

SEPTEMBER 30, 2020

CAREBOOK TECHNOLOGIES INC.

QUARTERLY FINANCIAL STATEMENTS

CAREBOOK TECHNOLOGIES INC.

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

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CAREBOOK TECHNOLOGIES INC.
CONDENSED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

| (Expressed in CDN \$000's) | Note | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|------|----------------------------------|-------------------|---------------------------------|-------------------|
| | | 2020 | 2019 | 2020 | 2019 |
| Revenue | 3 | \$ 880 | \$ 1,100 | \$ 2,723 | \$ 3,308 |
| Expenses | | | | | |
| Labour and employee benefits | 4 | \$ 1,449 | \$ 1,146 | \$ 3,747 | \$ 3,217 |
| Software development costs | | \$ 103 | \$ 106 | \$ 348 | \$ 276 |
| General and administrative | 5 | \$ 333 | \$ 179 | \$ 1,002 | \$ 493 |
| Depreciation and amortization | 6 | \$ 297 | \$ 198 | \$ 370 | \$ 593 |
| Stock-based compensation | 12 | \$ (93) | \$ - | \$ 2,020 | \$ - |
| Loss from operations | | \$ (913) | \$ (332) | \$ (4,394) | \$ (678) |
| Loss (gain) on embedded derivative | 13 | \$ (1,027) | \$ 767 | \$ (1,110) | \$ 708 |
| Transaction costs | | \$ 1,320 | \$ - | \$ 1,320 | \$ - |
| Finance costs | 2 | \$ 129 | \$ 128 | \$ 386 | \$ 379 |
| Net loss | | \$ (1,632) | \$ (1,425) | \$ (5,360) | \$ (2,357) |
| Total comprehensive loss | | \$ (1,632) | \$ (1,425) | \$ (5,360) | \$ (2,357) |
| Basic and diluted loss per share (in \$) | 2 | \$ (0.13) | \$ (0.12) | \$ (0.43) | \$ (0.19) |
| Weighted average number of basic and diluted common shares | 2 | 12,742,685 | 12,289,067 | 12,594,972 | 12,252,960 |

These condensed interim financial statements were authorized for issue by the Board of Directors on November 19, 2020. Approved on behalf of the Board by:

/s/ Josh Blair

Director

/s/ Stuart M. Elman

Director

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

CAREBOOK TECHNOLOGIES INC.
CONDENSED STATEMENTS OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2020 AND DECEMBER 31, 2019

| (Expressed in CDN \$000's) | Note | September 30, 2020 | December 31, 2019 |
|---|------|--------------------|-------------------|
| Current assets | | | |
| Cash and cash equivalents | 7 | \$ 21,030 | \$ 117 |
| Trade and other receivables | 8 | \$ - | \$ 4 |
| Prepaid expenses | | \$ 76 | \$ 58 |
| Total current assets | | \$ 21,106 | \$ 179 |
| Non-current assets | | | |
| Property and equipment, net | | \$ 362 | \$ 408 |
| Right-of-use leased asset | 10 | \$ 482 | \$ 357 |
| Goodwill | | \$ 4,370 | \$ 4,370 |
| Advance to shareholder | | \$ - | \$ 10 |
| Total non-current assets | | \$ 5,213 | \$ 5,144 |
| Total assets | | \$ 26,320 | \$ 5,323 |
| Liabilities | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | 9 | \$ 2,780 | \$ 340 |
| Contract liabilities | 3 | \$ 283 | \$ 333 |
| Subscription receipts held for investors | 7 | \$ 21,000 | \$ - |
| Deferred share issuance costs | | \$ 325 | \$ - |
| Advances due to related parties | | \$ 1,975 | \$ 850 |
| Current portion of lease liabilities | 10 | \$ 65 | \$ 45 |
| Term note payable | 11 | \$ 2,500 | \$ 2,500 |
| Convertible debt | 11 | \$ 2,500 | \$ - |
| Current portion of term loan | 11 | \$ 36 | \$ - |
| Total current liabilities | | \$ 31,464 | \$ 4,068 |
| Non-current liabilities | | | |
| Lease liabilities | 10 | \$ 688 | \$ 584 |
| Convertible Debt | 11 | \$ - | \$ 2,181 |
| Accrued interest | 11 | \$ - | \$ 362 |
| Term loan | 11 | \$ 164 | \$ - |
| Derivative liability | 13 | \$ - | \$ 1,110 |
| Total non-current liabilities | | \$ 853 | \$ 4,237 |
| | | \$ 32,316 | \$ 8,305 |
| Shareholders' equity (deficit) | | | |
| Share capital | | \$ 8,766 | \$ 8,116 |
| Contributed surplus | | \$ 7,260 | \$ 5,240 |
| Accumulated deficit | | \$ (21,697) | \$ (16,337) |
| Total shareholders' deficit | | \$ (5,671) | \$ (2,982) |
| Total liabilities and shareholders' equity | | \$ 26,320 | \$ 5,323 |

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

CAREBOOK TECHNOLOGIES INC.
CONDENSED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

| (Expressed in CDN \$000's) | Share capital | Contributed surplus | Accumulated deficit | Total shareholders' deficit |
|---------------------------------|-----------------|---------------------|---------------------|--------------------------------|
| At January 1, 2018 | \$ 7,013 | \$ 5,240 | \$ (13,223) | \$ (971) |
| Shares Issued | \$ 1,100 | | | \$ 1,100 |
| Net loss | \$ - | \$ - | \$ (2,357) | \$ (2,357) |
| As at September 30, 2019 | \$ 8,113 | \$ 5,240 | \$ (15,609) | \$ (2,257) |
| As at December 31, 2019 | \$ 8,116 | \$ 5,240 | \$ (16,337) | \$ (2,982) |
| Net loss | \$ - | \$ - | \$ (5,360) | \$ (5,360) |
| Stock-based compensation | \$ - | \$ 2,020 | \$ - | \$ 2,020 |
| Shares issued | \$ 650 | \$ - | \$ - | \$ 650 |
| As at September 30, 2020 | \$ 8,766 | \$ 7,260 | \$ (21,697) | \$ (5,671) |

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

CAREBOOK TECHNOLOGIES INC.
CONDENSED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

| (Expressed in CDN \$000's) | Note | Nine Months Ended September 30, | |
|--|------|---------------------------------|-------------------|
| | | 2020 | 2019 |
| Cash flows from (used in) operating activities | | | |
| Net loss | | \$ (5,360) | \$ (2,357) |
| Adjustments: | | \$ - | \$ - |
| Stock-based compensation | | \$ 2,020 | \$ - |
| Depreciation | | \$ 110 | \$ 105 |
| Amortization of intangible assets | | \$ - | \$ 488 |
| Gain (loss) on embedded derivative | 13 | \$ (1,110) | \$ 708 |
| Accretion of term note payable | | \$ 57 | \$ 45 |
| Accretion of lease liability | | \$ 4 | \$ - |
| Interest expense | | \$ 291 | \$ 276 |
| Interest paid | | \$ (124) | \$ (118) |
| Changes in non-cash working capital: | | \$ - | \$ - |
| Trade and other receivables | | \$ 14 | \$ 91 |
| Prepaid expenses | | \$ (18) | \$ (24) |
| Accounts payable and accrued liabilities | | \$ 2,170 | \$ (339) |
| Contract liabilities | | \$ (50) | \$ - |
| Net cash from (used in) in operating activities | | \$ (1,996) | \$ (1,126) |
| Cash flows used in investing activities | | | |
| Purchases of property and equipment | | \$ (23) | \$ (38) |
| Net cash used in investing activities | | \$ (23) | \$ (38) |
| Cash flows from (used in) financing activities | | | |
| Issuance of advances due to related parties | | \$ 1,125 | \$ 600 |
| Subscription receipts held for investors | | \$ 21,000 | \$ - |
| Issuance of shares | | \$ 650 | \$ 1,100 |
| Payments of principal on lease liabilities | 10 | \$ (8) | \$ (30) |
| Lease inducements and prepayments, net | | \$ (34) | \$ - |
| Issuance of term loan | 11 | \$ 200 | \$ - |
| Net cash from financing activities | | \$ 22,933 | \$ 1,670 |
| Net increase in cash and cash equivalents | | \$ 20,913 | \$ 507 |
| Cash and cash equivalents—beginning of period | | \$ 117 | \$ 90 |
| Cash and cash equivalents—end of period | | \$ 21,030 | \$ 597 |

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

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
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NOTE 1 — General Information

Carebook Technologies Inc. (the “**Company**” or “**Carebook**”) was incorporated on February 12, 2015 under the *Canada Business Corporations Act*. The Company has developed and is commercializing a mobile health management system for individuals, their families, pharmacies, employers, and clinics. The registered office of the Company is 1700-666 Burrard Street, Vancouver, British Columbia, Canada, V6C 2X8 and its executive office is situated at 1400-2045 rue Stanley, Montréal, Québec, Canada, H3A 2V4.

NOTE 2—Summary of Significant Accounting Policies

2.1. Statement of compliance

The condensed interim financial statements have been prepared in accordance with International Accounting Standard (“**IAS**”) 34 Interim Financial Reporting as issued by the International Accounting Standards Board (“**IASB**”) on a basis consistent with the accounting policies disclosed in the audited consolidated financial statements for the fiscal year ended December 31, 2019.

2.2. Basis of presentation and going concern

Basis of presentation

The Company’s annual audited financial statements as at December 31, 2019 and 2018 and January 1, 2018 and for the years ended December 31, 2019 and 2018 (“**2019 Audited Annual Financial Statements**”) were the first financial statements prepared in accordance with IFRS 1, “*First-time Adoption of International Financial Reporting Standards*” (“**IFRS 1**”). An explanation of the effect of the transition to IFRS was provided in NOTE 19 – IFRS 1 Transition of the Company’s 2019 Audited Annual Financial Statements.

The Board of Directors of the Company approved the condensed interim financial statements for the three and nine months ended September 30, 2020 and 2019, and authorized their publication on November 19, 2020. These condensed interim financial statements have been prepared in accordance with the following significant accounting policies that have been applied consistently to all the periods presented throughout these condensed interim financial statements. The Company operates in a single reporting segment. All revenues were principally generated in Canada during the periods covered herein. All non-current assets are held in Canada.

All figures are presented in CDN \$000’s unless they refer to share or per share figures, or it is otherwise specified.

The Company’s financial position, cash flows, liquidity position, and borrowing facilities are described in the condensed interim financial statements in Note 7 — Cash and Cash Equivalents, Note 11 — Borrowings, and Note 14 — Risk Management.

Going concern

The condensed interim financial statements are prepared on the assumption that the Company is a going concern and will continue to operate for the foreseeable future. The going-concern basis assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due.

As at September 30, 2020 and December 31, 2019, the Company had a working capital deficit of \$10.4 million and \$3.9 million, respectively. The Company has incurred significant operating losses and negative cash flow from operations, resulting in an accumulated deficit of \$21.7 million as at September 30, 2020. The Company has incurred significant costs related to the development of its technology and service offerings, recruitment of personnel and establishment of 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

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funds required for its monthly burn rate, the Company's working capital may be insufficient to meet its obligations.

The going concern expectation is based on certain assumptions and estimates such as the ability of the Company to successfully complete the development of its solution, generate revenue from current and prospective customers, meet general and administrative expense requirements, and the ability of the Company to continue to raise capital through equity issuances or debt financing. During 2018, the Company signed a five-year software development contract; however, licensing and other revenue streams are still being developed, and there is no guarantee future revenue will generate sufficient income to offset operating expenses.

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

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

While the Company has been successful in securing financing as described in Note 11 - Borrowings, and recently raised equity financing as described in Note 17 – Subsequent Events, the raising of additional funds is dependent on several factors outside the Company's control and largely unknown particularly due to the state of the global economy as a result of the COVID-19 pandemic. As such, there can be no assurance that these initiatives will be successful or sufficient. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern. Management is evaluating alternatives to secure additional financing so that the Company can continue to operate as a going concern. Furthermore, management received confirmation of certain approved financing and subsidies during the first nine months of 2020 and continues to evaluate the Company's eligibility with respect to various subsidies recently made available by the Canadian government to businesses, which is expected to provide additional sources of cash flow to the Company in 2020 and 2021.

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

2.3. New standards and interpretations not yet mandatorily applicable

The following revised standards are effective for annual periods beginning on January 1, 2020, or January 1, 2021, and have not been adopted in the current period, but may affect the accounting for future transactions or arrangements:

Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest rate benchmark reform

In September 2019, the IASB amended some of its requirements to address the uncertainty arising from the phasing out of interest-rate benchmarks such as interbank offered rates ("**IBORS**"). The amendments issued focused on the accounting effects of uncertainty in the period leading up to the reform. The IASB is also

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working on the potential consequences to financial reporting of replacing an existing benchmark with an alternative. The amendments impact IFRS 9 Financial instruments, IAS 39 Financial instruments: Recognition and measurement and IFRS 7 Financial instruments: Disclosures. The Company adopted these amendments on January 1, 2020 and determined there was no impact on its condensed interim financial statements.

Amendment to IFRS 16, COVID-19-Related Rent Concessions

In May 2020, the IASB issued an amendment to permit lessees, as a practical expedient, not to assess whether particular rent concessions that reduce lease payments occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. The amendment is effective for annual reporting periods beginning on or after June 1, 2020, with earlier application permitted. The Company has evaluated the impact of this standard and determined that there will be no impact on its financial statements upon adoption.

Amendments to IFRS 3, Definition of a business

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

Additional guidance is provided that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after January 1, 2020, with early application permitted.

Amendments to IAS 1 and IAS 8, Definition of material

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of “obscuring” material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from “could influence” to “could reasonably be expected to influence”.

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term “material” to ensure consistency.

The amendments are applied prospectively for annual periods beginning on or after January 1, 2020, with earlier application permitted.

Amendments to References to the Conceptual Framework in IFRS Standards

Together with the revised Conceptual Framework, which became effective upon publication on March 29, 2018, the IASB has also issued Amendments to References to the Conceptual Framework in

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IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework.

The amendments, where they actually are updates, are effective for annual periods beginning on or after January 1, 2020, with early application permitted.

2.4. Principles governing the preparation of the condensed interim financial statements

The accounting policies set out below have been applied consistently to all periods presented in these condensed interim financial statements unless otherwise indicated.

These condensed interim financial statements include all of the assets, liabilities, equity, revenues, expenses, and cash flows of Carebook.

Basis of measurement

The condensed interim financial statements are prepared under the historical cost basis unless otherwise noted in these condensed interim financial statements.

Cash-generating units

The reporting unit, corresponding to the Company's sole operating site and the lowest level of the Company's internal reporting, has been identified as its cash-generating unit.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated for balance sheet accounts using exchange rates in effect as at each balance sheet date and for revenue and expense accounts using an average exchange rate each month during the year. Non-monetary assets and liabilities are translated at historical exchange rates. Foreign exchange gains or losses that relate to these commercial transactions are included in the condensed statements of loss and comprehensive loss based on the type of transaction. Currently, the Company does not engage in derivative contracts to mitigate its foreign exchange risk.

Revenue recognition

Contracts with the Company's customers generally represent software licenses and related software development.

The Company provides services and products under arrangements that contain various pricing mechanisms. The Company accounts for a contract or a group of contracts when the following criteria are met: the parties to the contract have approved the contract in which their rights, their obligations and the payment terms have been identified, the contract has commercial substance, and the collectability of the consideration is probable.

A contract modification is a change in the scope or price of an existing revenue-generating customer contract. The Company accounts for a contract modification as a separate contract when the scope of the contract increases because of the addition of promised performance obligations and the price of the contract increases by an amount of consideration that reflects its standalone selling prices. When the contract is not accounted for as a separate contract, the Company recognizes an adjustment to revenue on the existing

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contract on a cumulative catch-up basis as at the date of the contract modification or, if the remaining goods and services are distinct, the Company recognizes the remaining consideration prospectively.

Revenue is recognized when or as the Company satisfies a performance obligation by transferring a promise of good or service to the customer and is measured at the amount of consideration the Company expects to be entitled to receive, including variable consideration, such as, discounts, volume rebates, service-level penalties, and incentives. Variable consideration is estimated using either the expected value method or most likely amount method and is included only to the extent it is highly probable that a significant reversal of cumulative revenue recognized will not occur. In making this judgement, management will mostly consider all information available at the time (historical, current, and forecasted), the Company's knowledge of the client or the industry, the type of services to be delivered and the specific contractual terms of each arrangement.

If an arrangement involves the provision of multiple performance obligations, the total arrangement value is allocated to each performance obligation based on its relative stand-alone selling price. When estimating the stand-alone selling price of each performance obligation, the Company—whenever possible—identifies and uses observable prices, which are established using the Company's prices for the same or similar deliverables. When observable prices are not available, the Company estimates stand-alone selling prices based on its best estimate. The best estimate of the stand-alone selling price is the price at which the Company would normally expect to offer the services or products and is established by considering a number of internal and external factors including, but not limited to, geographies, the Company's pricing policies, internal costs, and margins. Additionally, in certain circumstances, the Company may apply the residual approach when estimating the stand-alone price of software license products and development services, for which the Company has not yet established a market price or has not previously sold on a stand-alone basis.

Performance obligations in the Company's contracts generally consist of licensing of software as a service provided to customers and long-term software development activities. Revenue is recognized over time for annual software licenses and development services, as customers simultaneously receive and consume the benefits as the Company performs, the customer controls the service as it is created or enhanced, and the Company has an enforceable right to payment for performance completed to date. For a certain development arrangement, the Company primarily uses budgeted costs, primarily directly related labour costs or labour hours, to measure the progress towards completion. This method relies on estimates of total expected costs to complete the service, which are compared to costs incurred to date, to arrive at an estimate of the percentage of revenue earned to date. Factors considered in the estimates include changes in scope of the contracts, delays in reaching milestones, complexities in project delivery, availability and retention of qualified information technology professionals, and/or the ability of the subcontractors to perform their obligation within agreed upon budget and timeframes. Management regularly reviews underlying estimates of total expected costs.

There is not a significant length of time between invoicing and when payment is due; hence, none of the Company's contracts contained terms that would result in the existence of a significant financing component. The Company's standard terms of payment for most customers are typically 30 days after invoicing, while certain development services are paid to the Company in advance of the contracted services.

Amounts received in advance of the performance of services are classified as contract liabilities. Refer to Note 3 – Revenue for details on the Company's contract liabilities.

All of the Company's sales are from two service groups (software licenses and software development) and to two customer types (healthcare providers and suppliers) within the same geographic area (Canada). Contract types, contract duration and sales channels are also consistent. Therefore, management believes

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that disaggregation of revenue by service offerings to customers would provide additional insight into the future recognition of revenue and cash flows. Refer to Note 3 – Revenue.

Share-based payment transactions

The grant date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. At the end of each reporting period, the Company revises its estimate of the number of awards expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity.

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the supplier.

Finance costs

Interest expense on short- and long-term financing is recorded at the relevant rates on the various borrowing agreements. The components of finance costs within the condensed statements of loss and comprehensive loss were as follows:

| (Expressed in CDN \$000's) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---------------------------------------|----------------------------------|---------------|---------------------------------|---------------|
| | 2020 | 2019 | 2020 | 2019 |
| Finance costs | | | | |
| Term note payable | \$ 34 | \$ 42 | \$ 108 | \$ 126 |
| Convertible debt | \$ 78 | \$ 70 | \$ 227 | \$ 203 |
| Interest expense on lease liabilities | \$ 17 | \$ 16 | \$ 48 | \$ 48 |
| Term loan | \$ - | \$ - | \$ 2 | \$ - |
| Other | \$ - | \$ - | \$ 1 | \$ 2 |
| Total finance costs | \$ 129 | \$ 128 | \$ 386 | \$ 379 |

Grants and incentives

The Company is provided certain government grants and other incentives through programs offered by the federal and provincial governments, as well as local agencies, and investment funds. The programs vary by requirements and conditions—including capital investments, minimum headcount, employee wages levels, location, and certain research and development activities, among other criteria—and incentives provided, such as cash refunds, tax abatements, and specialized funding. Depending on the nature of the programs and the form of consideration given, the Company recognizes the benefits upon compliance with the relevant program requirements and assurance of receipt. Most consideration received is netted against the applicable expense (e.g., labour and employee benefits, software development costs, etc.) in the condensed statements of loss and comprehensive loss.

In response to the COVID-19 pandemic, certain governmental and regulatory bodies, as well as local business development funds, have provided grants and other subsidies for businesses based on meeting specific criteria and in support of particular initiatives, including maintaining employment thresholds and development within certain industries. The Company has endeavored to attain subsidies related to COVID-19 measures, as well as other business and industry incentives, for which it qualifies.

In April 2020, the Company was approved for a joint grant with a third-party technology firm for a patient-centric artificial intelligence research project, whereby certain admissible project expenses will be reimbursed to the companies by the grantor—a Quebec nonprofit organization—up to \$285. The

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Company's maximum potential reimbursements would equal \$143 for project expenses. As at September 30, 2020, the Company has not received any funds under this program.

Income taxes

The Company is subject to income taxes in Canada and certain provinces therein. The Company follows the liability method of accounting for income taxes. Deferred income tax assets and liabilities are recognized for the estimated future tax consequences attributable to temporary differences between the carrying amounts of existing assets and liabilities and their respective tax bases. This approach also requires the recognition of deferred income tax assets for operating loss carryforwards and tax credit carryforwards.

The effect on deferred tax assets and liabilities of a change in tax rates and laws is recognized as income tax benefit (expense) in the year when the rate change is substantively enacted. Deferred income tax assets and liabilities are measured using tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on the tax rates and laws that have been enacted or substantively enacted at the date of the condensed statements of financial position. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Investment tax credits

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

Investment tax credits for research and development are reflected as a reduction in the cost of the assets or expenses to which they relate. In 2019, tax credits relating to 2017 were recorded in the amount of \$20. In June 2020, tax credits relating to 2018 were recorded in the amount of \$26. The amounts of expected recovery in connection with 2019 and 2020 activities have not been accrued due to uncertainty around amounts expected to be recovered.

Property and equipment

Recognition and measurement

Property and equipment acquired by the Company are recorded at cost, which comprises the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent to the initial recognition, property and equipment are measured at cost less accumulated depreciation and impairment, if any.

Gains and losses on disposal of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of the assets and are recognized within the condensed statements of loss and comprehensive loss.

Subsequent costs

Enhancements and replacements are capitalized as additions to property and equipment only when it is probable that future economic benefits associated with them will flow to the Company and the cost of the item can be measured with reliability. Ongoing regular maintenance costs related to property and equipment are expensed as incurred.

Depreciation

Property and equipment are depreciated using the straight-line method over the estimated useful lives of the related assets as follows:

- Leasehold improvements – The lesser of the useful life of the asset or the term of the lease;
- Furniture and office equipment – 5 years; and
- Computer equipment – 3 years.

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Intangible assets

Recognition, measurement, and amortization

Certain costs related to intellectual property developed and/or acquired were recognized and recorded at cost. These intangible assets are amortized on a straight-line basis over estimated finite useful lives of three years. Amortization expenses for intangible assets are recorded in the condensed statements of loss and comprehensive loss.

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

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

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

These criteria are not all currently met and as such development expenditures have been expensed as incurred, net of related tax credits.

Impairment tests for property and equipment and intangible assets

Property and equipment and finite life intangible assets subject to amortization are reviewed for impairment if there is any indication that the carrying amount of the asset (or cash-generating unit to which it belongs) may not be recoverable. The recoverable amount is based on the higher of fair value less cost of disposal and value-in-use, which is determined using estimates of discounted future net cash flows of the asset or group of assets to which it belongs.

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

Goodwill

Recognition and measurement

Goodwill represents the excess of the consideration transferred to the previous owners over the fair value of the net identifiable assets of the acquired businesses.

Impairment tests for goodwill

Goodwill is measured at cost less accumulated impairment losses. Impairment testing is performed annually or whenever events or circumstances indicate that goodwill might be impaired. The net carrying amount of the cash generating unit is compared to the recoverable amount, which is the higher of the value-in-use and the fair value less cost of disposal. An impairment loss is recognized for the amount by which the carrying amount exceeds its recoverable amount.

Value-in-use calculations use cash flow projections based on financial budgets approved by management and usually covering a five-year period. Cash flows beyond this period are estimated using a perpetual long-term growth rate for the subsequent years. The value-in-use is the sum of discounted cash flows over the projected period and the terminal value. Discount rates are determined based on the weighted-average cost of capital of the Company.

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The fair value represents the price that would be received for the cash-generating unit, in an orderly transaction, from a market participant. This value is estimated on the basis of available and relevant market data or a discounted cash flow model reflecting market participant assumptions.

Any impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then, to the carrying amount of the other assets of the Company on a pro rata basis.

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

Financial instruments

Financial instruments are classified into several categories, as discussed below: amortized cost, fair value through other comprehensive income (“**FVOCI**”), and fair value through profit or loss (“**FVPL**”). Only loans, receivables, investments in debt instruments and other similar assets can qualify for measurement at amortized cost or FVOCI. The critical issues in these assessments are whether:

- The objective of the entity’s business model is to hold assets only to collect cash flows, or to collect cash flows and to sell (the “Business Model Test”), and
- The contractual cash flows of an asset give rise to payments on specified dates that are solely payments of principal and interest on the principal amount outstanding (the “SPPI Test”).

The Business Model Test may be performed at the portfolio level. If the Business Model Test is met, the designation of the instrument will generally be as amortized cost. If the SPPI test is met (as may be the case with securitization of receivables), then the asset is measured at FVOCI. The unrealized gains and losses, net of applicable income taxes, on financial assets designated as measured at FVOCI are reported in other comprehensive loss. However, interest income earned and realized gains and losses on the sale of financial assets measured at FVOCI are recorded in the net income (loss).

Impairment on financial instruments classified as amortized cost or FVOCI are determined using the expected credit loss model, which is a measure of credit risk, and considers that credit losses may be established on Day 1 of the recognition of a financial instrument asset using probability-weighted outcomes. Expected credit losses are calculated by: (a) identifying scenarios in which a loan or receivable defaults; (b) estimating the cash shortfall that would be incurred in each scenario if a default were to happen; (c) multiplying that loss by the probability of the default happening; and (d) summing the results of all such possible default events.

Financial instruments may be designated on initial recognition as FVPL if any of the following criteria are met: i) embedded derivatives that are clearly and closely related, if the host contract is measured in FVPL; ii) the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring the financial asset or liability or recognizing the gains and losses on them on a different basis; or iii) the financial asset and financial liability are part of a group of financial assets or liabilities that is managed and its performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy. Gains and losses related to periodic revaluations of financial assets and liabilities designated as FVPL are recorded in net income (loss).

(i) Classification and measurement

Financial assets and liabilities are recognized when the Company becomes party to the contractual provisions of the financial instrument.

Financial assets are classified either at: (a) amortized cost, (b) FVOCI, or (c) FVPL. The classification depends on the contractual cash flow characteristics of the financial asset and the Company’s business model for managing the financial assets. The classification of financial assets is determined at initial recognition. Upon initial recognition, financial assets are measured at fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

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Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, when the contractual right to receive the cash flows is transferred or when the contractual rights to receive the cash flows are retained but the Company assumes a contractual obligation to pay the cash flows to one or more recipients.

Long-term debt is recognized initially at fair value, net of transaction costs incurred and directly attributable to the issuance of the liability. These financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Transaction costs relating to long-term debt are amortized in finance costs in the condensed statements of loss and comprehensive loss.

Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled, or expires. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in the condensed statements of loss and comprehensive loss using the effective interest rate method.

Based on initial classification, financial assets and liabilities are thereafter measured at fair value or amortized cost.

The classification of financial instruments held by the Company is as follows:

- Derivatives not designated in hedge relationships that qualify for hedge accounting in accordance with IAS 39, “*Financial Instruments*” (“**IAS 39**”), are classified and subsequently measured at FVPL and measured at their fair value determined upon available market data. Profit or losses on derivatives are recorded in loss (gain) in embedded derivatives in the condensed statements of loss and comprehensive loss.
- Cash and cash equivalents, trade receivables, and advance to shareholders are classified as and subsequently measured at amortized cost using the effective interest method. These financial assets are held within a business model whose objective is to hold the assets in order to collect contractual cash flows provided they give rise to cash flows that are ‘solely payments of principal and interest’ on the principal amount outstanding and are carried at amortized cost using the effective interest rate method, less any impairment. These assets are classified as current or non-current assets based on their maturity date.
- Trade payables, advances due to related parties, term note payable, term loan, and long-term debt are classified as and subsequently measured at amortized cost using the effective interest method.

(ii) *Impairment of financial assets*

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired and whether the credit risk on a financial asset has increased significantly since initial recognition.

(iii) *Fair value*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Relevant market prices are used to determine fair values where available.

(iv) *Offsetting financial instruments*

Financial assets and liabilities are offset, and the net amount reported in the condensed statements of financial position, when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Leases

Right-of-use assets

The Company recognizes right-of-use (“**ROU**”) assets at the commencement date of the lease. ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and are adjusted for

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remeasurement of lease liabilities resulting from a change in future lease payments arising from a change in an index or a rate, or a change in the assessment of whether the purchase, extension or termination options will be exercised.

The cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. ROU assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Company recognizes a lease liability measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentive receivables, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the implicit interest rate in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced by the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and which do not contain a purchase option. The Company also applies the low-value asset recognition exemption to leases of assets with a value below \$5. Lease payments on short-term leases and low-value asset leases are recognized as expense on a straight-line basis over the lease term.

Convertible debt

Financial instruments issued by the Company comprise convertible debt that can be converted to share capital based on the occurrence of certain events, and the number of shares to be issued can vary with changes in their fair value.

The liability component of the convertible debt is recognized initially at the fair value of a similar liability that does not have an equity conversion option.

The equity component is considered an embedded derivative since its economic characteristics and risks are not fixed or closely related to those of the host instrument. Embedded derivatives are treated as a separate derivative. The equity conversion options are measured at fair value as a liability with subsequent changes in fair value recognized in the condensed statements of loss and comprehensive loss.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. Subsequent to the issuance in 2018, the Company has revalued the embedded derivative component at each reporting period in accordance with IFRS.

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Interest, dividends, losses, and gains relating to the financial liability are recognized in the condensed statements of loss and comprehensive loss. Distributions to the equity holders are recognized in equity, net of any tax benefit.

Trade Receivables

Recognition and measurement

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less any provisions for impairment.

Impairment

An impairment allowance of trade receivables is established at the time of the sales transaction based on objective evidence of lifetime expected credit losses (“**ECL**”), which is a probability-weighted estimate of credit losses. A credit loss is the difference between the cash flows that are due to the Company in accordance with the contract and the cash flows that the Company expects to receive discounted at the original effective interest rate. Because ECL considers the amount and timing of payments, a credit loss arises even if the entity expects to be paid in full but later than when contractually due. The Company employs a provision matrix based on trade receivables of similar characteristics and credit quality of the customer. The probabilities of ECL are calculated using historical experience and forecasts of future economic conditions applied to the receivables based on categories within its aging schedule. The expense (income) related to the increase (decrease) of the impairment allowance is recognized in the condensed statements of loss and comprehensive loss, and subsequent recoveries of amounts previously written off are credited in the condensed statements of loss and comprehensive loss.

Cash and cash equivalents

Cash and cash equivalents are comprised of cash in bank accounts and on hand, short-term deposits held on call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value, less bank overdrafts that are repayable on demand, provided there is a right of offset.

Trade payables

Trade payables are initially recorded at fair value and classified as current liabilities if payment is due in one year or less.

Provisions

Provisions are recorded for the best estimate of expenditures required to settle liabilities of uncertain timing or amount when management determines that a legal or constructive obligation exists as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and such amounts can be reasonably estimated. Provisions are measured at the present value of the expected expenditures to be required to settle the obligation.

The ultimate cost to settle such liabilities is at times uncertain, and cost estimates can vary in response to many factors. The settlement of these liabilities could materially differ from recorded amounts. In addition, the expected timing of expenditures can also change. As a result, there could be significant adjustments to provisions, which could result in additional charges or recoveries affecting future financial results.

A provision for loss-making (onerous) contracts is recognized when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received by the Company under those contracts. The Company has considered the least net costs of exiting any loss-making contracts and has assessed the profitability (revenue net of unavoidable costs) of the contracts over their lifetime. The Company did not record any provisions for onerous contracts as at September 30, 2020 and December 31, 2019.

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Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Fair value measurements

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

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

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

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

Earnings per share

Basic earnings per share is calculated by dividing net loss by the basic weighted-average number of outstanding common shares.

The Company has two categories of potential dilutive securities: stock options and the Convertible Debt. Diluted loss per share excludes all dilutive potential shares if their effect is anti-dilutive. As a result of net losses incurred, all potentially dilutive securities have been excluded from the calculation of diluted loss per share because including them would be anti-dilutive; therefore, basic and diluted number of shares is the same at each reporting period. All outstanding stock options and the Convertible Debt could potentially dilute loss per share in the future.

Related party transactions

Transactions with related parties that are executed in the normal course of operations are recorded at fair value.

Segment reporting

The Company reports segment information in a manner consistent with the internal reporting provided to the chief operating decision-maker who is responsible for allocating resources and assessing performance of the Company's operating segments. The Company operates as a single reportable segment.

Presentation of condensed interim financial statements

The condensed interim financial statements are presented in Canadian dollars, which is the Company's functional and reporting currency, and are rounded to the nearest dollar.

2.5. Judgments in applying accounting policies and key sources of estimation uncertainty

Certain amounts included in the condensed interim financial statements involve the use of judgment and/or estimation. These judgments and estimates are based on management's best knowledge of the relevant facts and circumstances, giving consideration to previous experience. However, actual results may differ from the amounts included in the condensed interim financial statements. Key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include the items presented below.

Assessment of revenue recognition under IFRS 15

During the period, management assessed the various performance obligations present in each contract in effect and if revenue was to be recognized at a point in time or over a period of time. Judgment regarding the identification of those performance obligations was used to determine the relevant pattern of revenue recognition for each customer contract.

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Impairment tests for property and equipment, intangible assets, and goodwill

The determination of fair value and value-in-use of the cash generating unit depends on a number of assumptions, in particular market data, estimated future cash flows, and the discount rate.

These assumptions are subject to risk and uncertainty. Any material changes in these assumptions could result in a significant change in the recoverable value of the Company's property and equipment, intangible assets, and goodwill.

Fair value of financial instruments and share-based payments

The fair value remeasurement of the derivative liability is based on numerous assumptions and estimates that may have a significant impact on the amount recognized as a financial liability. The impact of material changes in assumptions and the review of estimates is recognized in the condensed statements of loss and comprehensive loss in the period in which the changes occur or the estimates are reviewed, as required.

Management estimates the fair value of share-based payments, using various assumptions such as the volatility, common share value, forfeiture rates and discount rates used in the Black-Scholes valuation model. These assumptions are subject to risk, variability, and uncertainty. Any material changes in these assumptions could result in a significant change in the grant date fair value of the share-based payment awards and expense recognized.

Income taxes

Significant judgment is sometimes required in determining the accrual for income taxes as there are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were recorded, such differences will impact the current and deferred income tax provisions, results of operations and possibly cash flows in the year in which such determination is made.

Management judgment is required to determine the extent to which deferred tax assets can be recognized. In assessing the recognition of deferred tax assets, management considers whether it is probable that the deferred tax assets will be utilized. The deferred tax assets will be ultimately utilized to the extent that sufficient taxable profits will be available in the years in which the temporary differences become deductible. This assessment is conducted through a detailed review of deferred tax assets by jurisdiction and takes into account the scheduled reversals of taxable and deductible temporary differences, past, current, and expected future performance deriving from the budget, the business plan and tax planning strategies. Deferred tax assets are not recognized in the jurisdictions where it is not probable that sufficient taxable profits will be available against which the deductible temporary differences can be utilized.

Provisions

Provisions for the following are considered on an ongoing basis: (a) legal and other potential claims; and (b) onerous contracts. During the quarter ending September 30, 2020, the Company received a claim for wrongful termination from a former executive. The claim seeks a severance payment equal to 6-months base salary, and an amount for stock options and commissions. The Company is defending the action and expects that litigation will continue into the foreseeable future unless settled. A reasonable estimate has been determined for the severance claim and commissions, as such, the Company has accrued this amount as a labour & employee benefits expense in the period. The amount is not disclosed herein so as not to prejudice the Company in the ongoing dispute. Any amounts for provisions represent management's best estimates of the expenditure required to settle the obligation at the date of the condensed statements of financial position and will be revised each year until the actual liability is settled.

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NOTE 3 — Revenue

The Company's revenue by service offering for the periods presented were:

| (Expressed in CDN \$000's) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|----------------------------|----------------------------------|-----------------|---------------------------------|-----------------|
| | 2020 | 2019 | 2020 | 2019 |
| Software as a service | 254 | 25 | 447 | 58 |
| Software development | 625 | 1,075 | \$ 2,276 | \$ 3,250 |
| Total revenue | <u>\$ 880</u> | <u>\$ 1,100</u> | <u>\$ 2,723</u> | <u>\$ 3,308</u> |

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

| | |
|--|---------------|
| (Expressed in CDN \$000's) | |
| Balance as at December 31, 2019 | \$ 333 |
| Decrease from satisfied performance obligations | (2,651) |
| Increase from changes as a result of the measure of progress | 2,601 |
| Balance as at September 30, 2020 | <u>\$ 283</u> |
| Of which current | 283 |
| Of which non-current | - |

The Company's minimum performance commitments to its customers remain through 2023. The Company expects to recognize a minimum revenue of approximately \$0.85 million, \$2.1 million, \$1.9 million, and \$0.3 million in the years ending December 31, 2020 (remainder), 2021, 2022, and 2023, respectively, for partial and fully unsatisfied performance obligations under its fixed-fee arrangements.

NOTE 4 — Labour and Employee Benefits

| (Expressed in CDN \$000's) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|----------------------------------|-----------------|---------------------------------|-----------------|
| | 2020 | 2019 | 2020 | 2019 |
| Wages and salaries | \$ 1,200 | \$ 1,030 | \$ 3,199 | \$ 2,952 |
| Registered retirement savings plan | \$ 31 | \$ 28 | \$ 90 | \$ 80 |
| Other employee-related costs | \$ 219 | \$ 88 | \$ 458 | \$ 185 |
| Total labour and employee benefits expenses | <u>\$ 1,449</u> | <u>\$ 1,146</u> | <u>\$ 3,747</u> | <u>\$ 3,217</u> |

The Company received approval for the National Research Council of Canada's Industrial Research Assistance Program ("IRAP"), which will reimburse the Company for salary costs (excluding benefits, bonuses, and other compensation) equal to the lower of \$437 or the actual costs incurred during the period beginning April 1, 2020 through June 24, 2020. These contributions are meant to promote and aid in financing the innovation projects and activities of small and medium size start-up companies that are unable to access other existing COVID-19 support. As at September 30, 2020, the Company has received cash payments totaling \$415 related to the IRAP grant, which were recorded, in the period ending June 30, 2020, as a reduction to labour and employee benefits expenses in the condensed statements of loss and comprehensive loss. No additional amounts are expected to be recovered in 2020 in relation to the IRAP grant.

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NOTE 5 – General and Administrative Expenses

| (Expressed in CDN \$000's) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|----------------------------------|--------|---------------------------------|--------|
| | 2020 | 2019 | 2020 | 2019 |
| Marketing | \$ 16 | \$ 2 | \$ 30 | \$ 7 |
| Rent | \$ 33 | \$ 34 | \$ 108 | \$ 89 |
| Professional fees | \$ 152 | \$ 26 | \$ 610 | \$ 150 |
| General and administrative | \$ 102 | \$ 46 | \$ 144 | \$ 89 |
| Travel, team and business development | \$ 15 | \$ 59 | \$ 73 | \$ 129 |
| Revenue share expense | \$ 15 | \$ 12 | \$ 36 | \$ 29 |
| Total general and administrative expenses | \$ 333 | \$ 179 | \$ 1,001 | \$ 493 |

During the quarter, the Company wrote off a \$10 advance to shareholder, which was recorded in general and administrative expenses.

NOTE 6 – Depreciation and Amortization Expenses

| (Expressed in CDN \$000's) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|----------------------------------|--------|---------------------------------|--------|
| | 2020 | 2019 | 2020 | 2019 |
| Depreciation | \$ 297 | \$ 35 | \$ 370 | \$ 105 |
| Amortization of intangible assets | \$ - | \$ 163 | \$ - | \$ 488 |
| Total depreciation and amortization expenses | \$ 297 | \$ 198 | \$ 370 | \$ 593 |

NOTE 7 — Cash and Cash Equivalents

As at September 30, 2020 and December 31, 2019, all cash and cash equivalents represented cash in banks and on hand.

Restricted Cash and Subscription Receipts Held for Investors

During the quarter, Carebook secured private placement financings for aggregate gross proceeds of \$21,000 comprised of: (i) the issuance of 6,932,000 Carebook Subscription Receipts at a price of \$2.50 per Carebook Subscription Receipt for aggregate gross proceeds of \$17,330, (ii) the issuance of 400,000 Carebook Units to certain members of Carebook management or Affiliates thereof at a price of \$2.50 per Carebook Unit for aggregate gross proceeds of \$1,000, and (iii) the issuance of 1,068,000 Carebook Units to certain arm's length investors at a price of \$2.50 per Carebook Unit for aggregate gross proceeds of \$2,670. The gross proceeds were held in trust until the completion of the Transaction. Each Carebook Subscription Receipt and each Carebook Unit was exchanged, upon completion of the Transaction, into one Carebook common share and one-half Carebook common share purchase warrant. The Transaction was completed on October 1, 2020 (see Note 17 – Subsequent Events).

| (Expressed in CDN \$000's) | September 30, | December 31, |
|---------------------------------|---------------|--------------|
| | 2020 | 2019 |
| Cash and cash equivalents | \$ 30 | \$ 117 |
| Restricted cash | \$ 21,000 | \$ - |
| Total cash and cash equivalents | \$ 21,030 | \$ 117 |

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NOTE 8 — Trade Receivables

The Company had no trade receivables as at September 30, 2020 and \$4 in trade receivables as at December 31, 2019.

Impairment allowance

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

No impairment allowances were recognized during the three and nine months ended September 30, 2020 and 2019.

The maximum exposure to credit risk as at the reporting date was the carrying value of trade receivables. The Company did not hold any collateral from its customers or debtors as security as at September 30, 2020 and December 31, 2019.

Currency concentrations

As at September 30, 2020 and December 31, 2019, the Company had no outstanding trade receivables transacted in currencies other than the Company's functional currency (Canadian dollars).

NOTE 9 — Accounts Payable and Accrued Liabilities

| (Expressed in CDN \$000's) | September 30, 2020 | December 31, 2019 |
|--|--------------------|-------------------|
| | Current | Current |
| Trade payables | \$ 1,825 | \$ 109 |
| Employees' entitlements | 127 | 86 |
| Other payables | 827 | 144 |
| Total other payables and accrued liabilities | 955 | 231 |
| Total accounts payable and accrued liabilities | \$ 2,780 | \$ 340 |

In the three-months ended September 30, 2020, the Company also accrued \$48 in labour expenses for the salary of their interim CFO, which is payable to a related party.

NOTE 10 — Leases

The Company leases office space for use in its operations. In March 2018, the Company signed its current building lease for an initial term of 10 years with two additional five-year extensions exercisable by the Company. At lease commencement, the extensions were not deemed to be reasonably certain to be exercised by the Company; thus, these extensions were not included in the term for the lease liability and ROU asset. The lease provides for additional rent payments that relate to the property taxes levied on the lessor, insurance payments made by the lessor, and operating expenses and common area maintenance expenses charged by the lessor. These amounts are generally determined annually. In March 2020, the Company amended the building lease to increase the square footage of office space lease utilized. The terms of the additional office space lease remained consistent with the original lease agreement and represented incremental lease payments in consideration for the increased space for use by the Company. The additional office space was deemed a new lease and included in the carrying amounts of the lease liability and ROU asset.

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The Company also has low-value and short-term leases primarily for printers and office equipment, with terms of one to five years. The Company typically recognizes lease expenses on a straight-line basis over the life of the lease for these assets.

For the nine months ended September 30, 2020, the Company had additions of \$166 related to the additional leased office space, and no disposals of ROU assets occurred. As at September 30, 2020, the gross costs and accumulated depreciation related to the Company's ROU assets were \$597 and \$115, respectively.

The expenses relating to variable lease payments not included in the measurement of lease obligations were \$23 for both of the three months ended September 30, 2020 and 2019 and \$69 for both of the nine months ended September 30, 2020 and 2019. This consists primarily of variable lease payments related to operating expenses and other costs associated with the office space lease. For the three months ended September 30, 2020 and 2019, expenses relating to short-term and low-value leases were \$9 and \$11, respectively. For the nine months ended September 30, 2020 and 2019, expenses relating to short-term and low-value leases were \$39 and \$20, respectively. For the nine months ended September 30, 2020 and 2019, total cash outflows for leases and other rents were \$186 and \$167, respectively.

The following table outlines the maturity of the contractual payments due under the Company's lease arrangements as at September 30, 2020:

| (Expressed in CDN \$000's) | September 30, 2020 | |
|-----------------------------|---------------------------|-------|
| Less than 1 year | \$ | 127 |
| 1 to 5 years | | 666 |
| More than 5 years | | 247 |
| Total | \$ | 1,040 |
| Less: Impact of discounting | | 287 |
| Total lease obligations | \$ | 753 |
| Of which non-current | \$ | 688 |
| Of which current | | 65 |

| (Expressed in CDN \$000's) | Initial Lease | | New Lease | | Total | |
|----------------------------|----------------------|-----|------------------|-----|--------------|-------|
| Less than 1 year | \$ | 110 | \$ | 17 | \$ | 127 |
| 1 to 5 years | \$ | 578 | | 88 | | 666 |
| More than 5 years | \$ | 213 | | 34 | | 247 |
| Total | \$ | 901 | \$ | 138 | \$ | 1,040 |

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NOTE 11 — Borrowings

11.1 *Analysis by nature*

| (Expressed in CDN \$000's) | September 30, 2020 | | |
|----------------------------|--------------------|--------------|----------------|
| | Carrying amount | Nominal rate | Effective rate |
| Convertible debt | \$ 2,500 | 8.00% | 8.00% |
| Lease liabilities | 753 | | 9.95% |
| Term loan | 200 | 8.50% | 8.50% |
| Accrued interest | 530 | | |
| Total long-term borrowings | <u>\$ 3,983</u> | | |
| Of which non-current | \$ 853 | | |
| Of which current | 3,131 | | |

| (Expressed in CDN \$000's) | December 31, 2019 | | | |
|----------------------------|-------------------|-----------------|--------------|----------------|
| | Carrying amount | Face value | Nominal rate | Effective rate |
| Convertible debt | \$ 2,181 | \$ 2,500 | 8.00% | 12.03% |
| Lease liabilities | 629 | 629 | | 9.95% |
| Term loan | - | - | | |
| Accrued interest | 362 | 362 | | |
| Total long-term borrowings | <u>\$ 3,171</u> | <u>\$ 3,491</u> | | |
| Of which non-current | \$ 3,127 | | | |
| Of which current | 45 | | | |

11.2 *Movements in borrowings*

| (Expressed in CDN \$000's) | 2020 |
|--|-----------------|
| Balance as at December 31, 2019 | \$ 2,809 |
| Issuance of term loan | 200 |
| Convertible debt | 263 |
| Incurrence of lease liability | 96 |
| Modification of existing lease liability | 59 |
| Accretion of convertible debt | 57 |
| Accretion of lease liability | 4 |
| Repayment of lease liability | (34) |
| Balance as at September 30, 2020 | <u>\$ 3,453</u> |

11.2 *Main features of borrowings*

Convertible Debt

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

During the quarter, the Convertible Debt holder signed a waiver of conversion and consent to prepayment of the Convertible Debt. On October 2, 2020, the obligations totalling \$3,030, being the Principal Amount of \$2,500 together with \$530 of accrued and unpaid interest on such Principal Amount, were repaid.

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See Note 13 – Financial Instruments for more information on the embedded derivative.

Covenants

As at September 30, 2020, the Company was in compliance with all of the covenants related to the Convertible Debt. Any failure to comply with the covenants could result in an event of default, which if not cured or waived, could have a material adverse effect on the Company's business, financial condition, and results of operations.

PME MTL Centre-Ville Loans

In January 2020, the Company received term loans totaling \$200 from the PME MTL Centre-Ville investment funds ("**PME MTL Term Loans**") – \$100 each from the PME MTL Fund and the Fonds local de solidarité Montréal ("**FLS Montreal**"). The PME MTL Term Loans were issued with a term of five years at 8.5% interest, payable monthly until repayment or maturity. The term loan agreement contained certain customary covenants. Concurrent with the PME MTL Term Loans, the Company was awarded a \$15 grant from the PME MTL Centre-Ville's Young Business Fund ("**YBF**"). The PME MTL Term Loans contained no prepayment penalty after the first two years. However, if repaid within the first 24 months, the YBF grant would have to be refunded to PME MTL Centre-Ville at the time of early extinguishment.

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

Following the completion of the Transaction, the PME MTL Term Loans totalling \$200 were reimbursed together with \$1 in interest on October 6, 2020. The YBF grant of \$15 was not required to be refunded.

Short-term borrowings – Term note payable

In April 2017, the Company entered into a one-year term note with National Bank of Canada with a principal amount of \$2,500 (the "Term Note"). The Term Note bears a variable annual interest rate of the prime rate plus 2.75% and an original maturity in April 2018. Concurrent with issuance of the Term Note, shareholders of the Company, Persistence Capital Partners II, L.P. and Persistence Capital Partners II (International), L.P., were issued 205,482 and 6,661 stock options, respectively, in the Company's common stock in exchange for a guarantee of repayment to National Bank of Canada for the Term Note. The issued stock options were fully vested at the time of the Transaction.

In July 2018, the Company renewed the Term Note under the same terms and conditions and an updated maturity of June 2019. In July 2019, the Company renewed the Term Note under the same terms and conditions and an updated maturity of June 2020. In July 2020, the Company renewed the Term Note with an updated maturity through December 31, 2020 and variable annual interest rate of the prime rate plus 3.25%. The other terms and conditions remained unchanged. On November 2, 2020, the Company repaid the Term Note along with \$14 of interest.

The stock options related to the guarantee were considered outstanding as at each renewal date and reporting period with no subsequent or incremental consideration exchanged.

NOTE 12 — Share-Based Compensation

Stock options

The Company issued individual stock options that entitles directors, shareholders, key employees, or consultants to purchase Class A common shares of the Company. The options generally expire 10 years

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after the grant date and typically vest over a period of four years, subject to a non-market performance condition related to the occurrence of a liquidity event. The stock options are exercisable at the fair value of the shares at the date of grant.

On August 7, 2020, Pike Mountain Minerals Inc. ("**Pike**") and Carebook entered into a business combination agreement (the "**Business Combination Agreement**") pursuant to which Pike and Carebook have agreed to complete a business combination involving a "three-cornered" amalgamation of Carebook with a wholly-owned subsidiary of Pike that will have the effect of Pike acquiring all of the issued and outstanding common shares and other securities of Carebook in exchange for securities in Pike, and resulting in the reverse takeover of Pike by Carebook (the "**Transaction**"). The Transaction is defined in Note 17 – Reverse Takeover Transaction.

Concurrent with the execution of the Business Combination Agreement, the Company has undertaken a private placement, which is defined in Note 17 – Private Placement. Each subscription receipt entitles the holder to receive, without payment of additional consideration or taking of further action, one unit of the Company. Each unit consists of one common share in the capital of the Company and one-half of one common share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of \$3.125 for a period of two years following the escrow release date. Closing of the Private Placement occurred on October 1, 2020.

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

Other than the forfeiture of stock options due to the termination of an employee that resulting in a net recovery of \$93, there were no changes in the number and weighted average exercise prices of stock options and assumptions used to estimate the fair value of the stock options granted, and no other grants, exercises, expirations, or forfeitures occurred during the nine months ended September 30, 2020.

NOTE 13 — Financial Instruments

13.1 Financial assets and liabilities by categories

The Company's financial assets include cash and cash equivalents, trade receivables, and shareholder advances, and its financial liabilities consisted of trade payables and short-term and long-term borrowings. Cash and cash equivalents, trade receivables, and advances to shareholders are carried at amortized cost using the effective interest rate method, less any impairment. Trade payables and short-term and long-term borrowings are financial liabilities measured at amortized cost using the effective interest rate method. The embedded derivative is carried at fair value based on observable and unobservable inputs.

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| | September 30, 2020 | | |
|---------------------------------------|-------------------------------------|-------------|------------------|
| | At Carrying Value or Amortized Cost | At FVPL | Total |
| (Expressed in CDN \$000's) | | | |
| Cash and cash equivalents | \$ 21,030 | \$ - | \$ 21,030 |
| Trade receivables | - | - | - |
| Advance to shareholder | - | - | - |
| Total financial assets | <u>\$ 21,030</u> | <u>\$ -</u> | <u>\$ 21,030</u> |
| Trade payables | \$ 1,825 | \$ - | \$ 1,825 |
| Borrowings (short-term and long-term) | 7,928 | - | 7,928 |
| Accrued interest | 530 | - | 530 |
| Derivative liability | - | - | - |
| Total financial liabilities | <u>\$ 10,283</u> | <u>\$ -</u> | <u>\$ 10,283</u> |

| | December 31, 2019 | | |
|---------------------------------------|-------------------------------------|-----------------|-----------------|
| | At Carrying Value or Amortized Cost | At FVPL | Total |
| (Expressed in CDN \$000's) | | | |
| Cash and cash equivalents | \$ 117 | \$ - | \$ 117 |
| Trade receivables | 4 | - | 4 |
| Advance to shareholder | 10 | - | 10 |
| Total financial assets | <u>\$ 130</u> | <u>\$ -</u> | <u>\$ 130</u> |
| Trade payables | \$ 109 | \$ - | \$ 109 |
| Borrowings (short-term and long-term) | 6,159 | - | 6,159 |
| Accrued interest | 362 | - | 362 |
| Derivative liability | - | 1,110 | 1,110 |
| Total financial liabilities | <u>\$ 6,630</u> | <u>\$ 1,110</u> | <u>\$ 7,741</u> |

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

13.2 Fair values

The carrying values of the Company's term loans and related party advances were the redemption value at maturity.

The embedded derivative within the Convertible Debt has the character of a financial derivative. Accordingly, the fair value of the equity conversion option is re-estimated periodically, and changes in the fair value are recognized within the condensed statements of loss and comprehensive loss.

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

13.3 Valuation hierarchy

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

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

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

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

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

During the nine months ended September 30, 2020, the Company recognized the following changes to this instrument:

| (Expressed in CDN \$000's) | <u>September 30, 2020</u> |
|---|---------------------------|
| Balance as at December 31, 2019 | \$ 1,110 |
| Net unrealized gains on derivatives at FVPL | (1,110) |
| Balance as at September 30, 2020 | <u>\$ -</u> |

The significant unobservable inputs utilized in the estimation of the fair value of the embedded derivative primarily relate to the probability of occurrence of certain financing events as defined within the debt arrangement and estimates and judgments around the estimated forward and spot prices of the convertible shares. Through a quantitative sensitivity analysis, a hypothetical increase/decrease in these unobservable inputs of 10% would have resulted in an increase/decrease in the fair value of the derivative liability of \$103 with a corresponding decrease/increase in earnings as at September 30, 2020.

There were no transfers into or out of Level 1, Level 2, or Level 3 during the nine months ended September 30, 2020.

NOTE 14 — Risk Management

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

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

14.1 Market risk

(i) Interest rate risk

Interest rate risk refers to the risk that the value of financial instruments held by the Company and that are subject to variable rates will fluctuate, or the cash flows associated with such instruments will be impacted due to changes in market interest rates. The Company's interest rate risk arises principally from its Term Note. Borrowings issued at variable rates expose the Company to cash flow interest rate risk, which is partially offset by cash and cash equivalents deposits (including short-term investments) earning interest at variable interest rates. Borrowings issued at fixed rates expose the Company to fair value interest rate risk.

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Interest rate sensitivity: risks associated with variable-rate financial instruments

The Company is exposed to changes in interest rates on the Company's outstanding indebtedness under the Term Note. A hypothetical 100 basis point increase in interest rates from September 30, 2020 levels would have had an impact on interest expense of \$17 for the nine months ended September 30, 2020. The Company does not currently intend to enter into floating-to-fixed interest rate swaps to hedge floating interest rate exposure under the Term Note.

(ii) *Foreign exchange risk*

The Company has minimal risk attributable to certain U.S. dollar-denominated transactions pertaining to purchases of products and services. The Company manages its exposure to currency fluctuations by monitoring its level of cash in foreign currencies. Management did not hedge these exposures as at September 30, 2020.

Foreign exchange rate sensitivity

The Company is exposed to changes in currency exchange rates on certain of the Company's operating transactions. A hypothetical 10% strengthening (weakening) of the U.S. dollar in relation to the Canadian dollar from September 30, 2020 levels would have had an immaterial impact on net loss.

14.2 Credit risk

Credit risk pertains to the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk with financial institutions and other parties as a result of cash-in-bank and customer trade receivables arising from the Company's operating activities. The maximum exposure to credit risk at the reporting date was the carrying value of each class of financial asset as described in Note 13 — Financial Instruments. The Company did not hold any collateral as security.

Credit risk related to transactions with financial institutions

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

Credit risks related to customer trade receivables

The Company's customer base consisted of two primary customers, one of which represented approximately 98% of revenue for both the nine months ended September 30, 2020 and 2019. Payment terms varied, and credit limits were typically established based on internal or external rating criteria, which take into account such factors as the customer's financial condition, credit history, and risk associated with their industry segment. The high concentration of the Company's customer base represents the totality of its trade receivables, this necessitates the active monitoring and management of the outstanding receivables from customers by the Company. Historically, the Company has an extremely low level of customer default as a result of its historical experience with the Company's customer base and an active credit monitoring function. Collateral is generally not required to be posted by the Company's customers.

See Note 8 — Trade Receivables for the aging of trade receivables.

14.3 Liquidity and capital risk management

The capital structure of the Company included shareholders' equity (deficit) and borrowings. Management's overriding objectives when managing capital are to have sufficient liquidity to meet its liabilities when due, safeguard the business as a going concern, and create value through market growth and future returns. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company is not subject to any externally imposed capital requirements.

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NOTE 15 — Commitments

Capital expenditure and purchase commitments

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

Marketing and distribution agreement

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

NOTE 16 — Articles of Amalgamation

Amendment to Articles of Amalgamation – Class D Shares

On July 2, 2020, the Company amended its articles of amalgamation to update for changes in classes of shares authorized for issuance ("**Schedule-A Amendment**"). The Schedule-A Amendment instituted Class D-1 and D-2 shares for issuance by the Company and outlined the stipulations for issuance, maximum shares outstanding, and voting rights related to these two new classes of shares. In addition, the Schedule-A Amendment changed the following related to the articles of amalgamation filed in January 2016:

- 1) Classes of common stock: Class A, Class B, Class C, Class D-1 series, and Class D-2 series;
- 2) Dividend rights: all classes of common shares now have the equal rights to declared dividends and continues to be subordinate to preferred shares, which changed from Class A common shareholders being entitled to the first \$10 dividend declared, and Class B common shareholders being entitled to the second \$10 dividend declared;
- 3) Voting rights: Class A – 1 vote per share, Class B – 1.0000000001 votes per share, Class C – 1.0000000001 votes per share, Class D-1 series – 1.000000000001 votes per share, and Class D-2 series - 1.0000000000001 votes per share; and
- 4) Preemptive rights: eliminated for all classes of common shares.

NOTE 17 - Subsequent Events

Reverse Takeover Transaction

On October 1, 2020, the Company completed its previously announced business combination with Pike Mountain Minerals Inc. involving a three-cornered amalgamation of Carebook, Pike, and 12235978 Canada Ltd. The business combination resulted in, among other things, (i) the reverse takeover of Pike by the former securityholders of Carebook, (ii) Pike changing its name to "Carebook Technologies Inc." (the "**Resulting Issuer**"), (iii) the Company becoming a wholly-owned subsidiary of the Resulting Issuer, and (iv) the listing of the Resulting Issuer's common shares (the "Resulting Issuer Common Shares") on the TSX Venture Exchange (the "**TSX-V**") (the "**RTO**"). The Resulting Issuer Common Shares began trading at the opening of the market on October 6, 2020 under the symbol "CRBK".

Private Placement

In connection with the RTO, Carebook secured private placement financings for aggregate gross proceeds of \$21,000 comprised of: (i) the issuance of 6,932,000 Carebook Subscription Receipts at a price of \$2.50 per Carebook Subscription Receipt for aggregate gross proceeds of \$17,330, which offering was completed on August 7, 2020 and were conditional to the closing of the RTO, (ii) the issuance of 400,000 Carebook Units to certain members of Carebook management or Affiliates thereof at a price of \$2.50 per

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Carebook Unit for aggregate gross proceeds of \$1,000, which subscriptions were completed concurrently with the closing of the RTO, and (iii) the issuance of 1,068,000 Carebook Units to certain arm's length investors at a price of \$2.50 per Carebook Unit for aggregate gross proceeds of \$2,670 which subscriptions were completed concurrently with the closing of the RTO. As part of the Amalgamation, each Carebook Subscription Receipt and each Carebook Unit was exchanged for one Resulting Issuer Common Share and one half of one warrant entitling the holder thereof to acquire a Resulting Issuer Common Share.

The Secondary Portion

During the quarter, in connection with the Carebook Reorganization, certain holders of Carebook Common Shares exchanged their Carebook Common Shares for Carebook Redeemable Shares, which were, in accordance with the Amalgamation, exchanged for Amalco Redeemable Shares, which were then subsequently redeemed by Amalco as a means to enable such Carebook Shareholders to achieve liquidity on a portion of their shareholdings of Carebook. All holders of Carebook Common Shares were provided with an opportunity to participate in the Secondary Portion on a pro rata basis based on their respective shareholdings, as provided for in the Carebook shareholders' agreement.

Pursuant to the Amalgamation Agreement, each Amalco Redeemable Share was automatically redeemed by Amalco at a redemption price of \$1.00 per Amalco Redeemable Share, payment of which was satisfied by Amalco using \$5,330 of the proceeds from the Private Placement, on October 2, 2020. The holders of the Carebook Common Shares that participated in the Secondary Portion bore their pro rata portion of the Private Placement Agents' Fee.

No certificates for the Amalco Redeemable Shares were issued to holders. Upon the redemption of the Amalco Redeemable Shares, Amalco is a wholly-owned subsidiary of Pike.

Reimbursement of Advances due to Shareholders

As at September 30, 2020, the amount due to shareholders was \$1,975. On October 2, 2020, the Company reimbursed these non-interest-bearing advances from shareholders in full.

Trading on Frankfurt Stock Exchange

On October 13, 2020, Carebook began trading on the Frankfurt Stock Exchange (the "XETR") under the symbol "PMM1".