Facility are in the form of variable rate loans in Canadian dollars. The Canadian variable rate loans under the Term Loan Facility bear interest at a rate based on CDOR, plus a margin of 9.0%. As at June 30, 2022, \$2,917 was outstanding under the Term Loan Facility, at an effective interest rate of 11.0%.

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.

Specifically, as of June 30, 2022, the Credit Agreement was subject to a cash runway ratio financial covenant, and the Company failed to meet such cash runway ratio financial covenant as at June 30, 2022. Effective July 31, 2022, the Company entered into a fourth amendment to its Credit Agreement with the Lenders. Under the amendment, the default to meet the cash runway ratio financial covenant was waived. The maturity date of the Credit Facilities was also extended to August 31, 2023, provided that the Company completes a minimum capital raise in the amount of \$1,000, makes a mandatory prepayment of \$250 on the Term Loan Facility and maintains a minimum cash balance financial covenant.

Except as mentioned above, as at June 30, 2022 the Company was in compliance with the other covenants prescribed under the restrictive covenants set out in the Credit Agreement. As at the date of these unaudited interim condensed consolidated financial statements the Company was in compliance with all covenants.

Deferred Financing Costs

The deferred financing costs in the amount of \$57 presented on the Condensed Consolidated Statements of Financial Position 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 November 30, 2022 and the legal and regulatory filing fees in connection with the Rights Offering. The costs related to the Credit Agreement were amortized straight-line over the 12-month term of the Credit Agreement and the costs related to the Rights Offering were amortized straight line over a 6-month period.

Amendments to the Credit Agreement

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, as per this amendment, the interest rate on the Revolving Facility remained at a rate based on CDOR plus a margin of 8.0% and, prior to the third amendment that occurred in April 2022, would decrease to CDOR plus a margin of 3.25% conditional upon the successful completion of a surplus equity injection of \$2,720.

On December 1, 2021, the Credit Agreement was amended for the second time. The amendment was administrative in nature and provided 30 additional days for confirmation that all bank accounts not held with the Lenders were closed.

CAREBOOK TECHNOLOGIES INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the three and six months ended June 30, 2022 and 2021
(Expressed in \$000s CAD)

On April 7, 2022, the Credit Agreement was amended for the third time. Under the third amendment, the Revolving Facility became a \$3,000 demand revolving facility and the Term Loan Facility became a \$4,000 non-revolving term loan facility, subject to mandatory repayment as described below. Moreover, the maturity date of Term Loan Facility was extended to November 30, 2022, provided that the Company had to make a mandatory prepayment of \$1,000 on the Term Loan Facility by no later than June 15, 2022, and continue repaying the principal outstanding under the Term Loan Facility, at a rate of \$1,000 per year, in equal monthly installments. The applicable margin on each of the Credit Facilities was also increased to 9.0%, effective as of April 7, 2022.

Effective July 31, 2022 the Company entered into a fourth amendment to its Credit Facilities with the Lenders. Under the fourth amendment, the maturity date of the Credit Facilities was extended to August 31, 2023, provided that the Company completes a minimum capital raise in the amount of \$1,000, makes a mandatory prepayment of \$250 on the Term Loan Facility and maintains a minimum cash balance financial covenant.

Refer to Note 19 – Subsequent Events, for additional details.

Loan Agreements

On December 22, 2021, the Company entered into secured loan agreements (the “Loan Agreements”) with SAYKL Investments Ltd. (“SAYKL”) and UIL Limited (“UIL”), for a total of \$1,000 in aggregate gross proceeds. The intended uses of these funds are working capital and general corporate purposes. Interest on the principal amount outstanding under the Loan Agreements is payable quarterly at a rate of CDOR + 10%, and the Loan Agreements have a five-year maturity. The obligations of the Company under the Loan Agreements are subordinated to the Company’s obligations under the existing Credit Facilities. To secure the Company’s obligations under the Loan Agreements, the Company has agreed to grant to each of SAYKL and UIL a security interest and hypothec in all of the property and undertaking of the Company, subordinated to the security interests granted by the Company to its Lenders. As at June 30, 2022, the outstanding amount owed on the Loan Agreements was \$1,000, at an effective interest rate of 12.0%.

Note 14 - Equity Instruments**Authorized**

Unlimited common shares without par value.

Issued and Outstanding Common Shares

The number of issued and outstanding common shares as at January 1, 2021 was 30,522,098.

In April 2021, as part of the business combination with InfoTech, the Company issued 4,132,232 common shares of the Company to the former shareholders of InfoTech at a deemed price of \$1.21 per common share. In August 2021, as partial consideration for the acquisition of CoreHealth, the Company issued 1,509,207 common shares of the Company to the former shareholders of CoreHealth at a deemed price of \$0.99 per common share. For more information on the business combinations with InfoTech and CoreHealth, refer to Note 3.

In June 2021, 452,526 common share purchase warrants (the “Principal Warrants”) were exercised on a cashless basis and exchanged for 308,819 common shares of the Company. In August 2021, the Company completed the Offering and issued 11,280,000 common shares of the Company to the private placement participants at a deemed price of \$1.00 per common share.

As at December 31, 2021, the issued share capital comprises 47,752,356 common shares.

CAREBOOK TECHNOLOGIES INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 For the three and six months ended June 30, 2022 and 2021
 (Expressed in \$000s CAD)

As at June 30, 2022, the issued share capital comprises 77,752,356 common shares, an increase of 30,000,000 since December 31, 2021.

On April 11, 2022, the Company announced an offering of rights (the "Rights Offering") to holders of its common shares of record at the close of business on April 19, 2022 (the "Record Date"). Pursuant to the Rights Offering, each holder of common shares received one transferable right (a "Right") for each common share held. Every 1.5917452 Rights entitled a holder to purchase one (1) common share at a price of \$0.15 per common share. A maximum of 30,000,000 common shares could have been issued pursuant to the Rights Offering, for maximum gross proceeds under the Rights Offering of \$4,500.

In connection with the Rights Offering, holders of Offering Warrants, Offering Broker Warrants, and Replacement Warrants had their strike price reduced from \$1.47 to \$1.396, \$1 to \$0.95, and \$3.125 to \$2.969 respectively.

Also in connection with the Rights Offering, the Company entered into a stand-by commitment agreement dated April 11, 2022 (the "Stand-by Commitment Agreement") with UIL (the "Stand-by Guarantor"), a current significant shareholder of the Company, whereby the Stand-by Guarantor agreed to purchase common shares not otherwise subscribed for under connection the Rights Offering, guaranteeing the Company to receive aggregate gross proceeds of \$4,500.

On May 17, 2022, the Company announced the completion of the Rights Offering, which resulted in the issuance of 17,107,749 common shares of the Company at a price of \$0.15 per share for proceeds to the Company of approximately \$2,570.

Also, in accordance with the terms Stand-by Commitment Agreement presented above, the Company issued 12,892,251 additional common shares to UIL, at a price of \$0.15 per share, for additional proceeds to the Company of approximately \$1,930, resulting in the Company receiving aggregate proceeds of \$4,500 under the Rights Offering. UIL was also issued 193,383 Warrants pursuant to the Stand-by Commitment Agreement. Each Warrant entitles UIL to purchase one (1) common share at a price of \$0.16 per share at any time within 24 months of their issuance.

Following the closing of the Rights Offering on May 17, 2022 and including the common shares issued to UIL pursuant to the Stand-by Commitment Agreement, the Company had 77,752,356 common shares issued and outstanding.

	June 30, 2022		December 31, 2021	
	Shares	Amounts	Shares	Amounts
Common shares	77,752,356	\$ 43,558	47,752,356	\$ 39,067
Total shares issued and outstanding	77,752,356	\$ 43,558	47,752,356	\$ 39,067

14.1 Share based compensation

In January 2021, the Company granted its employees 1,000 stock options. The options expire 10 years after the grant date and 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 vest over a period of one year. At the same time, the Company issued 827,934 stock options to its employees that expire 10 years after the grant date and vest over a period of three years.

During the second quarter of 2021, 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 stock option expense recovery of \$178.

CAREBOOK TECHNOLOGIES INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the three and six months ended June 30, 2022 and 2021
(Expressed in \$000s CAD)

In August 2021, the Company granted 234,000 stock options to its employees and an additional 300,250 stock options to its employees in September 2021. These stock options expire 10 years after the grant date and vest over a three-year period.

During the third quarter of 2021, there was a forfeiture of 305,045 stock options due to employee turnover. This resulted in a stock option expense recovery of \$116.

In December 2021, the Company granted 1,360,750 stock options to its employees. Each stock option entitles the holder thereof to purchase one common share in the capital of the Company at an exercise price of \$0.34 per share and expires on December 1, 2031. The stock options vest in equal instalments on an annual basis over three years.

During the fourth quarter of 2021, there was a forfeiture of 261,912 stock options due to employee turnover. This resulted in a stock option expense recovery of \$206.

During the first quarter of 2022, there was a forfeiture of 132,083 stock options due to employee turnover. This resulted in a stock option expense recovery of \$38.

In June 2022, the Company granted 250,000 stock options to an employee.

During the second quarter of 2022, there was a forfeiture of 534,985 stock options due to employee turnover. This resulted in a stock option expense recovery of \$517.

As at June 30, 2022, the number of stock options outstanding is 5,509,509.

14.2 Warrants

In July 2021, the expiry date of 2,156,265 Replacement Warrants was extended by two years to July 2023. Refer to Note 18 - Related Party Transactions of the Company's annual audited consolidated financial statements for the year ended December 31, 2021 for more information on the warrant life extension.

As part of the private placement financings, described in Note 20 - Reverse Takeover Transaction of the Company's annual audited consolidated financial statements for the year ended December 31, 2021, 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 20 - Reverse Takeover Transaction of the Company's annual audited consolidated financial statements for the year ended December 31, 2021, 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 units of Carebook 2020 ("Carebook Units") at an exercise price equal to \$2.50 per Carebook Unit.

As part of the RTO, described in Note 20 of the Company's annual audited consolidated financial statements for the year ended December 31, 2021, 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 Carebook Units 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 at a consolidation ratio of one post-consolidation warrant for every 13.187

CAREBOOK TECHNOLOGIES INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 For the three and six months ended June 30, 2022 and 2021
 (Expressed in \$000s CAD)

pre-consolidation 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 at a price of \$1.3187, which expired during the third quarter of 2021.

As part of the transactions under the Credit Facilities described in Note 13, 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. Those warrants expired on April 6, 2022

On June 30, 2021, 452,526 Replacement Warrants were exercised on a cash-free basis and exchanged for 308,819 common shares of the Company.

On August 5, 2021, in conjunction with the Offering, the Company issued 5,640,000 warrants ("Offering Warrants") to purchase common shares of the Company. Each Offering Warrant entitles the holder thereof to acquire one common share of the Company at \$1.47 per common share for a period of 24 months from issuance. In addition, as compensation for their services in connection with the Offering, the Company issued to the brokers that arranged the Offering 673,800 broker warrants ("Offering Broker Warrants"). Each Offering Broker Warrant entitles the holder thereof to acquire one common share of the Company at \$1.00 per common share for a period of 24 months from issuance.

On May 17, 2022, in conjunction with the Rights Offering and the Stand-by Commitment Agreement, the Company issued 193,383 Warrants to UIL. Each Warrant entitles UIL to purchase one (1) common share at a price of \$0.16 per share at any time within 24 months of their issuance.

The total number of issued and outstanding warrants to purchase common shares of the Company as at June 30, 2022 was 13,949,397.

Note 15 - Financial Instruments

15.1 Financial assets and liabilities by categories

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

As at June 30, 2022 and December 31, 2021 the Company's financial assets and liabilities were as follows:

	June 30, 2022	December 31, 2021
	At Carrying Value or Amortized Cost	At Carrying Value or Amortized Cost
Cash and cash equivalents	\$ 378	\$ 1,455
Trade & other receivables	\$ 1,840	\$ 1,376
Total financial assets	\$ 2,219	\$ 2,831
Trade payables and accrued liabilities	\$ 1,527	\$ 795
Borrowings	\$ 5,787	\$ 8,000
Total financial liabilities	\$ 7,314	\$ 8,795

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.

CAREBOOK TECHNOLOGIES INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the three and six months ended June 30, 2022 and 2021
(Expressed in \$000s CAD)

15.2 Fair values

The carrying values of the Company's Credit Facilities and Loan Agreements 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.

15.3 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, accounts payable and accrued liabilities and borrowings approximate their fair value because of the short-term maturity and highly liquid nature of these instruments and are considered Level 1.

There were no transfers into or out of Level 1, Level 2, or Level 3 during the three-and-six month periods ended June 30, 2022 and 2021.

As at June 30, 2022 there are no financial instruments classified as Level 2 and Level 3.

Note 16 - 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.

16.1 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 the three-and-six month periods ending June 30, 2021, the interest rate risk stems from the Credit Facilities. During the three-and-six month periods ending June 30, 2022, the interest rate risk stems from the Credit Facilities and the Loan Agreements.

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 Loan Agreements would have had a negative impact of \$17 in the Company's loss for the quarter ended June 30, 2022.

(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 completing the acquisitions of InfoTech and CoreHealth, 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 during the three-and-six month periods ended June 30, 2022 and 2021.

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 acquisitions of InfoTech and CoreHealth, 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 the quarter ending June 30, 2022 levels would have had an impact of +/- \$116 on net loss.

16.2 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 15 - Financial Instruments. The Company did not hold any collateral as security as at June 30, 2022 and 2021.

CAREBOOK TECHNOLOGIES INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the three and six months ended June 30, 2022 and 2021
(Expressed in \$000s CAD)

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

Prior to the acquisitions of InfoTech and CoreHealth, the Company's customer base consisted of two primary customers, one of which represented approximately 99% of revenue prior to the acquisitions. This risk has been mitigated to some extent by the acquisitions of InfoTech and CoreHealth, as the primary customer now represents approximately 25% of the Company's revenue for the quarter ended June 30, 2022.

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 a 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.

16.3 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 three months ended June 30, 2022, the Company also completed its Rights Offering for gross proceeds of \$4,500 – See Note 14 – Equity Instruments.

During the six months ended June 30, 2022, the Company paid the former shareholders of InfoTech the sum of \$88 related to the adjustment relating to working capital payable in connection with the acquisition, and the sum of \$463 representing a portion of the holdback amount that was due in connection with the acquisition, less working capital adjustments. During the three months ended June 30, 2022, the Company paid \$105 to the former shareholders of CoreHealth related to the collection of GST and scientific research and experimental development (SR&ED) claims for periods preceding the acquisition of CoreHealth – see Note 3 – Business Combinations.

Note 17 - Commitments**Capital expenditure and purchase commitments**

As at June 30, 2022 and 2021, the Company had no future commitments for purchases of property and equipment and intangible assets.

Note 18 - Related Party Transactions

The table below summarizes the balances receivable and payable from or to related parties:

CAREBOOK TECHNOLOGIES INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the three and six months ended June 30, 2022 and 2021
(Expressed in \$000s CAD)

	<u>June 30, 2022</u>	<u>December 31, 2021</u>
Payable to related party		
Payables to shareholders	\$ 51	\$ 55
Loan Agreements (Note 13)	\$ 1,000	\$ 1,000
	<u>\$ 1,051</u>	<u>\$ 1,055</u>

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 April 2021, this agreement was extended for an additional six months, and was subsequently extended through May 2022. During the quarter ended June 30, 2022, total expenses related to the services of the CFO were \$37.

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.

Note 19 - Subsequent Events**Extension and amendment of Credit Facilities**

Effective July 31st, 2022, the Company entered into another amendment to its Credit Facilities with the Lenders. Under the amendment, the maturity date of the Credit Facilities was extended to August 31, 2023, provided that the Company completes a minimum capital raise in the amount of \$1,000, makes a mandatory prepayment of \$250 on the Term Loan Facility and maintains a minimum cash balance financial covenant.