Management's Discussion and Analysis

For the three and six month periods ended June 30, 2020 and 2019

Dated: August 13, 2020

Index

Management's Discussion and Analysis

(For the three and six month periods ended June 30, 2020 and 2019)

Certain statements in this Management's Discussion and Analysis ("MD&A") constitute forward-looking statements within the meaning of applicable securities laws. Forward-looking statements include, but are not limited to, statements made under the headings "*Strategic Priorities*", "*Growth Strategies and Outlook"* and "*Risks and Uncertainties"* and other statements concerning CareRx Corporation's, ("CareRx" or the "Company") 2020 objectives, strategies to achieve those objectives, Adjusted EBITDA Margin projections, as well as statements with respect to management's beliefs, plans, estimates, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "outlook", "objective", "may", "will", "expect", "intend", "estimate", "anticipate", "believe", "should", "plans" or "continue", or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management.

Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those contemplated by such statements. Factors that could cause such differences include the Company's exposure to and reliance on government regulation and funding, the Company's liquidity and capital requirements, exposure to epidemic or pandemic outbreak, the highly competitive nature of the Company's industry, reliance on contracts with key customers and other such risk factors described from time to time in the reports and disclosure documents filed by the Company with Canadian securities regulatory agencies and commissions. This list is not exhaustive of the factors that may impact the Company's forward-looking statements. These and other factors should be considered carefully and readers should not place undue reliance on the Company's forward-looking statements. As a result of the foregoing and other factors, no assurance can be given as to any such future results, levels of activity or achievements and neither the Company nor any other person assumes responsibility for the accuracy and completeness of these forward-looking statements. The factors underlying current expectations are dynamic and subject to change.

Although the forward-looking statements contained in this MD&A are based on what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Certain statements included in this MD&A may be considered "financial outlook" for purposes of applicable securities laws, and such financial outlook may not be appropriate for purposes other than this MD&A. All forward-looking statements in this MD&A are qualified by these cautionary statements. Other than specifically required by applicable laws, we are under no obligation and we expressly disclaim any such obligation to update or alter the forward-looking statements whether as a result of new information, future events or otherwise except as may be required by law. These forward looking statements are made as of the date of this MD&A.

The following is a discussion of the consolidated statement of financial position and the consolidated statement of income and comprehensive income of the Company for the three and six month periods ended June 30, 2020 and 2019 and of certain factors that the Company believes may affect its prospective financial condition, cash flows and results of operations. The MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements and notes thereto for the three and six month periods ended June 30, 2020 and 2019. The unaudited condensed interim consolidated financial statements for the three and six month periods ended June 30, 2020 and 2019 are prepared in accordance with International Financial Reporting Standards 34, Interim Financial Reporting as outlined by International Financial Reporting Standards ("IFRS") and its interpretations as issued by the International Accounting Standards Board ("IASB"). The Company's significant accounting policies are summarized in detail in note 2 of the consolidated financial statements for the year ended December 31, 2019. Unless otherwise specified, amounts reported in this MD&A are in millions of dollars, except shares and per share amounts and percentages. The following MD&A is presented as of August 13, 2020. All amounts are disclosed in Canadian dollars. Additional information about the Company, including the most recently filed Annual Information Form, is available on www.sedar.com.

Our Business

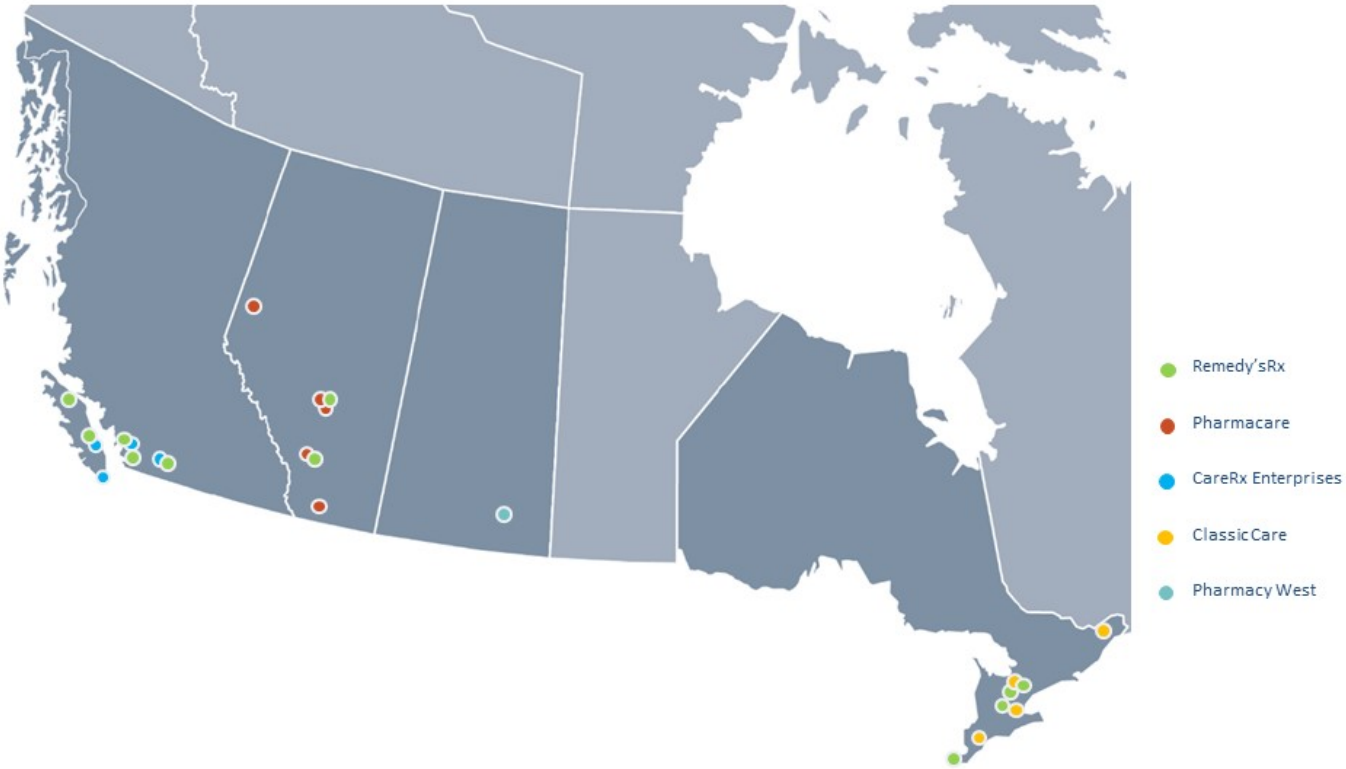
CareRx is Canada's leading provider of specialty pharmacy services to seniors. We serve approximately 50,000 residents in over 900 seniors and other communities, including long-term care homes, retirement homes, assisted living facilities, and group homes.

We are a national organization with a large network of pharmacy fulfilment centres located across Canada. Our proximity to our customers allows us to deliver medications in a timely and cost-effective manner, and quickly respond to routine changes in medication management.

We provide high-volume solutions for the cost-effective supply of chronic medication and other specialty clinical care, dispensing over 1,400,000 prescriptions every month. We utilize best-in-class technology that automates the preparation and verification of multi-dose compliance packaging of medication, providing the highest levels of safety and adherence for individuals with complex medication regimes.

With a dedicated team and organizational culture that has an unwavering commitment to delivering superior quality of care to the individuals it serves, we are dedicated to achieving the highest service and ethical standards.

Our growth strategy is focused on capitalizing on the favourable demographics that exist in the rapidly expanding seniors market through a multi-pronged organic growth and acquisition strategy. We believe we are well positioned to continue to increase our beds under care through winning significant new contracts and by making accretive acquisitions that will enable us to leverage our national footprint and continue to increase our scale.



25
fulfilment centres

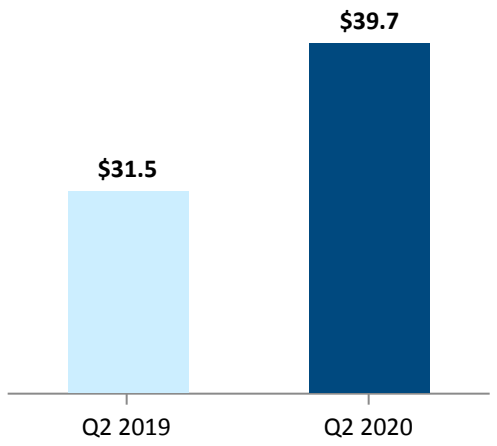
>900
long-term care and retirement homes

~50,000
beds

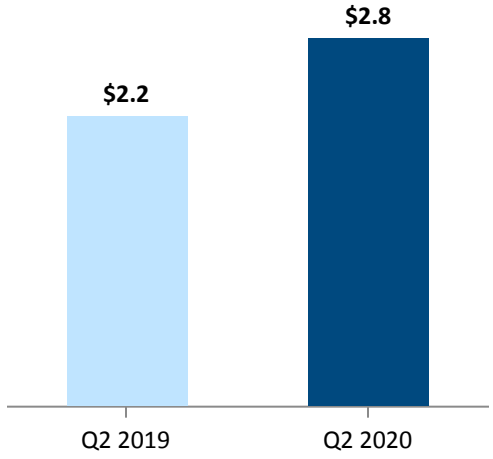
>1,400,000
prescriptions monthly

Highlights for the Three and Six Month Periods Ended June 30, 2020

Quarterly Revenue from Continuing Operations
($millions)



Quarterly Adjusted EBITDA from Continuing Operations
($millions)



Highlights for the Second Quarter of 2020

(All comparative figures are for the second quarter of 2019)

- **Revenue from continuing operations increased 26.2% to $39.7 million for the three month period ended June 30, 2020, compared to $31.5 million in the same period in the prior year**
  - The Remedy's business contributed $9.5 million of revenue in the second quarter of 2020 during the less than two months following its acquisition; and
  - This revenue contribution was partially offset by the impact of the amendments to the Ontario Drug Benefit Act ("ODBA") that came into effect on January 1, 2020 and a slight temporary COVID-19-related reduction in the average number of beds serviced during the second quarter of 2020.

- **Adjusted EBITDA[1] from continuing operations increased by 26.0% to $2.8 million for the three month period ended June 30, 2020, compared to $2.2 million in the same period in the prior year**
  - The Remedy's business contributed $0.7 million of Adjusted EBITDA over a period of less than two months in the second quarter of 2020; and
  - The net impact of the amendments to the ODBA was a reduction to Adjusted EBITDA of $0.4 million, which was fully offset by a reduction in corporate costs of 30.4% to $1.0 million from $1.5 million, compared to the same period in the prior year.

- **Completed acquisition of Remedy'sRx Specialty Pharmacy ("Remedy's")**
  - On May 7, 2020, the Company completed the acquisition of Remedy's for a total purchase price of up to $44.0 million;
  - Remedy's is a leading specialty pharmacy serving more than 18,500 residents of long-term care, assisted living and other institutional settings across Ontario and Western Canada, generating approximately $60.0 million of revenue annually;
  - The transaction also included a recently completed tuck-in acquisition by Remedy's of Integrity Pharmacy Inc., a regional Ontario specialty pharmacy that services more than 800 beds;
  - Upon the closing of the transaction, the Company became the leading Canadian provider of specialty pharmacy services to seniors communities, serving approximately 50,000 residents; and
  - The purchase price is comprised of (i) $8.0 million of cash consideration, which was reduced to $1.9 million at closing by certain adjustments to the cash consideration related to liabilities assumed on closing, (ii) $23.0 million of common shares of the Company, issued at an implied issue price of $3.68 per common share (following the Share Consolidation), (iii) $4.0 million of deferred consideration due 12 months following closing, (iv) $4.0 million of

consideration payable under a vendor take-back note due 18 months following closing and (v) earn-out consideration of up to $5.0 million if certain performance targets are achieved over the two years following closing.

- **Changed name to CareRx Corporation and completed share consolidation**
  - On June 22, 2020, the Company filed articles of amendment changing its name to "CareRx Corporation" and consolidating its outstanding common shares at a ratio of twenty (20) pre-consolidation common shares to one (1) post-consolidation common share (the "Share Consolidation").
- **Completed a bought deal private placement of 57,500,000 Special Warrants**
  - On June 4, 2020 (the "Closing Date"), the Company completed a bought deal private placement of 57,500,000 special warrants of the Company (each, a “Special Warrant”, and collectively the "Special Warrants"), including 7,500,000 Special Warrants issued pursuant to the over-allotment option that was granted to the underwriters and which was exercised in full, at a price of $0.20 per Special Warrant for gross proceeds of $11.5 million;
  - Upon issuance, the Special Warrants were exercisable by the holders thereof at any time after the Closing Date for no additional consideration. Every unexercised Special Warrant was to be automatically exercised without payment of additional consideration and without any further act by the holder into 0.05 common shares (following the Share Consolidation) on the earlier of: (a) the date which is four months and a day following the Closing Date, and (b) the third business day after a receipt was issued for the filing of a final prospectus by the securities regulatory authorities in each of the Provinces of Canada where the Special Warrants were sold, qualifying the distribution of the common shares underlying the Special Warrants (the “Deemed Exercise Date").
  - On August 10, 2020, the receipt for the filing of the final prospectus was received, prior to the Penalty Date. On August 13, 2020, the 57,500,000 Special Warrants were converted into 2,875,000 common shares of the Company.
- **Appointed Jeff May as Chief Operating Officer**
  - On May 7, 2020, the Company appointed Jeff May as the Chief Operating Officer. Jeff May previously served as the Executive Vice-President and General Manager of Remedy's since 2015.
- **Continued response to COVID-19 pandemic**
  - The Company continued to manage the effects of the COVID-19 pandemic;
  - The Company has developed protocols and procedures should they be required to deal with any potential epidemics and pandemics, and has put these protocols and procedures in place to address the current COVID-19 pandemic; and
  - The Company continues to monitor the COVID-19 situation and is taking proactive measures to manage any risks that arise that may impact the business. In addition, the Company continues to work closely with its long-term care and retirement home partners to support their staff and residents in their homes.
- **Darren Youngleson to retire as a director of the Company**
  - Effective August 14, 2020, Darren Youngleson will retire as a director of the Company after having served as a director nominee under a nomination right that was granted to Dr. Jack Shevel, one of the Company's directors and its Chairman Emeritus; and
  - As a result of the conversion of the Special Warrants into common shares on August 13, 2020, Dr. Shevel's ownership threshold dropped below the required threshold to maintain two Board seats.
- **Received outcome of ongoing arbitration**
  - Subsequent to quarter-end, the Company received the outcome of a confidential arbitration that had been ongoing with the vendors of one of its historical acquisitions in relation to the non-payment of a disputed earn-out;
  - The arbitrator sided with the vendors and awarded them $4.2 million; and
  - The Company is currently evaluating its options in respect of the decision.

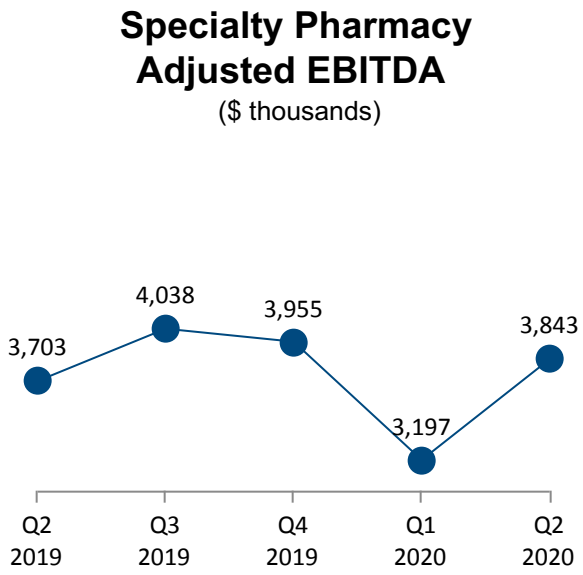
Highlights for the First Six Months of 2020

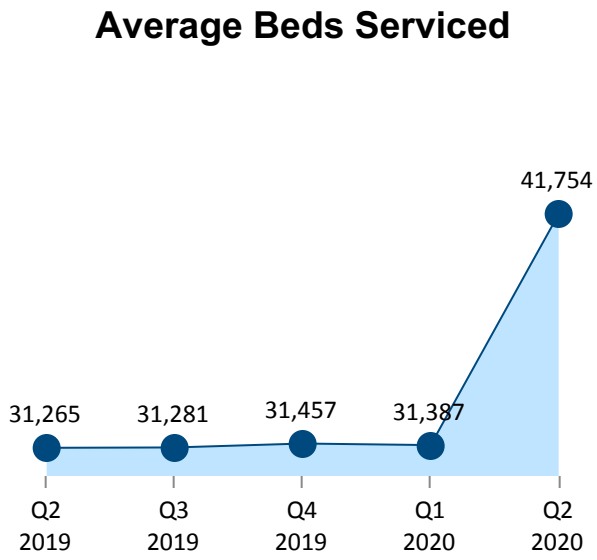
(All comparative figures are for the first six months of 2019)

- **Revenue from continuing operations increased by 15.0% to $70.2 million for the six month period ended June 30, 2020, compared to $61.0 million in the six month period ended June 30, 2019**
  - The Remedy's business contributed $9.5 million of revenue during the less than two months after its acquisition in the first six months of 2020; and
  - The impacts of the amendments to the ODBA that came into effect on January 1, 2020 and the slight temporary COVID-19-related reduction in the average number of beds serviced in the second quarter of 2020 were partially offset by the increase in the average number of beds serviced in the first quarter of 2020.
- **Adjusted EBITDA from continuing operations increased by 18.8% to $4.9 million, for the six month period ended June 30, 2020, compared to $4.1 million in the six month period ended June 30, 2019**
  - The Remedy's business contributed $0.7 million of Adjusted EBITDA during the less than two months after its acquisition in the first six months of 2020; and
  - The net impact of the amendments to the ODBA was a reduction to Adjusted EBITDA of $0.9 million, which was fully offset by a year-over-year reduction in corporate costs of 26.3% to $2.2 million from $2.9 million and the impact of the increase in the average number of beds serviced in the first quarter of 2020 compared to the same period in the prior year.
- **Regulatory changes impacting Ontario long-term care business**
  - On January 1, 2020, the previously announced amendments to the ODBA came into effect, enacting the new funding model for Ontario pharmacies serving residents in long-term care homes;
  - The new funding framework replaced the previous fee-for-service model that allowed long-term care pharmacies in Ontario to charge a dispensing fee, co-pays and other clinical billings such as MedsChecks, instead, imposing a capitation model whereby long-term care pharmacy service providers receive a fixed professional fee for all pharmacy services provided to residents in long-term care homes;
  - The professional fee is based on the number of beds in the long-term care home serviced and begins at $1,500 dollars per bed serviced, annually, gradually declining to $1,200 dollars per bed in the fourth year following implementation; and
  - In the first six months of 2020, the net impact of the ODBA amendments was a reduction to Adjusted EBITDA of approximately $0.9 million.
- **Completed refinancing transactions for total gross proceeds of up to $42.7 million**
  - On March 31, 2020, the Company signed definitive credit agreements with Crown Capital Partner Funding, LP ("Crown Capital") and Yorkville Asset Management Inc. for and on behalf of certain managed funds ("Yorkville");
  - Crown Capital advanced credit facilities of up to $30.0 million in three tranches: (i) an initial tranche of $22.0 million, which was advanced on March 31, 2020 and was used to repay the Company's outstanding Credit Facilities, (ii) a second tranche of $5.0 million, which was advanced on May 7, 2020 to fund the cash consideration for the Remedy's acquisition and (iii) a third tranche of $3.0 million upon the Company reaching certain financial milestones (the "Crown Capital Facility"); and
  - Yorkville advanced a subordinated loan to the Company of $12.7 million (the "Yorkville Facility") in two tranches: (i) an initial tranche of $6.3 million, which was advanced on March 31, 2020, and (ii) a second tranche of $6.4 million, which was advanced on May 7, 2020, contemporaneously with the closing of the Remedy's acquisition.

[1] *Defined and calculated in Reconciliation of Non-IFRS Measures*

Key Performance Metrics - Second Quarter of 2020





The Company uses a number of financial and non-financial metrics to assess its performance. The table below summarizes our most relevant metrics. The full results and discussion of each metric are subsequently presented in this report.

Growth	Total Revenue	●
	Beds Serviced	●
Profitability	Adjusted EBITDA	●
	Adjusted EBITDA Margin	●
Quality	Reported incidents	●
Liquidity	Cash Flows from Operations	●
	Net Debt to Adjusted EBITDA	●
	Free Cash Flow	●

● = Favourable ● = Stable ● = Unfavourable

Strategic Priorities

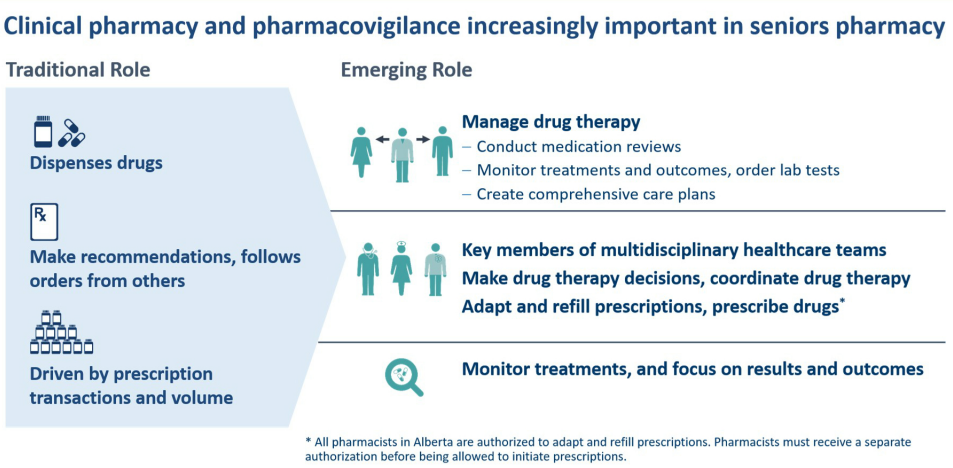
1. **Grow organically**
   - Leverage the Company's value proposition with seniors and home operators to win new contracts
   - Expand scope of services to cross sell to existing customer base and attract new customers
   - Maximize scale and efficiencies at existing facilities
2. **Make strategic acquisitions**
   - Pursue opportunities that will strengthen value proposition and expand national platform, achieving operational efficiencies through increased scale and consolidation of acquisitions
   - Apply strict criteria to ensure alignment, accretion and return on invested capital
3. **Reduce debt and strengthen balance sheet**
   - Reduce total debt to Adjusted EBITDA over the medium term
   - Utilize effective working capital management to improve cash flows
4. **Improve business operations**
   - Optimize labour models and rely on innovative technology and economies of scale to drive efficiencies
   - Maintain standards of exceptional care
   - Manage costs at corporate office to ensure a lean shared service model and maximize overall profitability
   - Enhance quality reporting metrics that demonstrate value to customers with emphasis on best healthcare outcomes

Growth Strategies and Outlook

CareRx's growth strategy is focused on capitalizing on the favourable demographics that exist in the rapidly expanding seniors market through a multi-pronged organic growth and acquisition strategy. The Company believes that it is well positioned to continue to increase revenue and expand Adjusted EBITDA margins by increasing the number of beds under care by winning significant new contracts and making accretive acquisitions, and through the diversification of its offerings, leveraging its best-in-class platform to offer the highest levels of service to more Canadians, with a focus on the following areas:

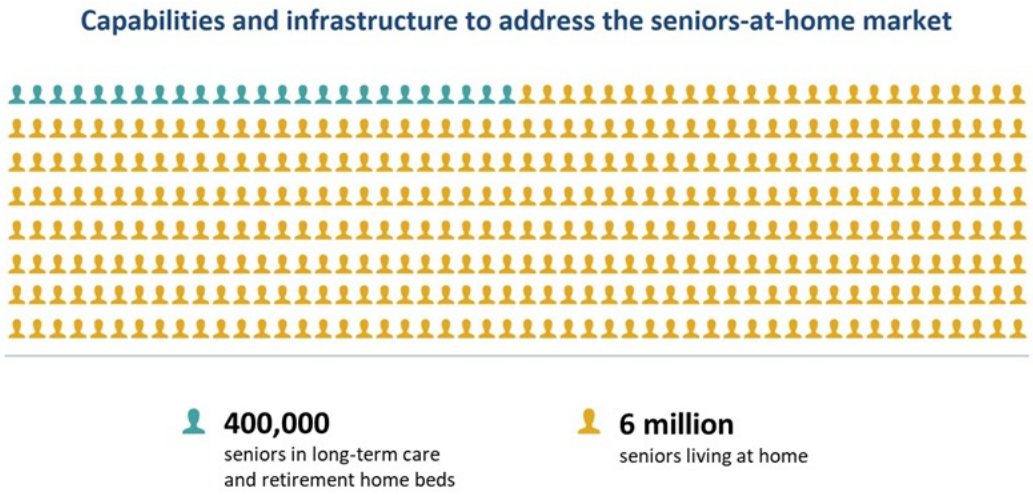
- Maximize utilization of its existing infrastructure through new RFP wins with local, regional and national seniors community operators;
- Execute on strategic acquisition opportunities to expand its network and geographic coverage and benefit from economies of scale;
- Expand clinical capabilities to strengthen its value proposition to its customers and drive new, higher margin revenue streams;
- Increase product and service offerings to seniors; and
- Reduce cost structure and benefit from economies of scale.

The Company operates in a highly fragmented market and believes there are numerous opportunities to make accretive acquisitions that will enable it to leverage its national footprint and continue to increase its scale and benefit from additional operational synergies. The Company believes this strategy will create significant value for our stakeholders while giving us the ability to offer a compelling, best-in-class service offering to our customers.



To meet the growing demands of the Canadian healthcare system, the scope of practice of pharmacists continues to broaden, presenting an opportunity for the Company to expand its service offerings.

A longer term opportunity is also available through serving the needs of seniors remaining in their homes.



With six million seniors already currently living at home, coupled with the increased life expectancy of Canadians, a significant favourable demographic trend exists for specialty pharmacy.

To pursue the opportunities provided by these demographic trends, and in line with its desire to expand its product and service offerings to seniors, the Company launched Pharmacy At Your Door in July 2020, a new digital at-home delivery business supplying all products that would be found at a retail pharmacy to Canadians living at home, providing a convenient and safe way to obtain and take prescription medications. Pharmacy At Your Door organizes and packages customer medications and vitamins by date and dose, using CareRx's state-of-the-art EasyPac technology – delivering individual pre-packed medication pouches which ensure that the right medication is taken at the right time. Pharmacy At Your Door initially launched in the greater Calgary area, and the Company is considering an expansion to other regions in Canada.

Additionally, the Company previously signed a strategic distribution and supply agreement and made an accompanying strategic investment in AceAge Inc. ("AceAge") for its home-based automated drug delivery appliance, Karie. Designed for individuals taking multiple medications, particularly seniors living independently or without full-time care, Karie is an innovative device that simplifies complex medication regimes by automatically delivering prescription drugs, in the correct dosage and at the right time. As the device is completely compatible with the Company's automated dispensing and packaging systems, this partnership is expected to provide the Company with opportunities for additional specialty pharmacy service offerings to seniors living in the Company's contracted seniors communities as well as those living in their own homes.

To further enhance and diversify its service offerings, the Company has also developed a medical cannabis strategy within the seniors communities that it serves. The Company is uniquely positioned through its presence in long-term care and retirement homes, as well as its expansion to seniors currently living at home, to provide a comprehensive service that addresses the complexities of medical cannabis use by seniors. The Company continues to partner with home operators and leverage its strategic partnership with Canopy Growth Corporation to achieve the best possible solutions for the seniors that it serves.

Selected Financial Information

The following selected financial information as at and for the three and six month periods ended June 30, 2020, 2019, and 2018, have been derived from the consolidated financial statements and should be read in conjunction with those financial statements and related notes. The results of acquisitions are added from their respective dates of completion. Non-IFRS measures are defined and reconciled in the Reconciliation of Non-IFRS Measures section.

	For the three month periods ended June 30,			For the six month periods ended June 30,		
	2020	2019	2018	**2020**	2019	2018
(thousands of Canadian Dollars)	**$**	$	$	**$**	$	$
Revenue from continuing operations	**39,749**	31,490	29,555	**70,175**	61,023	61,143
Loss from continuing operations	**(8,072)**	(1,128)	(1,927)	**(10,353)**	(2,626)	(2,653)
Income (loss) from continuing operations before interest expense and income taxes	**(9,774)**	671	(19,555)	**(12,349)**	(1,552)	(20,494)
EBITDA[2] from continuing operations	**(7,241)**	2,956	(17,780)	**(7,502)**	2,941	(16,865)
Adjusted EBITDA[2] from continuing operations	**2,825**	2,242	1,025	**4,870**	4,101	3,109
Per share - Basic[3] and Diluted[3]	**$0.15**	$0.21	$0.10	**$0.29**	$0.39	$0.31
Adjusted EBITDA Margin from continuing operations	**7.1%**	7.1%	3.5%	**6.9%**	6.7%	5.1%
Adjusted EBITDA[2]	**2,825**	3,548	3,406	**4,870**	6,688	7,234
Per share - Basic[3] and Diluted[3]	**$0.15**	$0.34	$0.33	**$0.29**	$0.63	$0.71
Adjusted EBITDA Margin	**7.1%**	8.3%	7.8%	**6.9%**	8.0%	8.2%
Net loss	**(14,148)**	(1,596)	(20,693)	**(8,834)**	(6,867)	(22,546)
Per share - Basic[3] and Diluted[3]	**($0.74)**	($0.15)	($2.03)	**($0.53)**	($0.65)	($2.22)
Cash provided by (used in) operations	**(2,665)**	93	6,029	**(4,115)**	2,640	5,713
Total assets	**151,759**	132,783	121,684	**151,759**	132,783	121,684
Total liabilities	**153,356**	148,738	122,894	**153,356**	148,738	122,894

[2] *Defined in Reconciliation of Non-IFRS Measures*

[3] *Earnings per share is based on the earnings attributable to shareholders of CareRx Corporation.*

Results of Continuing Operations for the Three and Six Month Periods Ended June 30, 2020 and 2019

Operating and Other Expenses as a Percentage of Revenue

	For the three month periods ended June 30,				For the six month periods ended June 30,			
	2020		2019		**2020**		2019	
$ millions	**$**	**%**	$	%	**$**	**%**	$	%
Revenue	**39.7** ↑	**100 %**	31.5	100 %	**70.2** ↑	**100 %**	61.0	100 %
Operating expenses:								
Pharmacy services and supplies	**28.7**	**72.3 %**	21.7	68.9 %	**50.4**	**71.8 %**	42.0	68.9 %
Employee costs	**3.1**	**7.8 %**	2.8	8.9 %	**5.8**	**8.3 %**	5.6	9.2 %
Other operating expenses	**4.1**	**10.3 %**	3.3	10.5 %	**6.9**	**9.8 %**	6.4	10.5 %
Corporate office expenses	**1.0**	**2.5 %**	1.5	4.8 %	**2.2**	**3.1 %**	2.9	4.8 %
Total operating expenses	**36.9** ↑	**92.9 %**	29.3	93.0 %	**65.3** ↑	**93.0 %**	56.9	93.3 %
Other expenses:								
Depreciation and amortization	**2.5**	**6.3 %**	2.3	7.3 %	**4.8**	**6.8 %**	4.5	7.4 %
Share-based compensation expense	**0.5**	**1.3 %**	0.4	1.3 %	**0.9**	**1.3 %**	0.9	1.5 %
Transaction, restructuring and other costs	**7.8**	**19.6 %**	0.7	2.2 %	**9.5**	**13.5 %**	1.4	2.3 %
Finance (income) costs, net	**4.3**	**10.8 %**	3.2	10.2 %	**(3.6)**	**(5.1) %**	6.0	9.8 %
Income tax expense (recovery)	**—**	**— %**	(1.0)	(3.2) %	**—**	**— %**	0.2	0.3 %
Total other expenses	**15.1** ↑	**38.0 %**	5.6	17.8 %	**11.6** ↓	**16.5 %**	13.0	21.3 %
Adjusted EBITDA	**2.8** ↑	**7.1 %**	2.2	7.1 %	**4.9** ↑	**6.9 %**	4.1	6.7 %

- Revenue from continuing operations for the three and six month periods ended June 30, 2020 increased by 26.2% to $39.7 million from $31.5 million and by 15.0% to $70.2 million from $61.0 million, respectively, for the same periods in the prior year.
- Revenue increased primarily as a result of the Remedy's business contributing $9.5 million of revenue in the second quarter of 2020 following its acquisition on May 7, 2020. This increase was partially offset by the amendments to the ODBA that came into effect on January 1, 2020 and a slight temporary reduction in the average number of beds serviced in the second quarter of 2020 due to COVID-19.
- Going forward, the Company expects continued organic growth in revenue; however, the timing and cycles of the contract procurement process (and time required to realize revenue from formal procurement RFP processes), and the impact of the COVID-19 pandemic could result in some fluctuation of organic growth rates over time.

Operating expenses consist of four major components:

- pharmacy services and supplies, which includes the salaries and benefits of employees directly involved in the provision of services, pharmacist consultant fees, the cost of medical supplies and the cost of pharmaceuticals sold;
- employee costs, which includes salaries and benefits of employees that are not directly involved in the provision of services;
- other operating expenses, which includes occupancy costs, communication, insurance, advertising and promotion and administrative expenses incurred at the operational level; and,
- corporate office expenses, which includes shared service costs, salaries and benefits, occupancy costs, communication, advertising and promotion, insurance, public company costs, board of directors and sub-committee fees and other costs of the corporate office.

- Overall operating expenses for the three and six month periods ended June 30, 2020 increased by 26.2% to $36.9 million as compared to $29.2 million

and by 14.7% to $65.3 million as compared to $56.9 million, respectively, for the same periods in the prior year, primarily as a result of the acquisition of the Remedy's business and associated increase in revenue.

- Cost of pharmacy services and supplies for the three and six month periods ended June 30, 2020 increased by 32.1% to $28.7 million as compared to $21.7 million and by 20.0% to $50.4 million as compared to $42.0 million, respectively, for the same periods in the prior year, largely due to increased pharmaceutical costs as a result of the increased number of beds serviced during the first quarter of 2020 compared to the same period in the prior year and the Remedy's acquisition which closed in the second quarter of 2020.
- Employee expenses for the three and six month periods ended June 30, 2020 increased by 11.8% to $3.1 million as compared to $2.8 million and by 4.0% to $5.8 million as compared to $5.6 million, respectively, for the same periods in the prior year, largely due to the impact of the Remedy's acquisition, which was partially offset by labour savings initiatives implemented at the beginning of 2020.

Corporate office expenses for the three and six month periods ended June 30, 2020 decreased by 30.4% to $1.0 million as compared to $1.5 million and by 26.3% to $2.2 million as compared to $2.9 million, respectively, for the same periods in the prior year primarily due to labour efficiencies achieved.

Transaction, restructuring and other costs are comprised primarily of legal, consulting, due diligence and other professional fees directly related to business combinations, divestitures or business restructuring; costs associated with new customer contract implementation and new acquisition integration; severance costs; start-up costs for new initiatives; and other costs associated with corporate reorganization and restructuring.

- Transaction, restructuring and other costs for the three and six month periods ended June 30, 2020 increased by 1017.4% to $7.8 million as compared to $0.7 million and by 588.4% to $9.5 million from $1.4 million, respectively, for the same periods in the prior year and include transaction costs incurred related to the Remedy's acquisition, associated integration and restructuring costs from labour savings and other initiatives, and a $4.2 million provision recorded as a result of the outcome of a confidential arbitration in relation to the non-payment of a disputed earn-out.

Finance costs, net include interest expense and accretion expense (income) relating to the Company's borrowings, interest expense relating to the Company's finance leases and Special Warrants related expenses.

Finance costs, net for the three month period ended June 30, 2020 increased by 34.9% to $4.3 million as compared to $3.2 million for the same period in the prior year primarily due to Special Warrants related expenses incurred in the second quarter of 2020.

Finance (income) costs, net for the six month period ended June 30, 2020 resulted in income of $3.6 million, net as compared to an expense of $6.0 million, net for the comparable period in the prior year.

Finance costs, net excluding accretion and Special Warrants related expenses for the three and six month periods ended June 30, 2020 were $2.0 million as compared to $2.6 million and $3.5 million as compared to $5.1 million, respectively, for the same periods in the prior year, largely due to a reduction in outstanding indebtedness which resulted in lower interest paid on the Company's borrowings.

Accretion for the three and six month periods ended June 30, 2020 was an expense of $1.0 million as compared to an expense of $0.6 million and income of $8.5 million as compared to an expense of $1.0 million, respectively, for the same periods in the prior year, largely due to $9.3 million of accretion income recognized in the first quarter of 2020 to adjust the liability component of the Convertible Debentures to its amortized cost following the repayment of the Company's Credit Facilities.

Income tax expense (recovery) for the three and six month periods ended June 30, 2020 was an expense of $0.04 million as compared to a recovery of $1.0 million and an expense of $0.04 million as compared to an expense of $0.2 million, respectively, for the same periods in the prior year, largely due to the impact of previously unrecognized deferred tax assets that were recognized during the three and six month periods ended June 30, 2020 which offset current income tax expense.

As at June 30, 2020 and December 31, 2019, the Company had gross loss carryforwards amounting to $55.4 million and $50.8 million, respectively, that can be carried forward against future taxable income. As at June 30, 2020 and December 31, 2019, based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, $55.3 million and $50.8 million of the loss carry-forwards were not recognized, respectively.

Revenue and Adjusted EBITDA

This section presents the results of operations for the three and six month periods ended June 30, 2020 for the Company's sole operating segment, Specialty Pharmacy, as well as corporate office costs.

The support services provided through the corporate office largely support the operations of the Company. Certain amounts of these costs have been allocated to Specialty Pharmacy based on the extent of corporate management's involvement in the operations of the those businesses during the period.

For the three month periods ended June 30,	**Revenue**		**Adjusted EBITDA**			
	2020	2019	**2020**		2019	
(thousands of Canadian Dollars)	**$**	$	**$**	**%**	$	%
Specialty Pharmacy	**39,749**	31,490	**3,843**	**9.7**	3,703	11.8
Corporate	**—**	—	**(1,018)**	**—**	(1,461)	—
Total	**39,749**	31,490	**2,825**	**7.1**	2,242	7.1

For the six month periods ended June 30,	**Revenue**		**Adjusted EBITDA**			
	2020	2019	**2020**		2019	
(thousands of Canadian Dollars)	**$**	$	**$**	**%**	$	%
Specialty Pharmacy	**70,175**	61,023	**7,040**	**10.0**	7,045	11.5
Corporate	**—**	—	**(2,170)**	**—**	(2,944)	—
Total	**70,175**	61,023	**4,870**	**6.9**	4,101	6.7

Specialty Pharmacy

Three Month Period Ended June 30, 2020:

- Revenue increased by 26.2% to $39.7 million from $31.5 million for the same period in the prior year.
- Adjusted EBITDA increased 3.8% to $3.8 million from $3.7 million for the same period in the prior year and Adjusted EBITDA margin decreased to 9.7% from 11.8%.

Six Month Period Ended June 30, 2020:

- Revenue increased by 15.0% to $70.2 million from $61.0 million for the same period in the prior year.
- Adjusted EBITDA remained stable at $7.0 million, consistent with the same period in the prior year and Adjusted EBITDA margin decreased to 10.0% from 11.5%.

For the three and six month periods ended June 30, 2020, the revenue increase compared to the same periods in the prior year was due to the acquisition of Remedy's. For the less than two month period following the acquisition, the Remedy's business contributed $9.5 million of revenue in the second quarter of 2020.

The increase in revenue was partially offset by the impact of the amendments to the ODBA that came into effect on January 1, 2020 and the slight temporary reduction in the average number of beds serviced in the second quarter of 2020 as a result of COVID-19.

Revenue for the six month period ended June 30, 2020 also benefited from the increase in the average number of beds serviced in the first quarter of 2020 compared to the same period in the prior year.

Adjusted EBITDA for the three month period ended June 30, 2020, increased as a result the acquisition of Remedy's, which contributed $0.7 million in Adjusted EBITDA since its acquisition part way through the second quarter. This increase was partially offset by the net impact of the ODBA amendments that came into effect on January 1, 2020 of $0.4 million for the second quarter of 2020.

For the six month period ended June 30, 2020, Adjusted EBITDA was consistent with the same period in the prior year, as the contribution from the Remedy's acquisition and increase in the average number of beds serviced in the first quarter of 2020 were offset by the net impact of the ODBA amendments of $0.9 million for the first half of 2020.

The impact of the amendments to the ODBA were partially offset by cost saving initiatives implemented during the first half of 2020.

Corporate Office

Compared to the same periods in the prior year, corporate office expenses for the three and six month periods ended June 30, 2020 decreased primarily due to labour efficiencies achieved.

Discontinued Operations

During the year ended December 31, 2019, the Company divested the operating assets of its retail pharmacy operations in Grande Prairie, AB and Medicine Hat, AB and the Company's Surgical and Medical Centres business. On January 1, 2020, the Company divested its Performance Orthotics business. The results of these operations have been included as part of discontinued operations on the consolidated statement of income and comprehensive income.

Revenue and Adjusted EBITDA from discontinued operations for the three and six month periods ended June 30, 2020 were both nil as compared to $11.3 million and $1.3 million, and $22.1 million and $2.6 million, respectively, for the same periods in the prior year.

Liquidity and Capital Resources

The Company manages its capital structure based on the funds available to the Company in order to support the continuation and expansion of its operations, which primarily operates in an environment in which government regulations and funding play a key role. The Company defines capital to include share capital, warrants and the stock option component of its shareholders' equity as well as its borrowings and contingent consideration. In addition to the cash flows generated by operations, the Company relies on debt and equity financing from both arm's length and related parties to execute on its stated business strategy and continue its operations as a going concern. In order to maintain or adjust its capital structure, the Company may seek financing through the issuance of securities such as equity, convertible debentures or subordinated debt, or by replacing existing debt with debt on terms more consistent with the Company's needs.

As at June 30, 2020, the Company had $74.2 million of borrowings outstanding.

The Company is committed to executing on its operating plans and to further reduce its leverage and, as such, the Company has pursued several strategic opportunities, including the divestiture of existing businesses and other non-core assets, the recapitalization of the balance sheet through the issuance of additional equity, convertible debentures and subordinated debt and strategic acquisitions within its core business. All strategic alternatives being considered by the Company were and continue to be focused on further deleveraging the balance sheet and maximizing shareholder value.

During the six month period ended June 30, 2020, the Company:

- Completed the divestiture of its ownership interest in the Performance Orthotics business;
- Entered into definitive credit agreements on March 31, 2020 with Crown Capital and Yorkville for up to $42.7 million in total gross proceeds to refinance the Company's existing Credit Facilities and finance the Remedy's acquisition;
- Acquired Remedy's on May 7, 2020 for a total purchase price of up to $44.0 million, establishing the Company as the leading provider of specialty pharmacy services to seniors communities and other institutional settings, servicing approximately 50,000 residents across Canada; and
- Completed a bought deal private placement of Special Warrants for gross proceeds of $11.5 million.

Credit Facilities

The Company’s credit facilities were previously with a syndicate of lenders comprised of three major Canadian banks and provided for credit facilities of up to an aggregate amount of $113.5 million at inception. The credit facilities were made up of up to $100.0 million in senior secured facilities (the "Senior Facilities") and $13.5 million in a secured subordinated term credit facility (the "Subordinated Facility") (collectively, the "Credit Facilities"). All borrowings under the Senior Facilities had original maturities of five years after the date of the agreement.

The Senior Facilities were structured as follows: (i) a revolving credit facility in the amount of up to $18.0 million (up to $20.0 million prior to May 30, 2019), including a swingline of up to $3.0 million ("Revolving Facility"), (ii) a non-revolving term loan facility in the amount of up to $60.0 million ("Term Facility"), and (iii) a limited revolving acquisition and capital expenditure term loan facility in the amount of up to $4.8 million (up to $20.0 million prior to May 30, 2019) to be available in multiple draws ("Acquisition Facility"). On November 26, 2019, the Company repaid all outstanding balances under the Term Facility and Acquisition Facility.

On March 31, 2020, the Company repaid all outstanding balances remaining under the Credit Facilities with the net proceeds received from the first tranches of the Crown Capital Facility and Yorkville Facility.

Crown Capital Facility

On March 31, 2020, the Company entered into a credit agreement with Crown Capital, under which Crown Capital will advance a loan to the Company of up to $30 million in three tranches: (i) an initial tranche of $22 million, which was advanced on March 31, 2020 and was used to repay the Company's outstanding Credit Facilities, (ii) a second tranche of $5 million, which was advanced on May 7, 2020 contemporaneously with the closing of the Remedy's acquisition, and was used by the Company to fund the cash consideration for the Remedy's acquisition, and (iii) a third tranche of $3 million at any time prior to May 31, 2021 upon the Company reaching certain financial milestones (the "Crown Capital Facility").

Interest on the Crown Capital Facility will accrue at a rate of 10% per annum, but may be reduced to 8% per annum upon the Company reaching certain financial milestones. The Crown Capital Facility will be repayable five years from closing, subject to certain prepayment rights. In addition, the Company issued 7,200,000 warrants to Crown Capital, with each warrant entitling

the holder thereof to acquire one common share at an exercise price of $5.00 per common share (following the Share Consolidation) for a period of five years.

The Crown Capital Facility contains a number of customary positive and negative covenants, including a requirement to comply with certain financial covenants. These include restrictions on incurring additional indebtedness, making certain investments or acquisitions, selling assets of the Company and making regularly scheduled interest payments on the Company's subordinated indebtedness unless the Company has sufficient liquidity to do so.

Yorkville Facility

On March 31, 2020, the Company entered into a credit agreement with Yorkville under which Yorkville advanced a subordinated facility to the Company of up to $12.7 million (the "Yorkville Facility") in two tranches: (i) an initial tranche of $6.3 million, which was advanced on March 31, 2020, and (ii) a second tranche of $6.4 million, which was advanced on May 7, 2020 contemporaneously with the closing of the Remedy's acquisition. The Yorkville Facility ranks in priority to the Company's existing 8.25% unsecured convertible debentures ("Convertible Debentures") and 8% unsecured convertible debentures ("Ewing Convertible Debentures"), but subordinate to the Crown Capital Facility.

Interest on the Yorkville Facility will accrue at a rate of 12% per annum, increasing to 14% to the extent that the Company does not meet certain financial covenants by the third quarter of 2021.

The Yorkville Facility will mature 24 months from closing, subject to certain prepayment rights of the Company or the mutual agreement of the Company and Yorkville to extend the maturity date.

Private Placement - Special Warrants

On June 4, 2020, the Company completed a bought deal private placement of 57,500,000 Special Warrants, including 7,500,000 Special Warrants issued pursuant to the over-allotment option that was granted to the underwriters and which was exercised in full, at a price of $0.20 per Special Warrant for gross proceeds of $11.5 million.

In connection with the offering, the Company paid a total of $0.7 million in cash commissions to the underwriters and issued a total of 3,450,000 underwriter special warrants (the "Underwriter's Special Warrants"). Each Underwriter's Special Warrant will be deemed to be exercised for 0.05 common share purchase warrants (following the Share Consolidation) of the Company (the "Broker Warrants") on the Deemed Exercise Date. Each Broker Warrant has an exercise price of $4.40 per common share (following the Share Consolidation) and may be exercised for a period of two years from the Closing Date.

Upon issuance, the Special Warrants were exercisable by the holders thereof at any time after the Closing Date for no additional consideration. Every unexercised Special Warrant was to be automatically exercised without payment of additional consideration and without any further act by the holder into 0.05 common shares (following the Share Consolidation) on the earlier of: (a) the date which is four months and a day following the Closing Date, and (b) the third business day after a receipt is issued for the filing of a final prospectus by the securities regulatory authorities in each of the Provinces of Canada where the Special Warrants were sold qualifying the distribution of the common shares underlying the Special Warrants.

If the Company did not obtain a receipt for the filing of the final prospectus on or prior to the date that was 70 days from the Closing Date (the "Penalty Date"), each unexercised Special Warrant would have entitled the holder to receive upon the exercise thereof, for no additional consideration, 0.055 common shares, (following the Share Consolidation) per Special Warrant.

On August 10, 2020, the receipt for the filing of the final prospectus was received, prior to the Penalty Date. On August 13, 2020, the 57,500,000 Special Warrants were converted into 2,875,000 common shares of the Company. Upon the conversion of the Special Warrants to common shares, the Special Warrants liability was settled. The fair value of the Special Warrants as at August 13, 2020 was transferred to share capital, net of share issuance costs.

Cash Flow

Cash flow activities for the six month period ended June 30, 2020 were as follows:

Cash used in/provided by operating activities
Cash used in operating activities was $4.1 million compared to cash provided by operating activities of $2.6 million for the same period in the prior year:
- Cash used by operating activities in the current year compared to the cash provided by operating activities in the same period in the prior year related to the timing of certain payments that occurred in the current year as well as transaction and integration costs related to the Remedy's acquisition and refinancing transactions.
- The Company has historically generated positive cash flows from operating activities and anticipates that these will continue to be positive following the integration of the Remedy's acquisition.
Cash used in/provided by investing activities
Cash used in investing activities was $2.9 million compared to cash provided by investing activities of $1.7 million for the same period in the prior year:
- Cash used in investing activities in the current year related to the acquisition of Remedy's, purchases of property and equipment and intangible assets; the payment of an earn-out related to a historical acquisition; and a payment made related to the final working capital settlement for the divestiture of the Surgical and Medical Centres business.
- Cash provided by investing activities in the same period in the prior year related to the proceeds from the disposition of the assets of the retail pharmacy operations in Medicine Hat and Grande Prairie, Alberta, partially offset by purchases of property and equipment and intangible assets and payments of earn-outs related to historical acquisitions.
Cash provided by/used in financing activities
Cash provided by financing activities was $27.6 million compared to cash used in financing activities of $4.3 million for the same period in the prior year:
- Cash provided by financing activities in the current year related to the net proceeds from the Crown Capital Facility, Yorkville Facility and Special Warrants partially offset by payments of interest; repayments made on the Credit Facilities and finance leases; and a transfer to restricted cash.
- Cash used in financing activities in the same period in the prior year related to payments of interest and repayments made on the Credit Facilities and finance leases, offset by the net proceeds from the issuance of the convertible preferred shares to Ewing Morris & Co. Investment Partners Ltd. ("Ewing Morris") .

Contractual Commitments

The Company's contractual commitments at June 30, 2020, are as follows:

	Total	2020	2021-2022	2023-2024	Thereafter
	$	$	$	$	$
Trade payables and other liabilities	**24.2**	24.2	—	—	—
Special Warrants	**12.1**	12.1	—	—	—
Convertible Debentures	**25.4**	—	13.8	11.6	—
Crown Capital Facility	**27.0**	—	3.0	7.3	16.7
Ewing Convertible Debentures	**13.2**	—	—	13.2	—
Yorkville Facility	**13.1**	—	13.1	—	—
Vendor take-back note	**4.0**	—	4.0	—	—
Finance loans	**0.1**	—	0.1	—	—
Interest payments on borrowings	**24.8**	3.8	13.1	7.2	0.7
Finance leases	**13.7**	1.4	5.0	3.6	3.7
Deferred consideration	**4.0**	—	4.0	—	—
Contingent consideration	**8.5**	2.2	6.3	—	—
Total	**170.1**	**43.7**	**62.4**	**42.9**	**21.1**

In the normal course of business, the Company enters into significant commitments for the purchase of goods and services, such as the purchase of inventory, most of which are short-term in nature and are settled under normal trade terms.

Equity

On June 22, 2020, as a result of the Share Consolidation, the Company's outstanding options, restricted share units ("RSUs") and deferred share units ("DSUs") were proportionately adjusted on the same basis. All common share numbers, numbers of shares issuable under options, RSUs and DSUs and related per share amounts in this MD&A have been retrospectively adjusted to reflect the Share Consolidation.

The number of outstanding warrants, Special Warrants and Underwriter's Special Warrants remained unchanged, with the number of common shares received on the exercise of these instruments having been reduced proportionately in accordance with the Share Consolidation. The associated weighted average exercise prices per common share have been adjusted to reflect the Share Consolidation for the warrants, Special Warrants and Underwriter's Special Warrants.

As at June 30, 2020, the Company had total shares outstanding of 21,803,190. The outstanding shares include 202,712 shares which are restricted or held in escrow and will be released to certain vendors of acquired businesses based on the achievement of certain performance targets and to certain customers. In the event that performance targets are not met, escrowed shares are subject to reduction and cancellation based on formulas specific to each transaction. Escrowed and restricted shares are not reflected in the shares reported on the Company's financial statements. Accordingly, for financial reporting purposes, the Company reported 21,600,478 common shares outstanding as at June 30, 2020 and 14,196,208 shares outstanding at December 31, 2019.

For the period ended	**June 30, 2020**	December 31, 2019
Common shares		
Balance, beginning of period	**14,196,208**	10,517,769
Issuance of common shares	**37,232**	3,525,398
Common shares issued from treasury for contingent consideration	**318,934**	10,000
RSUs and warrants exercised	**73,104**	113,496
Shares issued for acquisitions	**6,250,000**	—
Conversion of Convertible Debentures	**725,000**	—
Common shares released from escrow	**—**	25,000
Deferred consideration for acquisitions	**—**	4,545
Balance, end of period	**21,600,478**	14,196,208

Issuance of Deferred Stock-based Compensation

As at June 30, 2020, there were a total of 711,906 restricted share units and deferred share units outstanding to grant an equivalent number of common shares.

For the period ended	**June 30, 2020**	December 31, 2019
RSUs and DSUs		
Balance, beginning of period	**390,774**	302,295
RSUs and DSUs granted	**405,927**	270,038
RSUs and DSUs released	**(73,104)**	(113,496)
RSUs and DSUs forfeited	**(11,691)**	(68,063)
Balance, end of period	**711,906**	390,774

Issuance of Warrants

As at June 30, 2020, there were 26,480,333 warrants outstanding (each warrant entitles the holder to acquire 0.05 common shares in the capital of the Company) at a weighted average exercise price of $4.27 per common share.

For the period ended	June 30, 2020	December 31, 2019
Share purchase warrants		
Balance, beginning of period	**17,730,333**	2,822,000
Warrants granted	**10,650,000**	14,908,333
Warrants expired	**(1,900,000)**	—
Balance, end of period	**26,480,333**	17,730,333
Exercisable, end of period	**25,558,333**	16,808,333

Issuance of Stock Options

As at June 30, 2020, there were a total of 45,850 options outstanding to purchase an equivalent number of common shares, with a weighted average exercise price of $8.12, expiring at various dates through 2021. The number of exercisable options at June 30, 2020, was 34,638 with a weighted average exercise price of $8.03.

For the period ended	June 30, 2020	December 31, 2019
Common share options		
Balance, beginning of period	**83,500**	91,938
Options expired	**(34,250)**	(7,438)
Options cancelled/forfeited	**(3,400)**	(1,000)
Balance, end of period	**45,850**	83,500
Exercisable, end of period	**34,638**	71,750

Should all outstanding options and warrants that were exercisable at June 30, 2020 be exercised, the Company would receive proceeds of $5.7 million.

As at the date of this report, August 13, 2020, the number of shares outstanding, including escrowed shares, is 24,680,440; the number of options outstanding is 45,850; the number of restricted share units and deferred share units outstanding is 725,139; and the number of warrants outstanding is 23,202,833 (23,030,333 warrants entitle the holder to acquire 0.05 common shares each in the capital of the Company and 172,500 warrants entitle the holder to acquire one common share each in the capital of the Company). Included in the shares outstanding are 202,712 restricted shares, shares held in escrow, or in trust, and are not freely tradeable.

Transactions with Related Parties

In the normal course of operations, the Company may enter into certain related party transactions, which may include transactions entered into with the Company's directors and management. All related party transactions would be for consideration established with the related parties, generally on market terms, and approved by the independent non-executive directors of the Company.

Certain directors help manage funds that own the Convertible Debentures, Ewing Convertible Debentures and common shares of the Company, and that provided the Yorkville Facility.[4]

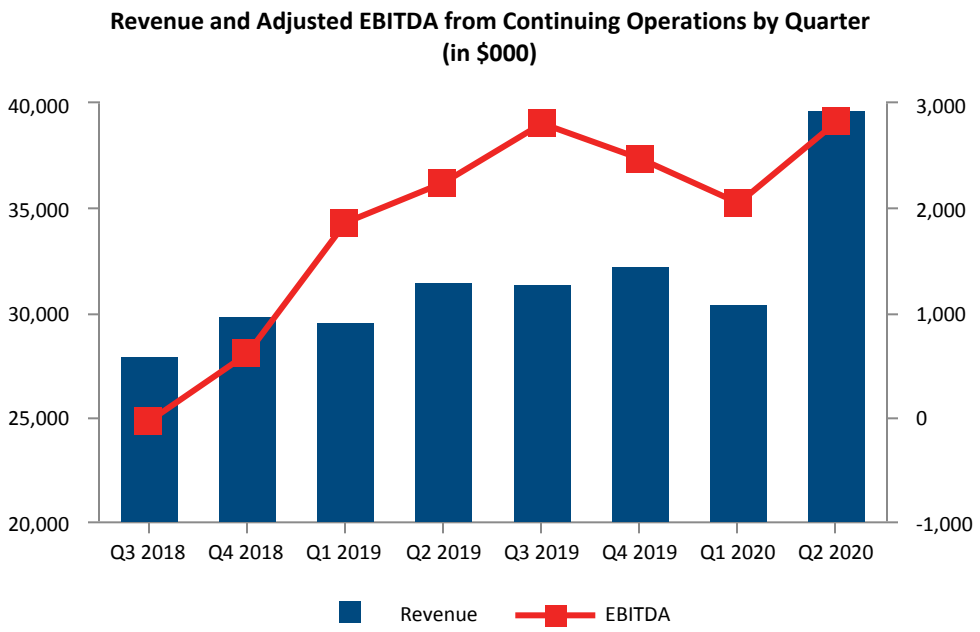
[4] *See Liquidity and Capital Resources - Yorkville Facility*

Following the closing of the Remedy's acquisition, the former majority owner of Remedy's became a significant shareholder and director of the Company. This director holds the vendor take-back note and holds title to the proceeds of any deferred consideration and contingent consideration. During the three and six month periods ended June 30, 2020 and 2019, the Company incurred $0.3 million (2019 - nil) in relation to transition, management and support services provided by one of the director's corporations. These amounts were recognized in trade payables and other liabilities as at June 30, 2020. As at June 30, 2020, $0.4 million (December 31, 2019 - nil) was receivable from certain other affiliates of the former owners of Remedy's in relation to expenditures incurred by the Company that are reimbursable by the vendors in accordance with the Remedy's purchase agreement.

Summary of Quarterly Results

(thousands of Canadian Dollars)	Q2 2020 $	Q1 2020 $	Q4 2019 $	Q3 2019 $
Revenue from continuing operations	39,749	30,426	32,206	31,397
Adjusted EBITDA from continuing operations	2,825	2,045	2,470	2,807
Adjusted EBITDA per share from continuing operations:				
Basic	$0.15	$0.14	$0.20	$0.26
Diluted	$0.15	$0.08	$0.20	$0.26
Net income (loss) from continuing operations	(14,148)	5,393	(35,275)	(2,601)
Earnings (loss) per share from continuing operations:				
Basic	($0.74)	$0.37	($2.90)	($0.24)
Diluted	($0.74)	$0.22	($2.90)	($0.24)
Adjusted EBITDA	2,825	2,045	3,313	2,690
Adjusted EBITDA per share:				
Basic	$0.15	$0.14	$0.27	$0.25
Diluted	$0.15	$0.08	$0.27	$0.25
Net income (loss)	(14,148)	5,314	(18,939)	(3,501)
Earnings (loss) per share:				
Basic	($0.74)	$0.37	($1.55)	($0.33)
Diluted	($0.74)	$0.21	($1.55)	($0.33)

	Q2 2019 $	Q1 2019 $	Q4 2018 $	Q3 2018 $
Revenue from continuing operations	31,490	29,533	29,854	27,922
Adjusted EBITDA from continuing operations	2,242	1,859	604	(42)
Adjusted EBITDA per share from continuing operations:				
Basic and diluted	$0.21	$0.18	$0.06	$0.00
Net loss from continuing operations	(1,519)	(6,282)	(8,766)	(3,749)
Loss per share from continuing operations:				
Basic and diluted	($0.14)	($0.60)	($0.86)	($0.37)
Adjusted EBITDA	3,548	3,140	1,944	1,551
Adjusted EBITDA per share:				
Basic and diluted	$0.34	$0.30	$0.19	$0.15
Net loss	(1,596)	(5,271)	(8,072)	(2,901)
Loss per share:				
Basic and diluted	($0.16)	($0.50)	($0.79)	($0.29)



In the third quarter of 2018, the Company's revenue and Adjusted EBITDA was impacted by the regulatory changes in Alberta and nationally, which resulted in reductions to fee revenues earned in Alberta and the reduction in the prices of nearly 70 of the most commonly prescribed drugs in Canada, which were reduced by 25% to 40%, resulting in overall discounts of up to 90% off the price of their brand-name equivalent.

In the fourth quarter of 2018, the Company achieved quarter-over-quarter growth in revenue and Adjusted EBITDA as a result of cost savings and incremental revenues achieved through the Business Re-Engineering Plan as well as additional beds serviced during the quarter. This quarter-over-quarter growth in Adjusted EBITDA continued in the first, second and third quarters of 2019 as the number of beds serviced continued to increase and the full impact of cost savings measures from the Business Re-Engineering Plan were realized, in addition to the impact of the adoption of IFRS 16 in the first quarter of 2019.

In the fourth quarter of 2019, the Company achieved quarter-over-quarter growth in revenue as the number of beds serviced continued to increase. Despite this increase in revenue, the Company experienced a slight decline in quarter-over-quarter Adjusted EBITDA in the fourth quarter of 2019 as result of transition costs associated with the newly onboarded homes and a slight change in the composition of beds serviced, as funding models vary by geography and between types of beds such as long-term care and retirement.

Beginning in the first quarter of 2020, the Company's revenue and Adjusted EBITDA were impacted by the regulatory changes in Ontario, where the existing fee-for-service funding model for long-term care pharmacies was replaced with a capitation model whereby pharmacy service providers receive a fixed professional fee for all pharmacy services provided to residents in long-term care homes.

In the second quarter of 2020, the Company's revenue and Adjusted EBITDA increased compared to the previous quarter as a result of the Remedy's acquisition. In the less than two months following the acquisition, the Remedy's business contributed $9.5 million and $0.7 million of revenue and Adjusted EBITDA, respectively in the second quarter of 2020. The revenue growth in the quarter was partially offset by a slight temporary reduction in the average number of beds serviced as a result of COVID-19. Additionally, cost saving initiatives that were initiated throughout the first quarter in response to the regulatory changes in Ontario further offset the impact of the ODBA amendments on Adjusted EBITDA.

Disclosure Controls and Procedures and Internal Control Over Financial Reporting

The Chief Executive Officer and the Chief Financial Officer (collectively the “Certifying Officers”) are responsible for establishing and maintaining disclosure controls and procedures (“DC&P”) and internal control over financial reporting (“ICFR”), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuer's Annual and Interim Filings* ("NI 52-109"), for the Company.

As permitted by the provisions of NI 52-109, the Certifying Officers have limited the scope of their design of the Company’s DC&P and ICFR to exclude the controls, policies and procedures of the Remedy’s business, which was acquired on May 7, 2020. The assessment of the design effectiveness of the acquired business' DC&P and harmonization of ICFR is expected to be completed no later than the first quarter of 2021.

Since the acquisition date, for the three and six month periods ended June 30, 2020 the Remedy's business contributed approximately 23.9% and 13.6%, respectively, of consolidated revenues, and $0.5 million of net income for the three and six month periods ended June 30, 2020 within consolidated net loss on the consolidated statement of income and comprehensive income. In addition, as at June 30, 2020, for the consolidated statement of financial position, Remedy's constitutes 21.0% of total current assets, 33.6% of total assets, 21.7% of total current liabilities and 8.5% of total liabilities.

DC&P have been designed to ensure that information required to be disclosed by the Company is accumulated and communicated to the Company's management as appropriate to allow timely decisions regarding required disclosure.

It should be noted that while the Company's Certifying Officers believe that the Company's DC&P provides a reasonable level of assurance that they are effective, they do not expect that the disclosure controls will prevent all errors and fraud. A control system, no matter how well conceived or operated, can only provide reasonable, not absolute, assurance that the objectives of the control system are met.

The Company used the COSO 2013 control framework to design their ICFR.

ICFR is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external reporting purposes in line with IFRS. Management is responsible for establishing and maintaining adequate ICFR appropriate to the nature and size of the Company. However, any system of ICFR has inherent limitations and can only provide reasonable assurance with respect to financial statement preparation and presentation.

There have been no significant changes to the Company's ICFR for the second quarter of 2020 that materially affected, or are reasonably likely to materially affect, the Company's ICFR.

Critical Accounting Policies and Estimates

Critical Accounting Policies

The unaudited condensed interim consolidated financial statements have been prepared in accordance with IFRS and its interpretations as issued by the IASB that are effective for the year ended December 31, 2020.

The Company's significant accounting policies are summarized in detail in note 2 of the unaudited condensed interim consolidated financial statements for the three and six month periods ended June 30, 2020 and 2019. No significant changes in accounting policies have occurred.

Critical Accounting Estimates and Judgments

The Company describes its critical accounting estimates and judgements as well as any changes in accounting estimates and judgement in note 2 of the unaudited condensed interim consolidated financial statements for the three and six month periods ended June 30, 2020 and 2019.

Risks and Uncertainties

The business of CareRx is subject to a number of risks and uncertainties. Prior to making any investment decision regarding the Company, investors should carefully consider, among other things the risks described herein (including the section on caution regarding forward looking statements).

Government Regulation and Funding

The Company's core business is focused on the provision of specialty pharmacy services to Canadian seniors. The Company is reliant on prescription drug sales for a significant portion of its sales and profits. Prescription drugs and their sales are subject to numerous federal, provincial, territorial and local laws and regulations. Changes to these laws and regulations, or non-compliance with these laws and regulations, could adversely affect the reputation, operations or financial performance of the Company.

Federal and provincial laws and regulations that establish public drug plans typically regulate prescription drug coverage, patient eligibility, pharmacy reimbursement, drug product eligibility and drug pricing and may also regulate manufacturer allowance funding that is provided to or received by pharmacy or pharmacy suppliers. With respect to pharmacy reimbursement, such laws and regulations typically regulate the allowable drug cost of a prescription drug product, the permitted mark-up on a prescription drug product, the professional or dispensing fees that may be charged on prescription drug sales to patients eligible under the public drug plan, the frequency in which such professional or dispensing fees may be charged, the co-payments that may be charged to a patient, and other clinical billings that pharmacists may be entitled to charge. With respect to drug product eligibility, such laws and regulations typically regulate the requirements for listing the manufacturer’s products as a benefit or partial benefit under the applicable governmental drug plan, drug pricing and, in the case of generic prescription drug products, the requirements for designating the product as interchangeable with a branded prescription drug product. In addition, other federal, provincial, territorial and local laws and regulations govern the approval, packaging, labeling, sale, marketing, advertising, handling, storage, distribution, dispensing and disposal of prescription drugs.

Sales of prescription drugs, pharmacy reimbursement and drug prices may be affected by changes to the health care industry, including legislative or other changes that impact patient eligibility, drug product eligibility, dispensing and other fees, the allowable cost of a prescription drug product, the mark-up permitted on a prescription drug product, the amount of professional or dispensing fees paid by third-party payers or the provision or receipt of manufacturer allowances by pharmacy and pharmacy suppliers.

The majority of prescription drug sales are reimbursed or paid by third-party payers, such as governments, insurers or employers. These third-party payers have pursued and continue to pursue measures to manage the costs of their drug plans. Each provincial jurisdiction has implemented legislative and/or other measures directed towards managing pharmacy service costs and controlling increasing drug costs incurred by public drug plans and private payers which impact pharmacy reimbursement levels and the availability of manufacturer allowances. Legislative measures to control drug costs include lowering of generic drug pricing, restricting or prohibiting the provision of manufacturer allowances and placing limitations on private label prescription drug products.

Recently, on January 1, 2020, certain amendments to the regulation under the ODBA amending O. Reg. 201/9 came into effect (the “ODBA Amendments”). Notably, the ODBA Amendments removed the payment of a dispensing fee for drug products supplied for a long-term care home resident in Ontario by a pharmacy service provider and instead imposed a capitation model where pharmacy service providers now receive a professional fee for all pharmacy services provided to the long-term care home that is based on the number of beds in the home. The fee is $1,500 dollars per bed per year in 2019-2020 and 2020-2021, decreasing to $1,400 dollars in 2021-2022, $1,300 dollars in 2022-2023 and $1,200 dollars in 2023-2024 (with all years above referring to the Government's fiscal year from April 1 to March 31). In addition, the $2 dollar per prescription co-payments for residents of long-term care homes was also removed and long-term care pharmacies are now precluded from billing other forms of clinical billings, such as MedsChecks. The ODBA Amendments also had an effect on the Company's non-long-term care operations in Ontario as the ODBA Amendments included a percentage deduction from the sum of the dispensing fee and mark-up for all drug claims depending on the price of the drug, with a reconciliation adjustment in the event that the Ontario Ministry of Health achieves certain desired savings. The Company has taken, and continues to take a number of actions to offset the impact of the ODBA Amendments. After considering these actions, the Company estimates the ODBA Amendments to have an annualized net impact to Adjusted EBITDA of $1.5 million in 2020 compared to 2019. These changes, as well as other ongoing

changes impacting pharmacy reimbursement programs, prescription drug pricing and manufacturer allowance funding, legislative or otherwise, are expected to continue to put downward pressure on prescription drug sales and payments relating thereto. These changes may have a material adverse impact on the Company's business, sales and profitability.

Uncertainty of Liquidity and Capital Requirements

Given the Company's cash balance, together with its potential sources of funding and working capital needs (including, for greater certainty, any integration costs related to the Remedy's acquisition), the Company believes it has sufficient cash to fund its operations and contractual payment obligations for the next 12 months. This expectation reflects certain assumptions of management, including, among other things, (i) conservative growth estimates in respect of the Company's revenues; (ii) that the Company will be able to generate positive cash flow from operations over this period given the absence of certain non-recurring operating costs (including those in respect of the Remedy's acquisition and other transaction related costs); (iii) the ability of the Company to generate expected synergies in connection with the Remedy's acquisition (including but not limited to, cost reductions in respect of corporate overhead, shared services, labour and the integration of the pharmacies acquired in the Remedy's acquisition); (iv) that certain deferred consideration payable in respect of the Remedy's acquisition will only be satisfied in cash if sufficient debt or equity financing is available to fund such payment; (v) the sale of certain non-operating assets; and (vi) anticipated levels of capital expenditures, debt service payments and transaction related costs expected to be incurred over the next 12 months. The Company notes as well that many of these assumptions are derived from decisions ultimately within the Company's control, including as to the timing and amount of certain discretionary capital expenditures, its ability to pay-in-kind certain interest amounts owing under certain of its indebtedness and its ability to defer certain transaction related costs and programs to the extent required to ensure sufficient cash on hand to fund its ongoing obligations.

Notwithstanding the foregoing, the future capital requirements of the Company will depend on many factors, including the number and size of acquisitions consummated, rate of growth of its client base, the costs of expanding into new markets, the growth of the market for pharmacy services, the costs of administration and its debt servicing obligations. In order to meet such capital requirements, the Company may consider additional public or private financing (including the incurrence of debt and the issuance of additional common or preferred shares or other securities exchangeable for or convertible into common shares) to fund its working capital needs or all or a part of a particular venture or in connection with acquisitions, which could entail dilution of current investors' interest in the Company. There can be no assurance that additional funding will be available or, if available, that it will be available on acceptable terms. If adequate funds are not available, the Company may have to reduce substantially or otherwise eliminate certain expenditures. There can be no assurance that the Company will be able to raise additional capital if its capital resources are depleted or exhausted.

Further, due to regulatory impediments, a lack of investor demand or market conditions beyond its control, the ability of the Company to issue additional common shares or other securities exchangeable for or convertible into common shares may be restricted.

The Company currently has the Crown Capital Facility and the Yorkville Facility, as well as the Convertible Debentures and Ewing Convertible Debentures, pursuant to which it is subject to a number of customary affirmative and negative financial covenants. These include, but are not limited to, requirements to comply with certain financial covenants, restrictions on incurring additional indebtedness, paying dividends or other distributions, making certain investments/acquisitions, selling assets of the Company, and making regularly scheduled interest payments on the Company's subordinated indebtedness unless the Company has sufficient liquidity to do so.

In addition, the Company's borrowings under the Crown Capital Facility and the Yorkville Facility are collateralized by substantially all of the Company's assets. In the event of a default, including, among other things, a failure to make any payment when due or non-observance of any term of the agreements, all of the Company's obligations may immediately become due and payable, and the lenders would also be entitled to realize on their security and liquidate the assets of the Company. If the Company's lenders accelerate the repayment of borrowings, the Company cannot assure that it will have sufficient assets to repay the amounts outstanding, which could have a material adverse effect on the Company's business, financial condition and results of operations.

Management has offset the impact of previous regulatory changes through a focus on re-engineering the businesses to achieve operational efficiencies through work flow improvements, enhanced labour models, expanding service and product offerings, identifying other revenue generating opportunities and utilization of technology for automating processes. In the event these initiatives, combined with continued organic and acquisition-related growth and management of

working capital, do not generate sufficient cash flow from operations to meet its obligations as they come due, the Company may need to generate funds from other sources of financing or other strategic alternatives.

Cash Flow to Service Debt

As at June 30, 2020, the Company had approximately $74.2 million of outstanding indebtedness. The Company currently estimates its debt service for the next 12 months under the Crown Capital Facility, Yorkville Facility, Convertible Debentures and Ewing Convertible Debentures will be approximately $7.4 million, including required principal and interest payments. The Company's substantial debt servicing costs could have significant adverse consequences on the Company and its business, including: requiring a substantial portion of its cash flows to be dedicated to the payment of principal and interest on its indebtedness, therefore reducing its ability to use cash flows to fund its operations, capital expenditures and potential future business opportunities; making it more difficult for the Company to make payments on its indebtedness, which could result in an event of default under the Crown Capital Facility, Yorkville Facility, Convertible Debentures or Ewing Convertible Debentures; limiting its ability to obtain additional financing; reducing the Company's flexibility in planning for, or reacting to, changes in its operations or business; prohibiting the Company from making strategic acquisitions, introducing new technologies or exploiting business opportunities; placing the Company at a competitive disadvantage as compared to its less-highly-leveraged competitors; and negatively affecting the Company's ability to renew key customer contracts. For additional information on the Company's outstanding long-term debt, see "Liquidity and Capital Resources".

Exposure to Epidemic or Pandemic Outbreak

As CareRx's businesses are focused on healthcare, its employees and/or facilities could be affected by an epidemic or pandemic outbreak (including COVID-19), either within a facility or within the communities in which the Company operates.

During the six month period ended June 30, 2020, the COVID-19 pandemic began, causing significant financial market disruption and social dislocation. The situation is dynamic with various cities and countries around the world responding in different ways to address the outbreak.

Pharmacies remain an essential service and are expected to continue to operate during the pandemic. To date, there have been minimal disruptions in supply chains and the Company has been able to procure medications and personal protective equipment in a timely manner. As well, the Company's pharmacy fulfillment centres have not been materially impacted as a result of staff shortages or have closed due to staff becoming infected. However, if the COVID-19 pandemic worsens, it is possible that medication supply could become disrupted or that pharmacies could be required to close if staff members become ill or there are otherwise staffing shortages.

Some of the Company's clinical services billings have been reduced as a result of limitations to its clinical pharmacists being able to visit residents in seniors homes. In addition, COVID-19 outbreaks have been prevalent in seniors homes across Canada, and in long-term care homes in particular. To the extent that residents that are being served by the Company in seniors homes become ill and are removed from the homes, or that occupancy at seniors homes is reduced due to concerns over COVID-19, revenue and the number of beds serviced may be impacted. To date, the Company has realized a slight decline in residents serviced as a result of COVID-19. To date, the loss of revenue and gross profit from the reduction of residents serviced has been offset from cost savings from labour and other COVID-19 related savings, including travel and entertainment, office costs, marketing and promotion and other similar items. While the Company expects to be able to continue to offset any COVID-19 related revenue declines, to the extent that it cannot offset these declines, its financial position could be adversely affected.

The COVID-19 pandemic has also caused certain seniors home operators to delay Requests for Proposals for bidding on new contracts given concerns about switching pharmacy providers during a pandemic, which may affect the Company's outlook.

The Company has developed protocols and procedures should they be required to deal with any potential epidemics and pandemics, and has put these protocols and procedures in place to address the current COVID-19 pandemic. Despite appropriate steps being taken to mitigate such risks, and the fact that the Company's business is an essential service and its largest payers are the provincial governments, the duration and the extent of the effect of the COVID-19 pandemic on the Company's activities is uncertain. There can be no assurance that these policies and procedures and the nature of the Company's business will ensure that the Company will not be adversely affected. There may be uncertainty about judgments, estimates and assumptions made by management during the preparation of the Company's unaudited condensed interim consolidated financial statements

related to potential impacts of the COVID-19 outbreak on revenue, expenses, assets, liabilities, and note disclosures and any changes to these judgments, estimates and assumptions could result in a material adjustment to the carrying value of the asset or liability affected.

Additionally, the COVID-19 pandemic could result in a widespread health crisis or social unrest that could adversely affect the economies and financial markets of many regions and countries. International stock markets have reflected the uncertainty associated with the potential economic impact of the outbreak and the significant declines in the TSX Composite Index and other major indices around the world has largely been attributed to the effects of COVID-19. There can be no assurance that a disruption in financial markets, regional economies and the world economy would not negatively affect CareRx's access to capital or the financial performance of the Company.

Reliance on Contracts with Key Customers

Revenues attributable to the Company's businesses are dependent upon certain significant customers. There can be no assurance that the Company's contracts with its key customers will be renewed or that the Company's services will continue to be utilized by those key customers. There could be material adverse effects on the businesses of the Company if a key customer does not renew its contracts with the Company, or elects to terminate its contracts with the Company in favour of another service provider. Further, there is no assurance that any new agreement or renewal entered into by the Company with its customers will have terms similar to those contained in current arrangements, and the failure to obtain those terms could have an adverse effect on the Company's businesses.

Supply Chain

The Company sources the majority of its pharmaceutical products from a single supplier. Therefore, the Company's distribution operations and supply chain are exposed to potential disruptions, including those caused by an epidemic or pandemic, which could affect the cost and timely delivery of pharmaceutical products. While the Company has made provision for any disruption of service, any disruption, even if temporary, could negatively affect the Company's sales and financial performance. In addition, the Company has established certain credit terms and limits with its suppliers. Any unforeseen change in the nature of these credit terms could have a negative impact on the Company's operations.

Litigation and Insurance Cover

Subsequent to quarter-end, the Company received the outcome of a confidential arbitration that had been ongoing with the vendors of one of its historical acquisitions in relation to the non-payment of a disputed earnout. The arbitrator sided with the vendors and awarded them $4.2 million. The Company is currently evaluating its options in respect of the decision.

From time to time the Company is involved in litigation, investigations or proceedings related to claims arising out of its operations in the ordinary course of business. In the opinion of the Company, these claims and lawsuits in the aggregate, when settled, are not expected to have a material impact on the Company's financial position. However, to the extent that management's assessment of the Company's exposure in respect of such matters is either incorrect or changes as a result of any determinations made by judges or other finders of fact, or requires any significant one-time payments of cash, the Company's exposure could exceed current expectations, which could have a material adverse effect on its financial position, results of operations or cash flows.

The Company makes acquisitions of various sizes that may involve consideration to vendors in the form of cash and securities of the Company, as well as adjustment for contingent consideration that may take the form of price protection, earn-outs or performance rewards over a period of time. Contestation through litigation by vendors at a future date of actual, or applicable, entitlements under the negotiated agreements can happen, and may result in liabilities and contingencies to the Company or strained working relationships with vendors turned key employees in connection with the acquisition. The Company also completes divestitures of various sizes and the Company may from time-to-time be a party to a dispute relating to the transaction, which could result in liabilities and/or contingencies to the Company.

In recent years, liability insurance coverage has become considerably more expensive and the availability of coverage has been reduced in certain cases. There is no assurance that the existing coverage will continue to be sufficient or that, in the future, policies will be available at adequate levels of insurance or at acceptable costs. The Company maintains professional malpractice liability insurance, directors' and officers' and general liability insurance in amounts it believes are sufficient to cover potential claims arising out of its operations. Some claims, however, could exceed the scope of its coverage or the coverage of particular claims could be denied.

Due to the nature of the pharmacy services provided by the Company, general liability, error and omissions claims and malpractice claims, amongst other types of claims, may be commenced against the Company. Although the Company carries insurance in amounts that management believes to be customary, there can be no assurance that the Company will have coverage of sufficient scope to satisfy any particular liability claim. The Company believes that it will be able to obtain adequate insurance coverage in the future at acceptable costs, but there can be no assurance that it will be able to do so or that it will not incur significant liabilities in excess of policy limits. Any such claims that exceed the scope of coverage or applicable policy limits, or an inability to obtain adequate coverage, could have a material adverse effect on the Company's business, financial condition and results of operations.

Dilution

The Company's by-laws authorize the Company, in certain circumstances, to issue an unlimited number of shares for the consideration and on those terms and conditions as are established by the Board without the approval of the Shareholders, who have no pre-emptive rights in connection with such issuances. In addition, the Company has, and may continue in the future, to issue common shares or warrants in connection with acquisitions and customer or supplier arrangements to better align the interests of certain stakeholders with that of the Company. In the event that the Company proposes to issue additional common shares or securities convertible into common shares, certain significant shareholders of the Company have pre-emptive rights that enable them to subscribe for securities of the Company in order to maintain their pro rata ownership, which could further increase dilution. Any further issuance of shares may dilute the interests of existing shareholders.

Competition

The markets for CareRx's products and services are intensely competitive, subject to rapid change and significantly affected by market activities of other industry participants. Other than relationships the Company has built up with healthcare providers, retirement homes and long-term care homes and patients, there is little to prevent the entrance of those wishing to provide similar services to those provided by CareRx and its subsidiaries. Competitors with greater capital and/or experience may enter the market and outcompete CareRx. There can be no assurance that CareRx will be able to compete effectively for business with existing competitors.

Increased Costs of a Change of Control

Certain provisions of the Ewing Convertible Debentures issued to Ewing Morris could make it more difficult or more expensive for a third party to acquire the Company. For example, if a change of control were to occur or the Company were to sell all or substantially all of its assets, holders of the Ewing Convertible Debentures have the right to redeem their Ewing Convertible Debentures at certain premiums to their liquidation preference. In addition, the holder of the Ewing Convertible Debentures has the right to force an acquirer of the Company to maintain the Ewing Convertible Debentures in the capital structure of the resulting entity in certain circumstances. These features of the Ewing Convertible Debentures could increase the cost of acquiring the Company or otherwise discourage a third party from acquiring it.

Acquisitions and Integration

The Company has and continues to expect to make acquisitions of various sizes as part of its stated strategy to become the consolidator of the seniors pharmacy space in Canada, including the recently completed Remedy's acquisition. There is no assurance that it will be able to acquire businesses on satisfactory terms or at all. These acquisitions will involve the commitment of capital and other resources, and these acquisitions could have a major financial impact in the year of acquisition and beyond. The speed and effectiveness with which CareRx integrates these acquired companies into its existing businesses and the upfront capital that may be required to realize any synergies may have a significant short-term impact on CareRx's ability to achieve its growth and profitability targets.

The successful integration and management of acquired businesses involves numerous risks that could adversely affect CareRx's growth and profitability, including that:

(a) Management may not be able to manage the acquired operations successfully and the integration may place significant demands on management, thereby diverting its attention from existing operations;

(b) Operational, financial and management systems may be incompatible with or inadequate to integrate into CareRx's systems and management may not be able to utilize acquired systems effectively;

(c) Acquisitions may require substantial financial resources that could otherwise be used in the development of other aspects of the business;

(d) Expected synergies in support of an acquisition model may not be fully realized as anticipated;

(e) Acquisitions may result in liabilities and contingencies which could be significant to the Company's operations; and

(f) Personnel from CareRx's acquisitions and its existing businesses may not be integrated as efficiently or at the rate foreseen.

Co-Payment Risk

While the Company derives most of its revenues from provincial drug plans and other third party insurers that are relatively secure, a portion of its revenues are derived from its patients in the form of co-payments. To the extent that the Company's customers are not able to make co-payments on a large scale or is otherwise required to waive or reduce co-payments, the Company's financial condition could be affected.

Information Technology Systems

CareRx's business depends on the continued and uninterrupted performance of its information technology systems. Sustained system failures or interruptions could disrupt the Company's ability to operate effectively, which in turn could adversely affect its business, results of operations and financial condition.

The Company's computer systems may be vulnerable to damage from a variety of sources, including physical or electronic break-ins, computer viruses and similar disruptive problems. Like other companies, the Company is subject to phishing, spear-phishing and other attempts to circumvent the Company's firewalls from time-to-time. The objective of these campaigns is often to gain unauthorized access to confidential information, infect host computers with malware or ransomware where the hacker attempts to extort a payment from targets, or attempt to solicit unauthorized payments by pretending to be individuals with a high level of authority within the Company. Despite precautions taken, unanticipated problems affecting the information technology systems could cause interruptions for which CareRx's insurance policies may not provide adequate compensation.

Confidentiality of Personal and Health Information

CareRx and its subsidiaries' employees have access, in the course of their duties, to personal information of clients of the Company and specifically their medical histories. There can be no assurance that the Company's existing policies, procedures and systems will be sufficient to address the privacy concerns of existing and future clients. In addition, data breaches through unauthorized access or inadvertent disclosure could result in the unintended publication or release of personal information. If a client's privacy is violated, or if CareRx is found to have violated any law or regulation, it could be liable for damages or for criminal fines or penalties, as well as significant reputational damage.

Key Personnel

The Company believes that its future success will depend significantly upon its ability to attract, motivate and retain highly skilled executive management. In addition, the success of the Company depends on employing or contracting, as the case may be, qualified healthcare professionals. The loss of highly skilled executives and healthcare professionals or the inability to recruit these individuals in markets that the Company operates in could adversely affect the Company's ability to operate its business efficiently and profitably.

Accounting, Tax and Legal Rules and Laws

Any changes to accounting, legal and/or tax standards and pronouncements introduced by authorized bodies may impact on the Company's financial performance. Additionally, changes to any of the federal and provincial laws, regulations or policies in jurisdictions where the Company operates could materially affect the Company's operations and its financial performance. The Company may also incur significant costs in order to comply with any proposed changes. Further, the Company may take positions with respect to the interpretation of accounting, tax and legal rules and laws that may be different than the interpretation taken by applicable regulatory authorities. Although the Company believes that its provision for its legal and tax liabilities is reasonable, determining this provision requires significant judgment and the ultimate outcome may differ from the amounts recorded in its financial statements and may materially affect its financial results in the period or periods for which such determination is made. The Company's failure to comply with laws, regulations or policies may expose the Company to legal or regulatory proceedings which could have a material impact on the Company's financial performance.

Internal Control over Financial Reporting and Disclosure Controls and Procedures

The Company may face risks if there are deficiencies in its internal control over financial reporting and disclosure controls and procedures. Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external reporting purposes. Management is responsible for establishing and maintaining adequate internal controls over financial reporting appropriate to the nature and size of the Company.

The Board, in conjunction with its Audit Committee, is responsible for assessing the progress and sufficiency

of internal controls over financial reporting and disclosure controls and procedures and will make adjustments as necessary. However, these initiatives may not be effective at remedying any deficiencies in internal control over financial reporting and disclosure controls and procedures. Any deficiencies, if uncorrected, could result in the Company's financial statements being inaccurate and in future adjustments or restatements of its financial statements, which could adversely affect the price of the shares and CareRx's business, financial condition and results of operations.

Capital Investment

The timing and amount of capital expenditures by the Company will be dependent upon the Company's ability to utilize credit facilities, raise new debt, generate cash from operations, meet working capital requirements and sell additional securities in order to accommodate these items. There can be no assurance that sufficient capital will be available on acceptable terms to the Company for necessary or desirable capital expenditures or that the amount required will be the same as currently estimated. Lack of these funds could limit the future growth of the Company and its subsidiaries and their respective cash flows.

Significant Shareholders

There are significant shareholders of the Company that may be long-term holders of the common shares in the Company. This has the effect of reducing the public float for the common shares, which may, in turn, impact the liquidity for the shares. In addition, relatively low liquidity may adversely affect the price at which the common shares of the Company trade on the listed market. Significant shareholders may also be able to exercise significant influence over any matter requiring shareholder approval in the future. Certain existing shareholders of the Company also have certain rights that other shareholders do not have, including Board nomination rights, pre-emptive rights and registration rights.

Ethical Business Conduct

The Company has established policies and procedures, including a Code of Business Conduct and Whistle Blower Policy, to support a culture with high ethical standards. However, there is no guarantee that the Company's personnel will adhere to these policies and procedures. A violation of law, the breach of Company policies or unethical behaviour may impact the Company's reputation, which in turn could negatively affect the Company's financial performance.

Volatile Market Price for Securities of the Company

The market price for securities may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control, including:

i actual or anticipated fluctuations in the Company's quarterly results of operations;

ii changes in estimates of future results of operations by the Company or securities research analysts;

iii changes in the economic performance or market valuations of other companies that investors deem comparable to the Company;

iv addition or departure of the Company's executive officers and other key personnel;

v release or other transfer restrictions on outstanding securities;

vi sales or perceived sales of additional securities;

vii significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Company or its competitors; and,

viii news reports relating to trends, concerns or competitive developments, regulatory changes and other related issues in the Company's industry or target markets.

Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of securities of companies and that have, in many cases, been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the securities of the Company may decline even if the operating results, underlying asset values or prospects have not changed.

Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. As well, certain institutional investors may base their investment decisions on consideration of the Company's environmental, governance and social practices and performance against such institutions' respective investment guidelines and criteria, and failure to meet such criteria may result in a limited or no investment in the Company's securities by those institutions, which could adversely affect the trading price of the Company's securities. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility continue, the Company's operations and the

trading price of the Company's securities may be adversely affected.

The Company Needs to Comply with Financial Reporting and Other Requirements as a Public Company

The Company is subject to reporting and other obligations under applicable Canadian securities laws and TSX rules, including National Instrument 52-109. These reporting and other obligations place significant demands on the Company's management, administrative, operational and accounting resources. Moreover, any failure to maintain effective internal controls could cause the Company to fail to meet its reporting obligations or result in material misstatements in its consolidated financial statements. If the Company cannot provide reliable financial reports or prevent fraud, its reputation and operating results could be materially harmed, which could also cause investors to lose confidence in the Company's reported financial information, which could result in a lower trading price of its securities.

Management does not expect that Company's disclosure controls and procedures and internal controls over financial reporting will prevent all errors and all fraud. A control system, no matter how well designed and implemented, can provide only reasonable, not absolute, assurance that its objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues within a company are detected. The inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of some persons, by collusion of two or more people or by management override of the controls. Due to the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Future Sales of the Company's Securities by Directors and Executive Officers

Subject to compliance with applicable securities laws, directors and executive officers and their affiliates may sell some or all of their securities in the Company in the future. No prediction can be made as to the effect, if any, such future sales will have on the market price of the Company's securities prevailing from time to time. However, the future sale of a substantial number of securities by the Company's directors and executive officers and their controlled entities, or the perception that such sales could occur, could adversely affect prevailing market prices for the Company's securities.

Directors and Officers May Have Conflicts of Interest

Certain of the directors and officers of the Company may also serve as directors and/or officers of other companies, while other directors serve as nominees of certain significant shareholders of the Company, including those who hold subordinated indebtedness of the Company and who's interests may not be entirely aligned with those of common shareholders. Consequently, there exists the possibility for such directors and officers to be in a position of conflict. Any decision made by any of such directors and officers involving the Company are being made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Company.

Third Party Service Providers

The Company is reliant upon third-party service providers in respect of certain of its operations. It is possible that negative events affecting these third-party service providers, or any negligence or failure to perform the services as contemplated, could, in turn, negatively impact the Company. In order to minimize operating risks, the Company actively monitors and manages its relationships with its third-party service providers.

Reconciliation of Non-IFRS Measures

This MD&A includes certain measures which have not been prepared in accordance with IFRS such as EBITDA, Adjusted EBITDA and Adjusted EBITDA per share. These non-IFRS measures are not recognized under IFRS and, accordingly, users are cautioned that these measures should not be construed as alternatives to net income determined in accordance with IFRS. The non-IFRS measures presented are unlikely to be comparable to similar measures presented by other issuers.

EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin and Adjusted EBITDA Per Share

The Company defines EBITDA as earnings before depreciation and amortization, finance (income) costs, net, and income tax expense (recovery). Adjusted EBITDA is defined as EBITDA before transaction and restructuring costs, change in fair value of contingent consideration liability, impairments, change in fair value of derivative financial instruments, gain on disposal of property and equipment and stock based compensation expense. Adjusted EBITDA Margin is defined as Adjusted EBITDA divided by revenue. Adjusted EBITDA per share is defined as Adjusted EBITDA divided by the weighted average outstanding shares on both a basic and diluted basis. The Company believes that Adjusted EBITDA is a meaningful financial metric as it measures cash generated from operations which the Company can use to fund working capital requirements, service interest and principal debt repayments and fund future growth initiatives. The Company's agreements with lenders are structured with certain financial performance covenants which includes Adjusted EBITDA as a key component of the covenant calculations. EBITDA and Adjusted EBITDA are not recognized measures under IFRS.

	For the three month periods ended June 30,		**For the six month periods ended June 30,**	
	2020	2019	**2020**	2019
(thousands of Canadian Dollars)	**$**	$	**$**	$
Net loss from continuing operations	**(14,148)**	(1,519)	**(8,755)**	(7,801)
Depreciation and amortization	**2,533**	2,285	**4,847**	4,493
Finance (income) costs, net	**4,332**	3,212	**(3,636)**	6,048
Income tax expense (recovery)	**42**	(1,022)	**42**	201
EBITDA from operations	**(7,241)**	2,956	**(7,502)**	2,941
Transaction and restructuring costs	**7,844**	702	**9,500**	1,380
Change in fair value of contingent consideration liability	**(491)**	735	**(417)**	789
Share-based compensation expense	**516**	382	**874**	857
Change in fair value of derivative financial instruments	**2,193**	(2,534)	**2,413**	(1,863)
Loss (gain) on disposal of property and equipment	**4**	1	**2**	(3)
Adjusted EBITDA from continuing operations	**2,825**	2,242	**4,870**	4,101
Adjusted EBITDA from discontinued operations	**—**	1,306	**—**	2,587
Adjusted EBITDA	**2,825**	3,548	**4,870**	6,688
Weighted average number of shares - basic and diluted	**19,013**	10,576	**16,609**	10,556
Adjusted EBITDA per share from continuing operations - basic and diluted	**$0.15**	$0.21	**$0.29**	$0.39
Adjusted EBITDA per share - basic and diluted	**$0.15**	$0.34	**$0.29**	$0.63

Proposed Transactions

There are no significant proposed transactions which have not been disclosed.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

Unaudited Condensed Interim Consolidated Financial Statements

For the three and six month periods ended June 30, 2020 and 2019

(in thousands of Canadian dollars)

Dated: August 13, 2020

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Notes to the Condensed Interim Consolidated Financial Statements:

Consolidated Statements of Financial Position

(in thousands of Canadian dollars)

	June 30, 2020 $	December 31, 2019 $
Assets		
Current assets		
Cash and cash equivalents	**20,594**	61
Restricted cash	**360**	—
Trade and other receivables	**15,608**	12,550
Inventories	**8,765**	5,243
Prepaid expenses and other current assets	**1,328**	897
Assets of disposal groups classified as held for sale (note 19)	**—**	358
	46,655	19,109
Non-current assets		
Property and equipment (note 5)	**23,216**	20,048
Investments (note 11)	**1,950**	1,950
Goodwill and intangible assets (note 5)	**79,891**	45,976
Deferred income tax assets (note 6)	**47**	—
Total assets	**151,759**	87,083
Liabilities		
Current liabilities		
Trade payables and other liabilities (note 7)	**24,211**	18,563
Income taxes payable (note 6)	**1,792**	53
Special Warrants (note 11)	**12,075**	—
Deferred consideration (note 3)	**3,632**	—
Current portion of borrowings (note 8)	**839**	44,270
Current portion of contingent consideration (note 4)	**4,083**	3,413
Current portion of finance lease liabilities	**1,757**	1,364
Provisions (note 16)	**4,920**	—
Liabilities of disposal groups classified as held for sale (note 19)	**—**	358
	53,309	68,021
Non-current liabilities		
Borrowings (note 8)	**73,375**	12,995
Other deferred amounts (note 9)	**14,425**	15,972
Contingent consideration (note 4)	**3,812**	2,452
Deferred income tax liabilities (note 6)	**—**	18
Finance lease liabilities	**8,435**	7,586
Total liabilities	**153,356**	107,044
Equity (Deficit)		
Share capital (note 10)	**167,688**	141,109
Warrants	**1,999**	1,734
Contributed surplus	**31,173**	30,105
Equity component of Convertible Debentures (note 8)	**8,315**	9,029
Deficit	**(210,772)**	(201,938)
Total deficit	**(1,597)**	(19,961)
Total liabilities and deficit	**151,759**	87,083

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

Approved by the Board

"Kevin Dalton"
Kevin Dalton, Director

"Christiane Bergevin"
Christiane Bergevin, Director

Consolidated Statements of Income and Comprehensive Income

(in thousands of Canadian dollars, except per share amounts)

	For the three month periods ended June 30,		For the six month periods ended June 30,	
	2020	2019 (Note 19)	**2020**	2019 (Note 19)
	$	$	**$**	$
Revenue	**39,749**	31,490	**70,175**	61,023
Cost of pharmacy services and supplies	**28,701**	21,726	**50,396**	42,000
General and administrative expenses (note 13)	**11,276**	10,190	**20,632**	20,269
Transaction, restructuring and other costs (note 14)	**7,844**	702	**9,500**	1,380
Loss from operations	**(8,072)**	(1,128)	**(10,353)**	(2,626)
Finance (income) costs, net (note 15)	**4,332**	3,212	**(3,636)**	6,048
Change in fair value of derivative financial instruments (note 11)	**2,193**	(2,534)	**2,413**	(1,863)
Change in fair value of contingent consideration liability (note 4)	**(491)**	735	**(417)**	789
Loss before income taxes	**(14,106)**	(2,541)	**(8,713)**	(7,600)
Income tax expense (recovery) (note 6)	**42**	(1,022)	**42**	201
Net loss from continuing operations	**(14,148)**	(1,519)	**(8,755)**	(7,801)
Income (loss) from discontinued operations (note 19)	**—**	(77)	**(79)**	934
Net loss for the period	**(14,148)**	(1,596)	**(8,834)**	(6,867)
Net loss from continuing operations attributable to:				
Shareholders of CareRx Corporation	**(14,148)**	(1,519)	**(8,755)**	(7,801)
Net income (loss) from discontinued operations attributable to:				
Shareholders of CareRx Corporation	**—**	(130)	**(79)**	858
Non-controlling interests (note 19)	**—**	53	**—**	76
Basic and diluted earnings (loss) per common share attributable to shareholders of CareRx Corporation:				
From continuing operations	**($0.74)**	($0.14)	**($0.53)**	($0.74)
From discontinued operations	**$0.00**	($0.01)	**$0.00**	$0.08
From loss for the period	**($0.74)**	$(0.16)	**($0.53)**	($0.66)
Weighted average number of common shares outstanding (in thousands) (note 10):				
Basic and Diluted	**19,013**	10,576	**16,609**	10,556

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

Consolidated Statements of Changes in Equity (Deficit)

(in thousands of Canadian dollars, except number of common shares)

	Number of common shares[1] (Note 10)	Share capital $	Warrants $	Contributed surplus $	Equity component of Convertible Debentures (Note 8) $	Deficit $	Deficit attributable to the shareholders of CareRx Corporation $	Non-controlling interest (Note 19) $	Total $
Balance at December 31, 2018	**10,517,769**	**132,107**	**757**	**29,517**	**—**	**(172,646)**	**(10,265)**	**188**	**(10,077)**
RSUs and warrants exercised (note 10)	59,413	503	—	(503)	—	—	—	—	—
Shares released from escrow or treasury and warrants issued related to contingent consideration (note 10)	10,000	43	—	—	—	—	43	—	43
Issuance of warrants	—	—	89	—	—	—	89	—	89
Deferred compensation expense	—	—	—	857	—	—	857	—	857
Net income (loss) for the period	—	—	—	—	—	(6,943)	(6,943)	76	(6,867)
Balance at June 30, 2019	**10,587,182**	**132,653**	**846**	**29,871**	**—**	**(179,589)**	**(16,219)**	**264**	**(15,955)**
Balance at December 31, 2019	**14,196,208**	**141,109**	**1,734**	**30,105**	**9,029**	**(201,938)**	**(19,961)**	**—**	**(19,961)**
Issuance of common shares (note 10)	37,232	100	—	—	—	—	100	—	100
RSUs exercised (note 10)	73,104	445	—	(445)	—	—	—	—	—
Shares issued related to contingent consideration (note 4, 10)	318,934	1,008	—	—	—	—	1,008	—	1,008
Shares issued for acquisition, net of share issuance costs (note 3)	6,250,000	22,940	—	—	—	—	22,940	—	22,940
Shares issued on conversion of Convertible Debentures, net of share issuance costs (note 8)	725,000	2,086	—	—	(714)	—	1,372	—	1,372
Issuance of warrants (note 10)	—	—	904	—	—	—	904	—	904
Warrants expired (note 10)	—	—	(639)	639	—	—	—	—	—
Deferred compensation expense	—	—	—	874	—	—	874	—	874
Net loss for the period	—	—	—	—	—	(8,834)	(8,834)	—	(8,834)
Balance at June 30, 2020	**21,600,478**	**167,688**	**1,999**	**31,173**	**8,315**	**(210,772)**	**(1,597)**	**—**	**(1,597)**

[1] Excludes 202,712 common shares held in escrow and restricted shares as at June 30, 2020 (note 10).

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

Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)

	For the six month periods ended June 30,	
	2020	2019
Cash provided by (used in):	**$**	$
Operating activities		
Net loss for the period	**(8,834)**	(6,867)
Adjustments for:		
Finance (income) costs, net (note 8, 15)	**(3,636)**	6,496
Change in fair value of derivative financial instruments (note 11)	**2,413**	(1,863)
Loss (gain) on disposal of property, equipment and intangible assets (note 13)	**2**	(3)
Depreciation of property and equipment (note 5)	**2,288**	2,036
Amortization of finite life intangible assets (note 5)	**2,559**	2,614
Income taxes received (paid)	**(8)**	329
Income tax expense (recovery)	**(14)**	1,268
Share-based compensation expense (note 13)	**874**	857
Goodwill impairment (note 19)	**—**	600
Change in the fair value of contingent consideration liability (note 4)	**(417)**	789
Loss (gain) on sale of business (note 19)	**135**	(624)
Supply agreement arrangements, net of amortization (note 9)	**(858)**	(858)
Cannabis agreements, net of amortization (note 9)	**(688)**	(690)
Net change in non-cash working capital items (note 17)	**2,069**	(1,444)
Cash provided by (used in) operating activities	**(4,115)**	2,640
Investing activities		
Proceeds on disposal of property, equipment and intangible assets	**51**	19
Acquisition of business, net of cash acquired (note 3)	**(1,877)**	—
Purchase of property and equipment (note 5)	**(726)**	(2,295)
Purchase of intangible assets (note 5)	**(123)**	(234)
Payment of contingent consideration (note 4)	**(200)**	(225)
Proceeds (working capital settlement) from sale of businesses (note 19)	**(74)**	4,413
Cash provided by (used in) investing activities	**(2,949)**	1,678
Financing activities		
Net proceeds from Crown Capital Facility and Yorkville Facility (note 8)	**37,522**	—
Net proceeds from Special Warrants (note 11)	**10,189**	—
Net proceeds from convertible preferred shares	**—**	11,344
Transfer to restricted cash	**(360)**	—
Interest paid	**(2,160)**	(2,808)
Repayment of Term Facility (note 8)	**—**	(1,125)
Repayment of Subordinated Facility (note 8)	**(11,673)**	—
Repayment of Revolving Facility, net of withdrawals (note 8)	**(4,690)**	(10,829)
Repayment of finance loans (note 8)	**(27)**	(28)
Repayment of finance leases	**(1,204)**	(1,872)
Restricted cash released from restrictions	**—**	1,000
Cash provided by (used in) financing activities	**27,597**	(4,318)
Increase in cash and cash equivalents	**20,533**	—
Cash and cash equivalents, beginning of period	**61**	—
Cash and cash equivalents, end of period	**20,594**	—

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

1. Corporate Information

CareRx Corporation (formerly Centric Health Corporation), together with its subsidiaries (collectively, "CareRx" or the "Company"), is incorporated under the *Canada Business Corporations Act*. The Company is listed on the Toronto Stock Exchange and is incorporated and domiciled in Canada. The address of the Company's registered office is 20 Eglinton Avenue West, Suite 2100, Toronto, Ontario.

On June 22, 2020 the Company filed articles of amendment changing its name to "CareRx Corporation".

The Company's principal business is providing specialty pharmacy services to seniors in Canada.

COVID-19 pandemic

During the six month period ended June 30, 2020, the COVID-19 pandemic began, causing significant financial market disruption and social dislocation. The situation is dynamic with various cities and countries around the world responding in different ways to address the outbreak.

While pharmacies are an essential service and are expected to continue to operate during any epidemic or pandemic, there is the potential that there may be disruptions in supply chains that could threaten the ability of the Company to procure medications and personal protective equipment in a timely manner. There is also the potential that a pandemic such as COVID-19 could force the temporary closure of a pharmacy site to the extent that a staff member becomes ill and the pharmacy is required to be sanitized, cause labour shortages or staffing issues to the extent that employees become ill or are otherwise unable to come to work, and limit the ability of clinical pharmacists to visit residents in seniors homes. Lastly, to the extent that residents that are being served by the Company in long-term care and retirement homes become ill and are removed from the homes, occupancy at the homes is reduced due to concerns over COVID-19, onboarding of new customer contracts is delayed or home operators delay Requests for Proposals, revenue and the number of beds serviced may be impacted.

The Company has developed protocols and procedures should they be required to deal with any potential epidemics and pandemics, and has put these protocols and procedures in place to address the current COVID-19 pandemic. Despite appropriate steps being taken to mitigate such risks, and the fact that the Company's business is an essential service and its largest payors are the provincial governments, the duration and the extent of the effect of the COVID-19 pandemic on the Company's activities is uncertain. There can be no assurance that these policies and procedures and the nature of the Company's business will ensure that the Company will not be adversely affected. Therefore, there may be uncertainty about judgments, estimates and assumptions made by management during the preparation of the Company's unaudited condensed interim consolidated financial statements related to potential impacts of the COVID-19 outbreak on revenue, expenses, assets, liabilities, and note disclosures and any changes to these judgments, estimates and assumptions could result in a material adjustment to the carrying value of the asset or liability affected.

2. Significant Accounting Policies

Basis of preparation

These unaudited condensed interim consolidated financial statements have been prepared in accordance with IAS, *34 Interim Financial Reporting* as outlined by International Financial Reporting Standards ("IFRS") and its interpretations as issued by the International Accounting Standards Board ("IASB"). They do not include all the information required for a complete set of annual financial statements prepared in accordance with IFRS and therefore should be read in conjunction with the Company's audited annual consolidated financial statements and notes thereto for the year ended December 31, 2019. However, selected explanatory notes are included to explain events and transactions that are significant to the understanding of the changes in the Company's financial position and performance since December 31, 2019.

The accounting policies, critical accounting estimates and judgments applied in these unaudited condensed interim consolidated financial statements are consistent with the significant accounting policies, critical accounting estimates and judgments used in the preparation of the annual consolidated financial statements for the year ended December 31, 2019. The Company has consistently applied the same accounting policies throughout all periods presented as if these policies had always been in effect.

These unaudited condensed interim consolidated financial statements were approved by the Board of Directors (the "Board") on August 13, 2020.

New and amended standards adopted by the Company

A number of amended standards became effective from January 1, 2020. The Company was not required to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

New standard and amendments not yet adopted by the Company

IFRS 17, *Insurance contracts* ("IFRS 17"); amendments to IFRS 16, *Leases* ("IFRS 16") and IAS 1 *Presentation of financial statements* ("IAS 1"); a number of narrow-scope amendments to IFRS 3, *Business Combinations* ("IFRS 3"), IAS 16, *Property, plant and equipment*, IAS 37, *Provisions, contingent liabilities and contingent assets;* and some annual improvements on IFRS 1, *First-time adoption of IFRS*, IFRS 9, *Financial instruments*, IAS 41, *Agriculture*, and IFRS 16, have been published but are not mandatory for December 31, 2020 reporting periods. IFRS 17 is not relevant to the Company, and the amendments and annual improvements have not been early adopted by the Company and are not expected to have a material impact on the Company.

3. Business Combination

Acquisition of Remedy'sRx Specialty Pharmacy business

On May 7, 2020, the Company completed the acquisition of all of the issued and outstanding shares of Remedy Equity Corporation ("Remedy"), the loan payable by Remedy to Remedy Capital Corporation in the principal amount of $20,889, and the Remedy'sRx Specialty Pharmacy business (collectively, "Remedy's") for a total purchase price of up to $44,000. The purchase price is comprised of (i) $8,000 of cash consideration, which was reduced to $1,892 at closing by certain adjustments to the cash consideration related to liabilities assumed on closing, (ii) $23,000 of common shares of the Company, issued at an implied issue price of $3.68 per common share (note 10), (iii) $4,000 of deferred consideration due twelve months following closing, (iv) $4,000 of consideration payable under a vendor take-back note due 18 months following closing and (v) earn-out consideration of up to $5,000 if certain performance targets are achieved over the two years following closing.

The transaction has been accounted for as a business combination in accordance with IFRS 3. IFRS 3 requires assets and liabilities acquired in a business combination to be recorded at their fair values as at the date of acquisition. The Company is in the process of concluding on the valuation of the assets and liabilities of Remedy's as at the date of acquisition. At the time of the issuance of these unaudited condensed interim consolidated financial statements, certain aspects of the valuation, including working capital adjustments and the valuation of identifiable intangible assets and the associated deferred income tax impact have not been finalized, and the purchase price allocation is subject to change. The preliminary purchase price allocation and the provisional fair values of the net identifiable assets acquired pursuant to the Remedy's acquisition are as follows:

Purchase Price	**$**
Common shares of the Company issued (note 10)	23,000
Cash consideration paid	1,892
Liabilities assumed on closing	6,108
Deferred consideration	3,571
Vendor take-back note (note 8)	3,459
Contingent consideration (note 4)	3,655
	41,685

Provisional fair values of net assets acquired	**$**
Cash and cash equivalents	15
Trade and other receivables	5,054
Inventories	3,826
Prepaid expenses and other current assets	352
Property and equipment (note 5)	4,574
Deferred income tax assets	73
Trade payables and other liabilities	(4,302)
Income taxes payable (note 6)	(1,713)
Provisions (note 16)	(748)
Finance lease liabilities	(1,797)
Goodwill and intangible assets (note 5)	36,351
	41,685

3. Business Combination - continued

The amount of cash consideration paid on closing was $1,892, due to certain adjustments related to liabilities assumed on closing, and is subject to further customary post-closing adjustments based upon the finalization of the working capital of Remedy's at the closing date.

Goodwill resulting from the Remedy's acquisition is primarily attributable to expected synergies with the Company's existing business. It is not expected to be deductible for tax purposes.

The fair value of acquired trade receivables was $4,774. The gross contractual amount for trade receivables due was $4,954 with an allowance for doubtful accounts of $180 recognized on acquisition.

The fair values of the deferred consideration and vendor take-back note recognized on the acquisition date represent the present value of the respective payments (note 8). The fair value of the contingent consideration recognized on the acquisition date represents the present value of the payment based on the estimated probability that the operational and earnings targets will be achieved (note 4).

Acquisition related costs of $2,141 that were not directly attributable to the issuance of shares are included in transaction, restructuring and other costs (note 14) in the statement of income and comprehensive income and in operating cash flows in the statement of cash flows.

For the three and six month periods ended June 30, 2020, Remedy's contributed revenue of $9,507 and net income of $451 to the Company's financial results. If the acquisition had occurred on January 1, 2020, management estimates that the consolidated revenue and net loss for the three and six month periods ended June 30, 2020 would have been $46,224 and $14,571, respectively, for the three month period ended June 30, 2020, and $92,598 and $11,487, respectively, for the six month period ended June 30, 2020. These amounts have been calculated using the historical Remedy’s financial results and adjusting them for the additional depreciation that would have been charged assuming fair value adjustments to property, plant and equipment and right-of-use assets had applied from January 1, 2020, together with the associated tax effects.

There were no changes to the Company’s reportable segments as a result of the Remedy’s acquisition.

4. Contingent Consideration

The fair value of contingent consideration is an estimate. The valuation model considers possible scenarios of forecast EBITDA or other performance metrics, the amount to be paid under each scenario and the probability of each scenario. The fair value is dependent on certain inputs such as forecast EBITDA, non-financial metrics, risk adjusted discount rates and the Company's share price.

The continuity of the contingent consideration liability to be settled in cash, common shares and warrants is as follows:

	Remedy's	CareRx Enterprises	Grande Prairie	Salus	Other	Total
	$	$	$	$	$	$
Balance at December 31, 2019	**—**	**1,774**	**1,008**	**1,284**	**1,799**	**5,865**
Change in fair value during the period	—	—	—	38	36	**74**
Contingent consideration settled in shares	—	—	(1,008)	—	—	**(1,008)**
Balance at March 31, 2020	**—**	**1,774**	**—**	**1,322**	**1,835**	**4,931**
Additions to contingent consideration (note 3)	3,655	—	—	—	—	**3,655**
Change in fair value during the period	62	—	—	(504)	(49)	**(491)**
Contingent consideration settled in cash	—	—	—	(200)	—	**(200)**
Balance at June 30, 2020	**3,717**	**1,774**	**—**	**618**	**1,786**	**7,895**
Less: Current portion	**1,849**	**1,774**	**—**	**219**	**241**	**4,083**
Non-current portion at June 30, 2020	**1,868**	**—**	**—**	**399**	**1,545**	**3,812**

On October 7, 2016, the Company recorded a contingent consideration liability as part of the consideration for the acquisition of CareRx Enterprises Ltd. ("CareRx Enterprises"). The ending liability as at June 30, 2020 of $1,774 relates to outstanding payments based on the share price of the Company's common shares issued as consideration at the closing of the transaction.

On November 15, 2017, the Company recorded a contingent consideration liability as part of the consideration for the acquisition of Salus Pharmacare Inc. ("Salus") in the amount of $1,384, which represented its fair value at the date of acquisition, payable over a five-year period. The fair value on acquisition consisted of $774 in performance cash (up to a maximum of $1,533), $250 in performance shares (up to a maximum of 34,849 common shares (note 10)) and $269 in warrants (up to a maximum of 1,000,000 warrants) subject to certain performance benchmarks being achieved over the five-year period. On the acquisition date, the Company estimated a 70% probability of meeting the performance benchmarks. As at June 30, 2020, the Company estimated a 100% probability of meeting the performance benchmarks. The warrants will vest on renewal of a long-term contract, allowing the holder to purchase 0.05 common shares (note 10) of the Company for each warrant at an exercise price of $12.91 per common share (note 10) over a two-year term. In addition, the fair value of contingent consideration on the date of acquisition included $91, which is payable depending on the Company's share price on a future date. As at June 30, 2020 the fair value of Salus contingent consideration liability amount was estimated based on a risk-adjusted discount rate of 10% and the Company's share price. On May 15, 2020, the Company paid $200 in performance cash related to the completion of a portion of the Salus earn-out. As at June 30, 2020, the expected range of potential undiscounted amounts payable remaining is between $200 and $934.

On February 3, 2020, the Company issued 318,934 common shares (note 10) to settle the remaining contingent consideration liability for the acquisition of Grande Prairie.

4. Contingent Consideration - continued

On May 7, 2020, the Company recorded a contingent consideration liability as part of the consideration for the acquisition of Remedy's (note 3) in the amount of $3,655, which represented its fair value at the date of acquisition, payable over a two-year period. The fair value on acquisition consisted of $3,655 in performance cash (up to a maximum of $5,000) subject to certain operational and earnings targets being achieved over the two-year period. On the acquisition date, the Company estimated the probability of meeting the operational and earnings targets to be 87% on average. This amount was estimated based on a risk-adjusted discount rate of 12%. As at June 30, 2020, the expected range of potential undiscounted amounts payable remaining is between $2,037 and $5,000.

5. Goodwill, Intangible Assets and Property and Equipment

	Goodwill $	Intangible Assets $	Goodwill and Intangible Assets $	Property and Equipment $
For the period ended June 30, 2020				
Cost				
Balance at December 31, 2019	53,018	76,249	129,267	34,435
Additions	—	123	123	1,065
Acquisition of business (note 3)	35,758	593	36,351	4,574
Disposals	—	—	—	(257)
Balance at June 30, 2020	**88,776**	**76,965**	**165,741**	**39,817**
Accumulated amortization and impairment losses				
Balance at December 31, 2019	(25,779)	(57,512)	(83,291)	(14,387)
Amortization charge	—	(2,559)	(2,559)	(2,288)
Disposals	—	—	—	74
Balance at June 30, 2020	**(25,779)**	**(60,071)**	**(85,850)**	**(16,601)**
Net carrying value				
As at December 31, 2019	27,239	18,737	45,976	20,048
As at June 30, 2020	**62,997**	**16,894**	**79,891**	**23,216**

The Company allocated the provisional fair values of the goodwill and intangible assets acquired as part of the Remedy's acquisition to goodwill (note 3).

Included in the net carrying value of property and equipment are right-of-use assets of $9,294 (December 31, 2019 - $8,127).

The right-of-use assets as at June 30, 2020 and December 31, 2019 consist of the following:

	June 30, 2020 **$**	December 31, 2019 $
Right-of-use assets - Properties	**8,170**	7,361
Right-of-use assets - Equipment	**661**	202
Right-of-use assets - Vehicles	**463**	564
Total	**9,294**	8,127

5. Goodwill, Intangible Assets and Property and Equipment - continued

During the three and six month periods ended June 30, 2020, additions of property and equipment related to right-of-use assets were $2,029 and $2,135, respectively, including $1,797 acquired as part of the Remedy's acquisition (note 3).

During the three and six month periods ended June 30, 2020, amortization charges related to right-of-use assets were $441 and $837, respectively.

As at June 30, 2020 and December 31, 2019 the Company has $630 of indefinite life intangible assets.

Annual impairment testing of goodwill

As at June 30, 2020, the Company had the following CGUs: Pharmacy - Eastern Canada, Pharmacy - Western Canada, and Remedy's. The Company completed its annual impairment testing of goodwill and indefinite life intangible assets for its Pharmacy - Eastern and Pharmacy - Western Canada CGUs as at June 30, 2020. The Company did not perform an impairment test of goodwill and indefinite life intangible assets for its Remedy's CGU as at June 30, 2020 as there were no impairment indicators identified since May 7, 2020, the Remedy's acquisition date (note 3).

The recoverable amount of the Company's Pharmacy - Eastern Canada and Pharmacy - Western Canada CGUs is determined based on value-in-use calculations. The Company used a capitalized cash flow approach for these CGUs, which involves capitalizing the estimated future maintainable pre-tax cash flows from operations using a pre-tax rate of return, which serves as a measure of the rate of return required by a prospective purchaser of the business reflecting, among other factors, the risk inherent in achieving the determined level of maintainable cash flows. This approach requires assumptions about revenue growth rates, operating margins and discount rates. The maintainable discretionary pre-tax cash flows from operations were based on historical results and projected results to December 31, 2020 approved by management.

The Company projected normalized revenue, operating margin and cash flows and applied a perpetual long-term growth rate. In arriving at its forecasts, the Company considered past experience, economic trends and inflation as well as industry and market trends.

The Company assumed a discount rate in order to calculate the present value of its capitalized cash flows. The discount rate represented a weighted average cost of capital (“WACC”) for comparable companies operating in similar industries as the applicable CGU, based on publicly available information. The WACC is an estimate of the overall required rate of return on an investment for both debt and equity owners and serves as the basis for developing an appropriate discount rate. Determination of the WACC requires separate analysis of the cost of equity and debt and considers a risk premium based on an assessment of risks related to the projected cash flows of the CGU. Lower discount rates were applied to CGUs whose cash flows are expected to be less volatile due to factors such as the maturity of the market they serve and their market position. Higher discount rates were applied to CGUs whose cash flows are expected to be more volatile due to competition or other market uncertainty.

The recoverable amount of the Company's CGUs is considered to be a Level 3 fair value calculation as described in note 11. The assumptions used by the Company in its goodwill impairment testing were as follows:

CGU	Goodwill as at June 30, 2020 $	Terminal Growth Rate	Pre-tax Discount Rate
Pharmacy - Eastern Canada	18,803	1.5%	14.5%
Pharmacy - Western Canada	8,436	1.5%	16.9%

5. Goodwill, Intangible Assets and Property and Equipment - continued

For each of these CGUs, the recoverable amount calculated was in excess of the carrying value as at June 30, 2020. The Company has assessed whether a reasonable change in assumptions would cause the recoverable amount for its Pharmacy - Eastern Canada and Pharmacy - Western Canada CGUs for which no impairment charge was recorded to be less than its carrying value. The Company has defined a reasonable change in assumptions to be a 1% increase in the discount rate. The Company found that a 1% increase in the discount rate would not result in the recoverable amount to become less than the carrying value of the CGUs.

The Company did not reverse any impairment losses for definite life intangible assets for the three and six month periods ended June 30, 2020.

6. Income Taxes

The effective tax rates for the three and six month periods ended June 30, 2020 and 2019 were 0.30% and 0.48% (2019 - (40.22)% and 2.64%), respectively. A deferred income tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that the company will be able to use these benefits. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. As at June 30, 2020, the Company has gross non-capital tax loss carry-forwards of $55,447 (December 31, 2019 - $50,803), of which $184 have been recognized as at June 30, 2020 (December 31, 2019 - nil). These losses can be carried forward against future taxable income and expire between 2031 to 2040. As at June 30, 2020, the Company had gross capital tax loss carry-forwards of $3,000, the full amount of these loss carry-forwards was not recognized as at June 30, 2020.

7. Trade Payables and Other Liabilities

Trade payables and other liabilities are comprised of the following:

	June 30, 2020	December 31, 2019
	$	$
Trade payables	**18,051**	11,761
Accrued liabilities	**5,237**	6,086
Severance costs (note 14)	**923**	716
Total	**24,211**	18,563

8. Borrowings

Borrowings consist of the following:

	June 30, 2020	December 31, 2019
	$	$
Crown Capital Facility	**25,343**	—
Liability component of Convertible Debentures	**17,235**	27,742
Ewing Convertible Debentures	**11,385**	10,563
Ewing Convertible Debentures embedded derivatives	**4,286**	2,448
Yorkville Facility	**12,323**	—
Vendor take-back note	**3,518**	—
Finance loans	**124**	149
Subordinated Facility	**—**	11,673
Revolving Facility	**—**	4,690
Total borrowings	**74,214**	57,265
Less current portion of borrowings:		
Liability component of Convertible Debentures	**436**	27,742
Ewing Convertible Debentures	**348**	110
Finance loans	**55**	55
Subordinated Facility	**—**	11,673
Revolving Facility	**—**	4,690
Total current portion of borrowings	**839**	44,270
Total non-current portion of borrowings	**73,375**	12,995

Substantially all of the Company's assets are pledged as security for the above borrowings.

Crown Capital Facility

On March 31, 2020, the Company entered into a credit agreement with Crown Capital Partner Funding LP ("Crown Capital"), under which Crown Capital advanced a loan to the Company of up to $30,000 in three tranches: (i) an initial tranche of $22,000, which was advanced on March 31, 2020 and was used to repay the Company's outstanding Credit Facilities, (ii) a second tranche of $5,000, which was advanced on May 7, 2020 contemporaneously with the closing of the Remedy's acquisition, and was used by the Company to fund the cash consideration for the Remedy's acquisition, and (iii) a third tranche of $3,000 at any time prior to May 31, 2021 upon the Company reaching certain financial milestones (the "Crown Capital Facility").

Interest on the Crown Capital Facility will accrue at a rate of 10% per annum, but may be reduced to 8% per annum upon the Company reaching certain financial milestones. The Crown Capital Facility is repayable five years from closing, subject to certain prepayment rights. The Crown Capital Facility contains a number of customary positive and negative covenants, including a requirement to comply with certain financial covenants. These include restrictions on incurring additional indebtedness, making certain investments or acquisitions, selling assets of the Company and making regularly scheduled interest payments on the Company’s subordinated indebtedness unless the Company has sufficient liquidity to do so.

The Company incurred $1,900 in transaction costs, of which $1,264 and $464 were allocated towards the initial and the second tranche, respectively, and $172 was deferred and recognized as a prepaid expense as at June 30, 2020. Included within the transaction costs were 7,200,000 warrants issued by the Company to Crown Capital (note 10).

8. Borrowings - continued

Yorkville Facility

On March 31, 2020, the Company entered into a credit agreement with Yorkville Asset Management Inc. for and on behalf of certain managed funds ("Yorkville") under which Yorkville advanced a subordinated facility to the Company of up to $12,702 (the "Yorkville Facility") in two tranches: (i) an initial tranche of $6,319, which was advanced on March 31, 2020, and (ii) a second tranche of $6,383, which was advanced on May 7, 2020 contemporaneously with the closing of the Remedy's acquisition. The Yorkville Facility ranks in priority to the Company's existing Convertible Debentures and Ewing Convertible Debentures, but subordinate to the Crown Capital Facility.

Interest on the Yorkville Facility will accrue at a rate of 12% per annum, increasing to 14% to the extent that the Company does not meet certain financial covenants by the third quarter of 2021. The Yorkville Facility provides for the ability to pay interest payments in-kind, in lieu of cash interest payments, adding the interest that would otherwise be payable to the principal amount accrued at a rate of 14%. During the three and six month periods ended June 30, 2020, the Company added $356 to the principal amount of the Yorkville Facility.

The Yorkville Facility will mature 24 months from closing, subject to certain prepayment rights of the Company or the mutual agreement of the Company and Yorkville to extend the maturity date.

The Company incurred $804 in transaction costs, of which $345 and $459 were allocated towards the initial and the second tranche, respectively.

Convertible Debentures

On November 22, 2019, the Company issued 8.25% unsecured debentures convertible into common shares of the Company in the aggregate principal amount of $27,500 (the "Convertible Debentures"). The Company has ascribed the following carrying values to the components of the Convertible Debentures at the time of initial recognition on November 22, 2019:

	Initial carrying value $	Financing costs $	Net carrying value $
Liability component of Convertible Debentures	17,210	2,108	15,102
Equity component of Convertible Debentures	10,290	1,261	9,029
Embedded derivatives	—	—	—
Total	**27,500**	**3,369**	**24,131**

The outstanding principal amount of the Convertible Debentures is payable in cash under certain circumstances, including a default by the Company on its other indebtedness. Subsequent to initial recognition, although the Company received covenant waivers and further amended its agreements for the Credit Facilities subsequent to December 31, 2019, consistent with the presentation of the Subordinated Facility and Revolving Facility, the Company adjusted the liability component of the Convertible Debentures to its principal amount of $27,500, presented the liability component of the Convertible Debentures as a current liability as at December 31, 2019 and recognized accretion expense with respect to the Convertible Debentures in the amount of $12,404 for the year ended December 31, 2019.

As at March 31, 2020, following the advances of the first tranches of the Crown Capital Facility and Yorkville Facility, and the repayment of the Subordinated Facility and Revolving Facility, the Company remeasured the liability component of the Convertible Debentures to its amortized cost of $18,147, presented the liability component of the Convertible Debentures as a non-current liability as at March 31 and June 30, 2020 and recognized accretion income with respect to the Convertible Debentures in the gross amount of $9,825 for the six month period ended June 30, 2020 (note 15).

8. Borrowings - continued

On May 14, 2020, $2,175 of Convertible Debentures were converted to 725,000 common shares (note 10). Upon conversion, $1,432, representing the carrying value of the liability component of the $2,175 of Convertible Debentures, was transferred to share capital.

Ewing Convertible Debentures

On November 22, 2019, the Company exchanged the $12,540 of the previously issued convertible preferred shares of the Company held by funds and accounts managed by Ewing Morris & Co. Investment Partners Ltd. ("Ewing Morris") for an equivalent amount of 8% unsecured debentures convertible into common shares of the Company (the "Ewing Convertible Debentures").

The Ewing Convertible Debentures have been accounted for as a compound financial instrument comprised of: (i) a financial liability component representing the contractual cash flows of 8% in annual interest payments and a cash repayment of $12,540 on maturity; and (ii) a derivative liability component representing the fair value of the conversion and redemption features. The derivative liability component is fair valued at each reporting date (note 11).

The Ewing Convertible Debentures provide for the ability to pay interest payments in-kind, in lieu of cash interest payments, adding the interest that would otherwise be payable to the principal amount of the convertible debentures in an amount equal to an annual rate of 10% of the outstanding principal amount of the convertible debentures. Interest that has been accrued to the principal balance continues to accrue interest at a rate of 8% per annum until such accrued interest is paid. During the three and six month periods ended June 30, 2020, the Company added nil and $627, respectively, to the principal amount of the Ewing Convertible Debentures.

Vendor take-back note

On May 7, 2020, in connection with the Remedy's acquisition (note 3), the Company entered into a vendor take-back note with the vendor of Remedy's with a principal amount of $4,000 due 18 months following the closing of the Remedy's acquisition. The vendor take-back note is non-interest bearing for the first twelve months and will accrue interest at an annual interest rate of 5% after the first anniversary of the closing of the Remedy's acquisition. At the time of initial recognition, the Company recorded the vendor take-back note at it's fair value of $3,459, representing the present value of the payments discounted using a 12% interest rate. The vendor take-back note was subsequently measured at amortized cost, using the effective interest rate method.

Credit Facilities

The Company’s credit facilities were previously with a syndicate of lenders comprised of three major Canadian banks providing for credit facilities of up to an aggregate amount of $113,500 at inception. The credit facilities were made up of up to $100,000 in senior secured facilities (the "Senior Facilities") and $13,500 in a secured subordinated term credit facility (the "Subordinated Facility") (collectively, the "Credit Facilities"). All borrowings under the Senior Facilities had original maturities of five years after the date of the agreement.

The Senior Facilities were structured as follows: (i) a revolving credit facility in the amount of up to $18,000 (up to $20,000 prior to May 30, 2019), including a swingline of up to $3,000 ("Revolving Facility"); (ii) a non-revolving term loan facility in the amount of up to $60,000 ("Term Facility"); and (iii) a limited revolving acquisition and capital expenditure term loan facility in the amount of up to $4,786 (up to $20,000 prior to May 30, 2019) to be available in multiple draws ("Acquisition Facility"). On November 26, 2019, the Company repaid all outstanding balances under the Term Facility and Acquisition Facility.

On March 31, 2020, the Company repaid all outstanding balances remaining under the Credit Facilities with the net proceeds received from the Crown Capital Facility and Yorkville Facility.

9. Other Deferred Amounts

Preferred drug supplier

The remaining unamortized balance as at June 30, 2020 was $10,057 (December 31, 2019 - $10,915).

Preferred cannabis partner

The remaining unamortized balance as at June 30, 2020 was $4,368 (December 31, 2019 - $5,057).

10. Shareholders' Equity and Earnings per Share

Authorized share capital consists of an unlimited number of common shares. The number of common shares issued and outstanding is as follows:

For the period ended ($ thousands, except share amounts)	**June 30, 2020**		December 31, 2019	
Common Shares	**Common Shares**	**Stated value $**	Common Shares	Stated value $
Balance, beginning of period	**14,196,208**	**141,109**	10,517,769	132,107
Issuance of common shares	37,232	100	3,525,398	7,951
Common shares issued from treasury for contingent consideration (note 4)	318,934	1,008	10,000	43
RSUs and warrants exercised	73,104	445	113,496	931
Shares issued for acquisitions, net of share issuance costs (note 3)	6,250,000	22,940	—	—
Conversion of Convertible Debentures, net of share issuance costs (note 8)	725,000	2,086	—	—
Common shares released from escrow	—	—	25,000	63
Deferred consideration for acquisitions	—	—	4,545	14
Balance, end of period	**21,600,478**	**167,688**	14,196,208	141,109

On June 22, 2020, the Company filed articles of amendment consolidating its outstanding common shares at a ratio of twenty (20) pre-consolidation common shares to one (1) post-consolidation common share (the "Share Consolidation"). As a result of the Share Consolidation, the Company's outstanding options, restricted share units ("RSUs") and deferred share units ("DSUs") were proportionately adjusted on the same basis. All common share numbers, numbers of shares issuable under options, RSUs and DSUs and related per share amounts in these unaudited condensed interim consolidated financial statements have been retrospectively adjusted to reflect the Share Consolidation.

The number of outstanding warrants, Special Warrants and Underwriter's Special Warrants remained unchanged, with the number of common shares received on the exercise of these instruments having been reduced proportionately in accordance with the Share Consolidation. The associated weighted average exercise prices per common share have been adjusted to reflect the Share Consolidation for the warrants, Special Warrants and Underwriter's Special Warrants.

The number of common shares considered to be issued for financial reporting purposes is exclusive of restricted shares issued and common shares issued in trust or held in escrow pending the achievement of certain stated milestones or performance targets.

10. Shareholders' Equity and Earnings per Share - continued

The total common shares in aggregate as at June 30, 2020 are:

Type of common shares	
Freely tradeable	21,600,478
Escrowed and restricted	202,712
Total	**21,803,190**

Issuance of common shares

On February 3, 2020, the Company issued 318,934 common shares to settle the remaining contingent consideration liability for the acquisition of Grande Prairie (note 4).

On May 7, 2020, the Company issued 6,250,000 common shares as consideration for the Remedy's acquisition (note 3).

On May 14, 2020, $2,175 of Convertible Debentures were converted into 725,000 common shares (note 8).

During the six month period ended June 30, 2020, the Company issued 37,232 common shares to the Company's financial advisor as payment for services rendered.

During the three and six month periods ended June 30, 2020, the Company issued 70,666 and 73,104 common shares, respectively, related to RSUs issued to management, employees and directors that vested.

Issuance of RSUs and DSUs

The Company's outstanding RSUs and DSUs are as follows:

For the period ended	**June 30, 2020**	December 31, 2019
RSUs and DSUs	**Units**	Units
Balance, beginning of period	**390,774**	302,295
RSUs and DSUs granted	405,927	270,038
RSUs and DSUs released	(73,104)	(113,496)
RSUs and DSUs forfeited	(11,691)	(68,063)
Balance, end of period	**711,906**	390,774

The weighted-average remaining term to vest for RSUs and DSUs outstanding as at June 30, 2020 is 1.73 years.

10. Shareholders' Equity and Earnings per Share - continued

During the three and six month periods ended June 30, 2020, the Company had the following RSU and DSU grants:

Grant date	Units granted	Granted to	Vesting conditions	Fair valued based on the quoted market price of issuance per common share
January 30, 2020	9,717 DSUs	Directors of the Company	Vest Immediately	$3.00
January 30, 2020	8,068 RSUs	Directors of the Company	Vest Immediately	$3.00
February 4, 2020	19,608 RSUs	Employee of the Company	Vest Immediately	$3.10
March 30, 2020	21,616 DSUs	Directors of the Company	Vest Immediately	$3.10
March 30, 2020	14,499 RSUs	Directors of the Company	Vest Immediately	$3.10
March 31, 2020	15,000 DSUs	Management of the Company	Vest over three years	$3.20
March 31, 2020	179,484 RSUs	Management and employees of the Company	Vest over three years	$3.20
May 15, 2020	67,935 RSUs	Management of the Company	Vest in one year	$4.70
June 18, 2020	14,000 RSUs	Directors of the Company	Vest over three years	$4.60
June 30, 2020	28,000 RSUs	Directors of the Company	Vest over three years	$4.20
June 30, 2020	28,000 DSUs	Directors of the Company	Vest over three years	$4.20

Issuance of warrants

The Company's outstanding and exercisable warrants are as follows:

For the period ended	June 30, 2020		December 31, 2019	
Share purchase warrants	**Warrants[2]**	**Weighted average exercise price per common share**	Warrants	Weighted average exercise price per common share
Balance, beginning of period	**17,730,333**	**$5.63**	2,822,000	$15.20
Warrants granted	10,650,000	$4.81	14,908,333	$3.80
Warrants expired	(1,900,000)	$20.00	—	$—
Balance, end of period	**26,480,333**	**$4.27**	17,730,333	$5.63
Exercisable, end of period	**25,558,333**	**$4.23**	16,808,333	$5.63

[2] Each warrant entitles the holder to acquire 0.05 common shares in the capital of the Company

10. Shareholders' Equity and Earnings per Share - continued

On March 31, 2020, 7,200,000 warrants were issued to Crown Capital in relation to the Crown Capital Facility, with each warrant entitling the holder to acquire 0.05 common shares in the capital of the Company for a period of five years from the closing date at an exercise price of $5.00 per common share (note 8). The fair value of the warrants issued was calculated using the Black-Scholes pricing model with the following assumptions:

Grant date	March 31, 2020
Number of warrants issued	7,200,000
Dividend yield	Nil
Expected volatility	74.17%
Risk-free interest rate	0.6%
Expected life in years	5.0
Strike price per common share	$5.00
Share price at date of issue per common share	$3.20
Fair value per warrant	$0.081

Included in warrants granted during the six month period ended June 30, 2020 were 3,450,000 Underwriter's Special Warrants granted in relation to the Special Warrants offering (note 11). The fair value of the warrants issued was calculated using the Black-Scholes pricing model with the following assumptions:

Grant date	June 4, 2020
Number of warrants issued	3,450,000
Dividend yield	Nil
Expected volatility	85.27%
Risk-free interest rate	0.32%
Expected life in years	2.0
Strike price per common share	$4.40
Share price at date of issue per common share	$4.20
Fair value per warrant	$0.093

The weighted average remaining contractual life and weighted average exercise price of warrants outstanding as at June 30, 2020 are as follows:

Warrants Outstanding				Warrants Exercisable	
Range of Exercise Price	**Number Outstanding**	**Weighted Average Exercise Price per common share**	**Weighted Average Remaining Contractual Life (years)**	**Number Exercisable**	**Weighted Average Exercise Price per common share**
$2.40 - $2.70	3,125,000	$2.40	1.40	3,125,000	$2.40
$2.71 - $3.70	6,333,333	$3.00	1.40	6,333,333	$3.00
$3.71 - $4.70	3,450,000	$4.40	1.93	3,450,000	$4.40
$4.71 - $6.50	12,450,000	$5.00	4.45	11,600,000	$5.00
$6.51 - $10.16	1,122,000	$8.14	0.87	1,050,000	$8.00
Balance, end of period	**26,480,333**	**$4.27**	**2.88**	**25,558,333**	**$4.23**

10. Shareholders' Equity and Earnings per Share - continued

Issuance of stock options

The Company's outstanding and exercisable stock options are as follows:

For the period ended	**June 30, 2020**		December 31, 2019	
Common share options	**Options**	**Weighted average exercise price**	Options	Weighted average exercise price
Balance, beginning of period	**83,500**	**$8.07**	91,938	$8.03
Options expired	(34,250)	$8.00	(7,438)	$8.00
Options cancelled/forfeited	(3,400)	$8.11	(1,000)	$7.22
Balance, end of period	**45,850**	**$8.12**	83,500	$8.07
Exercisable, end of period	**34,638**	**$8.03**	71,750	$8.00

The weighted average remaining contractual life and weighted average exercise price of options outstanding as at June 30, 2020 are as follows:

Options Outstanding				**Options Exercisable**	
Range of Exercise Price	**Number Outstanding**	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Life (years)**	**Number Exercisable**	**Weighted Average Exercise Price**
$4.80 - $5.95	4,750	$4.80	0.9	4,750	$4.80
$5.96 - $7.95	21,250	$7.10	1.3	15,000	$7.10
$7.96 - $9.60	5,000	$8.80	1.4	3,750	$8.80
$9.61 - $10.40	14,850	$10.40	1.5	11,138	$10.40
Balance, end of period	**45,850**	**$8.12**	**1.3**	**34,638**	**$8.03**

Earnings per share

Earnings per share has been calculated on the basis of profit or loss for the period divided by the weighted average number of common shares outstanding during the period. Diluted earnings per share, for all periods presented, was calculated based on the weighted average number of common shares outstanding and takes into account the effects of contingently issuable common shares, unvested share options, RSUs and DSUs, warrants and convertible debentures outstanding during the period. A loss per share is not adjusted for anti-dilutive instruments. The diluted weighted average calculation is based on a time weighting factor that includes all stock options, RSUs, DSUs, warrants and conversion features that were issued at exercise prices lower than the market price of the Company's common shares at the respective period-ends. These instruments were anti-dilutive for the three and six month periods ended June 30, 2020 and 2019.

The following table illustrates the basic and diluted weighted average common shares outstanding for the three and six month periods ended June 30, 2020 and 2019:

	For the three month periods ended June 30,		**For the six month periods ended June 30,**	
	2020	2019	**2020**	2019
Weighted average number of common shares outstanding - basic and diluted	**19,012,799**	10,576,341	**16,608,911**	10,556,116

11. Financial Instruments, Fair Value Measurements and Financial Risk Management

As at June 30, 2020 and 2019, the Company's financial instruments consisted of cash and cash equivalents, trade and other receivables, interest rate swaps, investments, trade and other payables, contingent consideration, finance lease liabilities, Special Warrants and borrowings.

Fair value hierarchy
Financial instruments carried at fair value have been categorized under the three levels of fair value hierarchy as follows:

- *Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities*
- *Level 2: Inputs that are observable for the assets or liabilities either directly or indirectly*
- *Level 3: Inputs for assets or liabilities that are not based on observable market data.*
  This level of the hierarchy includes contingent consideration settled with the Company's common shares and derivative liabilities associated with convertible loans.

The following table presents the Company's financial assets (liabilities) measured and recognized at fair value as at June 30, 2020 on a recurring basis:

	Level 2 $	Level 3 $	Total $
Special Warrants	(12,075)	—	**(12,075)**
Contingent consideration	—	(7,895)	**(7,895)**
Derivative financial instruments	—	(4,286)	**(4,286)**
Investments	—	1,950	**1,950**
Total	**(12,075)**	**(10,231)**	**(22,306)**

The following table presents the Company's financial assets (liabilities) measured and recognized at fair value as at December 31, 2019 on a recurring basis:

	Level 3 $	Total $
Contingent consideration	(5,865)	**(5,865)**
Derivative financial instruments	(2,448)	**(2,448)**
Investments	1,950	**1,950**
Total	**(6,363)**	**(6,363)**

There were no non-recurring fair value measurements as at June 30, 2020 and December 31, 2019. There were no financial instruments classified as Level 1 as at June 30, 2020 and December 31, 2019. There were no transfers between levels during the three and six month periods ended June 30, 2020.

Details regarding Level 3 fair value measurements for contingent consideration can be found in note 4 in these unaudited condensed interim consolidated financial statements and note 3 in the annual consolidated financial statements for the year ended December 31, 2019.

There were no changes in the valuation techniques used during the three and six month periods ended June 30, 2020.

11. Financial Instruments, Fair Value Measurements and Financial Risk Management - continued

The continuity of the embedded derivatives liability is as follows:

	June 30, 2020	December 31, 2019
	$	$
Fair value of embedded derivatives, beginning of period	**2,448**	—
Embedded derivatives recognized	—	6,372
Included in loss on financial liability extinguishment	—	(1,424)
Change in fair value of embedded derivatives	**1,838**	(2,500)
Embedded derivatives, end of period	**4,286**	2,448

The Ewing Convertible Debentures contain an embedded derivative liability component (note 8). The fair value of the Ewing Morris conversion option embedded derivative is calculated using the Black-Scholes pricing model using the following assumptions as at June 30, 2020:

Estimated number of common shares	2,644,366
Dividend yield	Nil
Expected volatility	59.3%
Risk-free interest rate	0.32%
Expected life in years	3.95
Strike price	$5.00
Share price at valuation date	$4.20
Fair value	$1.62

Other conversion and redemption features were determined to have nil values. Their fair values will be reassessed by the Company at each reporting date.

Special Warrants

On June 4, 2020 (the "Closing Date"), the Company completed a bought deal private placement of 57,500,000 special warrants of the Company (each, a “Special Warrant”, and collectively the "Special Warrants"), including 7,500,000 Special Warrants issued pursuant to the over-allotment option that was granted to the underwriters and which was exercised in full, at a price of $0.20 per Special Warrant for gross proceeds of $11,500.

In connection with the offering, the Company paid a total of $690 in cash commissions to the underwriters and issued a total of 3,450,000 underwriter special warrants (the “Underwriter's Special Warrants”). Each Underwriter's Special Warrant will be deemed to be exercised for one common share purchase warrant (0.05 common share purchase warrants following the Share Consolidation (note 10)) of the Company (the "Broker Warrants") on the Deemed Exercise Date. Each Broker Warrant has an exercise price of $0.22 per common share ($4.40 following the Share Consolidation (note 10)) and may be exercised for a period of two years from the Closing Date.

Total financing costs incurred in connection with the issuance of the Special Warrants were $1,311 ($991 in cash and $320 in Underwriter's Special Warrants).

11. Financial Instruments, Fair Value Measurements and Financial Risk Management - continued

Upon issuance, the Special Warrants were exercisable by the holders thereof at any time after the Closing Date for no additional consideration. Every unexercised Special Warrant was to be automatically exercised without payment of additional consideration and without any further act by the holder into one common share of the Company (0.05 common shares, following the Share Consolidation (note 10)) on the earlier of: (a) the date which is four months and a day following the Closing Date, and (b) the third business day after a receipt is issued for the filing of a final prospectus by the securities regulatory authorities in each of the Provinces of Canada where the Special Warrants were sold qualifying the distribution of the common shares underlying the Special Warrants (the “Deemed Exercise Date").

If the Company did not obtain a receipt for the filing of the final prospectus on or prior to the date that was 70 days from the Closing Date (the "Penalty Date"), each unexercised Special Warrant would have entitled the holder to receive upon the exercise thereof, for no additional consideration, 1.1 common shares (0.055 common shares, following the Share Consolidation (note 10)) per Special Warrant.

The Special Warrants contained terms that could have resulted in variability in the number of common shares issued, with an increase in the conversion ratio if the final prospectus was not filed by the Penalty Date. Accordingly, the Special Warrants have been classified as a derivative financial instrument under IFRS and measured at fair value through profit and loss. On initial recognition, the carrying value of the liability was equal to the gross proceeds of $11,500. As at June 30, 2020, the Special Warrants were fair valued at the closing price of the underlying security (the Company’s common shares) and determined to be $12,075. The change in fair value of $575 (unrealized loss) along with transaction costs of $1,311 identified above were recorded as a change in the fair value of derivative financial instruments and finance costs, net, respectively, in the consolidated statements of income and comprehensive income.

On August 10, 2020, the receipt for the filing of the final prospectus was received, prior to the Penalty Date. On August 13, 2020, the 57,500,000 Special Warrants were converted into 2,875,000 common shares of the Company. Upon the conversion of the Special Warrants to common shares, the Special Warrants liability was settled. The fair value of the Special Warrants as at August 13, 2020 was transferred to share capital, net of share issuance costs.

11. Financial Instruments, Fair Value Measurements and Financial Risk Management - continued

Financial instruments measured at amortized cost

The carrying value of financial assets and financial liabilities that are measured at amortized cost is an approximation of the fair value for the following financial assets and financial liabilities unless otherwise disclosed below:

	June 30, 2020	December 31, 2019
	$	$
Financial assets measured at amortized cost:		
Trade receivables	**14,897**	12,040
Financial liabilities measured at amortized cost:		
Trade payables and other liabilities	**23,288**	17,847
Finance lease liabilities	**10,192**	8,950
Crown Capital Facility	**25,343**	—
Liability component of Convertible Debentures	**17,235**	27,742
Ewing Convertible Debentures	**11,385**	10,563
Yorkville Facility	**12,323**	—
Vendor take-back note	**3,518**	—
Deferred consideration	**3,632**	—
Finance loans	**124**	149
Subordinated Facility	**—**	11,673
Revolving Facility	**—**	4,690

Investment in AceAge

As at June 30, 2020 the Company's ownership interest in AceAge was 20.8%.

As at June 30, 2020 the Company has concluded that cost is representative of the fair value of the investment and will continue to perform an assessment at each reporting date to determine if cost is still the best estimate of fair value at that time. There were no indicators of impairment as at June 30, 2020.

Financial risk management

The Company is exposed to certain financial risks, including credit risk, liquidity risk and interest rate risk. The following is a description of those risks and how the exposures are managed:

Credit risk

The Company is exposed to credit risk to the extent that its clients become unable to meet their payment obligations. The Company’s exposure to concentrations of credit risk is limited. Trade receivables include amounts receivable from the sale of goods and services to government agencies, employers, insurance companies and individual patients.

11. Financial Instruments, Fair Value Measurements and Financial Risk Management - continued

Trade receivables aging (net of provision) was as follows:

	June 30, 2020	December 31, 2019
	$	$
0-30 days	**12,623**	10,193
31-60 days	**1,035**	883
61-90 days	**718**	195
Over 90 days	**521**	769
	14,897	12,040

Included in trade and other receivables as at June 30, 2020 are $4,730 (December 31, 2019 - $4,579) of amounts receivable from government funding related to product sales and services rendered.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, historical credit losses and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions, including consideration of the impact of the COVID-19 pandemic as part of the Company's impairment analysis as at June 30, 2020.

The movement in the provision for impairment against trade and other receivables was as follows:

	June 30, 2020	December 31, 2019
	$	$
Provision, beginning of period	**370**	218
Acquisition of business (note 3)	180	—
Provision for receivables impairment	365	191
Write-offs charged to the valuation allowance	—	(39)
Provision, end of period	**915**	370

The Company’s cash and cash equivalents are held through Canadian chartered banks. The Company is not exposed to significant credit risk arising from its financial instruments.

11. Financial Instruments, Fair Value Measurements and Financial Risk Management - continued

Liquidity risk

Liquidity risk is the risk that the Company may encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash, another financial asset or equity instrument. The following table presents the contractual terms to maturity of the financial liabilities owned by the Company as at June 30, 2020:

	Total	2020	2021-2022	2023-2024	Thereafter
	$	$	$	$	$
Trade payables and other liabilities	**24,211**	24,211	—	—	—
Special Warrants	**12,075**	12,075	—	—	—
Convertible Debentures	**25,325**	—	13,750	11,575	—
Crown Capital Facility	**27,000**	—	3,038	7,290	16,672
Ewing Convertible Debentures	**13,167**	—	—	13,167	—
Yorkville Facility	**13,058**	—	13,058	—	—
Vendor take-back note	**4,000**	—	4,000	—	—
Finance loans	**124**	26	98	—	—
Interest payments on borrowings	**24,737**	3,780	13,119	7,180	658
Finance leases	**13,696**	1,357	5,005	3,629	3,705
Deferred consideration	**4,000**	—	4,000	—	—
Contingent consideration	**8,513**	2,234	6,279	—	—
Total	**169,906**	**43,683**	**62,347**	**42,841**	**21,035**

In the normal course of business, the Company enters into significant commitments for the purchase of goods and services, such as the purchase of inventory, most of which are short-term in nature and are settled under normal trade terms.

Interest rate risk

Interest rate risk is the risk borne by an interest bearing asset or liability as a result of fluctuations in interest rates. As at June 30, 2020, the Company is not exposed to interest rate risk as all of the Company's borrowings have fixed interest rates.

Currency risk

Virtually all of the Company’s transactions are denominated in Canadian dollars. As at June 30, 2020, the Company held no significant financial instruments that were denominated in a currency other than Canadian currency.

12. Related Party Transactions and Balances

In the normal course of operations, the Company may enter into certain related party transactions, which may include transactions entered into with the Company's directors and management. All related party transactions would be for consideration established with the related parties, generally on market terms, and approved by the independent non-executive directors of the Company.

Certain directors help manage funds that own the Convertible Debentures, Ewing Convertible Debentures and common shares of the Company, and that provided the Yorkville Facility (note 8).

Following the closing of the Remedy's acquisition, the former majority owner of Remedy's became a significant shareholder and director of the Company. This director holds the vendor take-back note and holds title to the proceeds of any deferred consideration and contingent consideration (note 3). During the three and six month periods ended June 30, 2020 and 2019, the Company incurred $261 (2019 - nil) in relation to transition, management and support services provided by one of the director's corporations. These amounts were recognized in trade payables and other liabilities as at June 30, 2020. As at June 30, 2020, $392 (December 31, 2019 - nil) was receivable from certain other affiliates of the former owners of Remedy's in relation to expenditures incurred by the Company that are reimbursable by the vendors in accordance with the Remedy's purchase agreement.

13. General and Administrative Expenses

The components of general and administrative expenses are as follows:

	For the three month periods ended June 30,		**For the six month periods ended June 30,**	
	2020	2019	**2020**	2019
	$	$	**$**	$
Employee costs	**3,124**	2,794	**5,790**	5,566
Other operating expenses	**4,081**	3,265	**6,949**	6,412
Corporate office expenses	**1,018**	1,463	**2,170**	2,944
Depreciation and amortization	**2,533**	2,285	**4,847**	4,493
Share-based compensation expense	**516**	382	**874**	857
Loss (gain) on disposal of property, equipment and intangible assets	**4**	1	**2**	(3)
Total	**11,276**	10,190	**20,632**	20,269

14. Transaction, Restructuring and Other Costs

Transaction, start-up, restructuring and other costs are expensed as incurred. Transaction costs are comprised primarily of legal, consulting, due diligence and other professional fees directly related to business combinations and divestitures. Start-up costs for new initiatives are costs incurred by the Company for a new business initiative prior to this initiative generating any revenue. Restructuring and other costs include legal, consulting and other professional fees associated with business restructuring; costs associated with new customer contract implementation and the integration of newly acquired businesses; and severance and other costs associated with corporate reorganization, other staffing reductions and divestitures.

Transaction, restructuring and other costs for the three and six month periods ended June 30, 2020 and 2019 consist of the following:

	For the three month periods ended June 30,		**For the six month periods ended June 30,**	
	2020	2019	**2020**	2019
	$	**$**	**$**	$
Transaction and start-up costs	**5,503**	132	**6,475**	206
Restructuring and other costs	**2,341**	570	**3,025**	1,174
Total	**7,844**	702	**9,500**	1,380

As at June 30, 2020, the Company had accrued liabilities from continuing operations related to severance of $923 (December 31, 2019 - $716) included in trade payables and other liabilities consisting of the following:

	Severance
	$
Balance at December 31, 2019	**716**
Additions	1,072
Payments	(865)
Balance at June 30, 2020	**923**

15. Finance Costs, Net

Finance costs, net for the three and six month periods ended June 30, 2020 and 2019 are comprised of the following:

	For the three month periods ended June 30,		**For the six month periods ended June 30,**	
	2020	2019	**2020**	2019
	$	$	**$**	$
Special Warrants related expenses	**1,311**	—	**1,311**	—
Interest on Convertible Debentures	**543**	—	**1,109**	—
Accretion on Convertible Debentures (note 8)	**559**	—	**(9,266)**	—
Interest on Crown Facility	**622**	—	**622**	—
Accretion on Crown Facility	**71**	—	**71**	—
Interest on Yorkville Facility	**356**	—	**356**	—
Accretion on Yorkville Facility	**74**	—	**74**	—
Interest on Ewing Convertible Debentures	**264**	—	**516**	—
Accretion on Ewing Convertible Debentures	**162**	—	**307**	—
Interest on convertible preferred shares	**—**	315	**—**	315
Accretion on convertible preferred shares	**—**	87	**—**	87
Interest on finance leases	**227**	226	**442**	526
Accretion on vendor take-back note	**59**	—	**59**	—
Accretion on deferred consideration	**60**	—	**60**	—
Interest on Term Facility	**—**	1,176	**—**	2,279
Accretion on Term Facility	**—**	386	**—**	689
Interest on Subordinated Facility	**—**	520	**355**	1,058
Accretion on Subordinated Facility	**24**	115	**207**	211
Interest on Revolving Facility	**—**	280	**141**	667
Interest on Acquisition Facility	**—**	107	**—**	216
Total	**4,332**	3,212	**(3,636)**	6,048

16. Contingencies

From time to time the Company is involved in litigation, investigations or proceedings related to claims arising out of its operations in the ordinary course of business and the completion of acquisitions or divestitures.

During 2019, Remedy's received a draft audit assessment as a result of a PharmaCare audit performed by the British Columbia Ministry of Health. Prior to the date of the Remedy's acquisition (note 3), Remedy's objected to the results of this audit and the Company continues to defend its position. As at the date of the acquisition and June 30, 2020, a liability of $748, which represents management's estimate of the expected payment, has been recorded. As at the date of these unaudited condensed interim consolidated financial statements, the outcome of the Company's objection and claim has not yet been finalized, therefore, actual results could differ from the amount recorded.

Subsequent to quarter-end, the Company received the outcome of a confidential arbitration that had been ongoing with the vendors of one of its historical acquisitions in relation to the non-payment of a disputed earn-out. The arbitrator sided with the vendors, and awarded them $4,172. The Company is currently evaluating its options in respect of the decision. The Company recorded a provision of $4,172 as at June 30, 2020.

The Company believes that all other claims and lawsuits in the aggregate, when settled, are not expected to have a material impact on the Company’s financial position, results of operations or cash flows.

17. Supplementary Disclosure to the Consolidated Statements of Cash Flows

The net change in non-cash working capital comprises the following:

	For the six month periods ended June 30,	
	2020	2019
	$	$
Trade and other receivables	**2,052**	145
Inventories	**304**	(277)
Prepaid expenses	**93**	(28)
Trade payables and other liabilities	**(4,552)**	(1,284)
Provisions (note 16)	**4,172**	—
Total	**2,069**	(1,444)

18. Capital Management

The Company manages its capital structure based on the funds available to the Company in order to support the continuation and expansion of its operations, which primarily operates in an environment in which government regulations and funding play a key role. The Board establishes a quantitative return on capital criteria, which it reviews with management on a regular basis. The Company defines capital to include share capital, warrants and the stock option component of its shareholders' equity as well as its borrowings and contingent consideration. In addition to the cash flows generated by operations, the Company relies on debt and equity financing from both arm's length and related parties to execute on its stated business strategy and continue its operations as a going concern. In order to maintain or adjust its capital structure, the Company may seek financing through the issuance of securities such as equity, convertible debentures or subordinated debt, or by replacing existing debt with debt on terms more consistent with the Company's needs.

19. Discontinued Operations

The results from discontinued operations below have been segmented to align with the historical operating segments of the Company. The composition of segmented discontinued operations is as follows:

- **Pharmacy** discontinued operations includes three retail pharmacy operations divested during 2019 and 2018, located in Medicine Hat, Alberta, Grande Prairie, Alberta and Richmond, British Columbia.
- **Surgical and Medical Centres** discontinued operations includes the Surgical and Medical Centres operating segment. The Surgical and Medical Centres operating segment includes one of Canada's largest independent surgical providers with five facilities across four provinces divested in 2019, as well as the Performance Orthotics business in Ontario.

As at December 31, 2019 the assets and liabilities of the Performance Orthotics business held for sale were as follows:

	As at December 31, 2019 $
Accounts receivable	18
Prepaid expenses	46
Property and equipment	294
Total Assets of Disposal Groups Held For Sale	**358**
Trade payables and other liabilities	57
Finance leases	294
Deferred tax liabilities	7
Total Liabilities of Disposal Groups Held For Sale	**358**

On January 1, 2020, the Company completed the divestiture of its 75% ownership interest in the Performance Orthotics business for nominal proceeds.

Results from discontinued operations

The results from discontinued operations for the three and six month periods ended June 30, 2020 and 2019 are as follows:

	For the three and six month periods ended June 30, 2020		
	Pharmacy $	Surgical and Medical Centres $	Total $
Loss on sale of business	4	131	**135**
Loss before income taxes from discontinued operations	**(4)**	**(131)**	**(135)**
Income tax recovery	—	(56)	**(56)**
Net loss from discontinued operations	**(4)**	**(75)**	**(79)**

During the six month period ended June 30, 2020, the final working capital settlement in relation to the Surgical and Medical Centres sale resulted in an adjustment of $74 recorded in the first half of 2020 being the difference between the preliminary estimate at closing and the final settlement amount.

During the six month period ended June 30, 2020, a tax provision to return adjustment of $56 was recognized.

19. Discontinued Operations - continued

	For the three month periods ended June 30, 2019			For the six month periods ended June 30, 2019		
	Pharmacy $	**Surgical and Medical Centres $**	**Total $**	**Pharmacy $**	**Surgical and Medical Centres $**	**Total $**
Revenue	1,230	10,116	**11,346**	2,649	19,411	**22,060**
Expenses	1,220	8,826	**10,046**	2,469	17,015	**19,484**
Depreciation and amortization	74	—	**74**	151	—	**151**
Impairments	—	600	**600**	—	600	**600**
Interest expense	—	221	**221**	—	448	**448**
Gain on sale of business	(198)	—	**(198)**	(624)	—	**(624)**
Income before income taxes from discontinued operations	**134**	**469**	**603**	**653**	**1,348**	**2,001**
Income tax expense	—	680	**680**	—	1,067	**1,067**
Net income (loss) from discontinued operations	**134**	**(211)**	**(77)**	**653**	**281**	**934**

The cash flows from discontinued operations for the six month period ended June 30, 2020 are as follows:

	For the six month periods ended June 30,	
	2020	2019
	$	$
Operating cash flows	**(5)**	2,144
Investing cash flows	**(74)**	(178)
Financing cash flows	**—**	(796)
Total cash flows	**(79)**	1,170