Carebook

CAREBOOK TECHNOLOGIES INC.

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023, AND 2022

The following has been prepared for the purposes of providing Management Discussion and Analysis ("**MD&A**") of the consolidated financial and operational condition of Carebook Technologies Inc. ("**Carebook**", the "**Company**", "**us**", "**we**", and "**our**") as at June 30, 2023. This MD&A is designed to provide the reader with a greater understanding of the financial performance of Carebook, its business strategy and how well it manages risk and capital resources. This MD&A, prepared as of August 21, 2023, is intended to improve the interpretation of the Company's unaudited interim condensed consolidated financial statements for the three and six months period ended June 30, 2023 and 2022 (the "**Financial Statements**"), and should therefore be read in conjunction with said document and its accompanying notes.

BASIS OF PRESENTATION

The Financial Statements were prepared under International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**") and interpretations of the IFRS Interpretations Committee ("**IFRIC**"). All financial information included in this MD&A is presented in thousands of Canadian dollars ("**$000s CAD**"), except share and per share amounts, when referring to stock options, warrants or units, or unless otherwise indicated. Not applicable ("**N/A**") is used to indicate that the percentage change between the current and comparative figures is not meaningful, or if the percentage change exceeds 1,000%.

Additional information relating to the Company is available on SEDAR+ at [www.sedarplus.ca.](http://www.sedarplus.ca)

FORWARD LOOKING STATEMENTS

This MD&A contains certain forward-looking statements within the meaning of Canadian securities laws. These statements relate to future events or future performance and reflect management's expectations regarding the growth, results of operations, performance, and business prospects and opportunities of Carebook. All statements other than statements of historical fact are forward-looking statements. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. In some cases, forward-looking statements can be identified by terminology such as "may", "will", “should”, “expect”, “plan”, “anticipate”, “believe”, “estimate”, “predict”, “potential”, “continue”, “target” or the negative of these terms or other comparable terminology. These statements are only predictions. As such, undue reliance should not be placed on such forward-looking statements. In addition, this MD&A may contain forward-looking statements attributed to third party industry sources.

Forward-looking statements are necessarily based on estimates and assumptions made by management in light of management’s experience and perception of historical trends, current conditions and expected future developments, as well as factors that management believes are appropriate. Forward-looking statements in this MD&A include, but are not limited to statements regarding Carebook, its subsidiaries and their businesses, including regarding the potential synergies from past or future acquisitions, the future growth prospects of the Company, results of operations, performance, and business prospects and opportunities of the Company, the future international expansion of Carebook, the Company’s M&A strategy and ability to identify attractive M&A opportunities, the future growth of the digital health market, the overall value of the Company’s multi-year contracts and the impacts of a potential economic downturn on the business and operations of Carebook.

These forward-looking statements are based on the beliefs of the management of Carebook as well as on assumptions which management believes to be reasonable, based on information currently available at the time such statements were made. However, there can be no assurance that forward-looking statements will prove to be accurate.

Such assumptions and beliefs include, among other things: that Carebook will be able to execute its business strategy successfully such that the future growth, results of operations, performance, and business prospects and opportunities of Carebook will be as anticipated; the Company’s ability to obtain regulatory approvals; the demand for the technology of Carebook; the continued growth of the digital health market; the ability for Carebook to maintain existing strategic partnerships and attract new partners; the ability for Carebook to obtain new financing and maintain existing financing on acceptable terms; the ability for Carebook to retain skilled management and staff; the ability for Carebook to commercialize its technologies; the continued market demand for the products of Carebook despite a potential economic downturn; the ability of Carebook to successfully execute its international expansion; the ability of Carebook to realize the synergies and benefits of past and future acquisitions; and the ability of Carebook to successfully integrate and consolidate previously or subsequently acquired businesses.

Although management of Carebook believes that the expectations reflected in the forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. Carebook cannot guarantee future results, levels of activity, performance, profitability or achievements. Some of the risks and other factors, some of which are beyond the control of Carebook, which could cause results to differ materially from those expressed in the forward-looking statements contained in this MD&A include, but are not limited to: risks related to the failure to obtain regulatory approvals; risks related to the Company's securities such as market volatility in the Company's common shares; dilution of shareholders from future sales of the Company's securities; and market for the Company's common shares; risks related to the Company's current policy current dividend policy; risks related to disclosure controls and procedures and internal controls over financial reporting in connection with the Company's venture issuer status; risks related to the Company's discretion over the use of proceeds of completed financings; risk related to conducting business in a heavily regulated industry; risks related to the use and disclosure of personally identifiable information which is subject to privacy and security regulations; risks related to the immature and volatile digital health market in which the Company operates; risks related to the Company's dependence on certain strategic partners; risks related to information security breaches and disruptions; risks related to growth management and limitations; risks related to additional financing needs and sources; risks related to the development and enhancement of new products; risks related to the competitive environment in which the Company operates; risks related to effectively maintaining, promoting, protection and enhancing the Company's brand and customer service; risks related to international expansion and international operations; risks related to the acquisition and integration of new businesses; risks related to dependence on third party technologies licensed on a non-exclusive basis and dependence on third party services to maintain infrastructure; risks related to errors or defects which could potentially lead to legal action; risks related to the failure to secure research and other grants; risks related to the use of open source software; risk related to the Company's ability to secure and protect intellectual property and other proprietary rights; the risks related to the Company's reliance on a key customer; risks related to director and officer conflict of interests; operating risks and failure to meet expectations of investors or securities analysts; risk related to the experience and expertise of the Company's management and employees, and failure to attract and retain key personnel; risks related to the Company's ability to attract new customers, retain revenue, and increase sales to customers; risks related to capital investment by the Company's customers; risks related to long and unpredictable sales cycles and customer project implementations; risks related to managing capital and liquidity; risks related to the current global financial conditions which could cause a decline in demand for the Company's products; risks related to the implementation of the Company's commercial strategic plan; risks related to the Company's level of indebtedness and inability to generate sufficient cash to service debt, changes in creditworthiness and the potential increase in the cost of capital; risks related to the provisions of debt instruments restricting the Company's ability to pursue business strategies; risks related to potential product liabilities and other lawsuits to which the

Company may be subject; risks related to foreign currency fluctuations and interest rate changes; risks related to technology and regulatory changes; risks related to internal information technology infrastructure and applications; cyber security risks and other such risk factors described herein, in the Company's management's discussion and analysis for the year ended December 31, 2022 and in other disclosure documents filed by the Company on SEDAR+ at www.sedarplus.ca.

This list is not exhaustive of the factors that may affect any of the forward-looking statements regarding Carebook. Forward-looking statements are statements about the future and are inherently uncertain. Actual events or results could differ materially from those projected in the forward-looking statements including as a result of the matters set out in this MD&A generally and certain economic and business factors, some of which may be beyond the control of Carebook. The forward-looking statements herein reflect the Company's expectations as at August 21, 2023, when the Company's board of directors approved this document, and are subject to change after this date. Carebook does not intend, and does not assume any obligation, to update any of the forward-looking statements after the date of this MD&A so as to conform such statements to actual results or to changes in the expectations of Carebook, other than as required by applicable securities law. For all these reasons, readers should not place undue reliance on the forward-looking statements contained herein, as Carebook's actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements if known or unknown risks, uncertainties or other factors affect Carebook's estimates, or assumptions prove inaccurate. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

This MD&A contains financial outlook information about the Company's prospective results of operations, production and production efficiency, commercialization, revenue and cash on hand, all of which are subject to the same assumptions, risk factors, limitations, and qualifications as set forth above. The financial outlook contained in this MD&A was approved by management as of the date of this MD&A and is provided for the purpose of providing further information about the Company's future business operations. The Company disclaims any intention or obligation to update or revise any financial outlook contained in this MD&A, whether as a result of new information, future events or otherwise, unless required pursuant to applicable law. Readers are cautioned that the financial outlook contained in this MD&A should not be used for purposes other than for which it is disclosed herein.

Financial Outlook Assumptions

Our financial outlook is based on a number of assumptions, including assumptions related to inflation, changes in interest rates, consumer spending, foreign exchange rates and other macroeconomic conditions; our major revenue streams remaining in line with our expectations; customers adopting our solutions at an average contract value at or above that of our planned levels; our ability to price our products in line with our expectations and to achieve suitable margins; our ability to achieve success in the continued expansion of our product lines and solutions; continued success in additional product adoption and user base expansion throughout our customer base; our ability to derive the benefits we expect from the acquisitions we have completed; our ability to attract and retain key personnel required to achieve our plans; our expectations regarding the costs, timing and impact of our cost reduction initiatives; our ability to manage customer churn and churn rates remaining at planned levels. Our financial outlook does not give effect to the potential impact of acquisitions that may be announced or closed after the date hereof. Our financial outlook, including the various underlying assumptions, constitutes forward-looking information and should be read in conjunction with the cautionary notice on forward-looking statements above. Many factors may cause our actual results, level of activity, performance or achievements to differ materially from those expressed or implied by such forward-looking information.

Cautionary Note Regarding Non-IFRS Measures, non-IFRS Ratios and Key Performance Indicators

This MD&A makes reference to certain non-IFRS measures and key performance indicators. These measures are not standardized financial measures under IFRS as issued by the IASB and do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. We use non-IFRS measures, including "EBITDA" and "Adjusted EBITDA" and non-IFRS ratios including "Adjusted EBITDA Margin". This MD&A also makes reference to "Annual Recurring Revenue" or "ARR", and "Number of Clients", which are key performance indicators used in our industry. These non-IFRS and other financial measures are not recognized under IFRS, do not have any standardized meaning prescribed under IFRS and may differ from similarly-named measures as reported by other issuers, and accordingly may not be comparable. These measures should not be viewed as a substitute for the related financial information prepared in accordance with IFRS. These non-IFRS measures, non-IFRS ratios and key performance indicators are used to provide investors with supplemental measures of our operating performance and liquidity and thus highlight trends in our business that may not otherwise be apparent when relying solely on IFRS measures. The Company also believes that securities analysts, investors, and other interested parties frequently use non-IFRS measures, non-IFRS ratios and key performance indicators in the evaluation of issuers. The Company's management also uses non-IFRS measures, non-IFRS ratios and key performance indicators in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts, and to determine components of management and executive compensation. The key performance indicators used by the Company may be calculated in a manner different than similar key performance indicators used by other companies.

Non-IFRS Measures[1] and Non-IFRS Ratios

"EBITDA" is defined as net income or loss before income tax expenses, finance costs, M&A costs, other income, and depreciation and amortization.

"Adjusted EBITDA" is defined as EBITDA adjusted for non-recurring M&A and other transaction costs, certain non-recurring costs (or savings), share-based compensation, foreign exchange loss (gain), property and equipment impairment, intangible asset and goodwill impairment, changes in fair value of warrants or changes in fair value of contingent consideration. Adjusted EBITDA provides management with a useful supplemental measure in evaluating the performance of our operations and provides better transparency into our results of operations. Adjusted EBITDA indicates our ability to generate profit from our operations prior to considering our financing decisions and costs of consuming intangible and capital assets.

"Adjusted EBITDA Margin" is calculated as Adjusted EBITDA divided by revenue for the relevant period.

Key Performance Indicators

"Annual Recurring Revenue" or "ARR" represents contracted software and services revenues that are expected to have a duration of more than one year, and is equal to the annualized value of contracted recurring revenue from all clients on our platforms at the date being measured. Contracted recurring revenue is revenue generated from clients who are, as of the date being measured, party to contracts with Carebook that are contributing to revenue in the calendar month of the date being measured, and also include revenue from clients who are, as of the date being measured, party to contracts with Carebook that are to contribute to revenue within a year of the date being measured. ARR provides a consolidated measure by which we can monitor the longer-term trends in our business.

"Number of Clients" is defined as the number of clients at the end of any particular period and for which revenue was still being recognized at the end of the period. For greater certainty, a client is only accounted for once, although different products and multiple orders might contribute towards revenue recognition within a quarter or the year. While the client metric is not an IFRS or non-IFRS financial measure, and,

[1] For a reconciliation of the non-IFRS financial measures see "Non-IFRS Measures and Reconciliation of Non-IFRS Measures EBITDA and Adjusted EBITDA".

therefore, does not appear in, and cannot be reconciled to a specific line item in the Company's interim condensed consolidated financial statements, we believe that the number of client metric is a useful metric for investors.

Company Overview

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., completed a three-cornered amalgamation with Carebook Technologies (2020) Inc., formerly known as Carebook Technologies Inc. ("**Carebook 2020**") to complete a reverse takeover transaction (the "**RTO**"). In connection with the closing of the RTO, the Company changed its name to "Carebook Technologies Inc." Refer to the other disclosure documents filed by the Company on SEDAR+ under the Company's profile at www.sedarplua.ca for further information about the RTO.

As a result of the RTO, Carebook 2020 became a wholly owned subsidiary of the Company. Carebook 2020 had a wholly owned subsidiary named Carebook Technologies (OPS) Inc. On January 1, 2021, these three entities were amalgamated pursuant to the BCBCA and the amalgamated entity retained the name "Carebook Technologies Inc."

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

The Continuance was approved by the shareholders of the Company at the annual general and special meeting of shareholders held on September 30, 2021. In connection with the Continuance, the Company adopted (1) the By-Law No. 2021-1 with respect to the transaction of the business and affairs of the Company, (2) a Forum Selection By-Law, and (3) an Advance Notice By-Law (collectively, the "**By-Laws**").

At the Company's annual general and special meeting of holders of common shares of the Company held on June 29, 2022, shareholders were asked to consider, and if thought fit, to pass an ordinary resolution to approve and confirm the By-Laws. At the meeting, such resolution was adopted without modification by a simple majority of the votes cast by shareholders present at the meeting or represented by proxy.

Copies of the governing documents of the Company following the Continuance are available on SEDAR+ under the Company's profile at www.sedarplus.ca

The Business of Carebook

Headquartered in Montreal, Canada, Carebook is dedicated to the use of science and technology to provide exceptional health experiences. Led by a world class management team and experienced Board of Directors, the Company has adopted a people-first view of the use of technology in healthcare delivery, and its goal is to create accessible, connected healthcare for everyone.

The Carebook platforms connect approximately 3.5 million members to a host of healthcare solutions and providers, empowering these individuals to take control of their own health journeys.

The majority of Carebook's revenues for the period covered by this MD&A were generated in the United States and Canada, with some revenue generated in Europe, Latin America, and Asia. Virtually all of the Company's assets are held in Canada. Carebook operates in a single reporting segment.

Pharmacy Vertical

Carebook's initial line of business was focused on the pharmacy vertical. In 2018, Carebook was selected by a global leader in health supply chain and pharmacy, as its partner for a digital pharmacy and loyalty solution. This foundational partner in the pharmacy vertical remains a major client of Carebook and this relationship has led Carebook to develop a leading pharmacy management, loyalty and engagement product that appeals to major pharmacy retailers.

Today Carebook offers large pharmacy retailers an all-in-one customer-facing digital platform (mobile and web apps) that brings together medication management (fill/refill prescriptions), the ability for individuals, families, and caregivers to manage their health information in one spot, health assessments, as well as receive recommendations based on their results to help reduce the risk of chronic diseases, including access to health professional services to support them on their health journey. Individuals also have the ability to purchase products and earn rewards through loyalty program and e-commerce integrations. This single point of access creates a seamless, connected, and consolidated health and wellness experience.

Employer Vertical

On April 6, 2021, Carebook formally entered the employer vertical, with the acquisition of InfoTech Inc. ("**InfoTech**"), doing business as Wellness Checkpoint®, a global web-based service used by many Global Fortune 500 companies in over 100 countries that is translated into 26 languages. InfoTech's proprietary software platform Wellness Checkpoint®, IP and metrics are supported by advanced analytics and focus on employees' physical health, mental health and well-being, and their impact on work and business effectiveness. Representative clients include multinational companies in the aerospace, financial, food processing, technology, pharmaceutical, manufacturing and resources sectors, many of whom have been utilizing the platform for over ten years.

On August 6, 2021, the Company continued its expansion in the employer vertical with its acquisition of CoreHealth Technologies Inc. ("**CoreHealth**"), an industry leading company providing a technology platform that serves over two million members around the world, by powering health and wellness programs for major corporations and organizations.

The integration of InfoTech and CoreHealth is complete with additional opportunities for expansion and synergies identified as we continue to explore cross selling opportunities. These integration efforts included restructuring to create new efficiencies, redeploying capital and resources towards growing areas of the business, unifying backend processes and technologies, and ensuring all customers have access to the Company's consolidated comprehensive wellness solutions.

The solutions offered by Infotech and CoreHealth in the employer vertical are complementary. While Infotech's software as a service provides employee health assessments and insights for employers, the CoreHealth platform as a service solution for employers and wellness providers integrates health data inputs, health assessments and tailored well-being programs to create a unique experience for end users. In the employer vertical, Carebook's ideal customers are medium to large employers across a variety of industries who aim to improve their employees' health, attendance, and productivity. The Company provides these employers with a comprehensive suite of digital health solutions for assessing the underlying health and wellness concerns of their employees and facilitating appropriate solutions.

Carebook is constantly seeking to improve the quality of its platform, expand the services that support its platform, and increase the quantity of providers that rely upon its platform to deliver health and wellness solutions to employees.

Our Vertically Integrated Technology Stack

Carebook offers its customers diversified product offerings, dedicated marketing approaches, and tailored features. The primary product offerings include:

- **The Wellness Checkpoint® Solution** offers employers and their employees the most advanced health assessments, habit trackers, and challenges. The advanced health assessments from Wellness Checkpoint® can identify trends and risks within employee cohorts for different physical and mental health areas, including lifestyle habits, psychological well-being, stress levels, sleep patterns, and more.

Employers around the world have realized the need to provide wellness services and mental health support for their employees. Wellness Checkpoint®'s suite of mental health assessments offer employers the ability to perform accurate assessments and develop a meaningful understanding of the challenges faced by their employees.

- **The CoreHealth Solution** is an industry leading platform that powers health and wellness programs for corporate wellness providers and group benefits providers. CoreHealth offers a robust platform-as-a-service technology to power programs and engage employees with various interventions like coaching, self-directed programs, group challenges, and habit trackers. The platform offers over 30 services in the form of APIs including scheduling, teleconferencing, questionnaires, content feeds, messaging and more. These services are offered by an expanding network of direct health and wellness providers and resellers. The technology is flexible, configurable, scalable, and easy to integrate.

The combination of Wellness Checkpoint®'s assessment tools and CoreHealth's targeted solutions creates a complete, comprehensive digital health platform.

Consolidated Highlights for the Quarter Ended June 30, 2023

- Revenue for the quarter ended June 30, 2023 was $2,700 compared to $2,335 for the quarter ended June 30, 2022, an increase of 16% driven by strong organic growth in the pharmacy vertical and an increase in license revenue from CoreHealth offset by a decrease in implementation revenue at CoreHealth and a decrease in license revenue at Infotech. Revenue in the quarter ended June 30, 2023, was contributed 61% from the employer vertical and 39% from the pharmacy vertical, whereas revenue generated in the quarter ended June 30, 2022 was 75% employer and 25% pharmacy.
- Loss from operations for the quarter ended June 30, 2023, was $648 compared to $2,265 incurred in the same period of 2022, an improvement of $1,617 or 71%.
- Net loss for the quarter ended June 30, 2023 was $687 compared to $2,435 for the quarter ended June 30, 2022, an improvement of $1,748 or 72% year-over-year.
- Adjusted EBITDA(2) loss for the quarter ended June 30, 2023 was $(234) compared to $(1,903) for the quarter ended June 30, 2022, an improvement of 88% over the same period in 2022.

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[2] Non-IFRS financial measure without a standardized definition under IFRS, which may not be comparable to similar measures used by other issuers. Refer to the Sections "Non-IFRS Measures and Non-IFRS Ratios" and "Non-IFRS Measures and Reconciliation of Non-IFRS Measures EBITDA and Adjusted EBITDA" of this MD&A for an explanation of the composition and usefulness of this non-IFRS financial measure, as well as a quantitative reconciliation to the most directly comparable IFRS measure.

- The Company raised gross proceeds of $2,500 in additional equity during the six-month period ended June 30, 2023.
- The Company signed $2,800 in additional contract value and a $1,645 expansion to its statement of work with its major pharmacy client during the six-month period ended June 30, 2023.
- ARR[3] was $10,647 as of June 30, 2023 compared to $8,945 as of June 30, 2022, an increase of 19% over the same date in 2022.

Additional Financing During the Six-Month Period Ended June 30th, 2023

On March 8th, 2023, the Company announced the closing of a non-brokered private placement of units at $0.10 per unit with UIL Limited ("**UIL**"), its largest shareholder, for $1,250 in gross proceeds. The private placement resulted in the issuance of 12,500,000 Common Shares and 187,500 Common Share purchase warrants, with each whole warrant entitling UIL to acquire one Common Share for $0.15 on or before March 8th, 2025.

On May 23rd, 2023, the Company announced the closing of an additional non-brokered private placement of units at $0.10 per unit with Permanent Mutual Limited ("**PML**"), an affiliate of UIL, for an additional $1,250 in gross proceeds. The private placement resulted in the issuance of 12,500,000 Common Shares and 187,500 Common Share purchase warrants, with each whole warrant entitling PML to acquire one Common Share for $0.15 on or before May 23rd, 2025.

Large Contract Increase with Existing European client and Expansion of Statement of Work with Major Pharmacy Client

On March 31, 2023, CoreHealth signed a significant extension to an existing contract with a large European client, representing an increase in contract value of $2,800 over the extended 3.5-year term. On July 19th, CoreHealth announced further details regarding the contract extension, confirming its partnership with AG Health Partner ("AGHP") and that the CoreHealth platform was made available to an additional 550,000 eligible members, most of whom are employees working for clients of AG Insurance, AGHP's parent company and market leader in Belgium.

In 2022, Carebook announced a significant new order under its pharmacy solution agreement with its major pharmacy client. On April 21, 2023, Carebook further expanded the scope of work under its pharmacy solution with the same client, adding another $1,645 in contract value over a one-year term.

Cost Reduction Measures and Sublease of Montreal Headquarters

[3] ARR is a key performance indicator for the Company. For more information, please refer to the "Key Performance Indicators" section of this MD&A

During the quarter ended December 31st, 2022, the Company implemented additional cost reduction measures that resulted in additional annual savings. On November 10, 2022, the Company entered into an agreement to sublease the entire premises of its Montreal office commencing on May 1, 2023 until the end of the lease on July 31, 2028. These initiatives, when combined with the strong revenue growth that the Company is experiencing, reinforce the trajectory of the Company towards profitability.

Borrowings, Equity and Debt Financings

- **Borrowings:** On April 6, 2021, Carebook entered into a new credit agreement ("**Credit Agreement**") and secured the following credit facilities from a leading Canadian Schedule 1 bank and one of its affiliates (collectively, the "**Lenders**"):
    - $7,000 revolving term facility (the "**Revolving Facility**"); and
    - $4,000 non-revolving term loan facility (the "**Term Loan Facility**", and together with the Revolving Facility, the "**Credit Facilities**").
    - An amendment to the Credit Agreement was entered into on August 4, 2021 and a second one on December 1, 2021. Those amendments were primarily administrative in nature.
    - On April 7, 2022, the Company entered into a third amendment to the Credit Agreement. Under the amendment, the Lenders agreed to provide the Company with (i) a $3,000 demand revolving facility and (ii) a $4,000 non-revolving term loan facility, subject to a mandatory repayment of $1,000 which took place on September 15, 2022, and further repayments at a rate of $1,000 annually, payable in equal monthly installments ("**Monthly Installments**"). Under the amendment, the maturity date of the Term Loan Facility was extended to November 30, 2022 and the applicable margin on each of the Credit Facilities was also increased to 9.0%.
    - Effective July 31, 2022, the Company entered into a fourth amendment to its Credit Agreement 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 on or before September 30th, 2022, makes a mandatory prepayment of $250 on the Term Loan Facility and maintains a minimum cash balance financial covenant.
    - As at June 30, 2023, $1,667 was outstanding under the Term Loan Facility and $2,273 was outstanding under the Revolving Facility.
    - The Company expects to further extend the maturity date of the Credit Agreement to August 31, 2024. However, there is no guarantee that the Company will be successful in negotiating such extensions with its Lenders.
    - The above is a summary of the Credit Agreement and the amendments to the Credit Agreement. This summary is not intended to be complete and is qualified in its entirety by the full text of the Credit Agreement, including each of the amendments described above, a copy of which has been filed on the Company's SEDAR+ profile at www.sedarplus.ca.

- **The Rights Offering and Stand-By Commitment:** On May 17, 2022, Carebook announced the completion of its previously announced rights offering (the "**Rights Offering**").
    - The Rights Offering resulted in the issuance of 17,107,749 common shares of Carebook at a price of $0.15 per share for gross proceeds to the Company of approximately $2,570.
    - In accordance with the terms of the stand-by commitment agreement dated April 11, 2022 (the "**Stand-by Commitment Agreement**") between the Company and UIL Limited ("**UIL**") , the Company also issued 12,892,251 additional common shares to UIL, at a price of $0.15 per share, for additional gross proceeds to the Company of approximately $1,930, resulting in the Company receiving aggregate gross proceeds of $4,500 under the Rights Offering. UIL was also issued 193,383 common share purchase warrants (the "**Stand-by Warrants**") pursuant to the Stand-by Commitment Agreement. Each Stand-by Warrant entitles UIL to purchase one common share at a price of $0.16 per share at any time within 24 months of their issuance.
    - Additional details on the Rights Offering are included in the Rights Offering circular, which was, together with the Rights Offering notice, filed under Carebook's profile on SEDAR+ at www.sedarplus.ca.
    - Following the closing of the Rights Offering and including the common shares issued to UIL pursuant to the Stand-by Commitment Agreement, Carebook had 77,752,356 common shares issued and outstanding.

- **Private Placements:** On March 8th, 2023, the Company announced the closing of a non-brokered private placement of units at$0.10 per unit with UIL, for $1,250 in gross proceeds (the "**UIL Private Placement**"). The UIL Private Placement resulted in the issuance of 12,500,000 Common Shares and 187,500 Common Share purchase warrants, with each whole warrant entitling UIL to acquire one Common Share for $0.15 on or before March 8th, 2025.
    - On May 23rd, 2023, the Company announced the closing of an additional non-brokered private placement of units at $0.10 per unit with PML, an affiliate of UIL, for an additional $1,250 in gross proceeds (the "**PML Private Placement**" and together with the UIL Private Placement, the "**Private Placements**"). The PML Private Placement. resulted in the issuance of 12,500,000 Common Shares and 187,500 Common Share purchase warrants, with each whole warrant entitling PML to acquire one Common Share for $0.15 on or before May 23rd, 2025.
    - The net proceeds from the Private Placements were used to pay outstanding obligations due to the Company's creditors. for working capital and for general corporate purposes.
    - Following the closing of the Private Placements, Carebook had 102,752,356

common shares issued and outstanding.

- **Loan Agreements:** On December 22, 2021, the Company entered into secured loan agreements (the "**Loan Agreements**") with SAYKL Investments Ltd. ("**SAYKL**") and UIL , for a total of $1,000 in aggregate gross proceeds.
  - 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 described 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

- **Convertible Debt - September 2022:** The Company entered on September 28, 2022 into amended and restated loan agreements (the "**$2.0M Convertible Debt Agreements**") with each of SAYKL and UIL Under the $2.0M Convertible Debt Agreements, the Company agreed with SAYKL and UIL to amend the terms of the previously existing Loan Agreements 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 the date hereof, and (ii) add a conversion into common shares feature at a conversion price of $0.175 per common share (the "**$2.0M Convertible Debt**").
  - Interest on the principal amount outstanding under the $2.0M Convertible Debt Agreements will be payable quarterly at a rate of CDOR + 10%, and the $2M Convertible Debt Agreements will mature on December 22, 2026. The obligations of the Company under the $2.0M Convertible Debt Agreements are subordinated to the Company's obligations under its existing Credit Facilities.
  - To secure the Company's obligations under the $2.0M Convertible Debt 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 the Lenders.
  - The net proceeds from the $2.0M Convertible Debt Agreements were used to repay in part the Term Loan Facility, and for working capital and general corporate purposes.
  - The transaction also enabled the Company to satisfy the condition imposed by the Lenders that the Company complete a minimum capital raise in the

amount of $1,000 by September 30, 2022.

  - Additional information relating to the $2.0M Convertible Debt Agreements can be found in the material change report filed by the Company on October 4, 2022, a copy of which is available on the Company’s SEDAR+ profile at www.sedarplus.ca.

- **Convertible Debt - December 2022:** The Company entered on December 15, 2022 into loan agreements (the “**$2.5M Convertible Debt Agreements**”) with each of MT Sidecar, L.P. (“**MT Sidecar**”, a limited partnership controlled by a director of the Company) and UIL Under the $2.5M Convertible Debt Agreements, MT Sidecar and UIL agreed to provide $2,500 to the Company.
  - The $2.5M Convertible Debt Agreements included a conversion feature, under which MT Sidecar and UIL have the right, at their sole option, at any time up and until the maturity date, to convert the principal sum outstanding in whole or in part to common shares at a price of $0.15 per common share (the “**$2.5M Convertible Debt**” and together with the “**$2.0M Convertible Debt**”, the “**Convertible Debt**”)
  - Interest on the principal amount outstanding under each of the $2.5M Convertible Debt Agreements will accrue at a rate of CDOR + 10%, and the $2.5M Convertible Debt Agreements will mature on December 22, 2026. The obligations of the Company under the $2.5M Convertible Debt Agreements are subordinated to the Company's obligations under its existing Credit Facilities.
  - To secure the Company's obligations under the $2.5M Convertible Debt Agreements, the Company has agreed to grant to each of MT Sidecar 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 senior lenders.
  - The net proceeds from the $2.5M Convertible Debt Agreements were used to repay in part the Term Loan Facility, to pay a portion of the deferred purchase price owed to the CoreHealth vendors, and for working capital and general corporate purposes.
  - Additional information relating to the $2.5M Convertible Debt Agreements can be found in the material change report filed by the Company on December 20, 2022, a copy of which is available on the Company’s SEDAR+ profile at www.sedarplus.ca.

Summary of the Financial Results

The table below presents a summary of the consolidated financial results, non-IFRS measures and key performance indicators for the three and six months ended June 30, 2023 and 2022. We monitor non-IFRS measures and key performance indicators to help us evaluate our business, measure our performance, identify trends affecting our business, formulate business plans and make strategic decisions. Non-IFRS measures and key performance indicators do not have standardized definitions prescribed by IFRS and may be calculated in a different manner than similar non-IFRS measures and key performance indicators used by other companies. Therefore, they may not be comparable to similar measures presented by other companies. They are provided as additional information to complement IFRS measures and to provide a further understanding of the Company's consolidated results of operations from our perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of our consolidated financial information reported under IFRS and should be read in conjunction with the consolidated financial statements for the years indicated.

Summary Financial Results and Non-IFRS Measures

	THREE MONTHS ENDED			
	June 30, 2023	**June 30, 2022**	**$ Change**	**% Change**
Revenue	$ 2,700	$ 2,335	$ 365	16%
Gross Profit	$ 2,000	$ 2,005	$ (5)	0%
Net Loss from Operations	$ (648)	$ (2,265)	$ 1,617	-71%
Net Loss	$ (687)	$ (2,435)	$ 1,748	-72%
EBITDA	$ (246)	$ (1,708)	$ 1,462	-86%

	SIX MONTHS ENDED			
	June 30, 2023	**June 30, 2022**	**$ Change**	**% Change**
Revenue	$ 5,218	$ 4,732	$ 486	10%
Gross Profit	$ 4,263	$ 4,237	$ 26	1%
Net Loss from Operations	$ (1,068)	$ (3,933)	$ 2,865	-73%
Net Loss	$ (1,146)	$ (4,239)	$ 3,093	-73%
EBITDA	$ (249)	$ (2,887)	$ 2,639	-91%
Adjusted EBITDA	$ (703)	$ (2,763)	$ 2,060	-75%

Key Performance Indicators

We monitor Annual Recurring Revenue and Number of Clients as additional key performance indicators to help us evaluate our business, measure our performance, identify trends affecting our business, formulate business plans and make strategic decisions. Our key performance indicators may be calculated in a manner different than similar key performance indicators used by other companies.

Key Performance Indicators

	June 30, 2023	June 30, 2022	$ Change	% Change
Annual Recurring Revenue	10,647	8,945	1,702	19%
Number of Clients	77	90	-13	-14%

Annual Recurring Revenue

ARR was $10,647 as at June 30, 2023, an increase of $1,702, or 19%, compared to an ARR of $8,945 as at June 30, 2022. This increase was primarily driven by new enterprise customers and organic growth with existing customers. Of the $10,647 of ARR reported, 61% originated from clients outside of Canada.

Number of Clients

The number of clients as at June 30, 2023 was 77, representing a decrease of 14% when compared with the client count as of June 30, 2022. During the twelve-months ended June 30, 2023 the Company added several large clients in the employer vertical, and also lost clients in the employer vertical that were smaller in size. On a net basis, there were fewer clients at the end of the period ending June 30, 2023 when compared to June 30, 2022, but the additional revenue from new clients more than offset the revenue attributable to lost clients resulting in higher revenue per client in the employer vertical.

Non-IFRS Measures and Reconciliation of Non-IFRS Measures EBITDA and Adjusted EBITDA

	THREE MONTHS ENDED June 30, 2023		THREE MONTHS ENDED June 30, 2022		SIX MONTHS ENDED June 30, 2023		SIX MONTHS ENDED June 30, 2022	
Net loss	**$**	**(687)**	**$**	**(2,435)**	**$**	**(1,146)**	**$**	**(4,239)**
Add:								
Amortization and depreciation expense	$	402	$	557	$	819	$	1,046
M&A costs	$	-	$	17	$	-	$	17
Finance costs	$	378	$	290	$	751	$	562
Other income (1)	$	(197)	$	-	$	(211)	$	-
Income Tax expense (recovery)	$	(320)	$	(137)	$	(640)	$	(273)
Impairment (2)	$	178	$	-	$	178	$	-
EBITDA (3)	**$**	**(246)**	**$**	**(1,708)**	**$**	**(249)**	**$**	**(2,887)**
Add:								
Share-Based compensation	$	12	$	(195)	$	58	$	124
Additional One-Time Costs (Savings) (4)	$	-	$	-	$	(512)	$	-
Adjusted EBITDA (3)	**$**	**(234)**	**$**	**(1,903)**	**$**	**(703)**	**$**	**(2,763)**

(1) Other income includes a gain following the initial recognition of the net investment from the Montreal office sublease.
(2) Impairment on disposal of leasehold improvements from Carebook subleasing the Montreal office.
(3) Non-IFRS financial measures without a standardized definition under IFRS, which may not be comparable to similar measures used by other issuers. Refer to the Section "Non-IFRS Measures and Non-IFRS Ratios" of this MD&A for an explanation of the composition and usefulness of these non-IFRS financial measures.
(4) Additional One-Time Costs (Savings) relate to a grant from the Quebec government.

For the three months ended June 30, 2023, Adjusted EBITDA loss improved by $1,669, to $(234), compared to $(1,903) for the same period in 2022. For the six months ended June 30, 2023, Adjusted EBITDA loss improved by $2,060, to $(703), compared to $(2,763) for the same period in 2022. This improvement is mainly due to the successful implementation of the cost reduction measures identified by management, as well as higher overall revenue.

For the three months ended June 30, 2023, our Adjusted EBITDA margin was (9)% compared to an Adjusted EBITDA Margin of (81)% for the three months ended June 30, 2022. For the six months ended June 30, 2023, our Adjusted EBITDA margin was (13)% compared to an Adjusted EBITDA Margin of (58)% for the six months ended June 30, 2022.

Targeted Growth Strategy

Carebook's growth strategy seeks to capitalize on a rapidly evolving digital healthcare landscape. The Company's strategy focuses on accelerating organic customer expansion by delivering a continuously improving suite of comprehensive employee wellness solutions. These solutions leverage our unique approach to customer engagement, experienced customer service team, existing infrastructure, and solid reputation.

Carebook's acquisitions of InfoTech and CoreHealth established the Company as a leader in the provision of digital health and wellness with customers across the globe. Carebook is delivering on its stated objective to be the connector to a new model of healthcare. With the integration of these acquisitions substantially completed late in 2021, the Company can now offer a wide range of best-in-class health and wellness assessments and solutions to add depth to its offerings targeting value-added resellers and employers. Both InfoTech's Wellness Checkpoint® platform and CoreHealth's leading wellness technology platform are used by global businesses of significant size, providing considerable market recognition and validation. The combination of these solutions allows Carebook to offer value-added resellers and employers not only the means to assess and understand employees' health challenges, but also to provide specific, targeted, and customized solutions to improve employee health, wellness, and productivity. Through bespoke offerings, Carebook is especially well positioned to serve large value-added resellers and employers which need a more complex and robust solution and enable organic expansions for its network of value-added resellers and employers, through the delivery of additional custom features for specific user groups.

The Company complements this organic strategy by seeking out accretive acquisitions and partnerships that improve the accessibility, quality, and functionality of its comprehensive solutions, surrounding ecosystem, and supporting services. Carebook has adopted a disciplined approach towards exploring strategic M&A opportunities in order to grow its reach in other markets and offer new services to its customer base, while maintaining a focus on its organic growth. Carebook has also started the expansion of its partnership catalog of third-party solution providers who can be connected through the CoreHealth portals to employers; thus expanding the basis of Carebook's offerings and capturing more value.

Customer, Market & Product Highlights

Employer Vertical

Carebook's acquisitions have positioned the Company to serve the $37 billion[4] global corporate wellness market for employers. To grow the Company's position effectively and efficiently within this market, five main strategies have been identified for the integrated comprehensive solution:

- **Provide increased foothold in the employer vertical** – Carebook's sales team is expanding the sales of the integrated end-to-end solution offered by merging the Wellness Checkpoint® and CoreHealth offerings and engaging in more prospecting and outbound sales activity targeting large and medium sized value-added resellers and employers.
- **Show traction for targeted offerings** – Carebook is exploring partnerships where Wellness Checkpoint® and CoreHealth can showcase their integrated offerings and combine them with providers and resellers who offer complete health and wellness solutions for the workplace.
- **Product standardization** – Carebook is reviewing its offerings to increase its ability to offer standard product suites to employers to accelerate their decisions and shorten the current sales cycle for our solutions.
- **Improve user experience and drive sales** – Carebook is reviewing and enhancing global user experience and design homogeneity with the intent of increasing users' engagement, the conversion rate from prospects to clients and the retention rate of the existing client base.
- **Activate and leverage data** – Carebook is putting in place the structure and processes to leverage its significant data sets to support sales efforts and

[4] Source: Grand View Research, Corporate Wellness and Market Size, 2021-2028; Research and Markets, Global Corporate Wellness Market Analysis 2018-2019 & Outlook to 2023

enhance its offerings through critical partnerships and strategic alliances that offer solutions to the employee wellness challenges that are most commonly experienced by large and medium sized employers.

Pharmacy Vertical

- ***Pharmacy App Update*:** The Be Well app for Rexall Pharmacy in Canada on iOS, Android and web was launched in May 2020. The launch and subsequent usage of the app has been a continuous success and users have continuously been responding positively to the platform.

- ***Launch of Caregiver Solution:*** In September 2021, the Company announced the launch of its Caregiver Solution as part of its pharmacy platform. The caregiver feature is integrated into an all-in-one, 360-degree experience that includes medication management, loyalty and rewards integration, health and wellness, communication (push notifications), e-commerce integration, and more. For their people-in-care, caregivers have the ability to fill, refill, and renew prescriptions, log and track health information, view metrics, and encourage adherence.

- ***Medication Adherence Solution:*** With a patient-centered, pharmacist-friendly approach, Carebook is evolving its digital solution to improve medication adherence. Carebook's Medication Adherence Solution targets the most common barriers to adherence including low trust in the efficacy or necessity of the medication, forgetfulness, side effects, and more. The solution offers users the ability to set reminders, to track their i) symptoms, ii) side effects and iii) adherence score, and to share results with their healthcare team. The first phase of our medication adherence solution, the medication reminders module, is ready and is now part of our pharmacy offering (iOS and Android).

- ***Vaccination Tracking:*** Due to the fact that many pharmacies started administering COVID-19 vaccines, it became essential for the patients to track their vaccination records directly from Carebook's pharmacy solution. Patients using Carebook's product can now see which vaccines and doses they have received.

COVID-19

The COVID-19 pandemic is no longer perceived as a global emergency. However, the pandemic continues to have a certain impact on the Company's business. Within the employer vertical, the stress caused by the pandemic together with the widespread adoption of remote work as a legitimate way to conduct business have increased employers' recognition of the importance of mental health and wellness for employees, which has in turn led to increased interest in the Company's offerings. In general, COVID-19 has accelerated the adoption of technology across both the global and Canadian healthcare systems, which the Company expects will increase demand for digital healthcare solutions.

OUTLOOK

The digital health market is being driven by a comprehensive transformation in how patient care is being delivered and accelerated, in part, by the global COVID-19 pandemic, and an evolution in the application of digital solutions to a broader set of customers and industries.

While Carebook's origins lie within the pharmacy vertical, the company believes the employer market provides the greatest opportunity for growth. Carebook plans to pursue and capture additional share of this market through organic growth, M&A, customer acquisition and product improvements. Carebook continues to leverage its medical and engagement expertise across a core technology platform to address these opportunities.

From a foundation of health expertise and a core, "people-first" philosophy, Carebook offers turnkey, modular, connected systems that can be white-labeled to increase revenue, engagement, and health outcomes. Following the acquisitions and successful integrations of InfoTech and CoreHealth, Carebook has created a comprehensive health and wellness solution for employers and their employees, as well as a complementary supporting ecosystem of services. Carebook can now provide both the assessment and reporting of employee health and wellness challenges as well as curate a specific and targeted set of solutions that are uniquely configured for each employer to help improve the health and wellbeing of its employees.

The Company's approach for the pharmacy vertical has been to develop a tailored digital platform which can then be rebranded and offered to multiple clients on a global basis. The pharmacy solutions offer prescription fill and refill capabilities alongside loyalty and customer management software. As pharmacists have been asked to provide more frontline healthcare services, Carebook can offer pharmacists more tools to enable a deeper understanding of the health concerns faced by their clients as well as an expanding set of health modules and partnerships to truly enable pharmacists to build lasting connections and value to their end customers.

Carebook's financial outlook continues to be positive for 2023. The Company is poised to achieve significant revenue growth while effectively managing its costs and delivering sustained growth in cashflows. Carebook's strong organic growth and efficient cost management initiatives will allow the Company to continue to successfully execute on its strategy. Carebook is expecting to maintain strong performance in 2023 for the entire Company as a whole. To complement its organic growth strategy, Carebook will continue to seek out accretive acquisitions and partnerships that improve the accessibility, quality, and functionality of its comprehensive solutions, surrounding ecosystem, and supporting services. Carebook has adopted a disciplined approach towards exploring strategic M&A opportunities in order to grow its reach in other markets and offer new services to its customer base, while maintaining a focus on its organic growth. This financial outlook is fully qualified and based on a number of assumptions and subject to a number of risks described under the headings “Financial Outlook Assumptions" and "Forward-Looking Statements" of this MD&A.

FINANCIAL PERFORMANCE ANALYSIS

The consolidated financial information presented in the tables below has been derived from the Company’s Financial Statements and their accompanying notes, prepared in accordance with IFRS for the three and six months ended June 30, 2023, and 2022. All figures are presented in $000s CAD except share and per share amounts, when referring to stock options, warrants or units, or unless otherwise specified.

Summary of Quarterly Results

The table below presents revenue, net loss, and net loss per share for the last eight quarters. For each of the eight most recently completed quarters, the financial data has been prepared in accordance with IFRS.

		Revenue ($000s CAD)		Net Loss ($000s CAD)		Basic and diluted loss per share
June 30, 2023	$	2,700	$	(687)	$	(0.01)
March 31, 2023	$	2,518	$	(459)	$	(0.01)
December 31, 2022	$	2,456	$	(11,855)	$	(0.15)
September 30, 2022	$	2,066	$	(1,725)	$	(0.02)
June 30, 2022	$	2,335	$	(2,435)	$	(0.04)
March 31, 2022	$	2,397	$	(1,803)	$	(0.04)
December 31, 2021	$	1,934	$	(11,685)	$	(0.24)
September 30, 2021	$	1,799	$	(3,299)	$	(0.07)

Revenue

Prior to the acquisitions of InfoTech and CoreHealth, the Company’s revenue was nearly entirely generated from its multi-year agreement with its key pharmacy customer. Despite a contractual decrease in revenue commitment of this customer in March 2021 and in October 2021, Carebook has seen an incremental increase in revenue during the third and fourth quarters of 2021 due to its acquisitions of InfoTech and CoreHealth. The CoreHealth acquisition also resulted in incremental revenue in the fourth quarter of 2021 as the acquisition occurred in August resulting in less than two months of revenue during the third quarter of 2021.

Revenue generated by InfoTech was $662 in the third quarter of 2022 ($542 for the third quarter of 2021). The increase in revenue was mainly due to a change in revenue recognition following adoption of IFRS 15 on the acquisition date. CoreHealth added $553 of revenue during the third quarter of 2022 ($399 for the third quarter of 2021). A full quarter of revenue was recognized during the third quarter of 2022, versus an incomplete quarter in 2021, due to the acquisition of CoreHealth on August 6th, 2021. CoreHealth also added a few major clients that contributed to additional revenue in the third quarter of 2022. The Company's extension to its statement of work ("**SOW**") with its major pharmacy client contributed to an increase in pharmacy vertical revenue during the third quarter of 2022, and the pharmacy vertical realized $850 of revenue in the quarter compared to $858 in the same quarter of 2021.

Revenue generated by InfoTech was $624 in the fourth quarter or 2022 ($741 for the fourth quarter of 2021). Furthermore, CoreHealth added $982 of revenue during the fourth quarter or 2022 ($788 for the fourth quarter of 2021). The decrease in revenue for Infotech is due to customer churn vs the same period the preceding year. The increase in revenue for CoreHealth is due to the acceleration of numerous implementations in that quarter, that resulted in increased implementation and license revenue for that quarter. The pharmacy vertical generated $850 in revenue for the fourth quarter of 2022 compared to $404 for the fourth quarter of 2021. The increase is due to the SOW extension signed in the second quarter of 2022, combined with a scope reduction that had occurred in October 2021.

Revenue generated by InfoTech was $545 in the first quarter or 2023 ($661 for the first quarter of 2022). CoreHealth added $1,063 of revenue during the first quarter or 2023 ($1,224 for the first quarter of 2022). The decrease in revenue for Infotech is due to customer churn vs the same period last year. The decrease in revenue for CoreHealth is due to the lower implementation revenue compared to the same quarter of the preceding year. The pharmacy vertical generated $910 in revenue for the first quarter of 2023 compared to $512 for the first quarter of 2022. The increase is due to the SOW extension signed in the second quarter of 2022, combined with a scope reduction that had occurred in October 2021 which was still in effect during the first quarter of 2022.

Revenue generated by InfoTech was $477 in the second quarter of 2023 ($704 for the second quarter of 2022). The decrease in revenue for Infotech is due to customer churn vs the same period last year. CoreHealth added $1,178 of revenue during the second quarter of 2023 ($1,038 for the second quarter of 2022). The increase in revenue for CoreHealth is due to new client signed during the year with higher annual license values compared to the same period last year. The Company signed SOW extensions with its major pharmacy client during the second quarter of 2023, increasing pharmacy vertical revenue to $1,045 compared to $592 in the same quarter of 2022.

Net Loss

The Company is an early-stage business operation that continues to invest in its growth through research and development projects, and strategic M&A. The net loss in each quarter is attributable to key hires and their related expenses, costs associated with M&A and related financing and in the fourth quarter of 2022 and 2021, impairment of goodwill and /or intangible assets of said acquisitions.

In the third quarter of 2021, the Company's net loss increased due to non-routine expenses related to the acquisitions of InfoTech and CoreHealth, financing costs associated with the Credit Facilities and a private placement of units of the Company (the "**Offering**"), and non-cash items such as the grant of stock options to directors, officers, and employees of the Company. In addition, the net loss was driven by Carebook recognizing InfoTech and CoreHealth's full operating costs during the period, but only being able to recognize a portion of the revenue that would have been recognized under IFRS 15 but was already recognized under Accounting Standards for Private Enterprises prior to the acquisitions. For more information regarding the Offering, please refer to Note 23 – The Offering of the Company's annual audited consolidated financial statements for the year ended December 31, 2021, a copy of which is available on the Company's SEDAR+ profile at www.sedarplus.ca.

In addition, during the third quarter of 2021, the Company incurred a warrant expense of $569. This was driven by a two-year extension of the life of certain warrants issued to certain significant shareholders of the Company. For more information, refer to Notes 15 and 19 of the Company's annual audited consolidated financial statements for the year ended December 31, 2021, a copy of which is available on the Company's SEDAR+ profile at www.sedarplus.ca.

In the fourth quarter of 2021, the net loss increased mainly due to the recognition of $7,170 in goodwill impairment for the acquisition of the legacy Carebook platform in 2016 and the acquisition of InfoTech's business, as disclosed in Note 12 of the Company's annual audited consolidated financial statements for the year ended December 31, 2021, a copy of which is available on the Company's SEDAR+ profile at www.sedarplus.ca. Additionally, the increase in operating expenses (mainly labour) associated with the acquisitions of InfoTech (during the second quarter of 2021) and CoreHealth (during the third quarter of 2021) contributed to the increase in net loss.

While the acquisitions of InfoTech and CoreHealth increased operating expenses for the first quarter of 2022, when compared to the same period of the previous year, this was more than offset by the incremental revenue and additional reductions in operating expenses as a result of a cost reduction strategy that was implemented as of late 2021. This positive impact was partially offset by an increase in finance costs in the first quarter of 2022, due to the financings that occurred in the second and fourth quarters of 2021 (Credit Facilities and Loan Agreements with related parties, respectively). Please refer to Note 12 – Borrowings in the Financial Statements for additional information on the Credit Facilities and the Loan Agreements.

While the acquisition of CoreHealth increased operating expenses for the second quarter of 2022, when compared to the same period of the previous year, this was more than offset by the incremental revenue and cost synergies that were implemented following such acquisition. InfoTech recognized lower revenue amounts during the second quarter of 2021, following their adoption of IFRS 15 on the acquisition date. As for expenses, InfoTech realized nearly a full quarter of costs in the second quarter of 2021.

While the acquisition of CoreHealth also increased operating expenses for the third quarter of 2022, when compared to the same period of the previous year, this was more than offset by the incremental revenue and cost synergies that were implemented following such acquisition.

In the fourth quarter of 2022, the net loss increased mainly due to the recognition of $12,582 in goodwill and intangible asset impairment relating to the acquisition of CoreHealth's business and the acquisition of InfoTech's business, as disclosed in Note 9 of the Financial Statements.

In the first quarter of 2023, the net loss reduced substantially to only $459 compared to $1,803 for the first quarter of 2022, representing a decrease of 56% year-over-year. Higher revenue and the implementation of additional cost reduction measures explain such improvement in the overall profitability of the Company.

In the second quarter of 2023, the net loss reduced substantially to only $687 compared to $2,435 for the second quarter of 2022, representing a decrease of 72% year-over-year. Higher revenue and the management's continued discipline to cost reduction measures explains the improvement in the overall profitability of the Company.

DISCUSSION OF OPERATIONS

Statements of Loss and Comprehensive Loss

For the three months ended June 30, 2023 and 2022:

	THREE MONTHS ENDED			
	June 30, 2023	**June 30, 2022**	**$ Change**	**% Change**
REVENUE	$ 2,700	$ 2,335	$ 365	16%
Cost of revenue	$ 700	$ 330	$ 370	112%
Gross profit	**$ 2,000**	**$ 2,005**	**$ (5)**	**0%**
EXPENSES				
Sales and marketing	$ 71	$ 761	$ (690)	-91%
Research and development	$ 1,483	$ 2,411	$ (928)	-38%
General and administrative	$ 1,094	$ 1,098	$ (4)	0%
Loss from operations	**$ (648)**	**$ (2,265)**	**$ 1,617**	**-71%**
M&A costs	$ -	$ 17	$ (17)	-100%
Finance costs	$ 378	$ 290	$ 88	30%
Impairment	$ 178	$ -	$ 178	N/A
Other income	$ (197)	$ -	$ (197)	N/A
Net loss before taxes	**$ (1,007)**	**$ (2,572)**	**$ 1,565**	**-61%**
Income tax expense (gain)	$ (320)	$ (137)	$ (183)	134%
Net loss	**$ (687)**	**$ (2,435)**	**$ 1,748**	**-72%**
Total comprehensive loss	**$ (687)**	**$ (2,435)**	**$ 1,748**	**-72%**

For the six months ended June 30, 2023 and 2022:

	SIX MONTHS ENDED			
	June 30, 2023	**June 30, 2022**	**$ Change**	**% Change**
REVENUE	$ 5,218	$ 4,732	$ 486	10%
Cost of revenue	$ 955	$ 495	$ 460	93%
Gross profit	**$ 4,263**	**$ 4,237**	**$ 26**	**1%**
EXPENSES				
Sales and marketing	$ 386	$ 1,638	$ (1,252)	-76%
Research and development	$ 2,927	$ 4,093	$ (1,166)	-28%
General and administrative	$ 2,043	$ 2,439	$ (396)	-16%
Loss from operations	**$ (1,093)**	**$ (3,933)**	**$ 2,840**	**-72%**
M&A costs	$ -	$ 17	$ (17)	-100%
Finance costs	$ 751	$ 562	$ 189	34%
Impairment	$ 178	$ -	$ 178	N/A
Other income	$ (236)	$ -	$ (236)	N/A
Net loss before taxes	**$ (1,786)**	**$ (4,512)**	**$ 2,726**	**-60%**
Income tax expense (gain)	$ (640)	$ (273)	$ (367)	134%
Net loss	**$ (1,146)**	**$ (4,239)**	**$ 3,093**	**-73%**
Total comprehensive loss	**$ (1,146)**	**$ (4,239)**	**$ 3,093**	**-73%**

Revenue analysis

Revenue for the quarter ended June 30, 2023, was $2,700, compared to $2,335 for the quarter ended June 30, 2022, an increase of $365 or 16%. Revenue generated in the quarter ended June 30, 2023, was 61% from the employer vertical and 39% from the pharmacy vertical.

The increase in revenue for the quarter ended June 30, 2023, is driven principally by the pharmacy vertical and increase in CoreHealth license revenue, offset by a reduction in license revenue at Infotech, which lost several customers during 2022 and the first half of 2023.

Revenue for the six months ended June 30, 2023, was $5,218, compared to $4,732 for the six months ended June 30, 2022, an increase of $486 or 10%. Revenue generated in the six months ended June 30, 2023, was 63% from the employer vertical and 37% from the pharmacy vertical.

The CoreHealth business showed an increase in license revenue during the six months ended June 30, 2023, compared to the six months ended June 30, 2022. Recurring revenue from the employer vertical business is expected to incrementally increase over the next several quarters due to the completion of implementation for several customers during the second quarter of 2023.

Total comprehensive loss analysis

Total comprehensive loss was $687 for quarter ended June 30, 2023, compared to a loss of $2,435 for the quarter ended June 30, 2022, an improvement of $1,748 or 72%.

Total comprehensive loss was $1,146 for the six months ended June 30, 2023, compared to a loss of $4,239 for the six months ended June 30, 2022, an improvement of $3,093 or 73%.

The variance for both three and six months ended June 30, 2023, is driven mostly by higher revenue, lower loss from operations, and gain following the initial recognition of the net investment from the Montreal office sublease, which was partially offset by a leasehold improvement impairment loss for the Montreal office and higher finance costs, and by an increase in borrowing and by an increase in interest rates applicable to the Company's outstanding debt during the first and second quarters of 2023 – see Note 13 of the Financial Statements for details on the quarter ended June 30, 2023.

Cost of revenue

The cost of revenue for the three months ended June 30, 2023, was $700 compared to $330 in the same period of 2022, an increase of $370 or 112%. The increase in cost of revenue for the three months ended June 30, 2023, is attributable to increased data hosting costs and increase in labor costs from additional employees hired to support clients in the employer vertical when compared to the previous period.

The cost of revenue for the six months ended June 30, 2023, was $955 compared to $495 in the same period of 2022, an increase of $460 or 93%. The increase in cost of revenue for six months ended June 30, 2023, is attributable to increased data hosting costs and increase labor costs from additional employees hired to support clients in the employer vertical when compared to the previous periods.

Expense analysis

Total operating expenses for the three months ended June 30, 2023, were $2,648 compared to $4,270 incurred in the same period of 2022, a decrease of $1,622 or 38%. The decrease in operating expenses is due to lower research and development costs and lower sales and marketing costs.

Total operating expenses for six months ended June 30, 2023, were $5,331 compared to $8,170 incurred in the same period of 2022, a decrease of $2,839 or 35%. The decrease in operating expenses is due to lower general and administrative costs, lower research and development costs and lower sales and marketing costs. The decrease in research and development is attributable to government grant received during the first quarter of 2023, lower amortization expenses due to InfoTech's intangible assets being partially impaired as of December 31st, 2022. Without the effect of the grant, research and development costs during first six months of 2023 would have been higher by approximately $512. Without the effect of the grant, operating expenses for six months ended June 30, 2023 would have been approximately $5,843, a decrease of $2,327 or 28% compared to the same period of 2022.

Variances in operating expenses are further broken down by function below.

Sales & marketing expenses

Sales & marketing expenses decreased for the three months ended June 30, 2023 to a total of $71 compared to $761 for the same period of 2022. Sales & marketing expenses decrease for the six months ended June 30, 2023 to a total of $386 compared to $1,638 for the same period of 2022. The large decrease is driven in part by a reduction in labor costs due to terminations during the second and third quarter of 2022 And also resulting from the fact that the Company recorded post-acquisition remuneration related to the CoreHealth acquisition under sales and marketing for the three months and six months ended June 30, 2022, but did not record any post-acquisition remuneration under sales and marketing during the three months and the six months ended June 30, 2023.

Research & development expenses

Research & development costs for three months ended June 30, 2023 were $1,483 compared to $2,411 for three months ended June 30, 2022, a decrease of $928 or 38%. The decrease is mostly due to lower amortization expenses following the impairment of a portion of Infotech's intangible assets in the last quarter of 2022. In addition, the decrease in research & development costs is due to lower labor costs during the quarter compared to the same period in 2022.

Research & development costs for six months ended June 30, 2023 were $2,927 compared to $4,093 for six months ended June 30, 2022, a decrease of $1,166 or 28%. The decrease is mainly due to a grant which decreased labor costs by $512 in the period and lower head count compared to the previous periods in 2022. Research and development costs, which are primarily software licenses used across the businesses' research and development departments, decreased significantly during the six months ended June 30, 2023 compared to the same period in 2022 due to management's cost reduction strategies implemented at the end of the fourth quarter of 2022.

General & administrative expenses

General and administrative expenses for the three months ended June 30, 2023 were $1,094 compared to $1,098 for the three months ended June 30, 2022, a decrease of $4. The Company recorded higher labor & employee benefits expensed during the quarter offset by a decrease in professional fees.

General and administrative expenses for the six months ended June 30, 2023 were $2,018 compared to $2,439 for the six months ended June 30, 2022, a decrease of $421 or 17%. The decrease in general and administrative is mainly due to lower professional fees in the first half of 2023 when compared to the first half of 2022.

Other expenses

Finance costs increased from $290 in the second quarter of 2022 to $378 in the second quarter of 2023. The higher combined borrowing balance on the Credit Facilities and Convertible Debt combined with the higher interest rates during the second quarter of 2023 resulted in higher finance costs compared to the second quarter of 2022.

Finance costs increased from $562 in the first half of 2022 to $751 in the first half of 2023. The higher combined borrowing balance on the Credit Facilities and Convertible Debt combined with the higher interest rates during the first half of 2023 resulted in higher finance costs compared to the first half of 2022.

During the second quarter of 2023, the Company recognized a gain of $196 on the initial recognition of the net investment from the Montreal office sublease, which was partially offset by leasehold improvement impairment loss of $178 for the Montreal office. The gain recognized on the Montreal office sublease transaction during the second quarter of 2023 decreased other expenses compared to the second quarter of 2022.

LIQUIDITY AND CAPITAL RESOURCES

The cash flow for the six months ended June 30, 2023 was driven mainly by the impact of operating and financing activities.

During the six months ended June 30, 2023 the Company used $1,586 through operating activities, and raised gross proceeds of $2,500 through the Private Placements. The Company borrowed $612 under the Revolving Facility and repaid $833 under the Term Loan Facility. Together with the payment of interest during the six months ended June 30, 2023 ($329), this resulted in a decrease in cash and cash equivalents of $217.

Cash Flow Analysis

Cash flow for six months ended June 30, 2023 and 2022:

	SIX MONTHS ENDED						
	June 30, 2023		**June 30, 2022**		**$ Change**		**% Change**
Cash flows generated from (used for):							
Operating activities	$	(1,586)	$	(2,389)	$	803	-34%
Investing activities	$	(467)	$	(580)	$	113	-19%
Financing activities	$	1,836	$	1,892	$	(56)	-3%
Net increase (decrease) in cash and cash equivalents	$	(217)	$	(1,077)	$	860	N/A
Cash and cash equivalents - beginning of year	$	740	$	1,455	$	(715)	-49%
Cash and cash equivalents - end of year	**$**	**523**	**$**	**378**	**$**	**145**	**38%**

Operating activities

Net cash used for operating activities totaled $1,586 and $2,389 during the six months ended June 30, 2023 and 2022, respectively. Net Loss during the six months ended 2023 was $3,909 smaller compared to the previous periods in 2022, and the use of capital through operating activities was mostly driven by changes in non-cash working capital items.

The Company expects that use of cash from operations will continue to decrease relative to 2022 due to ongoing revenue growth and cost reduction strategies implemented during 2022 and 2023.

Investing activities

Net cash used for investing activities for the six months ended June 30, 2023, was $467, compared to net cash used in investing activities of $580 for the six months ended June 30, 2022. During the six months ended June 30, 2023, the Company paid the former shareholders of CoreHealth the sum of $500 representing a portion of the holdback amount that was due in connection with the acquisition. 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.

Financing activities

Net cash from financing activities during the six months ended June 30, 2023, was $1,836, compared to net cash from financing activities of $1,892 for during the six months ended June 30, 2022.

The cash generated in the six months ended June 30, 2023 is from the Private Placements for gross proceeds of $2,500, offset by $329 in cash interest payments and a reduction in the size of the Credit Facilities. The Company borrowed $612 under the Revolving Facility and repaid $833 under the Term Loan Facility.

The cash generated in the six months ended June 30, 2022 is related to the completion of the Rights Offering for gross proceeds of $4,500, which was partially offset by the repayment of $1,000 in principal under the Term Loan Facility, and the repayment of the Monthly Installments under the same facility.

Outlook

During 2022 the Company signed and implemented several key accounts, broadening its footprint in the employer vertical, and it substantially increased the scope of its statement of work with its major pharmacy client. It successfully implemented its cost reduction strategy announced at the end of 2021 and found further efficiencies within its cost structure during 2022 and the first two quarters of 2023, improving its margins and operating cash flows.

Combining an efficient management of expenses with ongoing revenue growth is expected to set the Company in the right direction towards profitability. The Company raised substantial long-term capital during 2022 and the first half of 2023, in the form of the Rights Offering, the Convertible Debt and the Private Placements, allowing the Company to substantially reduce its short term liabilities and strengthen its balance sheet.

On March 8th, 2023, the Company announced the closing of the UIL Private Placement, for gross proceeds of $1,250. On May 23rd, 2023, the Company announced the closing of an additional non-brokered private placement with PML, for gross proceeds of $1,250. Management continues to evaluate alternatives to secure additional financing until the Company becomes profitable.

Based on the above, the Company is confident it will generate sufficient amounts of cash and cash equivalents, in the short term and the long term, to execute the Company's planned growth strategies and fund development activities.

Contractual Obligations

In the normal course of business, the Company has various contractual obligations. The following table provides a summary of Carebook's future contractual commitments specifically related to the lease arrangements associated with its office space:

	Payments due by period as at June 30, 2023		
	Less than 1 year	**1-5 years**	**After 5 years**
Contractual obligations	$ 182	$ 592	$ 2

Capital Resources

	June 30, 2023	December 31, 2022	$ Change	% Change
Shareholders' equity (deficit)	$ (5,000)	$ (6,359)	$ 1,359	-21%
Total liabilities	$ 14,503	$ 15,615	$ (1,112)	-7%

Carebook's capital resources as at June 30, 2023 consisted of shareholders' equity and debt financing. The increase in shareholder's equity is mainly driven by the Private Placements during the first half of 2023. While the increase in total debt is mostly due to an increase in contract liabilities.

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 of $83 each.

Please refer to Notes 13 and 14 of the Financial Statements for more information on the Company's borrowings and shareholder equity.

Management continues to evaluate alternatives to secure additional financing until the Company becomes profitable. Such financing could be provided in the form of additional debt financing or equity investments depending on market conditions.

There is no guarantee that the Company will be able to secure financing on attractive terms, or at all.

Sources of funding

The Company has financed its development operations and met its capital requirements primarily through revenue from customers, debt financing and equity investments. The Company secured $8,000 in the year ending 2022, and $2,500 in the first half of 2023 as follows:

The Rights Offering was completed during the second quarter or 2022, which, together with the Stand-By Commitment, generated gross proceeds of $4,500 for the Company.

In the third quarter of 2022, the Loan Agreements were amended to become the $2.0M Convertible Debt Agreements, and transaction provided an additional $1,000 in funding.

In the fourth quarter of 2022, the Company entered into the $2.5M Convertible Debt Agreements, which provided an additional $2,500 in funding.

In the first quarter of 2023, the Company completed the UIL Private Placement, for an additional $1,250 in gross proceeds and in the second quarter of 2023, the Company completed the PML Private Placement, for an additional $1,250 in gross proceeds.

As at June 30, 2023, the Company's outstanding debt was $7,693; $1,667 from the Term Loan Facility, $2,273 from the Revolving Facility, and $3,753 from the $2M Convertible Debt Agreements and $2.5M Convertible Debt Agreements. At such date, $727 was still available to be drawn under the Revolving Facility. Please refer to Note 13 of the Financial Statements, for additional information on the Credit Facilities and the Convertible Debt.

Management continues to evaluate alternatives to secure additional sources of funding until the Company becomes profitable.

There are a number of factors that could affect the Company's current and future sources of funding, including the Company's ability to operate its business and execute its planned growth strategies, and unfavorable macroeconomic conditions, such as high inflation, a recessionary environment, or an economic slowdown, which could potentially cause a decline in demand for our solutions or negatively impact our operations. This in turn could negatively impact our ability to meet our covenants and pay interest outstanding under the Credit Facilities and the Convertible Debt or limit our ability to secure future sources of funding.

The details of cash balances as at June 30, 2023 and December 31, 2022 are as follows:

	June 30, 2023	December 31, 2022
Cash and cash equivalents	$ 523	$ 740

Capital expenditures

Currently, capital expenditures are financed through cash generated from financing. Carebook expects that capital expenditures related to the development of its technology and service offerings and recruitment of personnel will be ongoing over the next 12 months, as the Company has acquired InfoTech and CoreHealth, and continues to invest in the ongoing development and enhancements to its digital platform.

Debt financings

A debt repayment occurred during the second quarter of 2022, as the Company repaid $1,000 under 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 of $83 each.

The Loan Agreements were amended into the $2M Convertible Debt Agreements in the third quarter of 2022, which transaction provided an additional $1,000 in funding.

The issuance of the $2.5M Convertible Debt in the fourth quarter of 2022 provided an additional $2,500 in funding.

Equity Financings

In the first quarter of 2023, the Company completed the UIL Private Placement, for an additional $1,250 in gross proceeds. In the second quarter of 2023, the Company completed the PML Private Placement, for an additional $1,250 in gross proceeds.

STATEMENTS OF FINANCIAL POSITION

Working Capital

	June 30, 2023	December 31, 2022	$ Change	% Change
Current assets	$ 2,749	$ 1,770	$ 979	55%
Current liabilities	$ 8,962	$ 9,590	$ (628)	-7%
Total working capital (deficit)	**$ (6,213)**	**$ (7,820)**	**$ 1,607**	-21%

As at June 30, 2023, the Company had a working capital deficit of $6,213 compared to a working capital deficit of $7,820 as at December 31, 2022. The working capital deficit is driven by the amount outstanding on the Credit Facilities, accrued liabilities related to the acquisitions of InfoTech and CoreHealth for the holdbacks and the deferred purchase price for CoreHealth, and fluctuations in contract liabilities.

Other than as a result of recently received funds from the $2.0M Convertible Debt Agreements, the $2.5M Convertible Debt Agreements and the Private Placements, the Company expects its working capital position to improve in the short-term as the Company will work to secure additional equity or debt financing to settle acquisition related liabilities, fund its operations, and reimburse the Credit Facilities.

Outstanding Share Data

The authorized share capital of Carebook consists of an unlimited number of common shares and an unlimited number of preferred shares. As at June 30, 2023, and as at the date hereof, the following securities of Carebook were issued and outstanding:

(1) 102,752,356 common shares;
(2) 3,021,348 options to purchase common shares; and
(3) 9,038,448 warrants to purchase common shares.

OFF-BALANCE SHEET ARRANGEMENTS

As of the date of this MD&A, the Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company, including, without limitation, such considerations as liquidity and capital resources that have not previously been discussed.

RELATED PARTY TRANSACTIONS

The Company discloses information on its related party transactions, as defined in *IAS 24, Related party disclosures*, in Note 18 of the Financial Statements.

Related party transactions that took place during the quarter ended June 30, 2023 were concluded in the normal course of its operations.

RELATED PARTY AGREEMENTS

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 nine months, and was subsequently extended through May 2022.

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.

In December 2021, the Company entered into the Loan Agreements with investors, SAYKL and UIL for a total of $1,000 in aggregate gross proceeds. Those Loan Agreements were amended in September 2022 into the $2M Convertible Debt Agreements, which transaction also resulted into an additional $1,000 in funding. In addition, the Company entered into the $2.5M Convertible Debt Agreements with MT Sidecar and UIL in December 2022 that provided an additional $2,500 in funding.

As disclosed in the “Rights Offering and Stand-by Commitment” section, the Company entered into a Standby-Commitment Agreement with UIL resulting in the Company having 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 common share purchase 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.

As disclosed in the “Private Placements” section, in the first quarter of 2023, the Company completed the UIL Private Placement with UIL, for an additional $1,250 in gross proceeds. In the second quarter of 2023, the Company completed the PML Private Placement with PML, an affiliate of UIL, for an additional $1,250 in gross proceeds.

CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Company's Financial Statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of the reporting period; however, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key estimates and judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described in detail in Note 2 of the Company's Financial Statements

CHANGES IN ACCOUNTING POLICIES

No significant changes were made to the Company's accounting policies during the quarter ended June 30, 2023.

Please refer to Note 2 of the Company's Financial Statements for more information regarding the Company's significant accounting policies and changes.

FINANCIAL RISKS AND UNCERTAINTIES

The Company is subject to certain financial risks and uncertainties in carrying out its activities, as more fully described below. The Company manages its exposure to such risks and uncertainties from operations as well as from the use of financial instruments, including market risks (foreign currency exchange rate and interest rate), credit risk and liquidity risk, through its risk management strategy. For instance, Carebook has implemented measures to identify, monitor and, to a certain extent, mitigate such risks and uncertainties. Such measures include, among others, creating and marketing viable software products for sale and distribution, the supervision by the board of directors and management of the Company, as well as the enforcement of numerous policies and procedures. The objective of the strategy is to support the delivery of the Company's financial targets while protecting its future financial security and flexibility. Financial risks are primarily managed and monitored through operating and financing activities. The Company does not use derivative financial instruments. The financial risks are evaluated regularly with due consideration to changes in key economic indicators and to up-to-date market information. Additional risks not currently known or that the Company currently believes are immaterial may also impair its business, results of operations, financial condition and liquidity.

The reader is cautioned that the list of financial risks and uncertainties described below is not exhaustive. Readers are encouraged to review and carefully consider the more comprehensive discussion of the risks and uncertainties related to Carebook's business presented in the section entitled "Risk Factors" of the Company's management's discussion and analysis for the year ended December 31, 2022 filed by the Company on SEDAR+ under the Company's profile at www.sedarplus.ca.

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, the rate of bankers' acceptances and the Canadian prime rate.

During the second quarter of 2023 and the second quarter of 2022, the interest rate risk stemmed from the Credit Facilities and Convertible Debt.

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 Convertible Debt would have had a negative impact of $21 in the Company's net loss for the quarter ended June 30, 2023 ($23 for the quarter ended June 30, 2022).

Foreign exchange risk

Since the acquisitions of InfoTech in second quarter of 2021 and CoreHealth in the third quarter of 2021, the Company is faced with risk attributable to revenue invoiced and collected in U.S. dollars. 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 June 30, 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 June 30, 2023 levels would have had an impact of +/- $93 on the net loss.

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, key customers 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 of the Financial Statements. The Company did not hold any collateral as security.

Liquidity risk

The capital structure of the Company includes shareholders' equity (deficit) and borrowings. Management's overriding objectives when managing capital are to have sufficient liquidity to meet the Company's 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 anticipating investing and financing activities.

In April 2021, the Company secured debt financing which included a condition that the Company raise $11,000 in capital by August 4, 2021 should it wish to proceed with a specific acquisition. In August 2021, the Credit Agreement was amended such that the Company was required to raise $11,280 by August 6, 2021 and complete the acquisition of CoreHealth. The Company met this capital raise obligation through the Offering described in Note 23 of the Company's annual audited consolidated financial statements for the year ended December 31, 2021. In December 2021, the Company entered into the Loan Agreements to provide an additional $1,000 in liquidity. The Company completed the Rights Offering in May 2022 resulting in the Company receiving aggregate gross proceeds of $4,500 under the Rights Offering.

The Company amended the Loan Agreements in September 2022 into the $2.0M Convertible Debt Agreements, which transaction provided an additional $1,000 in liquidity. In December 2022, the Company entered into the $2.5M Convertible Debt Agreements which provided an additional $2,500 in funding.

In the first quarter of 2023, the Company completed the UIL Private Placement, for an additional $1,250 in gross proceeds. In the second quarter of 2023, the Company completed the PML Private Placement, for an additional $1,250 in gross proceeds.

The Company continues to monitor its liquidity and has undergone significant cost reductions to ensure the business continues to operate as a going concern. Despite the addition of InfoTech's and CoreHealth's clients and revenue, and the implementation of those cost reductions, there is no guarantee that future revenue will generate sufficient income to offset operating expenses of the Company.

As at June 30, 2023, the Company's current liabilities exceeded its current assets by $6,213. The Company has incurred significant operating losses and negative cash flows from operations since inception, resulting in an accumulated deficit of $65,481 as at June 30, 2023 ($64,335 at December 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 the funds required for its monthly burn rate, as well as other obligations related to the 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.

While the Company has been successful in securing debt and equity financings in the past, 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. These material uncertainties may impair the Company's ability to continue as a going concern and for that reason management regularly evaluates alternatives to secure additional financing so that the Company can continue to operate as a going concern.

As discussed in the section titled "Borrowings, Equity and Debt Financings", in April 2022, the company entered into an agreement with the Lenders to amend its Credit Facilities. Under the amendment, the Company had to make a mandatory prepayment of $1,000 on the Term Loan Facility which was paid in September 2022, and further repayments at a rate of $1,000 annually, payable in equal Monthly Installments of $83 each. The Company intends to use the funds raised as part of the Rights Offering, $2.0M Convertible Debt Agreements and $2.5M Convertible Debt Agreements to comply with such terms of the amendment.

The reader is cautioned that the foregoing list of risks is not exhaustive. Readers are encouraged to review and carefully consider the risk factors discussed under the heading "*Note 16 – Risk Management*" of the Financial Statements, and the risk factors discussed herein, in the Company's management discussion and analysis for the year ended December 31, 2022 and in other disclosure documents filed by the Company on SEDAR+ under the Company's profile at www.sedarplus.ca See also the section entitled "Forward-Looking Statements" starting on page 2 of this MD&A for a discussion of risks associated with forward-looking statements.

The acquisition of any of the securities of the Company is speculative and involves a high degree of risk and should be undertaken only by persons whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. An investment in the securities of the Company should not constitute a major portion of an individual's investment portfolio and should only be made by persons who can afford a total loss of their investment. Shareholders should evaluate carefully the risk factors associated with the Company's securities described elsewhere in this MD&A and the Financial Statements along with the risk factors described in in the Company’s management’s discussion and analysis for the year ended December 31, 2022 and in other disclosure documents filed by the Company on SEDAR under the Company’s profile at www.sedarplus.ca.