Management's Discussion and Analysis

For the three month periods ended March 31, 2021 and 2020

Dated: May 12, 2021

Index

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(For the three month periods ended March 31, 2021 and 2020)

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 "*Our Business and Growth Strategy*", "*Highlights*", "*Strategic Priorities*", "*Business Strategy and Outlook*" and "*Risks and Uncertainties*" and other statements concerning CareRx Corporation's ("CareRx" or the "Company") objectives, growth strategies and strategic priorities 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, including in regards to the completion of the acquisitions of the MPGL LTC Pharmacy Business and the Rexall LTC Pharmacy Business, as well as the previously acquired SmartMeds business (the "Acquired Businesses"). 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, the Company's ability to complete and integrate acquisitions as expected, exposure to epidemic or pandemic outbreak, the highly competitive nature of the Company's industry, reliance on contracts with key care operators and other such risk factors described under the heading "*Risks and Uncertainties*" and 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.

This MD&A also contains certain forward-looking statements with respect to the Acquired Businesses, some of which have not been prepared in accordance with IFRS, including expected run-rate annualized revenue and Adjusted EBITDA contribution and expected synergies. These forward-looking statements involve certain risks and uncertainties, including in particular, the risks described under the heading "*Risks and Uncertainties – Acquisitions and Integration*".

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 the 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 statements of financial position and the consolidated statements of income and comprehensive income of the Company for the three month periods ended March 31, 2021 and 2020 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 month periods ended March 31, 2021 and 2020. The unaudited condensed interim consolidated financial statements for the three month periods ended March 31, 2021 and 2020 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, 2020.

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 May 12, 2021.

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 and Growth Strategy

CareRx is Canada's largest and fastest growing provider of pharmacy services to seniors homes and other congregate care settings. We serve over 52,000 residents in over 925 seniors and other communities, including long-term care homes, retirement homes, assisted living facilities, and group homes, dispensing over 1,500,000 prescriptions every month. We play an integral role in supporting our home care partners by providing high-volume, cost-effective solutions for the supply of chronic medication, ensuring the highest level of safety and adherence for individuals with complex medication regimes.

We are a national organization with the largest 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 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. We are committed to the continued innovation in our service offering through the adoption of leading technology to further capitalize on our growing scale and enhance our service offering, in addition to pursuing adjacent strategic opportunities that leverage our core capabilities.

With a passionate team and organizational culture that has an unwavering commitment to delivering superior quality of care to the communities we serve, together with our home care partners, we are dedicated to achieving the highest service and ethical standards. This commitment is embodied in our mission, vision and values:

Mission: Our passionate team is driven to enhance the health of Canadians with unique or complex medication needs.

Vision: To be Canada's trusted leader providing innovative pharmacy solutions in partnership with communities we serve.

Values: Collaboration, Accountability, Responsiveness and Excellence.

Our growth strategy is focused on capitalizing on the favourable demographics that exist in the rapidly expanding seniors market, which is expected to more than double over the next decade and a half. We have a multi-pronged organic growth and acquisition strategy and a stated target to double the number of residents we serve by 2023. We believe we are well positioned to achieve this goal as we continue to increase our beds under care through winning significant new contracts and by making accretive acquisitions through the roll up of a highly fragmented market, which will enable us to leverage our national footprint and continue to increase our scale. We have a proven track record of rapidly integrating acquisitions and realizing significant synergies. With the expected closing of two acquisitions in mid-2021, we will have substantially achieved our goal and expect to revise our future growth targets.

20
fulfilment centres

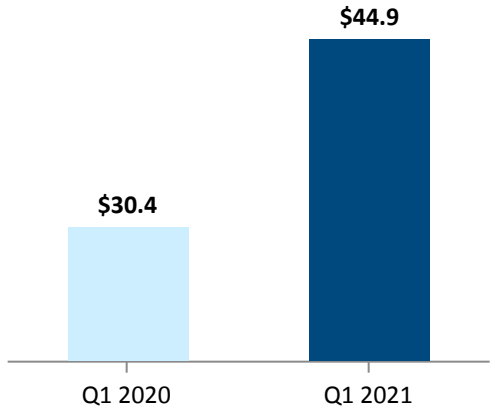
>925
seniors and other communities

>52,000
beds

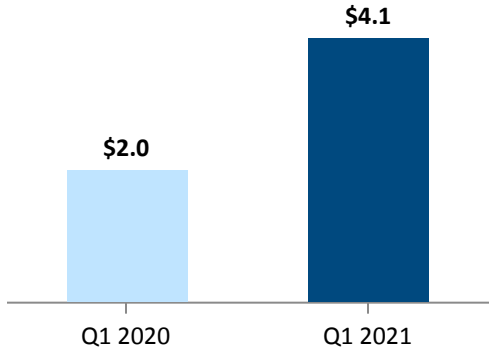
>1,500,000
prescriptions monthly

Highlights for the Three Month Period Ended March 31, 2021

Quarterly Revenue from Continuing Operations
($millions)



Quarterly Adjusted EBITDA from Continuing Operations
($millions)



Highlights for the First Quarter of 2021

(All comparative figures are for the first quarter of 2020)

- **Revenue from continuing operations increased 47% to $44.9 million from $30.4 million**
  - Growth was driven primarily by the contribution of the Remedy's business that was acquired in the second quarter of 2020; and
  - This contribution was partially offset by a temporary COVID-19-related reduction in the average number of beds serviced during the first quarter of 2021, with the COVID-19 impact on beds serviced having reached its peak in January 2021.
- **Adjusted EBITDA[1] from continuing operations increased by 100% to $4.1 million from $2.0 million**
  - Growth was driven primarily by the contribution from the Remedy's business acquisition that was completed in the second quarter of 2020, including over $3.0 million in annualized cost saving synergies achieved from the consolidation of certain fulfillment centres and other operating cost savings that were fully realized in the quarter; and
  - This contribution was partially offset by the impact of the temporary COVID-19-related reduction in the average number of beds serviced during the first quarter of 2021 and COVID-19 outbreaks that occurred in the first half of the quarter at homes being serviced.
- **Substantially completed onboarding of 1,100 beds from multi-year contract with Ontario-based seniors home operator**
  - Commenced January 2021;
  - Financial contribution of the contract for the first quarter of 2021 was minimal as the onboarding of beds was delayed at the request of the home operator, as a result of the impact of COVID-19, with onboarding activities primarily occurring late in the quarter and completed in mid-April 2021; and
  - On April 12, 2021, completed the acquisition of a fulfillment centre in Thunder Bay, Ontario from MPGL in advance of the MPGL Acquisition Closing to service a portion of the newly onboarded beds.
- **Completed a bought deal financing and concurrent private placement for total gross proceeds of $21.2 million**
  - Completed a bought deal public offering and concurrent private placement of common shares for aggregate gross proceeds of $21.2 million at a price of $4.25 per common share issued.
- **Pause in previously scheduled fee changes in Ontario**
  - The Ontario Ministry of Health announced a one year pause in the previously scheduled changes to long-term care pharmacy funding, which were scheduled to go into effect on April 1, 2021; and

- The fixed professional fee under the fee-per-bed capitation model was initially scheduled to decline from $1,500 dollars per bed to $1,400 dollars per bed on April 1, 2021, further declining annually by $100 dollars per bed until it reached $1,200 dollars per bed by the fourth year of implementation.

- **Continued response to COVID-19 pandemic**
  - Continued to successfully minimize the overall impact of the COVID-19 pandemic;
  - COVID-19-related outbreaks and the impact on occupancy levels in homes serviced reached their peak throughout December 2020 and into January 2021;
  - The Company had previously developed protocols and procedures to address any potential epidemics and pandemics, and has put these protocols and procedures in place to address the current COVID-19 pandemic;
  - Continues to monitor the COVID-19 situation and is taking proactive measures to manage any risks that arise that may impact the business; and
  - Continues to work closely with its long-term care and retirement home partners to support their staff and residents in their homes.

Highlights subsequent to quarter-end

- **Completed the acquisition of SmartMeds Pharmacy Inc. ("SmartMeds")**
  - On April 1, 2021, completed the acquisition of SmartMeds, a pharmacy serving over 2,400 residents in long-term care, assisted living and other congregate care settings in Ontario for a total purchase price of up to $7.4 million; and
  - Expected to contribute run-rate annualized revenue and Adjusted EBITDA of approximately $13.0 million and $1.5 million, respectively, prior to any benefits from the integration of the operations of the two businesses[2].

- **Entered into a definitive agreement to acquire the Long-Term Care Pharmacy Division of Medical Pharmacies Group Limited ("MPGL" and together, the "MPGL LTC Pharmacy Business")**
  - On April 16, 2021, signed a definitive agreement to acquire the MPGL LTC Pharmacy Business, which is comprised of 18 fulfillment centres serving approximately 36,000 residents of long-term care, assisted living and other congregate care settings across Ontario, Alberta and British Columbia (the "MPGL Acquisition") for a purchase price of: (i) $70 million cash, and (ii) 1 million common shares of the Company, payable at closing of the MPGL Acquisition (the "MPGL Acquisition Closing");
  - The MPGL Acquisition Closing is subject to the satisfaction of customary closing conditions, including the receipt of applicable regulatory approvals, including the approval of the applicable college of pharmacies and the Competition Bureau; and
  - Expected to contribute run-rate annualized revenue and Adjusted EBITDA of approximately $150.0 million and $10.0-12.0 million, respectively, and minimum cost savings synergies of $5.0 million[3].

- **Entered into a definitive agreement to acquire a portion of the Long-Term Care Pharmacy Services business of Rexall Health Solutions ("Rexall" and together, the "Rexall LTC Pharmacy Business")**
  - Rexall has made the strategic decision to exit the business of providing pharmacy services to seniors homes and other congregate care settings;
  - On April 23, 2021, signed a definitive agreement to acquire the Rexall LTC Pharmacy Business that serves approximately 4,200 residents of long-term care, assisted living and other congregate care settings across Ontario and Northern Alberta, which includes a fulfillment centre in Sudbury, Ontario;
  - Expected to contribute run-rate revenue of approximately $14.0 million, on an annualized basis and nominal Adjusted EBITDA, prior to any benefits from the integration of the operations of the two businesses[4]; and
  - Further opportunity for CareRx to work with Rexall to transition additional beds that are outside the scope of the LTC Pharmacy Business being acquired as Rexall winds down the remainder of its business.

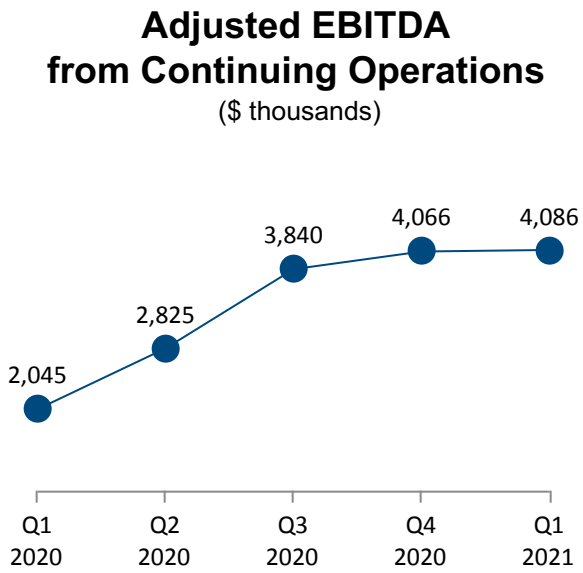
- **Entered into binding commitment letters with the Company's lenders to refinance existing credit facilities**
  - Signed a binding commitment letter with Crown Capital Partners Inc. (including certain entities and funds controlled by it, "Crown Capital"), on behalf of a syndicate of lenders, pursuant to which Crown Capital will advance new credit facilities to the Company of $60.0 million (the "Senior Facility") contemporaneously with the MPGL Acquisition Closing, to repay the existing Crown Capital Facility and to pay a portion of the cash closing price for the MPGL Acquisition and related transaction costs; and

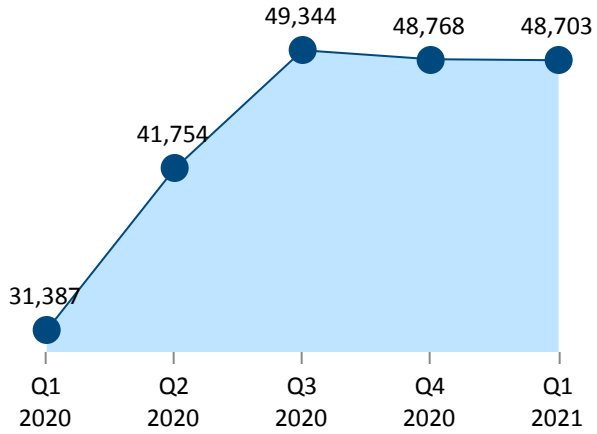
- Signed a binding term sheet with Yorkville Asset Management Inc. (for and on behalf of certain managed funds, “Yorkville”) pursuant to which Yorkville will increase the principal amount outstanding under the existing Yorkville Facility with the Company by $6.0 million. The amendments to the Yorkville Facility are not conditional on the completion of the MPGL Acquisition, and are expected to become effective on or about May 19, 2021.

- **Entered into a bought deal private placement and concurrent private placement of subscription receipts of the Company (the "Subscription Receipts") for total gross proceeds of approximately $55.0 million**
  - Entered into a bought deal private placement of 8,911,000 Subscription Receipts with a syndicate of underwriters for aggregate gross proceeds of approximately $45.0 million and a binding term sheet with Yorkville for the purchase of 1,980,200 Subscription Receipts for aggregate gross proceeds of approximately $10.0 million (total aggregate gross proceeds of approximately $55.0 million);
  - Proceeds will be used by the Company to fund a portion of the cash consideration payable in connection with the MPGL Acquisition and related transaction costs; and
  - Includes options to increase the number of Subscription Receipts issued by a total of 1,633,680 for total additional gross proceeds of up to approximately $8.3 million.

[1] *Defined and calculated in Reconciliation of Non-IFRS Measures*
[2 3 4] *See "Risks and Uncertainties - Acquisitions and Integration"*

Key Performance Metrics - First Quarter of 2021





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 care 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. **Continuously enhance business operations**
   - Optimize labour models and rely on innovative technology and economies of scale to drive efficiencies
   - Maintain and enhance 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
4. **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

Business Strategy 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, as well as 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 care 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 customers; 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.

In addition to the significant opportunity to grow its share of the Canadian seniors home market, an additional longer term opportunity exists through serving the needs of the approximately six million Canadian seniors living at home. With more of the Canadian seniors population choosing to live in their own homes to a later age and the life expectancy of Canadians increasing, a favourable demographic trend exists for CareRx to further leverage its national facility network and extend its seniors pharmacy capabilities to supply medications to seniors and other individuals living at home.

To pursue this opportunity, in July 2020, the Company launched Pharmacy At Your Door, a new digitally-based home delivery business providing a convenient and safe way for individuals living at home to receive their prescription medications, as well as a full offering of retail pharmacy products. 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 subsequently expanded to the greater Edmonton and Vancouver areas. The Company continues to evaluate further expansion to additional regions in Canada.

To further enhance and diversify its service offerings, CareRx is also pursuing a number of innovative initiatives that have the potential to contribute to the Company's long-term growth:

Karie Device

The Company has signed a distribution and supply agreement with, and made an accompanying 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. Karie is fully compatible with the Company's automated dispensing and packaging systems, and, as such, this partnership is expected to provide the Company with opportunities for additional pharmacy service offerings to seniors living in the Company's contracted seniors communities as well as those living at home. The Company is currently piloting Karie within a number of homes that it services.

Medical Cannabis Strategy

The Company has also developed a medical cannabis strategy for its seniors home pharmacy business. 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 has formed a strategic partnership with Canopy Growth Corporation (TSX: WEED) to pursue this opportunity.

Virtual Care Solution

CareRx has partnered with Think Research Corp (TSXV: THNK) ("Think"), a company focused on transforming healthcare through integrated digital health software solutions, to deliver virtual healthcare to seniors. Think's VirtualCare telemedicine software will be available in select retirement residences serviced by CareRx, providing seniors easy and secure access to a network of physicians and specialists from the comfort of their own residence. Any prescription medication a resident requires following a virtual appointment can be fulfilled by CareRx, with delivery directly to the resident on the same day.

Selected Financial Information

The following selected financial information as at and for the three month period ended March 31, 2021, 2020, and 2019, 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 March 31,		
	2021	2020	2019
(thousands of Canadian Dollars)	**$**	$	$
Revenue from continuing operations	**44,857**	30,426	29,533
Operating loss from continuing operations	**(419)**	(2,281)	(1,498)
Loss from continuing operations before interest expense and income taxes	**(3,193)**	(2,575)	(2,223)
EBITDA[5] from continuing operations	**(101)**	(261)	(15)
Adjusted EBITDA[5] from continuing operations	**4,086**	2,045	1,859
Per share - Basic[6]	**$0.15**	$0.14	$0.18
Per share - Diluted[6]	**$0.15**	$0.08	$0.18
Adjusted EBITDA Margin from continuing operations	**9.1%**	6.7%	6.3%
Adjusted EBITDA[5]	**4,086**	2,045	3,140
Per share - Basic[6]	**$0.15**	$0.14	$0.31
Per share - Diluted[6]	**$0.15**	$0.08	$0.31
Adjusted EBITDA Margin	**9.1%**	6.7%	7.8%
Net income (loss)	**(5,866)**	5,314	(5,271)
Per share - Basic[6]	**($0.21)**	$0.37	($0.52)
Per share - Diluted[6]	**($0.21)**	$0.21	($0.52)
Cash provided by (used in) operations	**(1,705)**	(1,450)	2,547
Total assets	**170,624**	92,566	138,967
Total liabilities	**143,934**	105,163	153,751
Weighted average number of shares - basic (in thousands)	**28,048**	14,451	10,180
Weighted average number of shares - diluted (in thousands)	**28,048**	24,758	10,180

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

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

Results of Continuing Operations for the Three Month Periods Ended March 31, 2021 and 2020

Operating and Other Expenses as a Percentage of Revenue

	For the three month periods ended March 31,			
	2021		2020	
$ millions	**$**	**%**	$	%
Revenue	**44.9** ↑	**100 %**	30.4	100 %
Operating expenses:				
Pharmacy services and supplies	**31.5**	**70.2 %**	21.7	71.4 %
Employee costs	**4.4**	**9.8 %**	3.1	10.2 %
Other operating expenses	**4.8**	**10.7 %**	3.6	11.8 %
Total operating expenses	**40.7**	**90.6 %**	28.4	93.4 %
Other expenses:				
Depreciation and amortization	**3.1**	**6.9 %**	2.3	7.6 %
Share-based compensation expense	**0.8**	**1.8 %**	0.4	1.3 %
Gain on disposal of assets	**(0.1)**	**(0.2) %**	—	— %
Transaction, restructuring and other costs	**0.8**	**1.8 %**	1.7	5.6 %
Finance costs (income), net	**3.4**	**7.6 %**	(8.0)	(26.3) %
Income tax recovery	**(0.7)**	**(1.6) %**	—	— %
Total other expenses	**7.3**	**16.3 %**	(3.6)	(11.8) %
Adjusted EBITDA	**4.1** ↑	**9.1 %**	2.0	6.6 %

- Revenue from continuing operations for the three month period ended March 31, 2021 increased by 47.4% to $44.9 million from $30.4 million for the same period in the prior year.
- Revenue increased primarily as a result of the Remedy's business acquisition, which closed in the second quarter of 2020. This increase was partially offset by a temporary reduction in the average number of beds serviced in the first quarter of 2021 due to COVID-19, with the COVID-19 impact on beds serviced having reached its peak in January 2021. Additionally, the same period in the prior year had one additional weekday, contributing additional revenue compared to the first quarter of 2021.
- 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 three 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 related to salaries and benefits of employees that are not directly involved in the provision of services; and
- other operating expenses, which includes occupancy costs, communication, insurance, advertising and promotion, public company costs, Board and sub-committee fees and other costs of the corporate office and administrative expenses incurred at the operational level.

- Overall operating expenses for the three month period ended March 31, 2021 increased by 43.5% to $40.7 million from $28.4 million for the same period in the prior year, primarily due to the contribution of the Remedy's business acquisition completed in the second quarter of 2020.
- Cost of pharmacy services and supplies for the three month period ended March 31, 2021 increased by 45.1% to $31.5 million from $21.7

million for the same period in the prior year, largely due to the Remedy's acquisition.

- Employee costs for the three month period ended March 31, 2021 increased by 41.7% to $4.4 million from $3.1 million for the same period in the prior year, primarily due to the impact of the Remedy's acquisition.
- Other operating expenses for the three month period ended March 31, 2021 increased by 35.6% to $4.8 million from $3.6 million for the same period in the prior year, primarily due to the impact of the Remedy's acquisition.

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 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 month period ended March 31, 2021 decreased by 53.7% to $0.8 million from $1.7 million for the same period in the prior year. Transaction costs incurred in the first quarter of 2021 primarily related to the costs associated with the MPGL Acquisition and Remedy's integration costs compared to costs associated with the Remedy's acquisition and restructuring costs from labour savings and other initiatives for the same period in the prior year.

Finance costs (income), net includes interest expense and accretion expense (income) relating to the Company's borrowings and interest expense relating to the Company's finance leases.

Finance costs (income), net for the three month period ended March 31, 2021 was an expense of $3.4 million as compared to income of $8.0 million for the same period in the prior year.

Finance costs, net excluding accretion expense for the three month period ended March 31, 2021 increased by 38.7% to $2.1 million as compared to $1.5 million for the same period in the prior year, largely due to an increase in outstanding indebtedness as a result of the Remedy's acquisition in the second quarter of 2020, which resulted in higher interest paid on the Company's borrowings.

Accretion for the three month period ended March 31, 2021 was an expense of $1.3 million as compared to income of $9.5 million for the same period in the prior year, largely due to the completed refinancing transactions and $9.8 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 former credit facilities in March 2020.

Income tax recovery for the three month period ended March 31, 2021 was a recovery of $0.7 million as compared to nil for the same period in the prior year. The recovery for three month period ended March 31, 2021 was primarily related to the previously unrecognized deferred tax assets that were recognized and that offset current income tax expense.

As at March 31, 2021 and December 31, 2020, the Company had gross loss carryforwards amounting to $59.9 million and $59.6 million, respectively, that can be carried forward against future taxable income. As at March 31, 2021 and December 31, 2020, 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, the full amount of these loss carry-forwards was not recognized.

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 March 31, 2021, the Company had $79.4 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 recapitalization of the balance sheet through the issuance of additional equity, convertible debentures and subordinated debt, 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 three month period ended March 31, 2021, the Company completed a bought deal public offering (the "Offering") and concurrent private placement (the "Concurrent Private Placement") of common shares of the Company for total gross proceeds of $21.2 million.

Pursuant to the Offering, the Company issued an aggregate of 3,517,850 common shares, including 458,850 common shares issued as a result of the exercise in full of the over-allotment option that was granted to the underwriters, at $4.25 per common share for gross proceeds of $15.0 million.

Pursuant to the Concurrent Private Placement, the Company issued an aggregate of 1,469,411 common shares of the Company at $4.25 per common share to Yorkville and an existing significant shareholder and director of the Company for gross proceeds of $6.2 million.

Total transaction costs incurred in relation to the Offering and Concurrent Private Placement, including underwriter's fees, were $1.9 million.

Subsequent to the three month period ended March 31, 2021, the Company:

- Completed the acquisition of SmartMeds for a total purchase price of up to $7.4 million, of which $4.0 million was paid upon closing on April 1, 2021; and
- Entered into binding commitment letters with Crown Capital and Yorkville, and the Equity Financings.

Crown Capital Facility

On March 31, 2020, the Company entered into a credit agreement with Crown Capital, under which Crown Capital agreed to advance a loan to the Company 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 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 $3.0 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 accrues 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. In addition, the Company issued 7,200,000 warrants to Crown Capital, with each warrant entitling the holder thereof to acquire 0.05 common share at an exercise price of $5.00 per common share 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.

In April 2021, the Company entered into a binding commitment letter with Crown Capital, on behalf of a syndicate of lenders, pursuant to which Crown Capital will advance the Senior Facility. $32.0 million of the Senior Facility will be used to pay a portion of the cash consideration for the MPGL Acquisition and related transaction costs, with the remaining $28.0 million being used to repay the existing Crown Capital Facility. The

Senior Facility will be advanced contemporaneously with the MPGL Acquisition Closing.

Interest on the Senior Facility will accrue at an annual rate of between 7.5% and 9% based on applicable financial covenants, and the Senior Facility will mature on the fifth anniversary of the MPGL Acquisition Closing, subject to certain prepayment rights in favour of the Company.

Yorkville Facility

On March 31, 2020, the Company entered into a credit agreement with Yorkville under which Yorkville agreed to advance 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 accrues 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%.

The Yorkville Facility matures 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.

In April 2021, the Company signed a binding commitment letter with Yorkville pursuant to which Yorkville will increase the principal amount outstanding under its existing Yorkville Facility with the Company by $6 million, which will be used to fund working capital needs of the Company. The credit agreement for the Yorkville Facility will also be amended to reduce the interest rate from 12% to 10.5% per annum, and the maturity date of the Yorkville Facility will be extended until the fifth anniversary of the MPGL Acquisition Closing, subject to certain prepayment rights in favour of the Company. The amendments to the Yorkville Facility are not conditional on the completion of the MPGL Acquisition, and are expected to become effective on or about May 19, 2021.

Equity Financings

In April 2021, the Company entered into: (i) a bought deal letter for the private placement of 8,911,000 Subscription Receipts of the Company at a price of $5.05 per Subscription Receipt (the "Issue Price") with a syndicate of underwriters for aggregate gross proceeds of approximately $45.0 million (the "Bought Deal Financing"), and (ii) a binding term sheet with Yorkville pursuant to which Yorkville will purchase 1,980,200 Subscription Receipts at the Issue Price, on a non-brokered basis, for aggregate gross proceeds of approximately $10.0 million (the "Non-Brokered Financing" and, together with the Bought Deal Financing, the "Equity Financings"). The aggregate gross proceeds from the Equity Financings are expected to be approximately $55.0 million, which will be used by the Company to fund a portion of the cash consideration payable in connection with the MPGL Acquisition and related transaction costs. In addition, the underwriters have an option to sell an additional 1,336,650 Subscription Receipts at the Issue Price for additional gross proceeds of up to approximately $6.75 (the "Underwriters' Option") which is exercisable up to 48 hours prior to the closing date of the Equity Financings. To the extent the Underwriters' Option is exercised, Yorkville will have an option to purchase up to an additional 297,030 Subscription Receipts at the Issue Price for additional gross proceeds of up to approximately $1.5 million on similar terms as the Underwriters' Option.

The gross proceeds from the Equity Financings, net of the expenses of the Underwriters and 50% of the commissions and fees payable to the Underwriters and Yorkville, will be placed into escrow and will be released upon the satisfaction of certain conditions (the "Escrow Release Conditions"), including the approval of the Equity Financings by disinterested shareholders at the Company's annual and special meeting of shareholders being held on June 4, 2021 and completion of the MPGL Acquisition. Upon satisfaction of such Escrow Release Conditions, each Subscription Receipt will be exchanged for one common share of the Company, subject to certain adjustments in the event that the MPGL Acquisition Closing does not occur by certain prescribed dates, in which case each Subscription Receipt will be exchanged for up to 1.1 common shares of the Company. The Equity Financings are expected to close on or about May 19, 2021 and are each subject to certain conditions including, but not limited to, the receipt of all necessary approvals including the approval of the Toronto Stock Exchange. The underwriters of the Bought Deal Financing are also expected to receive broker warrants, each of which is exercisable for one common share of the Company at the Issue Price for a period of 12 months following closing.

Cash Flow

Cash flow activities for the three month period ended March 31, 2021 were as follows:

Cash used in operating activities
Cash used in operating activities was $1.7 million compared to $1.5 million for the same period in the prior year:
- The increase in cash used in operating activities in the current year compared to the prior year related to the timing of certain payments that occurred in the current year, transaction related expenditures and the payment of $2.3 million to settle a portion of a previously disclosed arbitration award related to one of the Company's historical acquisitions.
- In absence of this arbitration award payment, cash flows provided by operating activities would have been $0.6 million and the Company anticipates positive cash flows from operating activities going forward.
Cash used in investing activities
Cash used in investing activities was $6.4 million compared to $0.7 million for the same period in the prior year:
- Cash used in investing activities in the current year related to the closing consideration paid in escrow for the SmartMeds acquisition, purchases of property and equipment and intangible assets; the payment of an earn-out related to a historical acquisition; partially offset by the net proceeds from the disposal of property, equipment and intangible assets.
- Cash used in investing activities in the same period in the prior year related to the purchases of property and equipment and intangible assets and a payment made related to the final working capital settlement for the divestiture of the Company's former Surgical and Medical Centres business.
Cash provided by financing activities
Cash provided by financing activities was $17.2 million compared to $8.2 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 Offering and the Concurrent Private Placement partially offset by payments of interest and finance leases.
- Cash provided by financing activities in the same period in the prior year related to the net proceeds from the Crown Capital Facility and Yorkville Facility partially offset by payments of interest; repayments made on the Company's former credit facilities and finance leases; and a transfer to restricted cash.

Contractual Commitments

The Company's contractual commitments at March 31, 2021, are as follows:

	Total	2021	2022-2023	2024-2025	Thereafter
	$	$	$	$	$
Trade payables and other liabilities	**22.1**	22.1	—	—	—
Convertible Debentures	**25.4**	6.9	13.8	4.7	—
Crown Capital Facility	**27.0**	—	6.7	20.3	—
Ewing Convertible Debentures	**13.2**	—	—	13.2	—
Yorkville Facility	**14.0**		14.0	—	—
Vendor take-back note	**3.3**	3.3	—	—	—
Finance loans	**0.1**	0.1	—	—	—
Interest payments on borrowings	**18.9**	5.7	9.9	3.3	—
Leases	**12.6**	2.1	4.8	3.4	2.3
Deferred consideration	**4.0**	4.0	—	—	—
Contingent consideration	**6.1**	1.8	4.3	—	—
Total	**146.7**	**46.0**	**53.5**	**44.9**	**2.3**

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

As at March 31, 2021, the Company had total shares outstanding of 30,114,433. The outstanding shares include 52,712 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 care operators. 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 30,061,721 common shares outstanding as at March 31, 2021 and 24,791,984 shares outstanding at December 31, 2020.

For the period ended	**March 31, 2021**	December 31, 2020
Common shares		
Balance, beginning of period	**24,791,984**	14,196,208
Issuance of common shares	**4,987,261**	213,448
Common shares released from escrow or issued from treasury for contingent consideration	**86,445**	343,934
RSUs and warrants exercised	**196,031**	188,394
Shares issued for acquisitions	**—**	6,250,000
Shares issued on exercise of Special Warrants	**—**	2,875,000
Conversion of Convertible Debentures	**—**	725,000
Balance, end of period	**30,061,721**	24,791,984

On April 26, 2021, $325 of the Convertible Debentures were converted to 108,333 common shares.

Issuance of Deferred Stock-based Compensation

As at March 31, 2021, there were a total of 1,200,748 RSUs and DSUs outstanding to grant an equivalent number of common shares.

For the period ended	**March 31, 2021**	December 31, 2020
RSUs and DSUs		
Balance, beginning of period	**771,385**	390,774
RSUs and DSUs granted	**517,408**	582,217
RSUs and DSUs released	**(86,831)**	(188,394)
RSUs and DSUs forfeited	**(1,214)**	(13,212)
Balance, end of period	**1,200,748**	771,385

Issuance of Warrants

As at March 31, 2021, there were 22,254,704 warrants outstanding (each warrant entitles the holder to acquire 0.05 common shares in the capital of the Company, except for 274,371 warrants granted, which entitle the holder to acquire one common share in the capital of the Company) at a weighted average exercise price of $4.08 per common share.

For the period ended	March 31, 2021	December 31, 2020
Share purchase warrants		
Balance, beginning of period	**23,202,833**	17,730,333
Warrants granted	**211,071**	10,822,500
Warrants deemed exercised	**—**	(3,450,000)
Warrants exercised	**(109,200)**	—
Warrants expired	**(1,050,000)**	(1,900,000)
Balance, end of period	**22,254,704**	23,202,833
Exercisable, end of period	**22,182,704**	23,130,833

Issuance of Stock Options

As at March 31, 2021, 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 March 31, 2021, was 45,850 with a weighted average exercise price of $8.12.

For the period ended	March 31, 2021	December 31, 2020
Common share options		
Balance, beginning of period	**45,850**	83,500
Options expired	**—**	(34,250)
Options cancelled/forfeited	**—**	(3,400)
Balance, end of year	**45,850**	45,850
Exercisable, end of period	**45,850**	45,850

Should all outstanding options and warrants that were exercisable at March 31, 2021 be exercised, the Company would receive proceeds of $5.3 million.

As at the date of this report, May 12, 2021, the number of shares outstanding, including escrowed shares, is 30,402,072; the number of options outstanding is 45,850; the number of RSUs and DSUs outstanding is 1,108,120; and the number of warrants outstanding is 22,254,704 (21,980,333 warrants entitle the holder to acquire 0.05 common shares each in the capital of the Company and 274,371 warrants entitle the holder to acquire one common share each in the capital of the Company). Included in the shares outstanding are 52,712 restricted shares, shares held in escrow, or in trust, that 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, including the transactions described below.

Certain directors help manage funds that own the Convertible Debentures and common shares of the Company, including common shares issued as part of the Concurrent Private Placement, and that provided the Yorkville Facility.[7]

[7] *See Liquidity and Capital Resources - Yorkville Facility and Bought Deal Financing and Concurrent Private Placement*

The former majority owner of Remedy's is a significant shareholder and director of the Company. This director holds a vendor take-back note and is entitled to certain deferred consideration and contingent consideration. During the three month period ended March 31, 2021, the Company incurred $0.2 million (2020 - nil) in relation to transition, management and support services provided by one of the director's corporations.

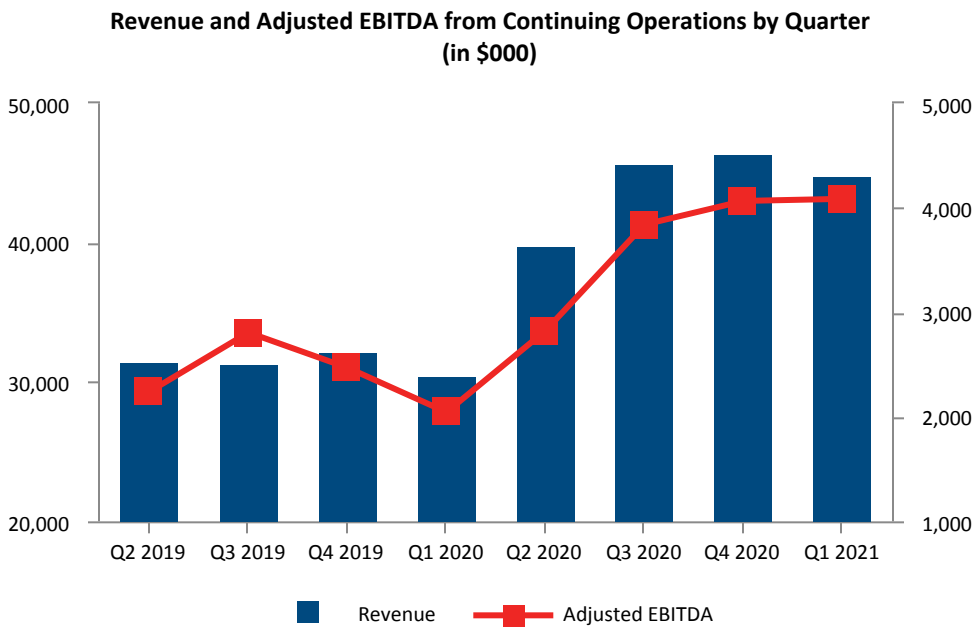
As at March 31, 2021, $0.7 million and $0.5 million (December 31, 2020 - $0.5 million and $0.6 million) of the amounts previously incurred in relation transition, management and support services provided by one of the director's corporations were recorded on a net basis within the vendor take-back note and the contingent consideration liability related to the acquisition of Remedy's, respectively, in accordance with the Remedy's purchase agreement.

As at March 31, 2021, $0.5 million (December 31, 2020 - $0.3 million) was payable by the Company, net of amounts 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)	Q1 2021 $	Q4 2020 $	Q3 2020 $	Q2 2020 $
Revenue from continuing operations	44,857	46,388	45,633	39,749
Adjusted EBITDA from continuing operations	4,086	4,066	3,840	2,825
Adjusted EBITDA per share from continuing operations:				
Basic and diluted	$0.15	$0.17	$0.17	$0.15
Net loss from continuing operations	(5,866)	(3,021)	(6,407)	(14,148)
Loss per share from continuing operations:				
Basic and diluted	($0.21)	($0.12)	($0.28)	($0.74)
Adjusted EBITDA	4,086	4,066	3,840	2,825
Adjusted EBITDA per share:				
Basic and diluted	$0.15	$0.17	$0.17	$0.15
Net loss	(5,866)	(3,021)	(6,407)	(14,148)
Loss per share:				
Basic and diluted	($0.21)	($0.12)	($0.28)	($0.74)

	Q1 2020 $	Q4 2019 $	Q3 2019 $	Q2 2019 $
Revenue from continuing operations	30,426	32,206	31,397	31,490
Adjusted EBITDA from continuing operations	2,045	2,470	2,807	2,242
Adjusted EBITDA per share from continuing operations:				
Basic	$0.14	$0.20	$0.26	$0.21
Diluted	$0.08	$0.20	$0.26	$0.21
Net income (loss) from continuing operations	5,393	(35,275)	(2,601)	(1,519)
Earnings (loss) per share from continuing operations:				
Basic	$0.37	($2.90)	($0.24)	($0.14)
Diluted	$0.22	($2.90)	($0.24)	($0.14)
Adjusted EBITDA	2,045	3,313	2,690	3,548
Adjusted EBITDA per share:				
Basic	$0.14	$0.27	$0.25	$0.34
Diluted	$0.08	$0.27	$0.25	$0.34
Net income (loss)	5,314	(18,939)	(3,501)	(1,596)
Earnings (loss) per share:				
Basic	$0.37	($1.56)	($0.33)	($0.16)
Diluted	$0.21	($1.56)	($0.33)	($0.16)



The Company achieved quarter-over-quarter growth in revenue and Adjusted EBITDA as a result of cost savings and incremental revenues achieved from the successful execution of the business re-engineering plan, as well as additional beds serviced during the 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 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 ODBA Amendments, 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.

In the third and fourth quarters of 2020, the Company's revenue and Adjusted EBITDA increased further as a result of a full quarter's impact of the Remedy's acquisition, with the Remedy's business contributing $15.8 million and $1.2 million, and $15.1 million and $1.6 million of revenue and Adjusted EBITDA, respectively, which included $0.5 million of cost saving synergies in the fourth quarter of 2020. The revenue growth in the third and fourth quarters was partially offset by a reduction in the average number of beds serviced as a result of COVID-19.

In the first quarter of 2021, the Company's revenue decreased compared to the previous quarter as there were two less weekdays to generate revenue. In addition, there was a continued temporary decline in beds serviced due to COVID-19, with January 2021 having reached the peak of COVID-19-related occupancy reductions in homes serviced. Despite these impacts on revenue, Adjusted EBITDA increased compared to the previous quarter as a result of the full quarter's impact of the Remedy's integration and associated cost saving synergies achieved, claims made under the Canada Emergency Wage Subsidy and Canada Emergency Rent Subsidy programs and other cost savings initiatives undertaken in the quarter.

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.

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 first quarter of 2021, which has materially affected, or is 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, 2021.

The Company's significant accounting policies are summarized in detail in note 2 of the unaudited condensed interim consolidated financial statements for the three month periods ended March 31, 2021 and 2020. No significant changes in accounting policies have occurred.

Critical Accounting Estimates and Judgments

The Company describes its critical accounting estimates and judgments as well as any changes in accounting estimates and judgments in note 2 of the unaudited condensed interim consolidated financial statements for the three month periods ended March 31, 2021 and 2020.

Risks and Uncertainties

The business of the Company 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 pharmacy services to Canadian seniors and other individuals in congregate care settings with medication management needs. 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 imposition of capitated funding models, 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.

On January 1, 2020, certain amendments to O. Reg. 201/96 under the *Ontario Drug Benefit Act* ("ODBA" and the "ODBA Amendments") came into effect. 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. Following a one-year pause in the step-down under the capitation model that was announced in January 2021, the fee is $1,500 dollars per bed per year in 2019-2020, 2020-2021, and 2021-2022, decreasing to $1,400 dollars in 2022-2023, $1,300 dollars in 2023-2024 and $1,200 dollars in 2024-2025 (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. 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.

Liquidity and Capital Requirements

Given the Company's cash balance, together with its potential sources of funding and working capital needs the Company believes it has sufficient cash to fund its operations and contractual payment obligations for the foreseeable future.

The future capital requirements of the Company will depend on many factors, including the number and size of acquisitions consummated, the integration of any such acquisitions, the 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, such as the Equity Financings that have been entered into in order to fund the MPGL Acquisition. There can be no assurance that additional funding will be available or, if available, that it will be available on acceptable terms. 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 ensure 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 business 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 addition, to date, the Company has offset substantially all of the impact of the COVID-19 pandemic through cost savings. 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.

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 year ended December 31, 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, while there have been instances of positive cases within the Company's pharmacy fulfillment centres, the Company's ability to

deliver its pharmacy services has not been materially impacted as a result of staff shortages or infected staff. 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 temporary decline in residents serviced as a result of COVID-19. Substantially all of the loss of revenue and gross profit from the reduction of residents serviced has been offset from organic growth through new customer contracts and 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 aims 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 care 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. Additionally, the onboarding of certain homes under newly awarded contracts has also been delayed due to COVID-19 outbreaks within the homes.

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 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 volatility 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.

Cash Flow to Service Debt

As at March 31, 2021, the Company had approximately $79.4 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 $8.1 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 care operator contracts. For additional information on the Company’s outstanding long-term debt, see “Liquidity and Capital Resources”.

Reliance on Contracts with Key Care Operators

Revenues attributable to the Company's businesses are dependent upon certain significant contracts care operators. There can be no assurance that the Company's contracts with its key care operators will be renewed or that the Company's services will continue to be utilized by those key care operators. There could be material adverse effects on the businesses of the Company if a key care operator 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 care operators 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.

Acquisitions and Integration

The Company has and continues to expect to make acquisitions of various sizes as part of its stated growth strategy, and is currently working towards closing and integrating the MPGL LTC Pharmacy Business and the Rexall LTC Pharmacy Business, as well as integrating the previously acquired SmartMeds business.

There is no assurance that the Company will be able to continue to acquire businesses on satisfactory terms or at all, which could impact the stated growth strategy of the Company. Acquisitions involve the commitment of capital, management time and other resources, and such acquisitions could have a major financial impact in the year of acquisition and beyond. The speed and effectiveness with which CareRx integrates acquired companies, including the Acquired Businesses 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 Company has provided estimates of expected annualized run-rate revenue and Adjusted EBITDA contribution and expected synergies for certain of the Acquired Businesses. The expected annualized run-rate revenue contribution from each Acquired Business has been estimated by the Company by taking historical revenues of the Acquired Businesses, and making adjustments thereto based on the due diligence of the Company to factor in certain assumptions, including changes in beds serviced due to customer churn as well as regulatory funding changes. As it relates to the MPGL LTC Pharmacy Business and SmartMeds business, the expected Adjusted EBITDA contribution of the businesses has been estimated by the Company by taking the historical EBITDA of the businesses and making adjustments thereto based on the due diligence of the Company to factor in certain assumptions, including changes in beds serviced due to customer churn, regulatory funding changes, allocations of corporate overhead costs, adjustments related to costs incurred or savings achieved due to COVID-19 and other out-of-period or non-recurring costs. As it relates to the Rexall LTC Pharmacy Business, the expected Adjusted EBITDA contribution of the business has been estimated by the Company by taking the reported gross profit of the business and making adjustments thereto based on the due diligence of the Company to factor in certain assumptions, including changes in beds serviced due to customer churn and regulatory funding changes, and applying the Company's cost structure, including labour and operating costs. The expected synergies that the Company expects to derive from the Acquired Businesses has been estimated by the Company based on its experience successfully integrating previously acquired businesses, and includes estimated benefits that the Company expects to derive, such as site consolidations, operational improvements and eliminating redundant positions.

The expected annualized run-rate revenue and Adjusted EBITDA from the Acquired Businesses have not been prepared in accordance with IFRS, nor has a reconciliation to IFRS been provided. The Company and its stakeholders evaluates the Company's financial performance on the basis of these non-IFRS measures and therefore the Company does not consider their most comparable IFRS measures when evaluating prospective acquisitions.

The successful integration and management of the Acquired Businesses, and the Company's ability to realize the expected run-rate revenue and Adjusted EBITDA contribution and synergies, are subject to numerous risks and uncertainties that could adversely affect CareRx's growth and profitability, including that:

i Management may not be able to manage the Acquired Businesses successfully and the integration may place significant demands on management, thereby diverting its attention from existing operations;

ii 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;

iii The Acquired Businesses may require substantial financial resources that could otherwise be used in the development of other aspects of the Company's existing business;

iv Expected synergies in support of the acquisition model may not be fully realized as anticipated or could take longer to realize than expected, which could affect the Company's compliance with its covenants in the credit agreement with Crown Capital;

v Despite the Company undertaking comprehensive due diligence of the Acquired Businesses, such due diligence may not uncover all liabilities of the Acquired Businesses, and the scope of any indemnification obligations of the vendors may not be sufficient to cover any such liabilities;

vi Historical financial information for certain of the Acquired Businesses is based on carve-out financial information given certain of the Acquired Businesses were consolidated into the larger operations of the applicable vendors;

vii The customer contracts underlying the Acquired Businesses may not be retained or renewed on similar terms;

viii The Acquired Businesses may result in liabilities and contingencies which could be significant to the Company's operations;

ix Integration activities may distract management and other employees from running the day-to-day business and result in unintended declines in service to existing customers; and

x Personnel from the Acquired Businesses and its existing businesses may not be integrated as efficiently or at the rate foreseen.

In particular, the completion of the MPGL Acquisition, which is a “significant acquisition” of the Company under National Instrument 51-102 – Continuous Disclosure Obligations, is subject to a number of customary closing conditions, termination rights and other risks and uncertainties including, without limitation, shareholder and regulatory approvals. Accordingly, there can be no assurance that the MPGL Acquisition will be completed, or that it will occur on the terms and conditions as disclosed by the Company.

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 major 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

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.

During the year ended December 31, 2020, 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. During the three month period ended March 31, 2021, the Company paid $2.3 million to settle a portion of the award. Subsequent to the first quarter of 2021, the remaining amount of the arbitration award was settled in full.

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 care operator 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, seniors and other care operators and residents within these homes, 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 financial resources 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 or new competitors.

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 IT threats 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.

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.

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, is required to waive

or reduce co-payments, or co-payments are eliminated through regulatory changes, the Company's financial condition could be affected.

Confidentiality of Personal and Health Information

CareRx and its subsidiaries' employees have access, in the course of their duties, to personal information of residents serviced by the Company, and specifically personal health information, including medical histories. The collection, use and disclosure of personal information and personal health information are subject to strict regulatory requirements, including the *Personal Information Protection and Electronic Documents Act* (Canada), the *Personal Health Information Protection Act* (Ontario), and other similar federal and provincial regulations. There can be no assurance that the Company's existing policies, procedures and systems will be sufficient to protect the personal information of existing and future residents. In addition, data breaches through unauthorized access or inadvertent disclosure could result in the unintended publication or release of personal information. If a resident's privacy is violated, or if CareRx is found to have violated any applicable privacy law or regulation, it could be liable for damages or for criminal fines or penalties, as well as significant reputational damage.

Medication Errors

The Company dispenses approximately 1.5 million prescriptions per month, and as with any pharmacy, medication errors are an inevitability. Medication errors can arise from human error from the prescribing physician or nurse practitioner, from a pharmacist or pharmacy assistant in processing and dispensing a prescription, or from a failure in technology that the Company relies upon to package medication. Medication errors can lead to adverse health outcomes of residents. While the Company has robust policies and procedures in place to minimize the occurrence of medication errors and maintains professional liability and other insurance in amounts it deems to be sufficient, a high rate of errors or errors that cause significant resident harm could expose the Company to significant reputational damage, a loss of customers, litigation or increased insurance premiums.

Key Personnel

The Company believes that its future success will depend significantly upon its ability to attract, motivate and retain executive management. In addition, the success of the Company depends on employing or contracting, as the case may be, qualified pharmacists and other healthcare professionals. The loss of highly skilled employees or 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.

Failure of Business Continuity Plans

The Company maintains a Disaster Recovery Plan to guard against unintended failures of the Company's IT systems, closures of the Company's pharmacy sites and other unforeseen changes in the Company's operations. While these plans are designed to mitigate against certain foreseeable risks, it is impossible to guard against every risk at every location. To the extent that an unforeseen risk materializes and disrupts the Company's operations, or the Company's Disaster Recovery Plan has any failures in its design, the Company's operations could be materially disrupted.

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.

Third Party Audits

The Company is exposed to routine audits from third parties, including provincial drug plans, colleges of pharmacy, insurance providers and related adjudicators. While the Company believes it is in compliance with applicable requirements, to the extent that the Company's billing practices fail to comply with the applicable requirements or its records that support billings are not properly maintained, the Company could be exposed to significant clawbacks or financial penalties or a closure of its pharmacies.

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 common 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 the outcome of ongoing litigation;

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

ix 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 fiduciary 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 costs (income), net, and income tax (recovery) expense. 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, change in fair value of investment, 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 March 31,	
	2021	2020
(thousands of Canadian Dollars)	**$**	$
Net income (loss) from continuing operations	**(5,866)**	5,393
Depreciation and amortization	**3,092**	2,314
Finance costs (income), net	**3,421**	(7,968)
Income tax recovery	**(748)**	—
EBITDA from continuing operations	**(101)**	(261)
Transaction and restructuring costs	**767**	1,656
Change in fair value of contingent consideration liability	**169**	74
Share-based compensation expense	**753**	358
Change in fair value of derivative financial instruments	**2,605**	220
Gain on disposal of assets	**(107)**	(2)
Adjusted EBITDA from continuing operations	**4,086**	2,045
Adjusted EBITDA from discontinued operations	**—**	—
Adjusted EBITDA	**4,086**	2,045
Weighted average number of shares - basic (in thousands)	**28,048**	14,451
Adjusted EBITDA per share from continuing operations - basic	**$0.15**	$0.14
Adjusted EBITDA per share - basic	**$0.15**	$0.14
Weighted average number of shares - diluted (in thousands)	**28,048**	24,758
Adjusted EBITDA per share from continuing operations - diluted	**$0.15**	$0.08
Adjusted EBITDA per share - diluted	**$0.15**	$0.08

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 month periods ended March 31, 2021 and 2020

(in thousands of Canadian dollars)

Dated: May 12, 2021

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Notes to the Condensed Interim Consolidated Financial Statements:

Consolidated Statements of Financial Position

(unaudited, in thousands of Canadian dollars)

	March 31, 2021	December 31, 2020
	$	$
Assets		
Current assets		
Cash and cash equivalents	**28,677**	19,623
Restricted cash (note 17)	**4,556**	360
Trade and other receivables	**16,922**	15,354
Income taxes receivable	**49**	—
Inventories	**9,760**	8,577
Prepaid expenses and other current assets	**1,198**	1,279
	61,162	45,193
Non-current assets		
Property and equipment (note 4)	**21,392**	21,137
Investment (note 10)	**2,713**	2,713
Goodwill and intangible assets (note 4)	**85,357**	87,067
Total assets	**170,624**	156,110
Liabilities		
Current liabilities		
Trade payables and other liabilities (note 6)	**25,639**	25,225
Income taxes payable	**—**	482
Deferred consideration (note 3)	**3,954**	3,845
Current portion of borrowings (note 7)	**17,680**	4,245
Current portion of contingent consideration (note 3)	**1,810**	3,540
Current portion of lease liabilities	**1,891**	1,840
Provisions (note 15)	**2,327**	4,172
	53,301	43,349
Non-current liabilities		
Borrowings (note 7)	**61,740**	71,948
Other deferred amounts (note 8)	**12,104**	12,877
Contingent consideration (note 3)	**4,342**	4,004
Deferred income tax liabilities	**4,734**	4,854
Lease liabilities	**7,713**	7,775
Total liabilities	**143,934**	144,807
Equity		
Share capital (note 9)	**210,646**	189,776
Warrants (note 9)	**1,971**	1,999
Contributed surplus	**31,824**	31,413
Equity component of Convertible Debentures	**8,315**	8,315
Deficit	**(226,066)**	(220,200)
Total equity	**26,690**	11,303
Total liabilities and equity	**170,624**	156,110

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements, including note 17 which details the subsequent events

Approved by the Board

"Kevin Dalton"
Kevin Dalton, Director

"Christiane Bergevin"
Christiane Bergevin, Director

Consolidated Statements of Income and Comprehensive Income

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

	For the three month periods ended March 31,	
	2021	2020
	$	$
Revenue	**44,857**	30,426
Cost of pharmacy services and supplies	**31,515**	21,695
General and administrative expenses (note 12)	**12,994**	9,356
Transaction, restructuring and other costs (note 13)	**767**	1,656
Loss from operations	**(419)**	(2,281)
Finance costs (income), net (note 14)	**3,421**	(7,968)
Change in fair value of derivative financial instruments (note 10)	**2,605**	220
Change in fair value of contingent consideration liability (note 3)	**169**	74
Income (loss) before income taxes	**(6,614)**	5,393
Income tax recovery (note 5)	**(748)**	—
Net income (loss) from continuing operations	**(5,866)**	5,393
Loss from discontinued operations	**—**	(79)
Net income (loss) and total comprehensive income (loss) for the period	**(5,866)**	5,314
Basic earnings (loss) per common share:		
From continuing operations	**($0.21)**	$0.37
From discontinued operations	**$0.00**	$0.00
From earnings (loss) for the period	**($0.21)**	$0.37
Diluted earnings (loss) per common share:		
From continuing operations	**($0.21)**	$0.22
From discontinued operations	**$0.00**	$0.00
From earnings (loss) for the period	**($0.21)**	$0.22
Weighted average number of common shares outstanding (in thousands) (note 9):		
Basic	**28,048**	14,451
Diluted	**28,048**	24,758

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

Consolidated Statements of Changes in Equity (Deficit)

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

	Number of common shares[1]	Share capital $	Warrants $	Contributed surplus $	Equity component of Convertible Debentures $	Deficit $	Total $
Balance at December 31, 2019	**14,196,208**	**141,109**	**1,734**	**30,105**	**9,029**	**(201,938)**	**(19,961)**
Issuance of shares, net of share issuance costs (note 9)	37,232	100	—	—	—	—	100
RSUs exercised (note 9)	2,437	27	—	(27)	—	—	—
Shares issued from treasury related to contingent consideration (note 3, 9)	318,934	1,008	—	—	—	—	1,008
Issuance of warrants (note 9)	—	—	584	—	—	—	584
Deferred compensation expense	—	—	—	358	—	—	358
Warrants expired	—	—	(639)	639	—	—	—
Net income for the period	—	—	—	—	—	5,314	5,314
Balance at March 31, 2020	**14,554,811**	**142,244**	**1,679**	**31,075**	**9,029**	**(196,624)**	**(12,597)**
Balance at December 31, 2020	**24,791,984**	**189,776**	**1,999**	**31,413**	**8,315**	**(220,200)**	**11,303**
Issuance of shares, net of share issuance costs (note 9)	4,987,261	19,321	—	—	—	—	19,321
RSUs and warrants exercised (note 9)	196,031	1,114	(202)	(431)	—	—	481
Shares released from escrow or issued from treasury related to contingent consideration (note 3, 9)	86,445	435	—	—	—	—	435
Issuance of warrants (note 9)	—	—	263	—	—	—	263
Warrants expired (note 9)	—	—	(89)	89	—	—	—
Deferred compensation expense	—	—	—	753	—	—	753
Net loss for the period	—	—	—	—	—	(5,866)	(5,866)
Balance at March 31, 2021	**30,061,721**	**210,646**	**1,971**	**31,824**	**8,315**	**(226,066)**	**26,690**

[1] *Excludes 52,712 common shares held in escrow and restricted shares as at March 31, 2021 (December 31, 2020 - 177,712) (note 9).*

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

Consolidated Statements of Cash Flows

(unaudited, in thousands of Canadian dollars)

	For the three month periods ended March 31,	
	2021	2020
Cash provided by (used in):	**$**	$
Operating activities		
Net income (loss) for the period	**(5,866)**	5,314
Adjustments for:		
Finance costs (income), net (note 14)	**3,421**	(7,968)
Change in fair value of derivative financial instruments (note 10)	**2,605**	220
Gain on disposal of assets (note 12)	**(107)**	(2)
Depreciation of property and equipment (note 4)	**1,310**	1,041
Amortization of finite life intangible assets (note 4)	**1,782**	1,272
Income taxes received	**97**	—
Income tax recovery (note 5)	**(748)**	—
Share-based compensation expense (note 12)	**753**	358
Change in the fair value of contingent consideration liability (note 3)	**169**	74
Loss on sale of business	**—**	79
Supply agreement arrangements, net of amortization (note 8)	**(429)**	(429)
Cannabis agreements, net of amortization (note 8)	**(344)**	(344)
Net change in non-cash working capital items (note 16)	**(4,348)**	(1,065)
Cash used in operating activities	**(1,705)**	(1,450)
Investing activities		
Proceeds on disposal of property, equipment and intangible assets	**67**	2
Restricted cash for acquisition of business (note 17)	**(4,196)**	—
Purchase of property and equipment (note 4)	**(1,078)**	(607)
Purchase of intangible assets (note 4)	**(76)**	(44)
Payment of contingent consideration (note 3)	**(1,156)**	—
Working capital settlement from sale of businesses	**—**	(74)
Cash used in investing activities	**(6,439)**	(723)
Financing activities		
Net proceeds from Crown Capital Facility and Yorkville Facility (note 7)	**—**	26,646
Transfer to restricted cash	**—**	(600)
Interest paid	**(2,133)**	(957)
Repayment of Subordinated Facility	**—**	(11,673)
Repayment of Revolving Facility, net of withdrawals	**—**	(4,690)
Repayment of finance loans (note 7)	**(14)**	(12)
Repayment of leases	**(713)**	(562)
Net proceeds from common shares issued (note 9)	**20,058**	—
Cash provided by financing activities	**17,198**	8,152
Increase in cash and cash equivalents	**9,054**	5,979
Cash and cash equivalents, beginning of period	**19,623**	61
Cash and cash equivalents, end of period	**28,677**	6,040

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

1. Corporate Information

CareRx 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.

The Company's principal business is providing pharmacy services to seniors homes and other congregate care settings in Canada.

COVID-19 pandemic

During the year ended December 31, 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 have been and may continue to 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 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.

In response to the COVID-19 pandemic, the Canada Emergency Wage Subsidy ("CEWS") and Canada Emergency Rent Subsidy ("CERS") programs were announced and made available by the Government of Canada since March 2020 and September 2020, respectively. CEWS provides a wage subsidy on eligible remuneration, subject to limits per employee, to eligible employers based on certain eligibility criteria, including demonstrated declines in revenue following the commencement of the COVID-19 pandemic. CERS provides a variable subsidy for rent and other occupancy-related costs incurred. For the three month period ended March 31, 2021, the Company recorded recoveries of $117 and $65 in the consolidated statement of income and comprehensive income related to claims made under the CEWS and CERS programs, respectively (2020 - nil).

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, 2020. 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, 2020.

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, 2020. 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 May 12, 2021.

New and amended standards adopted by the Company

A number of amended standards became effective from January 1, 2021. 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

A number of new standards, amendments and annual improvements are not mandatory for reporting periods beginning January 1, 2021 and have not been early adopted by the Company. Those which may be relevant to the Company in future reporting periods and on foreseeable future transactions are set out below:

- Amendments to IFRS 16, Leases ("IFRS 16") relating to the COVID-19 rent concession amendment (extension) effective for periods beginning on/after April 1, 2021;
- A number of narrow-scope amendments to IFRS 3, Business Combinations, IAS 16, Property, plant and equipment, IAS 37, Provisions, contingent liabilities and contingent assets effective for years beginning on/after January 1, 2022;
- Annual improvements on IFRS 9, Financial Instruments and IFRS 16 effective for years beginning on/after January 1, 2022; and
- Amendments to IAS 1, Presentation of Financial Statements and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors effective for years beginning on/after January 1, 2023.

These standards, amendments and annual improvements are not expected to have a material impact on the Company in the current or future reporting periods.

Revenue

During the three month period ended March 31, 2021, 83% and 14% of the Company's revenues were derived from the sales of goods and capitated service fees, respectively (2020 - 84% and 12%).

Revisions of prior period comparatives

Certain comparative balances and disclosures in the notes to these unaudited condensed interim consolidated financial statements have been retrospectively adjusted to conform to the current year's presentation.

3. 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	Salus	Other	Total
	$	$	$	$	$
Balance at December 31, 2020	**3,193**	**1,365**	**645**	**2,341**	**7,544**
Change in fair value during the period	220	17	43	(111)	**169**
Changes in amounts receivable from vendor (note 11)	37	—	—	—	**37**
Contingent consideration settled in cash	—	(956)	(200)	—	**(1,156)**
Contingent consideration settled in shares	—	(426)	(16)	—	**(442)**
Balance at March 31, 2021	**3,450**	**—**	**472**	**2,230**	**6,152**
Less: Current portion	**1,123**	**—**	**436**	**251**	**1,810**
Non-current portion at March 31, 2021	**2,327**	**—**	**36**	**1,979**	**4,342**

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) 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 March 31, 2021, 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 of the Company for each warrant at an exercise price of $12.91 per common share 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 March 31, 2021, 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. As at March 31, 2021, the expected range of potential undiscounted amounts payable remaining is between nil and $508.

In January 2021, the Company paid $200 in performance cash and issued 4,545 common shares related to the completion of a portion of the Salus earn-out.

On May 7, 2020, the Company recorded a contingent consideration liability as part of the consideration for the acquisition 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") in the amount of $3,293, which represented its fair value at the date of acquisition, payable over a two-year period. The fair value on acquisition consisted of $3,293 in performance cash (up to a maximum of $5,000) subject to certain operational and earnings targets being achieved over the two-year period. As at March 31, 2021, the Company estimated the probability of meeting the operational and earnings targets to be 77% on average. As at March 31, 2021, the fair value of the contingent consideration liability as part of the consideration for the acquisition of Remedy's was estimated based on a risk-adjusted discount rate of 12%. As at March 31, 2021, the expected range of potential undiscounted amounts payable remaining is between $1,523 and $4,436. As at March 31, 2021, the contingent consideration liability related to the acquisition of Remedy's was presented net of the $520 (December 31, 2020 - $559) receivable from certain other affiliates of the former owners of Remedy's in relation to expenditures incurred by the Company in accordance with the Remedy's purchase agreement.

3. Contingent Consideration - continued

In addition, the contingent consideration liability related to the acquisition of Remedy's also included a liability owing to the vendor of Integrity Pharmacy Inc. ("iPharm"), a legacy acquisition of Remedy's, in the event that there were subsequent revisions to the previously announced amendments to O. Reg. 201/96 under the Ontario Drug Benefit Act that came into effect on January 1, 2020 (the "ODBA Amendments"), which adjusted the scheduled fee changes positively. On the acquisition date, the Company estimated a nil probability of revisions occurring. Subsequent to the year ended December 31, 2020, the Ontario Ministry of Health announced certain revisions to the ODBA Amendments, which resulted in the probability of an additional payment increasing from nil to 100%. The Company has assessed these revisions to the ODBA Amendments and recognized $407 as a change in the fair value of the contingent consideration liability for the year ended December 31, 2020. On April 15, 2021, the Company paid $138 to settle a portion of the contingent consideration liability owing to the vendor of iPharm.

On March 1, 2021, the Company paid $956 and issued 81,900 common shares to settle the remaining contingent consideration liability for the acquisition of CareRx Enterprises.

On May 7, 2021, the Company settled the current potion of the contingent consideration liability and the deferred consideration liability related to the acquisition of Remedy's.

4. Goodwill, Intangible Assets and Property and Equipment

	Goodwill $	Intangible Assets $	Total Goodwill and Intangible Assets $	Property and Equipment $
For the period ended March 31, 2021				
Cost				
Balance at December 31, 2020	77,518	94,237	171,755	39,520
Additions	—	76	76	2,347
Disposals	—	(4)	(4)	(1,254)
Balance at March 31, 2021	**77,518**	**94,309**	**171,827**	**40,613**
Accumulated amortization and impairment losses				
Balance at December 31, 2020	(25,779)	(58,909)	(84,688)	(18,383)
Amortization charge	—	(1,782)	(1,782)	(1,310)
Disposals	—	—	—	472
Balance at March 31, 2021	**(25,779)**	**(60,691)**	**(86,470)**	**(19,221)**
Net carrying value				
As at December 31, 2020	51,739	35,328	87,067	21,137
As at March 31, 2021	**51,739**	**33,618**	**85,357**	**21,392**

Included in the net carrying value of property and equipment are right-of-use assets of $8,548 (December 31, 2020 - $8,523).

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

The right-of-use assets as at March 31, 2021 and December 31, 2020 consist of the following:

	March 31, 2021	December 31, 2020
	$	$
Right-of-use assets - Properties	**7,642**	7,617
Right-of-use assets - Equipment	**546**	546
Right-of-use assets - Vehicles	**360**	360
Total	**8,548**	8,523

During the three month period ended March 31, 2021, additions of property and equipment related to right-of-use assets were $1,269.

During the three month period ended March 31, 2021, amortization charges related to right-of-use assets were $535.

As at March 31, 2021 and December 31, 2020 the Company had 1,820 of indefinite life intangible assets.

The Company performs its annual impairment testing of goodwill and indefinite life intangible assets as at June 30. As at March 31, 2021, the Company assessed whether the effects of the COVID-19 pandemic resulted in an indicator of impairment requiring goodwill and indefinite life intangible assets to be tested outside of the annual cycle. Based on this assessment, the Company concluded there were no indicators of impairment requiring goodwill and indefinite life intangible assets to be tested for impairment as at March 31, 2021.

5. Income Taxes

The effective tax rates for the three month periods ended March 31, 2021 and 2020 were (11.31)% and 0.00%, 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 realize 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 March 31, 2021, the Company had gross non-capital loss carry-forwards of $59,929 (December 31, 2020 - $59,566). The full amount of these loss carry-forwards was not recognized as at March 31, 2021 and December 31, 2020. These losses can be carried forward against future taxable income and expire between 2031 to 2041. As at March 31, 2021 and December 31, 2020, the Company had gross capital loss carry-forwards of $1,945. The full amount of these loss carry-forwards was not recognized as at March 31, 2021 and December 31, 2020.

6. Trade Payables and Other Liabilities

Trade payables and other liabilities are comprised of the following:

	March 31, 2021	December 31, 2020
	$	$
Trade payables	**18,209**	16,406
Salaries, wages and employee benefits payable	**3,283**	2,744
Other accrued liabilities	**3,340**	5,067
Other payables (note 11)	**503**	288
Severance costs (note 13)	**304**	720
Total	**25,639**	25,225

7. Borrowings

Borrowings consist of the following:

	March 31, 2021	December 31, 2020
	$	$
Crown Capital Facility	**25,822**	25,737
Liability component of Convertible Debentures	**19,200**	18,522
Ewing Convertible Debentures	**11,489**	11,621
Ewing Convertible Debentures embedded derivatives	**6,219**	3,614
Yorkville Facility	**13,461**	13,349
Vendor take-back note	**3,147**	3,254
Finance loans	**82**	96
Total borrowings	**79,420**	76,193
Less current portion of borrowings:		
Vendor take-back note	**3,147**	3,254
Liability component of Convertible Debentures	**429**	441
Ewing Convertible Debentures	**55**	266
Crown Capital Facility	**533**	229
Yorkville Facility	**13,461**	—
Finance loans	**55**	55
Total current portion of borrowings	**17,680**	4,245
Total non-current portion of borrowings	**61,740**	71,948

As at March 31, 2021, the current portion of borrowings includes $713 of interest accrued and payable within twelve months following the statement of financial position date (December 31, 2020 - $936).

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

Crown Capital Facility

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.

7. Borrowings - continued

As at March 31, 2021, the Company was in compliance with its Crown Capital Facility covenants.

Vendor Take-Back Note

As at March 31, 2021, the vendor take-back note was presented net of the $683 (December 31, 2020 - $470) receivable from certain other affiliates of the former owners of Remedy's in relation to expenditures incurred by the Company in accordance with the Remedy's purchase agreement (note 11).

Convertible Debentures

On April 26, 2021, $325 of the Convertible Debentures were converted to 108,333 common shares (note 9) resulting in $244, representing the carrying value of the liability component of the $325 of Convertible Debentures, being transferred to share capital.

8. Other Deferred Amounts

Preferred drug supplier

The remaining unamortized balance as at March 31, 2021 was $8,770 (December 31, 2020 - $9,199).

Preferred cannabis partner

The remaining unamortized balance as at March 31, 2021 was $3,334 (December 31, 2020 - $3,678).

9. Shareholders' Equity and Earnings per Share

Authorized share capital consists of an unlimited number of common shares with no par value. The number of common shares issued and outstanding is as follows:

For the period ended ($ thousands, except share amounts)	**March 31, 2021**		December 31, 2020	
Common shares	**Common shares**	**Stated value $**	Common shares	Stated value $
Balance, beginning of period	**24,791,984**	**189,776**	14,196,208	141,109
Issuance of shares, net of share issuance costs	4,987,261	19,321	213,448	805
Shares released from escrow or issued from treasury for contingent consideration (note 3)	86,445	435	343,934	1,110
RSUs and warrants exercised	196,031	1,114	188,394	1,148
Shares issued for acquisitions, net of share issuance costs	—	—	6,250,000	29,318
Shares issued on exercise of Special Warrants, net of share issuance costs	—	—	2,875,000	14,200
Conversion of Convertible Debentures, net of share issuance costs	—	—	725,000	2,086
Balance, end of period	**30,061,721**	**210,646**	24,791,984	189,776

9. Shareholders' Equity and Earnings per Share - continued

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.

The total common shares in aggregate as at March 31, 2021 are:

Type of common shares	
Freely tradeable	30,061,721
Escrowed and restricted	52,712
Total	**30,114,433**

On March 5, 2021, 125,000 escrowed and restricted shares were cancelled.

Issuance of common shares

On January 6, 2021, the Company issued 4,545 common shares for the settlement of deferred consideration related to the Salus acquisition (note 3).

On February 3, 2021, the Company completed a bought deal public offering (the "Offering") and concurrent private placement (the "Concurrent Private Placement") of common shares of the Company for aggregate gross proceeds of $21,196. Pursuant to the Offering, the Company issued an aggregate of 3,517,850 common shares of the Company at $4.25 per common share for gross proceeds of $14,951. Pursuant to the Concurrent Private Placement, the Company issued an aggregate of 1,469,411 common shares of the Company at $4.25 per common share to Yorkville and an existing significant shareholder and director of the Company for total gross proceeds of $6,245. Total transaction costs incurred were $1,875.

On February 26, 2021, the Company issued 109,200 common shares, related to the exercise of a portion of the Underwriter's Warrants.

On March 1, 2021, the Company issued 81,900 common shares for the settlement of contingent consideration related to the CareRx Enterprises acquisition (note 3).

During the three month period ended March 31, 2021, the Company issued 86,831 common shares, related to RSUs issued to management, employees and directors.

On April 26, 2021, $325 of the Convertible Debentures were converted to 108,333 common shares (note 7).

Issuance of RSUs and DSUs

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

For the period ended	**March 31, 2021**	December 31, 2020
RSUs and DSUs	**Units**	Units
Balance, beginning of period	**771,385**	390,774
RSUs and DSUs granted	517,408	582,217
RSUs and DSUs released	(86,831)	(188,394)
RSUs and DSUs forfeited	(1,214)	(13,212)
Balance, end of period	**1,200,748**	771,385

The weighted-average remaining term to vest for RSUs and DSUs outstanding as at March 31, 2021 is 3.20 years.

9. Shareholders' Equity and Earnings per Share - continued

During the three month period ended March 31, 2021, 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
March 12, 2021	390,170 RSUs	Management and employees of the Company	Vest over three years	$5.15
March 12, 2021	110,000 RSUs	Management of the Company	Vest immediately	$5.15
March 31, 2021	14,505 RSUs	Directors of the Company	Vest immediately	$5.32
March 31, 2021	2,733 DSUs	Directors of the Company	Vest immediately	$5.32

Issuance of warrants

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

For the period ended	**March 31, 2021**		December 31, 2020	
Share purchase warrants	**Warrants[1]**	**Weighted average exercise price per common share**	Warrants	Weighted average exercise price per common share
Balance, beginning of period	**23,202,833**	**$4.27**	17,730,333	$5.63
Warrants granted	211,071	$4.50	10,822,500	$4.81
Warrants deemed exercised	—	$—	(3,450,000)	$—
Warrants exercised	(109,200)	$4.40	—	$—
Warrants expired	(1,050,000)	$4.00	(1,900,000)	$20.00
Balance, end of period	**22,254,704**	**$4.08**	23,202,833	$4.27
Exercisable, end of period	**22,182,704**	**$4.06**	23,130,833	$4.25

[1] Each warrant entitles the holder to acquire 0.05 common shares in the capital of the Company, except for 274,371 warrants at March 31, 2021 (December 31, 2020 - 172,500), which entitle the holder to acquire one common share in the capital of the Company.

On February 3, 2021, on the closing of the Offering and the Concurrent Private Placement, 211,071 warrants were issued to the Company's financial advisor, with each warrant entitling the holder to acquire one common share in the capital of the Company for a period of 12 months from the closing date at an exercise price of $4.50 per common share.

9. Shareholders' Equity and Earnings per Share - continued

The fair values of the warrants issued during the three month period ended March 31, 2021 were calculated using the Black-Scholes pricing model with the following assumptions:

Grant date	February 3, 2021
Number of warrants issued	211,071
Dividend yield	Nil
Expected volatility	79.64%
Risk-free interest rate	0.17%
Expected life in years	1.0
Strike price per common share	$4.50
Share price at date of issue per common share	$4.27
Fair value per warrant	$1.25

The weighted average remaining contractual life and weighted average exercise price of warrants outstanding as at March 31, 2021 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	0.65	3,125,000	$2.40
$2.71 - $3.70	6,333,333	$3.00	0.65	6,333,333	$3.00
$3.71 - $4.70	274,371	$4.48	0.92	274,371	$4.48
$4.71 - $6.50	12,450,000	$5.00	3.70	12,450,000	$5.00
$6.51 - $10.16	72,000	$10.16	2.70	—	$—
Balance, end of period	**22,254,704**	**$4.08**	**2.36**	**22,182,704**	**$4.06**

Issuance of stock options

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

For the period ended	**March 31, 2021**		December 31, 2020	
Common share options	**Options**	**Weighted average exercise price**	Options	Weighted average exercise price
Balance, beginning of period	**45,850**	**$8.12**	83,500	$8.07
Options expired	—	$—	(34,250)	$8.00
Options cancelled/forfeited	—	$—	(3,400)	$8.11
Balance, end of period	**45,850**	**$8.12**	45,850	$8.12
Exercisable, end of period	**45,850**	**$8.12**	45,850	$8.12

9. Shareholders' Equity and Earnings per Share - continued

The weighted average remaining contractual life and weighted average exercise price of options outstanding as at March 31, 2021 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	0.2	4,750	$4.80
$5.96 - $7.95	21,250	$7.10	0.5	21,250	$7.10
$7.96 - $9.60	5,000	$8.80	0.6	5,000	$8.80
$9.61 - $10.40	14,850	$10.40	0.7	14,850	$10.40
Balance, end of period	**45,850**	**$8.12**	**0.6**	**45,850**	**$8.12**

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 month period ended March 31, 2021.

The following table illustrates the basic and diluted weighted average common shares outstanding for the three month periods ended March 31, 2021 and 2020:

	For the three month periods ended March 31,	
	2021	2020
Weighted average common shares outstanding - basic	**28,048,106**	14,451,482
Dilutive effect of convertible debentures	—	9,166,667
Dilutive effect of contingently issuable shares	—	13,377
Dilutive effect of RSUs and DSUs	—	653,496
Dilutive effect of in-the-money warrants	—	472,917
Weighted average number of common shares outstanding - diluted	**28,048,106**	24,757,939

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

As at March 31, 2021 and 2020, the Company's financial instruments consisted of cash and cash equivalents, restricted cash, trade and other receivables, investment, trade and other payables, contingent consideration, deferred consideration, lease liabilities, borrowings and derivative financial instruments.

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, derivative liabilities associated with convertible borrowings and investments.

The following table presents the Company's financial assets (liabilities) measured and recognized at fair value as at March 31, 2021 on a recurring basis:

	Level 3 $	Total $
Contingent consideration	(6,152)	**(6,152)**
Derivative financial instruments	(6,219)	**(6,219)**
Investment	2,713	**2,713**
Total	**(9,658)**	**(9,658)**

The following table presents the Company's financial assets (liabilities) measured and recognized at fair value as at December 31, 2020 on a recurring basis:

	Level 3 $	Total $
Contingent consideration	(7,544)	**(7,544)**
Derivative financial instruments	(3,614)	**(3,614)**
Investment	2,713	**2,713**
Total	**(8,445)**	**(8,445)**

There were no financial instruments classified as Level 1 or Level 2 as at March 31, 2021 and December 31, 2020. There were no transfers between levels during the three month period ended March 31, 2021.

Details regarding Level 3 fair value measurements for contingent consideration can be found in note 3 in these unaudited condensed interim consolidated financial statements and note 4 in the annual consolidated financial statements for the year ended December 31, 2020.

There were no changes in the valuation techniques used during the three month period ended March 31, 2021.

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

The continuity of the embedded derivatives liability is as follows:

	March 31, 2021	December 31, 2020
	$	$
Fair value of embedded derivatives, beginning of period	**3,614**	2,448
Change in fair value of embedded derivatives	**2,605**	1,166
Embedded derivatives, end of period	**6,219**	3,614

The Ewing Convertible Debentures contain an embedded derivative liability component (note 7). 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 March 31, 2021:

Estimated number of common shares	2,644,366
Dividend yield	Nil
Expected volatility	64.4%
Risk-free interest rate	0.48%
Expected life in years	2.95
Strike price	$5.00
Share price at valuation date	$5.32
Fair value	$2.35

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

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:

	March 31, 2021	December 31, 2020
	$	$
Financial assets measured at amortized cost:		
Trade receivables and other receivables	**16,391**	14,809
Financial liabilities measured at amortized cost:		
Trade payables and other liabilities	**22,052**	21,761
Lease liabilities	**9,604**	9,615
Crown Capital Facility	**25,822**	25,737
Liability component of Convertible Debentures	**19,200**	18,522
Ewing Convertible Debentures	**11,489**	11,621
Yorkville Facility	**13,461**	13,349
Vendor take-back note	**3,147**	3,254
Deferred consideration	**3,954**	3,845
Finance loans	**82**	96

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

Investment in AceAge

As at March 31, 2021 and December 31, 2020, the Company's ownership interest in AceAge was 10.85%.

As at March 31, 2021 the Company has concluded that the carrying value of the investment in AceAge is representative of its fair value and will continue to perform an assessment at each reporting date to determine if the carrying value is still the best estimate of fair value at that time. As at March 31, 2021, there were no indicators of impairment.

During the three month period ended March 31, 2021, no dividends were declared by AceAge.

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.

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

	March 31, 2021	December 31, 2020
	$	$
0-30 days	**12,375**	10,936
31-60 days	**2,465**	2,366
61-90 days	**512**	1,069
Over 90 days	**1,039**	438
	16,391	14,809

Included in trade and other receivables as at March 31, 2021 are 6,453 (December 31, 2020 - $6,915) 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 March 31, 2021.

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

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

	March 31, 2021	December 31, 2020
	$	$
Provision, beginning of period	**560**	370
Acquisition of business	—	194
Provision for receivables impairment	91	456
Write-offs charged against the provision for receivables impairment	(38)	(460)
Provision, end of period	**613**	560

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.

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. Liquidity risk is managed by maintaining appropriate levels of cash and cash equivalents. The Company also manages liquidity risk by continuously monitoring actual and projected cash flows. To the extent the Company does not believe it has sufficient liquidity to meet its obligations, it will consider generating funds from additional sources of financing or other strategic alternatives. The Company's liquidity may be adversely affected if its access to the capital and debt markets is hindered, whether as a result of a downturn in general market conditions, or as a result of conditions specific to the Company. If any of these events were to occur, they could adversely affect the financial performance of the Company.

The following table presents the contractual terms to maturity of the financial liabilities owned by the Company as at March 31, 2021:

	Total	2021	2022-2023	2024-2025	Thereafter
	$	$	$	$	$
Trade payables and other liabilities	**22,052**	22,052	—	—	—
Convertible Debentures	**25,325**	6,875	13,750	4,700	—
Crown Capital Facility	**27,000**	—	6,683	20,317	—
Ewing Convertible Debentures	**13,167**	—	—	13,167	—
Yorkville Facility	**13,988**	—	13,988	—	—
Vendor take-back note	**3,317**	3,317	—	—	—
Finance loans	**82**	41	41	—	—
Interest payments on borrowings	**18,942**	5,715	9,941	3,286	—
Leases	**12,549**	2,128	4,770	3,387	2,264
Deferred consideration	**4,000**	4,000	—	—	—
Contingent consideration	**6,152**	1,810	4,342	—	—
Total	**146,574**	**45,938**	**53,515**	**44,857**	**2,264**

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.

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

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 March 31, 2021, the Company was 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 March 31, 2021, the Company held no significant financial instruments that were denominated in a currency other than Canadian currency.

11. 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, including the transactions described below.

Certain directors help manage funds that own the Convertible Debentures and common shares of the Company, including common shares issued as part of the Concurrent Private Placement, and that provided the Yorkville Facility.

The former majority owner of Remedy's is a significant shareholder and director of the Company. This director holds a vendor take-back note and is entitled to certain deferred consideration and contingent consideration (note 3). During the three month period ended March 31, 2021, the Company incurred $175 (2020 - nil) in relation to transition, management and support services provided by one of the director's corporations.

As at March 31, 2021, $683 and $520 (December 31, 2020 - $470 and $559) of the amounts previously incurred in relation to transition, management and support services provided by one of the director's corporations were recorded on a net basis within the vendor take-back note (note 7) and the contingent consideration liability related to the acquisition of Remedy's (note 3), respectively, in accordance with the Remedy's purchase agreement.

As at March 31, 2021, $503 (December 31, 2020 - $288) was payable by the Company, net of amounts 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.

12. General and Administrative Expenses

The components of general and administrative expenses are as follows:

	For the three month periods ended March 31,	
	2021	2020
	$	$
Employee costs	**4,427**	3,124
Other operating expenses	**4,829**	3,562
Depreciation and amortization	**3,092**	2,314
Share-based compensation expense	**753**	358
Gain on disposal of assets	**(107)**	(2)
Total	**12,994**	9,356

Other operating expenses for the three month periods ended March 31, 2021 and 2020 include expenses of $116 and $113, respectively, relating to short-term leases, low-value assets leases and variable lease payments.

13. 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 month periods ended March 31, 2021 and 2020 consist of the following:

	For the three month periods ended March 31,	
	2021	2020
	$	$
Transaction and start-up costs	**541**	972
Restructuring and other costs	**226**	684
Total	**767**	1,656

As at March 31, 2021, the Company had accrued liabilities from continuing operations related to severance of $304 (December 31, 2020 - $720) included in trade payables and other liabilities consisting of the following:

	Severance
	$
Balance at December 31, 2020	**720**
Release of excess accrual, net of accruals	(90)
Payments	(326)
Balance at March 31, 2021	**304**

14. Finance Costs (Income), Net

Finance costs (income), net for the three month periods ended March 31, 2021 and 2020 are comprised of the following:

	For the three month periods ended March 31,	
	2021	2020
	$	$
Interest on Convertible Debentures	**515**	566
Accretion on Convertible Debentures, net	**685**	(9,825)
Interest on Crown Capital Facility	**666**	—
Accretion on Crown Capital Facility	**187**	—
Interest on Yorkville Facility	**420**	—
Accretion on Yorkville Facility	**112**	—
Interest on Ewing Convertible Debentures	**260**	252
Accretion on Ewing Convertible Debentures	**135**	145
Interest on leases	**259**	215
Accretion on vendor take-back note	**105**	—
Accretion on deferred consideration	**109**	—
Interest on Subordinated Facility	**—**	355
Accretion on Subordinated Facility	**—**	183
Interest on Revolving Facility	**—**	141
Interest income	**(32)**	—
Total	**3,421**	(7,968)

15. 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 the year ended December 31, 2020, 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 and the Company recorded a provision in the same amount as at December 31, 2020. During the three month period ended March 31, 2021, the Company paid $2,327 to settle a portion of the provision. On April 29, 2021, the remaining portion of the provision was settled in full.

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.

16. Supplementary Disclosure to the Consolidated Statements of Cash Flows

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

	For the three month periods ended March 31,	
	2021	2020
	$	$
Trade and other receivables	**(1,536)**	339
Inventories	**(1,183)**	(614)
Prepaid expenses	**(22)**	32
Trade payables and other liabilities	**238**	(822)
Provisions (note 15)	**(1,845)**	—
Total	**(4,348)**	(1,065)

17. Subsequent Events

On April 1, 2021, the Company completed the acquisition of SmartMeds Pharmacy Inc. for a total purchase price of up to $7,400 (the "SmartMeds Acquisition"). The purchase price is comprised of (i) $4,000 of cash consideration, (ii) $475 of common shares of the Company, and (iii) earn-out consideration of up to $2,925 if certain performance targets are achieved over the two years following closing. On March 31, 2021, the Company made a prepayment of the cash consideration and certain other amounts payable of $4,196 in aggregate, and recognized these as restricted cash as at March 31, 2021. At the time of the issuance of these unaudited condensed interim consolidated financial statements, the initial accounting for the SmartMeds Acquisition has not been finalized.

On April 16, 2021, the Company signed a definitive agreement to acquire the Long-Term Care Pharmacy Division of Medical Pharmacies Group Limited (the "MPGL Acquisition") for a purchase price of: (i) $70,000 cash consideration, and (ii) 1 million common shares of the Company, payable at closing of the MPGL Acquisition (the "MPGL Acquisition Closing"). The MPGL Acquisition Closing is subject to the satisfaction of customary closing conditions, including the receipt of applicable regulatory approvals, including the approval of the applicable college of pharmacies and the Competition Bureau.

On April 16, 2021, the Company entered into a binding commitment letter with Crown Capital, on behalf of a syndicate of lenders, pursuant to which Crown Capital will advance new credit facilities to the Company of $60,000 (the "Senior Facility"). $32,000 of the Senior Facility will be used to pay a portion of the cash consideration for the MPGL Acquisition and related transaction costs, with the remaining $28,000 being used to repay the existing Crown Capital Facility. The Senior Facility will be advanced contemporaneously with the MPGL Acquisition Closing. Interest on the Senior Facility will accrue at an annual rate of between 7.5% and 9% based on applicable financial covenants, and the Senior Facility will mature on the fifth anniversary of the MPGL Acquisition Closing, subject to certain prepayment rights in favour of the Company.

On April 16, 2021, the Company also signed a binding commitment letter with Yorkville pursuant to which Yorkville will increase the principal amount outstanding under the Yorkville Facility by $6,000, which will be used to fund working capital needs of the Company. The Yorkville Facility will also be amended to reduce the interest rate from 12% to 10.5% per annum, and the maturity date of the Yorkville Facility will be extended until the fifth anniversary of the MPGL Acquisition Closing, subject to certain prepayment rights in favour of the Company. The amendments to the Yorkville Facility are not conditional on the completion of the MPGL Acquisition, and are expected to become effective on or about May 19, 2021.

17. Subsequent Events - continued

Concurrently, the Company entered into: (i) a bought deal private placement of 8,911,000 subscription receipts of the Company (the “Subscription Receipts”) at a price of $5.05 per Subscription Receipt (the “Issue Price”) for aggregate gross proceeds of approximately $45,000 (the “Bought Deal Financing”), and (ii) a binding term sheet with Yorkville pursuant to which Yorkville will purchase 1,980,200 Subscription Receipts at the Issue Price, on a nonbrokered basis, for aggregate gross proceeds of approximately $10,000 (the “Non-Brokered Financing” and, together with the Bought Deal Financing, the “Equity Financings”).

The aggregate gross proceeds from the Equity Financings are expected to be approximately $55,000, which will be used by the Company to fund a portion of the cash consideration payable in connection with the MPGL Acquisition. In addition, the underwriters have an option to sell an additional 1,336,650 Subscription Receipts at the Issue Price for additional gross proceeds of up to approximately $6,750 (the "Underwriters’ Option") which is exercisable up to 48 hours prior to the closing date of the Equity Financings. To the extent the Underwriters’ Option is exercised, Yorkville will have an option to purchase up to an additional 297,030 Subscription Receipts at the Issue Price for additional gross proceeds of up to approximately $1,500 on similar terms as the Underwriters’ Option.

The gross proceeds from the Equity Financings, net of the expenses of the Underwriters and 50% of the commissions payable to the Underwriters and Yorkville, will be placed into escrow and will be released upon the satisfaction of certain conditions, including the approval of the Equity Financings by disinterested shareholders at the Company's annual and special meeting of shareholders and completion of the MPGL Acquisition. Upon satisfaction of such escrow release conditions, each Subscription Receipt will be exchanged for one common share of the Company, subject to certain adjustments in the event that the MPGL Acquisition Closing does not occur by certain prescribed dates, in which case each Subscription Receipt will be exchanged for up to 1.1 common shares of the Company. The Equity Financings are expected to close on or about May 19, 2021 and are each subject to certain conditions including, but not limited to, the receipt of all necessary approvals including the approval of the Toronto Stock Exchange.

On April 23, 2021, the Company signed a definitive agreement to acquire a portion of Rexall Pharmacy Group's long-term care pharmacy services business (the "Rexall Acquisition") for a total purchase price of $3,500 of cash consideration. The Rexall Acquisition is expected to close in June or July 2021, subject to the satisfaction of customary conditions to closing.