

# **Bloom Health Partners Inc.**

Management Discussion & Analysis  
For the nine months ended June 30, 2022 and 2021



*The purpose of this Management Discussion and Analysis (“MD&A”) is to explain management’s point of view of Bloom Health Partners Inc. (formerly Maitri Health Technologies Corp.) (“Bloom”, the “Company”, “we” or “us”) past performance and outlook. This MD&A should be read in conjunction with our condensed consolidated interim financial statements for the nine months ended June 30, 2022, and our audited annual consolidated financial statements for the year ended September 30, 2021 (the “Financial Statements”), prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), together with the notes thereto. This MD&A complements and supplements, but does not form part of, the Company’s financial statements. Information about the Company and its operations can be obtained from the System for Electronic Document Analysis and Retrieval (“SEDAR”) and is available for review under the Company’s profile on the SEDAR website ([www.sedar.com](http://www.sedar.com)).*

*All amounts in the Financial Statements and this MD&A are expressed in Canadian dollars, unless otherwise indicated. All information contained in this MD&A is current as of August 29, 2022, unless otherwise stated.*

*This MD&A contains non-IFRS measures, including EBIT, Adjusted EBIT, EBITDA and Adjusted EBITDA. Refer to the section “Description of Non-GAAP Financial Measures and Reconciliations” for information on the calculation of these non-IFRS measures.*

### **Forward Looking Information**

Certain sections of this MD&A may contain forward-looking statements. Certain statements contained in this document constitute “forward-looking statements”. When used in this document, the words “may”, “would”, “could”, “will”, “intend”, “plan”, “propose”, “anticipate”, “believe”, and similar expressions used by the Company’s management are intended to identify forward-looking statements. Such statements reflect the Company’s forecasts, estimates and expectations as they relate to the Company’s current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Company’s actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. The Company does not intend, and does not assume any obligation, to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future results, events or developments.

### **Overall Performance**

Bloom Health Partners Inc. (formerly Maitri Health Technologies Corp.) was incorporated under the British Columbia Business Corporations Act on September 25, 2018, as Dizun International Enterprises Inc. and changed its name to Maitri Health Technologies Corp. on November 17, 2020, and to Bloom Health Partners Inc. on October 29, 2021. The Company is listed on the Canadian Securities Exchange (the “Exchange”) under the symbol “BLMH”, the OTCQB under the symbol “BLMHF”, and the Frankfurt Stock Exchange under the symbol “D840”. The Company is principally engaged in delivering reliable, high-quality technology-enabled health care solutions.

The Company completed its amalgamation transaction (the “Transaction”) with Bloom Health Corp. (formerly Maitri Holdings Corp.) (“Former Maitri”) pursuant to the Amended and Restated Amalgamation Agreement dated October 7, 2020 (the “Amalgamation Agreement”). The Transaction was completed by way of a share exchange between the shareholders of Former Maitri and the Company. In exchange for 100% of the issued and outstanding shares of Former Maitri, the shareholders of Former Maitri received an aggregate of 25,500,000 Bloom shares. The Transaction completed on November 17, 2020 and constituted a reverse acquisition (“RTO”). Former Maitri was identified for accounting purposes as the acquirer, and accordingly the Company is considered to be a continuation of Former Maitri, and the net assets of the Company at the date of the reverse acquisition are deemed to have been acquired by Former Maitri.

As at June 30, 2022, the Company had limited operating history. The Company has not paid any cash dividends on its common shares, nor does it have any present intention of paying cash dividends on its common shares, as it anticipates that all available funds for the foreseeable planning horizon will be invested to finance its business activities. As at June 30, 2022, the Company had accumulated losses of \$601,202 (September 30, 2021 - \$1,518,438) since inception.

The COVID-19 pandemic has had an impact on Bloom's overall business and operations with growth in demand for testing services. The Company also experienced increased pressures on operational costs and labour availability as a result of the accelerated growth in demand due to the duration and severity of the pandemic. The continued magnitude and severity of COVID-19 has been, and will continue to be, difficult to forecast and could affect the Company's significant estimates and judgments used in the preparation of its consolidated financial statements. Our team will continue to focus on advancing strategic priorities by staying focused on areas within our control in an uncertain environment, including delivering high quality services to our customers, improving execution and cost discipline. We believe this will provide us with flexibility as we continue to evolve our business.

### **Acquisition of Round Hill dba Bloom Health Partners**

On July 14, 2021, the Company acquired 100% of the membership interests in Round Hill Health Partners LLC ("Round Hill") through its wholly owned subsidiaries (the "Acquisition"). Total consideration for the transaction was US\$20,090,000, payable as follows:

- the issuance of securities that are exchangeable into 28,030,000 common shares of the Company (the "Consideration Shares"); and
- completion of cash payments totaling US\$12,250,000 (the "Consideration Payments").

The number of Consideration Shares was based on the volume-weighted average trading price of the common shares of the Company in the ten trading days prior to the entering of the definitive agreement dated July 2, 2021. The Consideration Payments are payable quarterly through December 31, 2023, based upon a rate of US\$0.70 for every US\$1.00 of earnings before interest, taxes, depreciation and amortization ("EBITDA") generated by Round Hill, subject to certain payment deferrals (see "Liquidity and Capital Resources" for further discussion).

The members of Round Hill are also entitled to receive additional bonus payments (the "Contingent Consideration") based upon the achievement of the following milestones:

- a one-time payment of US\$10,000,000, payable in cash or common shares of the Company, at the election of the members of Round Hill, upon Round Hill achieving cumulative EBITDA of at least US\$27,500,000 by December 31, 2023;
- a one-time payment of US\$20,000,000, payable in cash or common shares of the Company, at the election of the Company, upon the Company achieving a market capitalization of Cdn\$325,000,000 for thirty consecutive trading days prior to December 31, 2023; and
- a one-time payment of US\$20,000,000, payable in cash or common shares of the Company, at the election of the members of Round Hill, upon Round Hill achieving cumulative EBITDA of at least US\$52,500,000 by December 31, 2023.

In addition, the members of Round Hill are entitled to receive pay out of the billed receivables for services performed and billed prior to July 14, 2021, as funds are collected by the Company. The Transaction also contemplated a working capital adjustment. The billed receivables were \$2,389,327 while the working capital adjustment was \$(145,295), which together form the Additional Cash Consideration of \$2,244,032. During the nine months ended June 30, 2022, US\$1,838,401 of the billed receivables was paid to the sellers. An additional US\$1,500,000 was paid subsequent to June 30, 2022. Concurrent with closing the Acquisition, the sellers were retained by the Company as key management personnel and are considered related parties.

The Acquisition brings together the Company's innovative cloud strategy for safe workplaces with Round Hill's occupational health system serving clientele across the United States. The combined Company is well equipped to succeed as a leader in testing, health-tech and occupational health.

In connection with the transaction, the Company incurred transaction costs of \$141,472.

In accordance with the measurement requirements set out under IFRS 3 *Business combinations* the purchase price allocation based on the fair value of assets acquired and liabilities assumed is as follows:

Consideration Shares issuable	\$ 7,920,927
Consideration Payments	14,274,276
Contingent Consideration	3,508,193
Additional Cash Consideration	2,244,032
<b>Fair value of purchase consideration</b>	<b>\$ 27,947,428</b>

<b>Allocated to:</b>	
Cash	\$ 930,215
Receivables	4,156,552
Prepaid expenses	26,094
Inventory	466,199
Equipment	475,465
Intangible assets	16,222,068
Goodwill	10,719,165
Accounts payable and accrued liabilities	(512,471)
Customer deposits	(374,910)
Deferred tax liability	(4,160,949)
<b>Total</b>	<b>\$ 27,947,428</b>

## **FINANCIAL REVIEW**

For a discussion of the factors affecting the Company's losses see "Summary of quarterly results" and "Results of operations" below.

### **Results of Operations**

#### ***Three months ended June 30, 2022***

For the three months ended June 30, 2022, the Company reported a net loss of \$620,296 compared to a net loss of \$1,065,599 for the three months ended June 30, 2021, an decrease in loss of \$445,303.

	<b>For the three months ended</b>	
	<b>June 30</b>	
	<b>2022</b>	<b>2021</b>
EBIT	\$ 422,673	\$ (1,065,599)
<i>As a percentage of revenue</i>	<i>5.0%</i>	<i>-</i>
EBITDA	\$ 1,249,221	\$ (1,065,599)
<i>As a percentage of revenue</i>	<i>14.8%</i>	<i>-</i>
Adjusted EBIT	\$ 567,282	\$ (1,065,599)
<i>As a percentage of revenue</i>	<i>6.7%</i>	<i>-</i>
Adjusted EBITDA	\$ 1,393,830	\$ (1,065,599)
<i>As a percentage of revenue</i>	<i>16.5%</i>	<i>-</i>

#### ***Revenue***

Revenue for the three months ended June 30, 2022, was \$8,448,590, compared to \$10,940 for the same period of 2021. The Company acquired Round Hill on July 14, 2021, and reported revenue from surveillance testing of \$8,402,794, product sales of \$334, and laboratory set up services of \$45,462 during the three months ended June 30, 2022. The Company also had incidental product sales in the comparative period of \$10,940. Round Hill was acquired in July 2021, and as such, there was no surveillance testing or laboratory set up service revenue in the comparative period.

### *EBIT and EBITDA*

EBIT was \$422,673, or 5.0% as a percentage of revenue, while EBITDA was \$1,249,221, or 14.8% as a percentage of revenue, compared to a loss before interest and taxes of \$1,065,599 in the same period of 2021. Adjusted EBIT and EBITDA were \$567,282 and \$1,393,830, respectively. The adjusted EBIT and adjusted EBITDA was normalized for the fair value loss on revaluation of contingent consideration, and the debt modification gain.

Gross profit for the three months ended June 30, 2022, was \$5,003,355, or 59.2% as a percentage of revenue, compared to \$2,380 for the same period of 2021. Round Hill was acquired in the fourth quarter of the prior year, and as such, there is limited gross profit in the comparative period.

Operating expenses were \$4,436,073 for the three months ended June 30, 2022, compared to \$1,067,979 for the same period of 2021, an increase of \$3,368,094, largely driven by increases in:

- Consulting fees, salaries and benefits of \$1,054,945, primarily the result of the Round Hill acquisition in the fourth quarter of the comparative period, resulting in lower consulting fees, salaries and benefits in the prior year period;
- Marketing costs of \$252,727, primarily resulting from operational marketing initiatives in attracting customers;
- General and administrative of \$550,666, largely driven by operational office and administrative expenses, operational administrative labour costs, travel, and licenses and regulatory, with limited costs in the prior period;
- Professional fees of \$701,764, consisting of legal and audit fees, consistent with the development of the business during the three months ended June 30, 2022, and limited costs in the prior year period; and
- Amortization of intangible assets of \$706,453 related to amortization of trade names and customer relationships, intangible assets acquired in the purchase of Round Hill.

Interest expense was \$261,148 for the three months ended June 30, 2022, largely driven by interest on the Consideration Payments, partially offset by a modification gain arising on the amendment, compared to \$nil for the three months ended June 30, 2021.

### *Net loss*

Net loss for the three months ended June 30, 2022 was \$620,296, compared to a net loss of \$1,065,599 for the three months ended June 30, 2021, the increase is reflective of the reasons outlined above, as well as current tax expense for the three months ended June 30, 2022 of \$759,189, partially offset by a deferred income tax recovery of \$107,401 (June 30, 2021 – nil).

### ***Nine months ended June 30, 2022***

For the nine months ended June 30, 2022, the Company reported net income of \$917,236, compared to a net loss of \$3,746,308 for the nine months ended June 30, 2021, an increase in income of \$4,663,544.

	<b>For the nine months ended June 30</b>	
	<b>2022</b>	<b>2021</b>
EBIT	\$ 2,262,167	\$ (3,746,308)
<i>As a percentage of revenue</i>	9.1%	-
EBITDA	\$ 4,818,869	\$ (3,746,308)
<i>As a percentage of revenue</i>	19.3%	-
Adjusted EBIT	\$ 857,733	\$ (3,746,308)
<i>As a percentage of revenue</i>	3.4%	-
Adjusted EBITDA	\$ 3,414,435	\$ (3,746,308)
<i>As a percentage of revenue</i>	13.7%	-

### *Revenue*

Revenue for the nine months ended June 30, 2022, was \$24,987,577, compared to \$26,140 for the same period of 2021. The Company acquired Round Hill on July 14, 2021, and reported revenue from surveillance testing of \$24,725,031, product sales of \$92,127, and laboratory set up services of \$170,419 during the nine months ended June 30, 2022. The Company also had incidental product sales in the comparative period of \$26,140. Round Hill was acquired in July 2021, and as such, there was no surveillance testing or laboratory set up service revenue in the comparative period.

#### *EBIT and EBITDA*

EBIT was \$2,262,167, or 9.1% as a percentage of revenue, while EBITDA was \$4,818,869, or 19.3% as a percentage of revenue, compared to a loss before interest and taxes of \$3,746,308 in the same period of 2021. Adjusted EBIT and EBITDA were \$857,733 and \$3,414,435, respectively. The lower adjusted and adjusted EBITDA was a result of normalizing for the fair value gain on revaluation of contingent consideration, and the debt modification gain.

Gross profit for the nine months ended June 30, 2022, was \$13,385,428, or 53.6% as a percentage of revenue, compared to \$7,139 for the same period of 2021. The Bloom operating business was acquired in the fourth quarter of the prior year, and as such, there is limited gross profit in the comparative period.

Operating expenses were \$12,527,695 for the nine months ended June 30, 2022, compared to \$2,425,034 for the same period of 2021, an increase of \$10,102,661, largely driven by increases in:

- Consulting fees, salaries and benefits of \$2,961,192, primarily the result of the Round Hill acquisition in the fourth quarter of the comparative period, resulting in lower consulting fees, salaries and benefits in the prior year period;
- Marketing costs of \$1,015,674, primarily resulting from operational marketing initiatives in attracting customers;
- General and administrative of \$2,187,597, largely driven by operational office and administrative expenses, operational administrative labour costs, travel, and licenses and regulatory, with limited costs in the prior period;
- Professional fees of \$1,534,050, consisting of legal and audit fees, consistent with the development of the business during the nine months ended June 30, 2022, and limited costs in the prior year period; and
- Amortization of intangible assets of \$2,220,372 related to amortization of trade names and customer relationships, intangible assets acquired in the purchase of Round Hill.

These increases were partially offset by a decrease in stock-based compensation expense of \$152,554, as the Company had a large option grant in the first quarter of the comparative period.

Interest expense was \$137,216 for the nine months ended June 30, 2022, largely driven by interest on the Consideration Payments, partially offset by a modification gain arising on the amendment, compared to \$nil for the nine months ended June 30, 2021.

#### *Net income*

Net income for the nine months ended June 30, 2022 was \$917,236, compared to a net loss of \$3,746,308 for the nine months ended June 30, 2021, the increase is reflective of the reasons outlined above, as well as current tax expense for the nine months ended June 30, 2022 of \$847,269, partially offset by a deferred income tax recovery of \$579,978 (June 30, 2021 – nil).

## **Summary of Quarterly Results**

The Company's eight most recent quarters have been presented below.

	June 30, 2022 Q3 2022	Mar 31, 2022 Q2 2022 <sup>(1)</sup>	Dec 31, 2021 Q1 2022 <sup>(2)</sup>	Sep 30, 2021 Q4 2021 <sup>(3)</sup>	Jun 30, 2021 Q3 2021 <sup>(4)</sup>	Mar 31, 2021 Q2 2021	Dec 31, 2020 Q1 2021 <sup>(5)</sup>	Sept 30, 2020 Q4 2020 <sup>(6)</sup>
Revenue	\$8,448,590	\$10,738,836	\$5,800,151	\$9,817,627	\$10,940	\$11,600	\$3,600	\$nil
Total comprehensive income (loss)	\$(219,417)	\$2,342,926	\$(1,066,544)	\$2,852,109	\$(1,065,599)	\$(497,169)	\$(2,183,541)	\$(277,403)
Basic income (loss) per share	\$(0.02)	\$0.07	\$(0.03)	\$0.07	\$(0.03)	\$(0.01)	\$(0.07)	\$(0.00)
Diluted income (loss) per share	\$(0.02)	\$0.04	\$(0.03)	\$0.04	\$(0.03)	\$(0.01)	\$(0.07)	\$(0.00)

<sup>(1)</sup> Subsequent to March 31, 2022, management identified an adjustment to the three months ended March 31, 2022, whereby accounts receivable decreased by \$397,659, accounts payable decreased by \$1,829,814, accumulated other comprehensive loss increased by \$15,587, revenue decreased by \$401,987 and cost of sales decreased by \$1,849,729, resulting in an increase in net income of \$1,447,742. These adjustments have been reflected in the Company's condensed consolidated statement of income and comprehensive income for the nine months ended June 30, 2022.

<sup>(2)</sup> During Q1, 2022, the Company incurred increased business development costs including expanding into new locations and development of the health care solutions software platform. The Company also experienced a slowdown in surveillance testing services during the holiday period, resulting in lower revenues.

<sup>(3)</sup> During Q4 2021, the Company acquired Round Hill and reported results from operations for the period from July 14, 2021, to September 30, 2021.

<sup>(4)</sup> During Q3 2021, the Company incurred additional consulting fees associated with strategic advice on the development of the Company's business.

<sup>(5)</sup> During Q1 2021, the Company closed its Transaction with Maitri and continued to focus its efforts on developing a coordinated global platform to delivery reliable, high quality health care solutions resulting in an increase in operating expenses.

<sup>(6)</sup> During Q4 2020, the Company focused its efforts on developing a coordinated global platform to delivery reliable, high quality health care solutions resulting in an increase in operating expenses.

## **Liquidity and Capital Resources**

The Company considers its capital to be comprised of its cash and shareholders' equity. The Board does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

In order to carry out the planned activities and grow the business, the Company may attempt to raise additional amounts of capital through the issuance of shares. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management since incorporation. The Company is not subject to external capital requirements.

The Company has relied on the issuance of shares to finance its operating activities since inception, which the Company intends to continue to rely upon to finance its planned expansion. However, there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. The Company believes it will have sufficient cash flow from operations to meet working capital requirements over the next twelve months. The Company will be required to make cash Consideration Payments totaling US\$12,250,000, payable quarterly through December 31, 2023, based upon a rate of US\$0.70 for every US\$1.00 of EBITDA generated by Round Hill. On December 30, 2021, the terms of the Consideration Payments were amended, such that the payment related to the quarter ended September 30, 2021, due on December 31, 2021, was deferred until March 15, 2022. The deferred consideration payment will earn simple interest at an annualized rate of 6% until paid. The payment deferral resulted in a modification gain of \$380,967, recorded as interest recovery in the statement of income and comprehensive income. Additionally, on March 15, 2022, the terms of the Consideration Payments were amended, such that the payments related to the quarters ended September 30, 2021, and December 31, 2021, were deferred until June 30, 2022. The deferred consideration payment will earn simple interest at an annualized rate of 6% until paid. The payment deferral resulted in a modification gain of \$429,424, recorded as interest recovery in the statement of income and comprehensive income. Subsequent to June 30, 2022, the Company paid \$1,932,600 (US\$1,500,000) of the Consideration Payments due.

The Company's current liabilities exceeded its current assets by \$1,816,486 as of June 30, 2022 (September 30, 2021 – \$5,069,219), which includes the fair value of the short-term consideration payable of \$11,632,715, based on the forecasted timing of payments. As of June 30, 2022, the Company had cash on hand of \$5,929,973 (September 30, 2021 - \$5,598,296). The Company did not have sufficient cash to meet its current liabilities as of June 30, 2022 and expects to meet these obligations with expansion in operations through 2022.

In October 2020, the Company closed a non-brokered private placement of 500,000 common shares at a price of \$0.50 per common share for gross proceeds of \$250,000.

On November 17, 2020, the Company closed the reverse takeover transaction with Former Maitri by way of a share exchange. The Transaction was measured at the fair value of the shares that Former Maitri would have had to issue to the shareholder of the Company, being 7,160,590 common shares, to give the shareholders of the Company the same percentage of equity interest in the combined entity that results from the reserve acquisition had it taken the legal form of Former Maitri acquiring the Company. In connection with the closing of the reverse takeover transaction, the Company issued an aggregate of 1,000,000 common shares with a fair value of \$250,000 to certain arms' length finders as a finder's fee.

Concurrent with closing the Transaction, the Company consolidated its share capital on the basis of one post-consolidated common share for every twenty pre-consolidated common shares. On December 29, 2020, the Company completed a forward split of its common shares on the basis of two post forward split common shares for every one pre-forward split common share. All share, per share, option and warrant amounts have been retroactively restated to reflect the share consolidation and forward split.

On February 4, 2021, the Company issued 22,910 common shares with a fair value of \$12,142 to settle accounts payable of \$12,600, resulting in a gain on debt settlement of \$458.

On February 2, 2021, the Company launched an agreement with AGORA Internet Relations Corp. ("AGORA"), whereby AGORA launched a marketing campaign to raise visibility and awareness of the Company on key online platforms. The marketing campaign is planned for one year at an annual cost of \$100,000 plus GST, to be paid entirely in common shares of the Company in five equal tranches over the term. On February 4, 2021, the Company issued 38,182 common shares with a fair value of \$20,000 to AGORA for services rendered, and the balance has been accrued as of December 31, 2021. Subsequent to December 31, 2021, the term of this agreement was extended two months with no additional consideration provided. Additionally, the Company issued 113,000 common shares pursuant to the terms of the agreement.

On February 10, 2021, the Company issued 7,000 common shares with a fair value of \$1,750 pursuant to the exercise of share purchase warrants. Accordingly, \$1,636, representing the original fair value assigned to the warrants was transferred from warrant reserve to share capital.

On May 13, 2021, the Company issued 3,196,500 units of the Company at \$0.40 per unit for gross proceeds of \$1,278,600, with each unit consisting of one common share in the capital of the Company and one transferrable common share purchase warrant with each warrant being exercisable to acquire one additional common share at an exercise price of \$0.60 per warrant until May 13, 2023. There was no residual value assigned to the warrants issued as part of the units.

In conjunction with the closing of the private placement, the Company incurred cash share issuance costs of \$12,014 and issued 29,400 broker warrants with a fair value of \$6,126, which was determined using the Black-Scholes Option Pricing Model using the following assumptions: risk-free interest rate of 0.87%, expected life of two years, volatility of 100%, and a dividend yield of nil.

On September 17, 2021, the Company issued 2,000,000 common shares with a fair value of \$540,000 to settle accounts payable of \$579,310, resulting in a gain on debt settlement of \$39,310.



### **Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

### **Related Party Transactions**

Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Board, corporate officers and a strategic advisor. During the normal course of business, the Company enters into transactions with its related parties that are considered to be arm's length transactions and made at normal market prices and on normal commercial terms.

Key management compensation included in salaries and benefits and stock based compensation for the three and nine months ended June 30, 2022, and 2021 were as follows:

	<b><u>Three months ended</u></b>		<b><u>Nine months ended</u></b>	
	<b><u>June 30, 2022</u></b>	<b><u>June 30, 2021</u></b>	<b><u>June 30, 2022</u></b>	<b><u>June 30, 2021</u></b>
Salary	\$ 329,737	\$ 25,180	\$ 738,136	\$ 303,836
Stock based compensation	\$ 45,725	\$ 71,178	\$ 171,105	\$ 295,527

- (a) As at June 30, 2022, the Company had \$128,424 (September 30, 2021 - \$66,515) owing to related parties recorded in accounts payable and accrued liabilities.
- (b) Consulting fees for the three and nine months ended June 30, 2022 include \$30,000 (2021 - \$30,000) and \$90,000 (2021 - \$85,000), respectively, for rent and administration paid to a company controlled by a close family member of the CFO.

### **Proposed Transactions**

The Company has no proposed transactions.

### **Changes in Accounting Policies, including Initial Adoption**

None.

### **Accounting Pronouncements Not Yet Adopted**

On January 23, 2021, the IASB issued "Classification of Liabilities as Current or Non-current (Amendments to IAS 1)" providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments were originally effective for the reporting period beginning on or after January 1, 2022, however, their effective date has been delayed to January 1, 2023. Management is assessing the impact of this amendment.

On February 12, 2021, the IASB issued "Definition of Accounting Estimates (Amendments to IAS 8)" to help entities to distinguish between accounting policies and accounting estimates. The amendments are effective for the annual period beginning on or after January 1, 2023. As at the date of these consolidated financial statements, this adoption of this new pronouncement is not anticipated to have a material impact on the presentation of the consolidated financial statements.

In February 2021, the IASB issued "Disclosure of Accounting Policies (Amendments to IAS1 and IFRS practice statement 2)" with amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The amendments are effective for the annual periods beginning on or after January 1, 2023. Management is still assessing the impact of this amendment.

## **Financial Instruments and Risk Management**

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes. The type of risk exposure and the way in which such exposure is managed is provided as follows:

### *Credit risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash and receivables. The credit risk on cash is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. The credit risk on receivables is managed as the Company has a strong history of collection from its customers, who have good credit ratings. The Company assessed credit risk as low.

### *Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company manages liquidity risk by maintaining adequate cash and managing its capital and expenditures.

At June 30, 2022, the Company had cash of \$5,929,973, accounts payable and accrued liabilities of \$3,491,754 and consideration payable of \$11,632,715 with contractual maturities of less than one year. The Company did not have sufficient cash to meet its current liabilities as at June 30, 2022, therefore the Company assessed its liquidity risk as high as at June 30, 2022.

### *Foreign exchange risk*

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that it has monetary assets and liabilities denominated in foreign currencies.

As at June 30, 2022, the Company is exposed to foreign currency risk, as it has cash, receivables, accounts payables and accrued liabilities, consideration payable and contingent consideration denominated in US Dollars. Based on its volume of transactions, the Company determines its foreign currency risk is moderate.

The following is the Canadian equivalent of financial assets and liabilities that are denominated in US dollars:

	<b>June 30, 2022</b>	<b>September 30, 2021</b>
Cash	\$ 5,339,906	\$ 5,474,921
Accounts receivable	6,826,411	5,377,979
Accounts payable and accrued liabilities	(3,065,858)	(1,190,343)
Current income tax payable	(602,959)	(1,334,085)
Consideration payable	(15,034,930)	(17,092,056)
Contingent consideration	(3,089,493)	(3,521,044)
Net exposure	\$ (9,626,923)	\$ (12,284,628)

Based on the net exposure, the Company estimates that a 2% change in the Canadian Dollar/US Dollar exchange rate would impact the Company's net assets by \$305,725 and net income by \$30,027 (September 30, 2021 - \$238,024 and \$(71,708), respectively) as at and for the period ended June 30, 2022. As at June 30, 2022, and September 30, 2021, the Company had not hedged its exposure to foreign currency fluctuations.

### *Interest rate risk*

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company assessed interest rate risk as low.

## **Description of Non-GAAP Financial Measures and Reconciliations**

We believe that providing certain non-GAAP financial measures provide users of our MD&A and consolidated financial statements with important information regarding the operational performance of our business. The non-GAAP financial measures used by management do not have any standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers. Accordingly, these measures should not be considered as a substitute or alternative for GAAP measures as determined in accordance with IFRS. By considering these measures in combination with the comparable IFRS financial measures, we believe that users are provided a better overall understanding of our business and financial performance during the relevant period than if they considered the IFRS financial measures alone.

There may be significant items that we do not consider indicative of our operational and financial trends, either by nature or amount. We exclude these items when evaluating our operating financial performance. Financial metrics that have been adjusted to take into account these significant items are referred to as “Adjusted” metrics. Adjusted metrics are non-GAAP financial measures and are intended to provide additional information to readers of the MD&A.

A description of the non-GAAP financial measures we have used in this MD&A are set out below. A quantitative reconciliation from each non-GAAP financial measure to their most directly comparable measure, where available, specified, defined, or determined under GAAP and used in our consolidated financial statements (GAAP measures) is as follows:

### *EBIT and adjusted EBIT*

EBIT is defined as earnings before interest and income taxes and is utilized by management to assess and evaluate the financial performance of its operations. Management believes that EBIT improves comparability between periods by eliminating the impact of interest and income taxes.

Adjusted EBIT excludes items that are not considered to be indicative of operational and financial trends either by nature or amount to provide a better overall understanding of the Company’s underlying business performance. The most directly comparable GAAP measure to EBIT and Adjusted EBIT is net income before tax, calculated as follows:

	<b><u>Three months ended</u></b>		<b><u>Nine months ended</u></b>	
	<b>June 30, 2022</b>	<b>June 30, 2021</b>	<b>June 30, 2022</b>	<b>June 30, 2021</b>
Net income before tax	\$ 31,492	\$ (1,065,599)	\$ 1,184,527	\$ (3,746,308)
Interest expense	391,181	-	1,077,640	-
EBIT	422,673	(1,065,599)	2,262,167	(3,746,308)
Debt modification gain	(130,033)	-	(940,424)	-
FV loss (gain) on contingent consideration	274,642	-	(464,010)	-
Adjusted EBIT	\$ 567,282	\$ (1,065,599)	\$ 857,733	\$ (3,746,308)

### *EBITDA and Adjusted EBITDA*

EBITDA is defined as earnings before interest, income taxes, depreciation, and amortization and is utilized by management to assess and evaluate the financial performance of its operations. Management believes that EBITDA improves comparability between periods by eliminating the impact of interest, income taxes, depreciation, and amortization.

Adjusted EBITDA excludes items that are not considered to be indicative of operational and financial trends either by nature or amount to provide a better overall understanding of the Company’s underlying business performance. The most directly comparable GAAP measure to EBITDA and Adjusted EBITDA is net income before tax, calculated as follows:

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>June 30, 2022</b>	<b>June 30, 2021</b>	<b>June 30, 2022</b>	<b>June 30, 2021</b>
Net income before tax	\$ 31,492	\$ (1,065,599)	\$ 1,184,527	\$ (3,746,308)
Amortization of intangibles	706,453	-	2,220,372	-
Depreciation	120,095	-	336,330	-
Interest expense	391,181	-	1,077,640	-
EBITDA	1,249,221	(1,065,599)	4,818,869	(3,746,308)
Debt modification gain	(130,033)	-	(940,424)	-
FV gain on contingent consideration	274,642	-	(464,010)	-
Adjusted EBITDA	\$ 1,393,830	\$ (1,065,599)	\$ 3,414,435	\$ (3,746,308)

### **Risks and Uncertainties**

The Company is subject to a number of risks and uncertainties that may significantly impact its financial condition and future financial performance. Prospective investors should carefully consider the risks, together with all of the other information included in this MD&A and other public filings available on SEDAR, before making an investment decision ([www.sedar.com](http://www.sedar.com)).

### **Outstanding Share Data**

Our share capital consists of an unlimited number of common shares without par value. As at August 29, 2022, we had 47,659,936 common shares issued and outstanding, 3,630,000 stock options and 7,758,600 share purchase warrants outstanding.