

# **CAREBOOK TECHNOLOGIES INC.**

Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2023 and 2022

(unaudited) (expressed in thousands of Canadian dollars)

**CAREBOOK TECHNOLOGIES INC.**  
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED March 31, 2023 AND 2022

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## **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-month periods ended March 31, 2023 and 2022 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.

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

**CAREBOOK TECHNOLOGIES INC.**

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

For the three months ended March 31, 2023 and 2022

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

	<u>Note</u>	<u>March 31, 2023</u>	<u>March 31, 2022</u>
<b>REVENUE</b>	3	\$ 2,518	\$ 2,397
Cost of revenue		\$ 255	\$ 164
<b>Gross profit</b>		<b>\$ 2,263</b>	<b>\$ 2,233</b>
<b>EXPENSES</b>			
Sales and marketing	4	\$ 315	\$ 876
Research and development	4	\$ 1,445	\$ 1,683
General and administrative	4	\$ 924	\$ 1,342
<b>Loss from operations</b>		<b>\$ (421)</b>	<b>\$ (1,668)</b>
Finance costs	5	\$ 372	\$ 272
Other income		\$ (14)	\$ -
<b>Net loss before taxes</b>		<b>\$ (779)</b>	<b>\$ (1,940)</b>
Income tax expense (recovery)		\$ (320)	\$ (137)
<b>Net loss</b>		<b>\$ (459)</b>	<b>\$ (1,803)</b>
<b>Total comprehensive loss</b>		<b>\$ (459)</b>	<b>\$ (1,803)</b>
<i>Weighted average number of basic and diluted common shares</i>		80,946,800	47,752,356
<i>Basic and diluted loss per share</i>		\$ (0.01)	\$ (0.04)

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

**CAREBOOK TECHNOLOGIES INC.**

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at March 31, 2023 and December 31, 2022

*(Unaudited, expressed in \$000s CAD)*

	<u>Note</u>	<u>March 31, 2023</u>	<u>December 31, 2022</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	6	\$ 588	\$ 740
Trade and other receivables	7	\$ 2,498	\$ 767
Prepaid expenses		\$ 214	\$ 263
<b>Total current assets</b>		<b>\$ 3,300</b>	<b>\$ 1,770</b>
<b>Non-Current Assets</b>			
Property and equipment, net	8	\$ 217	\$ 244
Right-of-use assets	11	\$ 409	\$ 436
Intangible assets	9	\$ 6,436	\$ 6,806
<b>Total non-current assets</b>		<b>\$ 7,062</b>	<b>\$ 7,486</b>
<b>Total Assets</b>		<b>\$ 10,362</b>	<b>\$ 9,256</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	10	\$ 2,795	\$ 3,161
Contract liabilities		\$ 3,224	\$ 2,138
Current portion of lease liabilities	11	\$ 126	\$ 120
Revolving Facility	12	\$ 2,166	\$ 1,661
Term Loan Facility	12	\$ 1,917	\$ 2,500
Tax liabilities		\$ 11	\$ 10
<b>Total current liabilities</b>		<b>\$ 10,239</b>	<b>\$ 9,590</b>
<b>Non-Current Liabilities</b>			
Non-current portion of contract liabilities		\$ 247	\$ 278
Lease liabilities	11	\$ 544	\$ 580
Convertible debt	12	\$ 3,699	\$ 3,646
Deferred tax liabilities		\$ 1,200	\$ 1,521
<b>Total non-current liabilities</b>		<b>\$ 5,690</b>	<b>\$ 6,025</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	13	\$ 44,684	\$ 43,479
Contributed surplus	13	\$ 11,963	\$ 11,917
Warrants reserve	13	\$ 2,008	\$ 2,008
Equity component of convertible debentures	12	\$ 572	\$ 572
Accumulated deficit	13	\$ (64,794)	\$ (64,335)
<b>Total shareholders' Equity (Deficit)</b>		<b>\$ (5,567)</b>	<b>\$ (6,359)</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>\$ 10,362</b>	<b>\$ 9,256</b>

Approved by the Board of Directors on May 30th, 2023:

*(s) Alasdair Younie*

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)

For the three months ended March 31, 2023 and 2022

*(Unaudited, expressed in \$000s CAD, except for number of shares)*

<b>At January 1, 2023</b>		<b>77,752,356</b>	<b>\$ 43,479</b>	<b>\$ 2,008</b>	<b>\$ 572</b>	<b>\$ 11,917</b>	<b>\$ (64,335)</b>	<b>\$ (6,359)</b>
Share based compensation	13	-	\$ -	\$ -	\$ -	\$ 46	\$ -	\$ 46
Issuance of shares	13	12,500,000	\$ 1,250	\$ -	\$ -	\$ -	\$ -	\$ 1,250
Share Issuance Costs		-	\$ (45)	\$ -	\$ -	\$ -	\$ -	\$ (45)
Net loss		-	\$ -	\$ -	\$ -	\$ -	\$ (459)	\$ (459)
<b>At March 31, 2023</b>		<b>90,252,356</b>	<b>\$ 44,684</b>	<b>\$ 2,008</b>	<b>\$ 572</b>	<b>\$ 11,963</b>	<b>\$ (64,794)</b>	<b>\$ (5,567)</b>

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

**CAREBOOK TECHNOLOGIES INC.**

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three months ended March 31, 2023 and 2022

*(Unaudited, expressed in \$000s CAD)*

	<u>Note</u>	<u>March 31, 2023</u>	<u>March 31, 2022</u>
<b>Cash flows from (used in) operating activities</b>			
Net loss		\$ (459)	\$ (1,803)
Adjustments for non-cash items:			
Income tax expense (recovery)		\$ (318)	\$ (137)
Share based compensation	13	\$ 46	\$ 319
Depreciation	8, 11	\$ 47	\$ 28
Amortization of intangible assets	9	\$ 370	\$ 461
Amortization of deferred financing costs	7	\$ -	\$ 77
Accretion of convertible debt	12	\$ 54	\$ -
Interest expense	5	\$ 162	\$ 195
Gain on capital assets disposals	8	\$ (14)	\$ -
Changes in non-cash working capital items:			
Trade and other receivables	7	\$ (1,731)	\$ 336
Prepaid expenses		\$ 49	\$ (58)
Accounts payable and accrued liabilities	10	\$ (368)	\$ 284
Contract liabilities		\$ 1,055	\$ 230
<b>Net cash from (used in) operating activities</b>		<b>\$ (1,107)</b>	<b>\$ (68)</b>
<b>Cash flows from (used in) investing activities</b>			
Addition of intangible assets	9	\$ -	\$ (29)
Acquisition of InfoTech		\$ 20	
Acquisition of Corehealth		\$ -	\$ (88)
<b>Net cash from (used in) investing activities</b>		<b>\$ 20</b>	<b>\$ (117)</b>
<b>Cash flows from (used in) financing activities</b>			
Issuance of shares and warrants	13	\$ 1,250	\$ -
Share issuance costs	13	\$ (45)	\$ -
Payments of principal on lease liabilities	11	\$ (30)	\$ (46)
Interest paid	4	\$ (162)	\$ (157)
Issuance (repayment) of Revolving Facility	12	\$ 505	\$ -
Issuance (repayment) of Term Loan Facility	12	\$ (583)	\$ -
<b>Net cash from (used in) financing activities</b>		<b>\$ 935</b>	<b>\$ (203)</b>
Net increase (decrease) in cash and cash equivalents		\$ (152)	\$ (388)
Cash and cash equivalents - beginning of period		\$ 740	\$ 1,455
<b>Cash and cash equivalents - end of period</b>		<b>\$ 588</b>	<b>\$ 1,067</b>

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 months ended March 31, 2023 and 2022  
(Unaudited, expressed in \$000s CAD)

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**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, 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.

These interim condensed 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 office of the Company is located at 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.



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**Note 2 – Summary of Significant Accounting Policies****2.1 Basis of presentation and going concern****Basis of presentation**

The interim condensed consolidated financial statements have been prepared in accordance with IAS 34, Interim financial reporting using accounting policies consistent with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and International Financing Reporting Interpretations Committee ("IFRIC"). These interim condensed consolidated financial statements should be read in conjunction with the Company's annual audited consolidated financial statements and notes thereto prepared for the year ended December 31, 2022.

The Company operates in a single reporting segment. Prior to the acquisitions of InfoTech and CoreHealth, all revenues were generated in Canada. During the year, 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.

The Company's Board of Directors approved these annual consolidated financial statements on May 30th, 2023. 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.

**Basis of consolidation**

The Company consolidates all controlled subsidiaries. These annual 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. All of the Company's subsidiaries have head offices located in Canada except for Carebook Technologies (US), Inc., whose head office is located in the United States. 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 subsidiaries is the Canadian dollar except for Carebook Technologies (US), Inc., where the functional currency is the US 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.

**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 and CoreHealth's client base and revenue, there is no guarantee that future revenue will generate sufficient income to offset operating expenses of the Company.

As at March 31, 2023, the Company's current liabilities exceeded its current assets by \$6,939. The Company has incurred significant operating losses and negative cash flows from operations since inception, resulting in an accumulated deficit of \$64,794 as at March 31, 2023 (\$48,320 at March 31, 2022). 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

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the funds required for its monthly burn rate, as well as other obligations related to past acquisitions, 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 April 2022 (Note 13 – Equity Instruments) and March 8<sup>th</sup>, 2023 (Note 13 – 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 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.

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, 2022.

**New standards, amendments and interpretations recently adopted by the company**

IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")

In February 2021, the IASB issued Definition of Accounting Estimates, which amends IAS 8. The amendment will require the disclosure of material accounting policy information rather than disclosing significant accounting policies and clarifies how to distinguish changes in accounting policies from changes in accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The amendment provides clarification to help entities to distinguish between accounting policies and accounting estimates.

The amendments are effective for annual periods beginning on or after January 1, 2023. The impact of adopting these amendments on the Company's financial statements was not significant.

**2.3 Significant judgements 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, 2022.

**CAREBOOK TECHNOLOGIES INC.**

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**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.

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

**Note 3 - Revenue**

The Company's revenue by service offering for the three-month periods ended March 31, 2023 and 2022 were:

	<u>March 31, 2023</u>		<u>March 31, 2022</u>
Revenue consists of the following:			
Software as a service (SaaS)	\$ 1,516	\$	1,552
Software development	\$ 963	\$	820
Other revenue	\$ 39	\$	25
<b>Total revenue</b>	<b>\$ 2,518</b>	<b>\$</b>	<b>2,397</b>

**Note 4 - Operating Expenses by Function**

The Company's operating expenses are broken down by function for the three-month periods ended March 31, 2023 and 2022 as follows:

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Sales and marketing expenses consisted of the following for the:

	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Labour & employee benefits	\$ 275	\$ 827
Share based compensation	\$ 3	\$ 27
Marketing	\$ 37	\$ 13
Business development	\$ -	\$ 9
<b>Total sales and marketing expenses</b>	<b>\$ 315</b>	<b>\$ 876</b>

Research and development expenses consisted of the following for the:

	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Labour & employee benefits	\$ 688	\$ 933
Share based compensation	\$ 17	\$ 41
Research and development	\$ 359	\$ 232
Depreciation & amortization	\$ 381	\$ 477
<b>Total research and development expenses</b>	<b>\$ 1,445</b>	<b>\$ 1,683</b>

General and administrative expenses consisted of the following for the:

	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Labour & employee benefits	\$ 507	\$ 594
Share based compensation	\$ 24	\$ 50
Rent	\$ 60	\$ 72
Professional fees	\$ 155	\$ 455
General and administrative	\$ 138	\$ 132
Depreciation	\$ 40	\$ 39
<b>Total general and administrative expenses</b>	<b>\$ 924</b>	<b>\$ 1,342</b>

Share based compensation for the three months ended March 31, 2023 of \$46 includes \$2 related to cost of revenue, and thus not included in the table above. In response to the COVID-19 pandemic, certain governmental and regulatory bodies, as well as local business development funds, have provided grants and other subsidies for businesses based on meeting specific criteria and in support of particular initiatives, including maintaining employment thresholds and development within certain industries. The Company has endeavored to attain subsidies related to COVID-19 measures, as well as other business and industry incentives, for which it qualifies.

In March 2023, the Company was approved for a \$512 research and development grant from the Quebec government. As of March 31<sup>st</sup>, 2023, the Company has accrued \$512 for the grant which offset research and development labor costs during the quarter ended.

### **Note 5 – Finance Costs**

The components of finance costs within the interim condensed consolidated statements of loss and comprehensive loss for the three months ended March 31, 2023 and 2022 were as follows:

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	<b>March 31, 2023</b>	<b>March 31, 2022</b>
Finance costs consist of the following:		
Amortization of deferred financing costs	\$ -	\$ 77
Accretion on holdbacks payable	\$ -	\$ 38
Interest on credit facilities	\$ 137	\$ 112
Interest on Loan Agreements	\$ 156	\$ 27
Accretion on Convertible Debt	\$ 54	\$ -
Lease liabilities	\$ 16	\$ 17
Other	\$ 9	\$ 1
<b>Total finance costs</b>	<b>\$ 372</b>	<b>\$ 272</b>

**Note 6 – Cash and cash equivalents**

	<b>March 31, 2023</b>	<b>December 31, 2022</b>
Cash and cash equivalents	\$ 588	\$ 740

As at March 31, 2023 and March 31, 2022, all cash and cash equivalents represented cash in banks and on hand.

**Note 7 - Trade and Other Receivables**

The Company had \$2,498 in trade and other receivables as at March 31, 2023 and \$767 in trade and other receivables as at December 31, 2022. These receivables consisted of sales tax receivables, trade receivables for unpaid client invoices, and receivables from government agencies.

	<b>March 31, 2023</b>	<b>December 31, 2022</b>
Trade receivables	\$ 2,513	\$ 778
Expected credit losses	\$ (19)	\$ (19)
Other receivables	\$ 4	\$ 8
<b>Total trade and other receivables</b>	<b>\$ 2,498</b>	<b>\$ 767</b>

**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 and estimate lifetime expected credit losses. 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, CoreHealth recognized an impairment allowance of \$138 for a customer who filed for bankruptcy. An additional impairment allowance of \$19 was recognized in 2022.

The maximum exposure to credit risk as at the reporting date was the carrying value of trade and other receivables.

**Currency concentrations**

As at March 31, 2023, there were trade receivables totaling \$1,403 denominated in USD. Those trade receivables amount to \$1,898 when presented in the Company's functional currency (Canadian dollars). As at December 31, 2022, there were trade receivables totaling \$473 denominated in USD. Those trade receivables amount to \$641 when presented in the Company's functional currency (Canadian dollars).

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**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, 2022	\$ 267	\$ 38	\$ 66	\$ 2	\$ 16	\$ 389
Additions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additions through acquisitions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Disposals	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation expense	\$ (52)	\$ (29)	\$ (50)	\$ (1)	\$ (15)	\$ (147)
Balance as at December 31, 2022	\$ 215	\$ 9	\$ 16	\$ 1	\$ 1	\$ 242
Cost	\$ 400	\$ 147	\$ 272	\$ 4	\$ 16	\$ 839
Less accumulated depreciation	\$ (185)	\$ (138)	\$ (255)	\$ (3)	\$ (15)	\$ (596)
<b>Balance as at December 31, 2022</b>	<b>\$ 215</b>	<b>\$ 9</b>	<b>\$ 17</b>	<b>\$ 1</b>	<b>\$ 1</b>	<b>\$ 243</b>
Balance as at January 1, 2023	\$ 215	\$ 9	\$ 17	\$ 1	\$ 1	\$ 243
Additions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Disposals	\$ -	\$ (6)	\$ -	\$ -	\$ -	\$ (6)
Depreciation expense	\$ (6)	\$ (3)	\$ (10)	\$ (1)	\$ -	\$ (20)
Balance as at March 31, 2023	\$ 209	\$ -	\$ 7	\$ -	\$ 1	\$ 217
Cost	\$ 400	\$ -	\$ 272	\$ 4	\$ 16	\$ 692
Less accumulated depreciation	\$ (191)	\$ -	\$ (265)	\$ (4)	\$ (15)	\$ (475)
<b>Balance as at March 31, 2023</b>	<b>\$ 209</b>	<b>\$ -</b>	<b>\$ 7</b>	<b>\$ -</b>	<b>\$ 1</b>	<b>\$ 217</b>

As at March 31, 2023, and 2022 the Company did not have any accrued balances for acquired property and equipment within accounts payable and accrued liabilities.

As at March 31, 2023 and 2022, the Company had no future commitments for purchases of property and equipment and intangible assets as described in note 16.

**Note 9 - Intangible Assets and Goodwill**

Changes in intangible assets were as follows:

	Capitalized Development	Trademark	Technology	Intellectual Property	Others	Goodwill
Balance as at January 1, 2022	\$ 39	\$ 1,967	\$ 7,665	\$ -	\$ 464	\$ 11,111
Additions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization	\$ (11)	\$ (363)	\$ (1,407)	\$ -	\$ (49)	\$ -
Disposals	\$ (28)	\$ -	\$ -	\$ -	\$ -	\$ -
Impairment	\$ -	\$ (348)	\$ (1,065)	\$ -	\$ (58)	\$ (11,111)
Balance as at December 31, 2022	\$ -	\$ 1,256	\$ 5,193	\$ -	\$ 357	\$ -
Cost	\$ -	\$ 1,832	\$ 7,375	\$ 1,950	\$ 432	\$ -
Less accumulated depreciation or impairment losses	\$ -	\$ (576)	\$ (2,182)	\$ (1,950)	\$ (75)	\$ -
<b>Balance as at December 31, 2022</b>	<b>\$ -</b>	<b>\$ 1,256</b>	<b>\$ 5,193</b>	<b>\$ -</b>	<b>\$ 357</b>	<b>\$ -</b>
Balance as at January 1, 2023	\$ -	\$ 1,256	\$ 5,193	\$ -	\$ 357	\$ -
Additions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization	\$ -	\$ (70)	\$ (290)	\$ -	\$ (10)	\$ -
Disposals	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Impairment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Balance as at March 31, 2023	\$ -	\$ 1,186	\$ 4,903	\$ -	\$ 347	\$ -
Cost	\$ -	\$ 1,832	\$ 7,375	\$ 1,950	\$ 432	\$ -
Less accumulated depreciation or impairment losses	\$ -	\$ (646)	\$ (2,472)	\$ (1,950)	\$ (85)	\$ -
<b>Balance as at March 31, 2023</b>	<b>\$ -</b>	<b>\$ 1,186</b>	<b>\$ 4,903</b>	<b>\$ -</b>	<b>\$ 347</b>	<b>\$ -</b>

The Company performed an assessment for goodwill impairment as of December 31, 2022 for the Infotech CGU and CoreHealth CGU.

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The recoverable amount was determined using the value-in-use approach. Under the value-in-use approach, the recoverable amount is calculated based on the present value of five-year future expected cash flows expected to be derived from each CGU.

**Recoverable Amount – Key Assumptions**

The calculation for the recoverable amount is most sensitive to assumptions relating to discount rates, terminal growth rates, and projected cash flows.

*Discount Rate*

Discount rates represent the current market assessment of the risks specific to the operating segment. The discount rate calculation is based on the specific circumstances of the Company and is derived from its weighted average cost of capital (“WACC”). The WACC reflects a target debt-to equity ratio. The cost of equity is derived from the expected return on investment by the Company’s investors. The cost of equity considers the risk-free rate, market equity risk premium, size premium and risk specific to the CGUs’ underlying assets that have not been considered in the cash flow projections. The risk premiums assigned are evaluated annually based on publicly available market data. The cost of debt is based on the interest-bearing borrowings that the Company is obliged to service. The discount rate used for the Infotech CGU and CoreHealth CGU were 26% and 23.5%, respectively.

*Cash Flows*

Projections around cash flows are most impacted by management’s best estimates regarding future revenue growth considering internal and external available information. Management also reviews the Company’s projected revenue growth against expected growth from published reports and industry expectations. Management also estimates expected costs to be incurred considering historical results, planned operations and external information such as market expectations around inflation. Revenue growth rates and operating margins were based on 2023 budget internally approved and presented to the Board and further projected over a five-year forecast period.

*Terminal Growth Rate*

Growth rates are based on management’s best estimates considering historical and expected operating plans, strategic plans and industry outlook. The Company has applied a rate of 1.7% growth rate to determine the terminal value for each CGU.

**Infotech CGU**

For the year ended December 31, 2022, the Company concluded that the carrying value of the Infotech CGU was \$8,345 higher than the recoverable amount. The Company recognized a goodwill impairment loss of \$6,874 in the consolidated statement of loss and comprehensive loss. After fully impairing the CGU’s goodwill, the excess carrying amount above the recoverable was allocated pro-rata on the basis of the carrying amount of each asset in the unit. In addition, The Company recognized an intangible impairment loss of \$1,471 in consolidated statement of loss and comprehensive loss.

**Corehealth CGU**

For the year ended December 31, 2022, the Company concluded that the carrying value of the CoreHealth CGU was \$4,237 higher than the recoverable amount. The Company recognized a goodwill impairment loss of \$4,237 in the consolidated statement of loss and comprehensive loss.

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**Note 10 - Accounts Payable and Accrued Liabilities**

As at March 31, 2023 and December 31, 2022 the accounts payable and accrued liabilities consisted of the following:

	<u>March 31, 2023</u>		<u>December 31, 2022</u>
Trade payables	\$ 1,231	\$	1,358
Employee entitlements	\$ 187	\$	368
Holdbacks payable	\$ 500	\$	500
Contingent consideration payable	\$ 200	\$	200
Other payables and accrued liabilities	\$ 677	\$	735
<b>Total accounts payable and accrued liabilities</b>	<b>\$ 2,795</b>	<b>\$</b>	<b>3,161</b>

**Note 11 - 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.

On November 10, 2022, the Company entered into an agreement to sublease (the "Sublease") the entire premises of its Montreal office commencing on May 1, 2023 until the end of the lease on July 31, 2028. 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 for 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. The ROU asset recorded as at the acquisition date for this lease was \$156. As at the acquisition date, the gross value remaining on the lease was \$154, which was discounted at a rate of 8% when adopting IFRS 16.

**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 amount 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.



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**Changes in ROU Assets**

The following table represents the changes in ROU assets for the periods ended March 31, 2023 and December 31, 2022:

<b>Cost of right-of-use assets</b>	<b>March 31, 2023</b>		<b>December 31, 2022</b>	
Balance as at January 1	\$	762	\$	762
Additions	\$	-	\$	-
<b>Balance at end of period</b>	<b>\$</b>	<b>762</b>	<b>\$</b>	<b>762</b>
Less accumulated amortization	\$	353	\$	326
<b>Net book value at end of period</b>	<b>\$</b>	<b>409</b>	<b>\$</b>	<b>436</b>

**Lease Liabilities**

The following table outlines the maturity of the contractual payments due under the Company's lease arrangements as at March 31, 2023 and December 31, 2022:

<b>Lease Liabilities</b>	<b>March 31, 2023</b>		<b>December 31, 2022</b>	
Less than 1 year	\$	178	\$	175
1 to 5 years	\$	605	\$	618
More than 5 years	\$	37	\$	72
<b>Total</b>	<b>\$</b>	<b>820</b>	<b>\$</b>	<b>1,046</b>
Less: impact of discounting	\$	150	\$	165
<b>Total lease liabilities</b>	<b>\$</b>	<b>670</b>	<b>\$</b>	<b>823</b>
Of which non-current	\$	544	\$	580
Of which current	\$	126	\$	120

The expenses relating to variable lease payments not included in the measurement of lease obligations were \$60 and \$42 for the three months ended March 31, 2023 and 2022, respectively. This consists primarily of variable lease payments related to operating expenses and other costs associated with the office space lease. For the three months ended March 31, 2023 and 2022, expenses relating to short-term and low-value leases were both nil. For the three months ended March 31, 2023 and 2022, total cash outflows for leases and other rents were \$105 and \$85, respectively.

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**Note 12 – Borrowings****12.1 Analysis by nature**

	<b>As at March 31, 2023</b>		
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Effective Rate</b>
Revolving Facility	\$ 2,166	\$ 2,166	13.70%
Term Loan Facility	\$ 1,917	\$ 1,917	13.70%
Lease liability	\$ 126	\$ 126	8.69%
<b>Total short-term borrowings</b>	<b>\$ 4,209</b>	<b>\$ 4,209</b>	
Convertible debt	\$ 3,699	\$ 3,699	18.54% - 20.57%
Lease liability	\$ 544	\$ 544	8.69%
<b>Total long-term borrowings</b>	<b>\$ 4,243</b>	<b>\$ 4,243</b>	
<b>Total borrowings</b>	<b>\$ 8,452</b>	<b>\$ 8,452</b>	
Of which non-current	\$ 4,243		
Of which current	\$ 4,209		

	<b>As at December 31, 2022</b>		
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Effective Rate</b>
Revolving Facility	\$ 1,661	\$ 1,661	13.49%
Term Loan Facility	\$ 2,500	\$ 2,500	13.49%
Lease liability	\$ 120	\$ 120	8.69%
<b>Total short-term borrowings</b>	<b>\$ 4,281</b>	<b>\$ 4,281</b>	
Convertible debt	\$ 3,646	\$ 3,414	18.54% - 20.57%
Lease liability	\$ 580	\$ 580	8.69%
<b>Total long-term borrowings</b>	<b>\$ 4,226</b>	<b>\$ 3,994</b>	
<b>Total borrowings</b>	<b>\$ 8,507</b>	<b>\$ 8,275</b>	
Of which non-current	\$ 4,281		
Of which current	\$ 4,226		

**12.2 Movements in borrowings**

	<b>2023</b>	<b>2022</b>
Balance as at January 1,	\$ 8,507	\$ 8,823
Net Issuance (repayment) of Term Note	\$ (583)	\$ -
Net Issuance (repayment) of Revolving Facility	\$ 505	\$ -
Accretion of Convertible debt	\$ 53	\$ -
Repayment of lease liability	\$ (30)	\$ (29)
<b>Balance as at March 31,</b>	<b>\$ 8,452</b>	<b>\$ 8,794</b>

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

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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 December 31, 2022, the amount drawn on the Revolving Facility was \$1,661 and the amount drawn on the Term Loan Facility was \$2,500.

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 used the remaining net proceeds of this financing for working capital and general corporate purposes.

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 a rate based on CDOR plus a margin of 8.0% and will decrease to CDOR plus a margin of 3.25% conditional upon the successful completion of a surplus equity injection of \$2,720.

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 September 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. As the loan had reached its maturity date, the third amendment was treated as an extinguishment of the original debt.

On May 17, 2022, Carebook completed a Rights Offering - see Note 13 – 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 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. The fourth amendment was treated as a debt modification but as the interest rate did not change the impact of the modification was nil.

#### *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%.

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As of August 6, 2021, the Revolving Facility was 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.

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 March 31, 2023, the outstanding amount owed on the Revolving Facility was \$2,166, at an effective interest rate of 13.7% and the borrowing base was \$2,906.

#### *Term Loan Facility*

Under the Credit Agreement, the Term Loan Facility had an initial maturity date of April 6, 2022, which was extended to August 31, 2023, under the Fourth amendment. 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 March 31, 2023, \$1,917 was outstanding under the Term Loan Facility, at an effective interest rate of 13.7%.

#### *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 March 31, 2023, the Company was in compliance with the financial covenants prescribed under the restrictive covenants set out in the Credit Agreement.

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.

#### **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 were 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.

#### *Amendment to the Loan Agreements*

As described in the Convertible Debt section below on September 28, 2022, the Company entered into amended and restated loan agreements with SAYKL and UIL. Following which the Loan Agreements were reclassified to convertible debt.

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**Convertible Debt***Convertible Debt Offering- September 2022*

On September 28, 2022, the Company entered into an amended and restated loan agreement (the "\$2M Convertible Debt Agreement") with SAYKL and UIL, pursuant to which the Company agreed with SAYKL and UIL to amend the terms of the Loan Agreement in order to (i) provide an additional \$1,000 to the Company, bringing the aggregate principal amount outstanding to SAYKL and UIL to \$2,000 as at September 30, 2022 (the closing date of the transaction), and (ii) add a conversion into common shares feature at a conversion price of \$0.175 per common share where the holder shall have the right, at its sole option, at any time up until and upon the maturity date, to convert the principal sum outstanding under the \$2M Convertible Debt Agreement, in whole or in part, into that number of fully paid and non-assessable common shares obtained by dividing the outstanding principal sum under the \$2M Convertible Debt Agreement to be converted by the conversion price (the "\$2M Convertible Debt"). Interest on the \$2M Convertible Debt is accrued and paid quarterly. Lastly, the principal amount is due on the maturity date of December 22<sup>nd</sup>, 2026, if the conversion option is not exercised prior to such date.

The conversion of the loan agreement to a convertible loan based on the amended and restated loan agreement on September 30, 2022, resulted in a substantial modification under IFRS 9. The carrying amount of the Loan Agreement were derecognized at the modification date, and the new convertible debt were recognized at fair value with no impact on the consolidated statement of loss and comprehensive loss. The component parts of the convertible debentures, a compound instrument, are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instrument is an equity instrument.

At initial recognition of the \$2M Convertible Debt, additional net proceeds of \$1,000 along with the existing \$1,000 from the Loan Agreement were allocated between debt and equity components. The fair value of the debt portion was estimated at \$1,672 net of transaction costs of \$26.3 using a discounted cash flow model method with an expected life of four years and a discount rate of 20.57%. This amount is recorded as a financial liability on an amortized cost basis using the effective interest method until extinguished upon conversion or at its maturity date.

The conversion option is classified as equity and was estimated based on the residual value of \$297 net of transaction costs of \$4.6. This amount is not subsequently remeasured and will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to share capital. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance will be reclassified to contributed surplus.

Transaction costs of \$31 that relate to the issuance of the \$2M Convertible Debt were allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the life of the \$2M Convertible Debt using the effective interest method.

*Convertible Debt Offering - December 2022*

On December 15<sup>th</sup>, 2022, the Company entered into a loan agreement (the "\$2.5M Convertible Debt Agreement") with MT Sidecar, LP. (a limited partnership controlled by a director of the Company) and UIL, pursuant to which the lenders extended loans in favour of the Company in the principal amount of \$1,250 each for an aggregate principal amount outstanding of \$2,500 on December 22, 2022 (the closing date of the transaction). The \$2.5M Convertible Debt Agreement included a conversion into common shares feature, at a conversion price of \$0.15 per common share where the holder shall have the right, at its sole option, at any time up until and upon the maturity date, to convert the principal sum outstanding

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under the \$2.5M Convertible Debt Agreement, in whole or in part, into that number of fully paid and non-assessable common shares obtained by dividing the outstanding principal sum under the \$2.5M Convertible Debt Agreement to be converted by the conversion price (the “\$2.5M Convertible Debt”). Lastly, the principal amount and accrued interest are due on the maturity date of December 22<sup>nd</sup>, 2026, if the conversion option is not exercised prior to such date.

The component parts of the \$2.5M Convertible Debt, a compound instrument, are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instrument is an equity instrument.

At initial recognition of the \$2.5M Convertible Debt, net proceeds of \$2,500 were allocated between debt and equity components. The fair value of the debt portion was estimated at \$1,951 net of transaction costs of \$54.7 using a discounted cash flow model method with an expected life of four years and a discount rate of 18.54%. This amount is recorded as a financial liability on an amortized cost basis using the effective interest method until extinguished upon conversion or at its maturity date.

The conversion option is classified as equity and was estimated based on the residual value of \$480 net of transaction costs of \$13.5. This amount is not subsequently remeasured and will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to share capital. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance will be reclassified to contributed surplus.

Transaction costs of \$68 that relate to the issuance of the \$2.5M Convertible Debt were allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the life of the convertible debentures using the effective interest method.

The following table summarizes the continuity of the Company's \$2M Convertible Debt and \$2.5M Convertible Debt (together, the “Convertible Debt”) for the quarters ended:

	<b>2023</b>		<b>2022</b>	
Balance as at January 1,	\$	3,646	\$	-
Accretion of Convertible Debt	\$	53	\$	-
<b>Balance as at March 31,</b>	<b>\$</b>	<b>3,699</b>	<b>\$</b>	<b>-</b>

The Convertible Debt transactions for the year ended December 31, 2022 resulted in a deferred tax balance of \$206, which is netted against the equity component of convertible debt on the statement of financial position and is unchanged as of the quarter ended March 31, 2023.

**Note 13 - Equity Instruments****Authorized**

Unlimited common shares without par value.

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***Issued and Outstanding Common Shares***

As at January 1, 2022, the issued share capital comprised 47,752,356 common shares.

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. 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 certain warrants held by related parties of the company ("Replacement Warrants"), had their strike price reduced from \$1.47 to \$1.396, \$1 to \$0.95, and \$3.125 to \$2.969 respectively, the whole in accordance with the terms of the warrant instruments.

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.

On March 8th, 2023, the Company announced the completion of a non-brokered private placement, which resulted in the issuance of 12,500,000 common shares of the Company to UIL, at a price of \$0.10 per share for proceeds to the Company of approximately \$1,250. UIL was also issued 187,500 warrants pursuant to the non-brokered private placement. Each Warrant entitles UIL to purchase one (1) common share at a price of \$0.15 per share at any time within 24 months of their issuance.

	<b>March 31, 2023</b>		<b>December 31, 2022</b>	
	<b>Shares</b>	<b>Amounts</b>	<b>Shares</b>	<b>Amounts</b>
Common shares	90,252,356	\$ 44,648	77,752,356	\$ 43,479
<b>Total shares issued and outstanding</b>	<b>90,252,356</b>	<b>\$ 44,648</b>	<b>77,752,356</b>	<b>\$ 43,479</b>

***13.1 Share based compensation***

On June 29, 2022, 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 6,237,779 to 13,995,424. At the Company's annual general and special meeting of holders of common shares of the Company held on June 29, 2022 (the "Meeting"), a majority of

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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.

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.

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.

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.

In June 2022, the Company granted 250,000 stock options to a member of key management, included in equity incentives in executive compensation in Note 17 – Related Party Transactions. The Company determined the options had a fair value of \$24 based on a share price of \$.015 per common share. The options vest over 3 years and expire after 10 years. The expense relating to these options for the quarter ended March 31, 2023 is \$4.

**13.2 Warrants**

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 fair value of the warrants issued was determined to be \$9.

On October 1, 2022, 4,200,000 warrants related to the RTO, as described in Note 1 – General Information, as well as 720,000 warrants that were issued to Brokers as compensation for arranging the RTO expired. This resulted in a \$2,500 decrease in the Warrant Reserve balance.

On December 29, 2022, 365,949 warrants that were issued to related parties prior to the RTO expired. This resulted in a nil decrease in the Warrant Reserve balance.

On March 8<sup>th</sup>, 2023, 187,500 Warrants were issued to UIL in conjunction with the non-brokered private placement. This resulted in a nil increase in the Warrant Reserve balance.

The total number of issued and outstanding warrants to purchase common shares of the Company as at March 31, 2023 was 8,850,948.

**Note 14 - Financial Instruments****14.1 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 consist of trade payables, accrued liabilities, holdbacks payable, contingent consideration payable, and borrowings. Cash and cash equivalents and trade and other receivables, are



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carried at amortized cost, less any impairment. Accounts payable and accrued liabilities, holdbacks payable, contingent consideration payable, and borrowings are financial liabilities measured at amortized cost using the effective interest rate method.

As at March 31, 2023 and December 31, 2022 the Company's financial assets and liabilities were as follows:

	<b>March 31, 2023</b>	<b>December 31, 2022</b>
	<b>At Carrying Value or Amortized Cost</b>	<b>At Carrying Value o Amortized Cost</b>
Cash and cash equivalents	\$ 588	\$ 740
Trade & other receivables	\$ 2,498	\$ 767
<b>Total financial assets</b>	<b>\$ 3,086</b>	<b>\$ 1,507</b>
Trade payables	\$ 1,231	\$ 1,358
Other payables and accrued liabilities	\$ 631	\$ 1,027
Holdbacks payable	\$ 500	\$ 7,807
Contingent consideration payable	\$ 200	\$ 500
Borrowings	\$ 7,782	\$ 200
Accrued interest	\$ 233	\$ 77
<b>Total financial liabilities</b>	<b>\$ 10,577</b>	<b>\$ 10,969</b>

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 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.

**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, accounts payable and accrued liabilities, accrued interest, holdbacks payable, contingent consideration payable and 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 value of present the discounted future cash flows using rates currently available for debt of similar terms and maturity, net of unamortized discount and transaction costs, as of the end of the reporting period (Level 3). The carrying value of the Convertible Debt approximates its fair value.

There were no transfers into or out of Level 1, Level 2, or Level 3 during the quarters ended March 31, 2023 and 2022.

**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,

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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 quarters ended March 31, 2022 and 2023, the interest rate risk stems from the Credit Facilities and from 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 \$21 in the Company's loss for the quarter ended March 31, 2023 (\$21 for the quarter ended March 31, 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 quarters ended March 31, 2023 and 2022.

*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 March 31, 2023 levels would have had an impact of +/- \$131 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

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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 March 31, 2023 and 2022.

**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.

**Credit risks related to customer trade receivables**

Payment terms are varied, and credit limits are 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.

**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 year ended December 31, 2022, the Company completed its Rights Offering for gross proceeds of \$4,500 – See Note 13 – Equity Instruments, and entered in the \$2.0M Convertible Debt Agreement and the \$2.5M Convertible Debt Agreement for gross proceeds of \$3,500 – See Note 12 – Borrowings.

During the quarter ended March 31, 2023 the Company also completed a non-brokered private placement for gross proceeds of \$1,250 – See Note 13 - Equity Instruments.

During the year ended December 31, 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 \$971 representing the holdback amount that was due in connection with the acquisition, less working capital adjustments. During the year ended December 31, 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, and the sum of \$500 representing a portion of the holdback amount that was due in connection with the acquisition.

**Note 16 - Commitments**

As at March 31, 2023 and 2022, the Company had no future commitments for purchases of property and equipment and intangible assets.

**Note 17 - Related Party Transactions**

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

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	<u>Note</u>	<u>March 31, 2023</u>	<u>December 31, 2022</u>
<b>Payable to related party</b>			
Payables to shareholders			
Loan Agreements	15	\$ -	\$ -
Convertible debt	15	\$ 3,699	\$ 3,646
Payables to shareholders in connection with the acquisition of Infotech		\$ -	\$ -
Payables to shareholders in connection with the acquisition of Corehealth		\$ 700	\$ 700
		<b>\$ 4,399</b>	<b>\$ 4,346</b>

**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 March 31, 2023, total expenses related to the services of the CFO were \$nil (Quarter ended March 31, 2022 - \$49). 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.

**Key management compensation**

The Company's key management is comprised of the Board of Directors, the corporate secretary, and the executive officers effectively present during the quarter ended March 31, 2023. In addition to the Chief Executive Officer, executive officers are those persons having authority and responsibility for planning, directing, and controlling the activities of the entity, directly reporting to the Chief Executive Officer.

The costs reported below are compensation and benefits for key management:

- Short-term employee benefits include their base salary plus bonus;
- Directors' and officers' fees include annual director fees, as well as Board and committees' attendance fees; and
- Share-based compensation includes the portion of the IFRS 2, "Share-based Payment" ("IFRS 2"), expense attributable to key management.

The Company has reviewed the roles that are part of the key management and the comparative information has been restated for the comparative period. Compensation of key management for the quarter ended March 31, 2023 comprised of the following:

	<u>March 31, 2023</u>
<b>Director &amp; officer compensation</b>	
Director & officer fees	\$4
Equity incentives	-
<b>Executive compensation</b>	
Salaries and employee benefits	\$278
Equity incentives	\$37
	<b>\$319</b>

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***Management's participation in the Offerings***

Certain officers (collectively, the "Insiders") of Carebook subscribed in the Offering and the Rights Offering for an aggregate of 60,000 Units and 29,175,558 Units respectively. 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 did not exceed 25% of the Company's market capitalization calculated in accordance with MI 61-101.

**Note 18 - Subsequent Events****Private Placement**

On May 23rd, 2023, the Company closed a non-brokered private placement for \$1,250. The private placement resulted in the issuance of 12,500,000 Common Shares at \$0.10 per unit and 187,500 Common Share purchase warrants, with each whole warrant entitling the holder to acquire one Common Share for \$0.15 on or before May 15<sup>th</sup>, 2025.

**Office sublease**

On November 10, 2022, the Company entered into an agreement to sublease (the "Sublease") the entire premises of its Montreal office commencing on May 1, 2023, until the end of the lease on July 31, 2028. Carebook will receive gross undiscounted payments of \$1,352 over the term of the lease.