# CareSpan Health Inc.

(Formerly Dynamo Capital Corp)

Management's Discussion and Analysis

As at and for the nine-month period ended September 30, 2023

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## INTRODUCTION

The following management's discussion and analysis ("**MD&A**") is prepared as of November 29, 2023, and should be read in conjunction with the consolidated financial statements and the related notes thereto for the nine month period ended December 31, 2022 (the "**Annual Financial Statements**") of CareSpan Health, Inc. (referred to hereinafter as "**CareSpan**", the "**Company**", "**we**", "**us**" and "**our**") and its subsidiaries and affiliated companies (together with CareSpan, the "**Company**").

Unless otherwise noted, all financial information in this MD&A is reported in US dollars. The tables and charts included in this document form an integral part of this MD&A.

The common shares of the Company (the "**Common Shares**") are listed under the symbol "**CSPN**" on the TSX Venture Exchange ("**TSX-V**").

This MD&A has been prepared with reference to National Instrument 51-102 – Continuous Disclosure Obligations. Additional information related to CareSpan is available on SEDAR at www.sedar.com

This MD&A includes references to the Company's trademarks and trade names, such as CareSpan, Smart Care, and Clinic-in-the-Cloud, some of which may be protected under applicable intellectual property laws of one or more countries and which the Company believes is its property. Solely for convenience, the Company's trademarks referred to in this MD&A may appear without the TM or ® symbols, but such references are not intended to indicate, in any way, that the Company will not assert, to the fullest extent under applicable law, its rights to these trademarks and trade names.

## CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This discussion includes certain statements that may be deemed “forward-looking statements.” All statements in this discussion other than statements of historical facts including, without limitation, those that address future events, developments, or transactions that the Company expects, are forward-looking statements. These forward looking statements are made as of the date of this MD&A. Forward-looking statements are frequently, but not always, identified by words such as “expect”, “anticipate”, “estimate”, “may”, “could”, “might”, “will”, “would”, “should”, “intend”, “believe”, “target”, “budget”, “plan”, “strategy”, “goals”, “objectives”, “predicts”; “potential”, “projects”, “possible”, “milestones”, “projection” or the negative of any of these words and similar expressions, although these words may not be present in all forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties, assumptions, and other factors that may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, but are not limited to, the factors discussed in the section entitled “Risk Factors” in this MD&A. Although the Company has attempted to identify important factors that could cause actual actions, events, or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events, or results to differ from those anticipated, estimated or intended. Forward looking statements contained herein are made as of the date of this MD&A and, other than as required by law, the Company disclaims any obligation to update any forward-looking statements, whether because of new information, future events, or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Forward-looking statements are based on several assumptions, which may prove to be incorrect, including but not limited to the assumptions discussed in this section.

Accordingly, readers should not place undue reliance on forward-looking statements as this MD&A also includes market data and forecasts. Although the Company is responsible for all of the disclosure contained in this MD&A, in some cases the Company relies on and refers to market data and certain industry forecasts that were obtained from third party surveys, market research, consultant surveys, publicly available information and industry publications and surveys that it believes to be reliable. Unless otherwise indicated, all market and industry data and other statistical information and forecasts contained in this MD&A are based on independent industry publications, reports by market research firms or other published independent sources and other externally obtained data that the Company believes to be reliable.

Any such market data, information or forecast may prove to be inaccurate because of the method by which it was obtained or because it cannot always be verified with complete certainty given the limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties.

As a result, although the Company believes that these sources are reliable, it has not independently verified the information.

## NON-IFRS FINANCIAL MEASURES

The Company discloses non-IFRS measures (such as adjusted earnings before interest, taxes, and depreciation ("**EBITDA**") that do not have standardized meanings prescribed by IFRS. The Company believes that shareholders, investment analysts and other readers find such measures helpful in understanding the Company's financial performance. Non-IFRS financial measures do not have any standardized meaning prescribed by IFRS and may not have been calculated in the same way as similarly named financial measures presented by other reporting issuers and therefore are unlikely to be comparable to similar measures presented by other companies. Furthermore, these non-IFRS measures should not be considered in isolation or as a substitute for measures of performance or cash flows as prepared in accordance with IFRS. These measures should be considered as supplemental in nature and not as a substitute for related financial information prepared in accordance with IFRS.

## ADJUSTED EBITDA

The Company defines adjusted EBITDA as earnings before interest, taxes, and depreciation. Management believes adjusted EBITDA is a useful supplemental measure to determine the Company's cash burn rate related to operations so investors can understand the cash that is available to operate the business.

### *Operations*

To date, CareSpan continues with its business operations, working to build and sustain its providers and practitioners through its affiliations with American Association Practice Network ("**AAPN**") American MedPsych Network, P.A. ("**American-MedPsych**"). The enhanced precautions being taken, and the broader dynamic of the current business environment indicate that there may be some delay in recruiting technical personnel, and lengthened timelines for certain development efforts.

### *Mission*

CareSpan Health, Inc. operates as a healthcare technology and services company in the United States. The company operates Clinic-in-the Cloud, a clinical workflow driven platform that integrates remote patient monitoring, diagnostic tools, patient's electronic health record, care collaboration capabilities, patient engagement, e-prescribing, and lab ordering to support in-person and virtual/telehealth care. It also delivers primary and chronic, and urgent care, as well as behavioral health care services through its platform.

CareSpan's vision is to enable care for the underserves globally. In the US, the Company is currently focused on enabling Nurse Practitioners in primary, urgent and chronic care in healthcare shortage areas. With its partnership in Europe targets enabling care for the fast-growing elderly population and in Southeast Asia, the focus is on leveraging the Company's digital platform to provide better access to qualify care for the masses.

## OVERALL PERFORMANCE

The Company completed a reverse takeover transaction on November 17, 2021, with CareSpan Holdings Inc. and upon completion of the transaction, continued as CareSpan Health, Inc.

The Companies in CareSpan operate as a single business activity and does not have multiple operating segments. The CEO is the company's chief operating decision maker as defined by IFRS 8 and all significant operating decisions are made by the CEO. As required, the CEO consults and obtains approval from the Board of Directors.

The Company's focus is on underserved areas in the United States of America ("**US**") for primary care and mental health, and the shortage of primary care physicians in many *areas of the US.* Nurse practitioners operate under different state laws have been allowed to practice primary care independently and/or practice with a collaborating physician. There is a growing trend for states to allow independent practice for nurse practitioners (recent examples are Florida and California).

Due to the loss of customers in this lower margin business and other opportunities as noted below, the company is pivoting away from some of its prior businesses towards higher margin businesses.

The Company announced the signing of a Memorandum of Understanding with ChopraX to deliver a new integrative care service in the market utilizing the CareSpan platform. The Definitive Agreement was executed in the third quarter of 2023.The Condition to close this transaction is the successful raising of $3M Cdn.

The Company also signed a contract for the use of the CareSpan platform by Golden Care Solutions (based in Minnesota), a nationwide network of medical service companies and medical practices that provides turnkey solutions for revenue enhancement, productivity enhancement, and improved outcomes. Activity with this new group is expected late in 2023 or early 2024.

The Company's arrangements with QTC to supply services to US veterans was expanded from ex-service members during the quarter to include active-duty members. Activity with this new contract will ramp up in 2023-2024.

There are no discontinued operations during the nine-month period.

There are no legal or other restrictions on the flow of funds from one part of our business to another except tied to American-APN and American Med Psych, where revenue flows through and limited expenses are allocated to these organizations per contract agreements.

### *CareSpan Controls*

American-APN and American MedPsych through stock transfer agreements which provide that those shares transferred to a new licensed clinician owner must be approved by CareSpan Integrated Networks Inc ("**CSIN**"). CSIN is legally characterized as a Management Services Organization ("**MSO**") that serves the business needs of "friendly" affiliated professional corporations (American-APN and American Med Psych). The MSO/friendly arrangement is a common legal organization in the US that complies with corporate practice of medicine ("**CPOM**") regulations.

## HISTORY AND BUSINESS

CareSpan Health, Inc. is the successor corporation formed pursuant to a reverse takeover with Dynamo Capital Corp. completed on November 17, 2021.

The registered office of CareSpan is located at Royal Centre, 1055 West Georgia Street, Suite 1500, Vancouver, British Columbia V6E 4N7 and in the US is located at 105 East 34th Street, New York, New York, United States of America.

### *Domicile of Country*

| Subsidiary | Place of Incorporation | Date of Incorporation | Percentage of Securities Owned or Controlled by CareSpan |
|---|---|---|---|
| CareSpan Holdings, Inc. | Delaware, USA | November 10,2021[8] | 100% |
| CareSpan USA, Inc. | Nevada, USA | September 26, 2013 | 100% |
| CareSpan International Inc. | Republic of Panama | May 17, 2012 | 100% (5) |
| CareSpan Integrated Networks Inc. | Nevada, USA | February 6, 2019 | 100% / 98% (1) |
| American-Advanced Practice Network, P.C. | Iowa, USA | December 31, 2018 | 100% (2) |
| American MedPsych Network, P.A. | Florida, USA | February 20, 2019 | 100% (2)(3)(4) |
| CareSpan Asia Inc. | Manila, Philippines | October 9, 2021 | 15%6) |
| Smart Care GmbH | Berlin, Germany | July 8, 2021 | 15% (7) |

1. At September 30, 2023, the Company held 100% voting equity interest and 98% ownership interest in CareSpan Integrated Networks Inc. (September 30, 2022 – 100% voting equity interest and 98% ownership interest). The Class B non-voting equity common shares of CareSpan Integrated Networks are held entirely by officers and employees of the Company and key contributing provider-members of American-APN and American MedPsych. The board of CSIN has determined in connection with the establishment of American APN and American Med Psych that it is in the best interest of the CareSpan to issue 1,000 Class B non-voting shares to each member of the boards of American-APN and American MedPsych for so long as they are board members of American-APN and American MedPsych.

2. CareSpan does not legally own shares AAPN or American-MedPsych as these are professional corporations which cannot have lay ownership. Shares of American-APN can only be owned by a Nurse Practitioner.

3. Shares of American MedPsych can only be owned by a licensed medical doctor. CareSpan controls American-APN and American MedPsych through stock transfer agreements which provide that those shares transferred to a new licensed clinician owner must be approved by CareSpan Integrated Networks Inc. CSIN is legally characterized as a MSO that serves the business needs of “friendly” affiliated professional corporations (American-APN and American-MedPsych). The MSO/friendly arrangement is a common legal organization in the US that complies with CPOM regulations.

4. On February 26, 2021, CareSpan MedPsych Network, P.A. amended its name to American MedPsych Network, P.A.

5. CareSpan International Inc. is dormant.

6. CareSpan reduced it holding in CareSpan Asia Inc. to 15% from 50.1% effective July 1, 2022, due additional investment by Argosy Partners Inc.

7. ICME GmbH holds 85% common shares of SmartCare GmbH ("**SmartCare**"). Two officers of CareSpan, the CEO and the Chief Technology Officer, are also directors of SmartCare. The CEO of ICME is a shareholder and is on the board of CareSpan.

8. CareSpan Holdings, Inc. is the successor corporation formed pursuant to separate amalgamations in 2010 and 2012, and on May 7, 2021, was re-domiciled under the laws of the State of Delaware, United States of America pursuant to the provisions of Section 388 of the General Corporation Law of the State of Delaware (GDCL).

The Company is a health care technology and service Company. The Company's proprietary CareSpan® Clinic is a clinical workflow-driven platform designed by doctors, nurses and experienced healthcare software developers that integrates remote patient monitoring, diagnostic tools, patient electronic health records ("**EHR**"), care collaboration capabilities, patient engagement, e-prescribing, and lab ordering.

CareSpan's platform seamlessly supports both in-person and virtual/telehealth care. CareSpan is using this platform, combined with essential business services, to build provider networks across the United States that deliver primary and urgent care, as well as behavioural health care.

CareSpan Health Inc. is the Company's Canadian parent company. CareSpan Health Inc. oversees the technology enabled medical care delivery organization dedicated to improving individual health care outcomes by aggregating dedicated clinicians, provides essential business infrastructure and supplies a cloud-based integrated digital care platform—the *CareSpan® Clinic*, a "clinic in the cloud". The CareSpan Clinic facilitates an improved quality of clinical care while removing geographical barriers to access and systematically lowers healthcare costs.

CareSpan Holdings Inc. is the US-based company that oversees two CareSpan Holdings subsidiaries and two contractually bound affiliated national professional "Company practices without walls".

CareSpan USA, Inc. (Nevada) is the technology development and licensing subsidiary.

CareSpan Integrated Networks, Inc. (Nevada) is the management services organization supporting the affiliated Company practice providers.

American Advanced Practice Networks, PC, is the affiliated national nurse practitioner company which focus on delivering primary care by utilizing the CareSpan Clinic in the Cloud™ platform.

American MedPsych Networks, PA, is the affiliated national doctor and psychotherapist company which focuses on delivering mental and behavioral health care by utilizing the CareSpan Clinic in the Cloud™ platform.

CareSpan Asia, Inc. is an investment held by CareSpan Holdings, Inc. who holds 15% with Argosy Partners Inc. holding 85%.

Smart Care GmbH is an investment held by CareSpan Holdings, Inc. who holds 15% with ICME International GmbH holding 85%.

### *Business Strategy*

CareSpan's mission is to empower clinicians, nurse practitioners, physicians and other care providers with leading edge digital technology and practice management capabilities intended to facilitate clinical operations in primary care, chronic care, urgent care, and behavioral health. To this end, CareSpan is scaling development of its proprietary applications to support health services delivered through its virtual care platform: the CareSpan Clinic to improve access to affordable quality care. CareSpan's solutions empower clinicians to address the shortage of quality care and the high cost of care delivery in the US and over-seas.

Currently, CareSpan's gross revenue consists primarily of fees charged by its provider networks (or more commonly known in the US healthcare industry as "friendly professional corporations"). This revenue is generated by its related entities American-APN and American MedPsych. CareSpan also earns revenues for Software as a Service ("**SaaS**") fees charged to users of the CareSpan platform.

Revenue growth of CareSpan's provider networks is driven by the growth in a) the number of clinicians in the network and the corresponding patient visits (in-person and virtual), and b) the growth in revenue per clinician which, in turn, is driven by organic individual practice growth and contracts obtained for the network. Revenue growth of the SaaS business is driven by contracts signed with provider practices.

CareSpan's focus over the last nine-month period is to grow its provider networks, of Nurse Practitioners. Focusing on this allows us to build our reputation, technology, and operations to have a solid base of credentials and references for the SaaS business. There two business lines are symbiotic. Scaling one supports the growth of the other.

Opportunities For growth Currently offering primary, chronic, and urgent care mainly through AAPN and behavioral health mainly through American MedPsych, the CareSpan technology and services platform, while having its own EHR, has been architected to interface with third party EHRs to facilitate partnerships with healthcare system verticals. While we are focused on enabling Nurse Practitioners and mental health providers, in the future, we can also expand into physician and other segment practices, as well as form continuity-of-care reciprocity with health systems and payors. Future growth areas include integrative care, home care, physical therapy, specialist providers, and wellness.

Due to the nature of technology development, there is no assurance that the milestones set forth in our technology development roadmap will be achieved, and there can be no assurance with respect to the time or resources that may be required to achieve them.

The Company expects that additional specific milestones could be identified during the development of the system, and existing milestones, budgets, and the schedule for the completion of each milestone can change depending on several factors including the results of the Company's development program, clarification of or changes to regulatory requirements, the availability of financing and the ability of development firms engaged by the Company to complete work assigned to them.

### *Regulatory Overview*

The Company is considered a Covered Entity under Health Insurance Portability and Accountability Act (“**HIPAA**”) and Health Information Technology for Economic and Clinical Health Act (“**HITECH**”). Consequently, CareSpan has focused its regulatory efforts on meeting all of the 2015 ONC, Medicare CEHRT and Medicaid CEHRT requirements. We are compliant with all CMS requirements for reporting quality metrics; MIPS and MACRE; promoting interoperability requirements; standardized data exchanges for patient safety amongst providers; claims-based regulations and metrics. Our networks AAPN and American Med Psych are compliant and receive training for HIPAA, protected health information, cybersecurity and processes for reporting and mitigation of breaches. Our networks also utilize the Quality Management System (QMS) requirements of the Office of the National Coordinator for Health Information Technology (“**ONC**”) and CEHRT certification and the HIPAA/Health HITECH statutes and regulations for data security privacy and confidentiality. CareSpan requires all employees and key consultants to undergo HIPAA privacy/security training and certification and offers the training and certification to all American APN and American-MedPsych provider-members and their practices. The Company maintains appropriate HIPAA Business Associate Agreements (“**BAAs**”) with all vendors supplying technology to support the CareSpan Clinic platform. CareSpan also routinely subjects itself to third-party cybersecurity challenges and audits. The Company’s *Clinic in the Cloud* platform is also engineered to support international General Data Protection Regulations and are subject to regulatory frameworks set out by the Centre of Medicaid and Medicare.

## OPERATIONS AND OVER-ALL PERFORMANCE

### *Recent Developments*

CareSpan devoted significant resources during 2021-2023 to the conversion of its platform-embedded electronic health record to meet the requirements of a government-certified EHR. This successful endeavor achieved ONC/CEHRT certification in late June 2021 has resulted in enhanced capabilities for our affiliated provider members and enhanced reimbursement potential from government payers (Center for Medicare and Medicaid or CMS). Achieving this certification also enhances EHR interoperability with major enterprise based EHRs utilized by major hospital companies and health systems, thus expanding CareSpan’s potential customer base and addressable markets. In 2023, the IT team continues to make improvements to enhance the platform.

The Company has reduced its cost base and decreased its number of employees and consultants in 2023 over 2022. The reduction in revenues from low-margin contracts has caused a decline in top-line revenue. Our revenue base is now systematically being replaced with higher-margin businesses, such as Chopra Whole Person Care and the expanded contract to conduct medical assessments and examinations for returning veterans and active military personnel. This establishes a continued path to profitability.

## OPERATIONS

*Selected Quarterly Information*

| SELECTED CONSOLIDATED QUARERLY RESULTS UNDER IFRS<br><br>For the period ended | Revenue | Net loss from operations | Comprehensive loss | Loss per share, basic and diluted (As originally reported) | Total assets | Non-current liabilities |
|---|---|---|---|---|---|---|
| **30 -Sept-23** | 428,269 | (403,217) | (585,980) | (0.01) | 320,254 | Nil |
| **30-June 23** | 742,259 | (478,360) | (293,753) | (0.01) | 570,640 | Nil |
| **31-Mar-23** | 904,191 | (520,002) | (520,002) | (0.01) | 409,839 | Nil |
| **31-Dec-22** | 605,090 | (1,042,758) | (332,262) | 0.00 | 1,378,937 | Nil |
| **30-Sept-22** | 1,062,219 | (1,361,742) | (1,361,742) | (0.04) | 2,405,736 | Nil |
| **30-Jun-22** | 1,110,613 | (1,234,126) | (1,218,334) | (0.04) | 2,717,198 | Nil |
| **31-Mar-22** | 1,765,357 | (670,394) | (671,041) | (0.02) | 2,400,107 | Nil |
| **31-Dec-21** | 2,046,853 | (737,849) | (2,502,826) | (0.60) | 2,697,445 | Nil |
| **30-Sep-21** | 1,398,426 | (982,527) | (1,923,079) | (0.07) | 3,488,012 | Nil |
| **330-Jun-21** | 1,206,485 | (1,377,438) | (430,102) | (0.03) | 1,383,876 | Nil |
| **31-Mar-21** | 1,104,917 | (2,034,635) | (2,033,079) | (0.09) | 1,234,783 | Nil |
| **31-Dec-31** | 2,034,201 | (2,546,748) | (2,399,314) | (0.12) | 2,460,361 | Nil |
| **30-Sep-20** | 504,324 | (658,149) | (1,623,704) | (0.07) | 408,023 | Nil |

There is some seasonality in our business as more people generally see their health professional in the winter rather than in the summer and accordingly the winter months are usually the strongest periods. The disproportionate decline in revenue in the quarter ended 2023 vs 2022 is due to a decrease in COVID-19 related encounters and a decrease in average reimbursement as COVID-19 cases were paid at higher rates (mainly for COVID testing) and the loss of several clinics.

There have no changes in accounting policy and the company accounts under IFRS in US dollars unless noted as Canadian dollars.

There have no significant acquisitions or dispositions or discontinued businesses during the nine-month period.

### *Revenues*

Revenues for the nine-month period September 30, 2023, decreased to $2,074,919 compared to $3,938,189 for the nine-month period September 30, 2022. Revenues for the quarter ended September 30, 2023, were $428,469 compared to $1,062,219 for the quarter ended September 30, 2022. As mentioned previously, the decrease in revenue between the nine months of 2023 and 2022 is due to mainly to a decrease in COVID-related encounters that were reimbursed at higher rates and the decrease in total encounters (patient visits).

### *Operating Expenses*

Total operating expenses were $3,476,498 for the nine-month period ended September 30, 2023, compared to $7,199,841 for the nine month period ended September 30, 2022, and for three months ended September 30, 2023 was $831,686 compared to $2,419,359 for the quarter ended September 30, 2022, due mainly to the decrease in practice fees (resulting from the decrease in dollar revenue volume) and to the continuous implementation of productivity and cost control measures. The nature of these expenditures is explained below:

The largest variable operating expense for the Company is practice fees which decreased to $1,490,428 for the nine-month period ended September 30, 2023, compared to $3,295,768 for the nine-month period ended September 30, 2022, and $32,640 for the quarter ended September 30, 2023, compared to $892,600 for the quarter ended September 30, 2022 These decreases are due to lower revenues in 2023 vs. 2022 connected to fewer COVID cases and minor adjustments.  Practice fees are underpinned by certain vendor contracts associated with revenue.

Practice supplies and other operating expenses (mainly expenses related to third party billing and collections services) decreased to $169,396 for the nine-month period ended September 30, 2023, compared to $322,098 for the nine-month period ended September 30, 2022, and for the quarter ended September 30, 2023, these fees were $46,035 compared to $117,514 for the quarter ended September 30, 2022.

Finance costs were $42,744 for the nine-month period ended September 30, 2023, compared to $23,217 for the nine-month period ended September 30, 2022, and interest for quarter ended September 30, 2023, was $23,540 compared to $17,768 for the quarter ended September 30, 2022, due to interest on additional loans obtained during 2023 and the corporate credit card.

Salaries and benefits were at lower levels in 2023 compared to 2022 at $644,892 for the nine month period ended September 30, 2023, compared to $1,174,806 for the nine-month period ended September 30, 2022, and for the three months ended September 30, 2023 salaries and benefits were $214,825 compared to $272,751 for the quarter ended September 30, 2023 due primarily to fewer employes in 2023 vs 2022 and not having CareSpan Asia Inc.'s payroll costs included in 2023, as these were was consolidated only in the first half of 2022.

Consultant costs were $381,323 for the nine month period ended September 30, 2023, compared to $629,319 in the nine month period ended September 30, 2022, and for the quarter ended September 30, 2023, $215,938 compared to $127,801 for the quarter ended September 30, 2022, and this decrease for the nine months ended September 30, 2023 is due to a decrease in the number of consultants and contractors utilized during 2023 vs 2022, and is also is due to cost control measures and not consolidating CareSpan Asia costs in 2023 as noted above.

Information technology (IT) costs were $252,484 for the nine-month period ended September 30, 2023, compared to $337,135 for the nine-month period ended September 30, 2022. For the quarter end September 30, 2023, IT costs were $119,886 compared to $155,326 for the quarter ended September 30, 2022. The decrease in these costs is due to the completion of certain projects by the IT team and a focus on priority projects that improve revenue and reduce cost.

Legal and professional expenses decreased to $309,071 for the nine-month period ended September 30, 2023, compared to $621,543 for the nine-month period ended September 30, 2022, and for the quarter ended September 30, 2023, legal and professional fees were $128,354 compared to $189,475 for the quarter ended September 30, 2023. In 2022 there was substantial legal work connected to capital raising and other matters.

General and administrative costs were similar at $117,760 the nine-month period ended September 30, 2023, compared to $87,993 for the nine-month period ended September 30, 2022, and for the quarter ended September 30, 2023, these expenses were $50,468 compared to $ 19,388 for the quarter ended September 30, 2022.

Share-based compensation (non-cash) was $68,400 for the nine-month period ended September 30, 2023, compared to $486,356 for the nine-month period ended September 30, 2022, due to the grant of options during granted in January 2023 and June 2023. For the quarter ended September 30, 2023, the expense was $ Nil compared to $417,735 for the quarter ended September 30, 2022.

CareSpan’s adjusted EBITDA takes into consideration non-cash and non-recurring expenses.
Management believes adjusted EBITDA is a useful supplemental measure to determine the Company’s cash burn rate related to operations so investors can understand the cash that is available for development.

| | Nine months 30-Sep-23 | Nine months 30-Sep-22 |
|---|---|---|
| **Revenues** | 2,074,919 | 3,938,189 |
| Operating expense | 3,476,498 | 7,199,841 |
| **Loss before other expenses, losses or gains** | (1,401,579) | (3,261,652) |
| Income taxes | | - |
| Exchange difference on translation of foreign operations | 16,382 | (15,145) |
| Other expenses losses and gains: | | |
| Loss on equity investment | - | (4,602) |
| **Total comprehensive loss** | (1,385,197) | (3,281,399) |

| | Three months Q3 30-Sep-23 | Three months Q3 30-Sep-22 |
|---|---|---|
| **Revenues** | 428,469 | 1,062,219 |
| Operating expense | 831,686 | 2,419,359 |
| **Loss before other expenses, losses or gains** | (403,217) | (1,357,140) |
| Income taxes | | - |
| Exchange difference on translation of foreign operations | (182,763) | - |
| Other expenses losses and gains | | - |
| Loss on equity investment | | (4,602) |
| **Total comprehensive loss** | (585,980) | (1,361,742) |

| | | Nine months ended September 30, 2023 | Nine months ended September 30, 2022 |
|---|---|---|---|
| **Net comprehensive loss** | | (1,385,197) | (3,281,399) |
| add back: | Depreciation | - | 11,958 |
| | Taxes | | - |
| Non recurring costs | | | |
| | Finance costs | 42,744 | 23,217 |
| Non-cash items | | | |
| | Loss on exit from related party | - | 209,000 |
| | Share based compensation | 68,400 | 486,356 |
| | Loss on equity investment | - | 4,602 |
| **Adjusted EBITDA** | | (1,274,053) | (2,546,266) |

| | | Three months ended September 30, 2023 | Three months ended September 30, 2022 |
|---|---|---|---|
| **Net comprehensive loss** | | (585,980) | (1,361,742) |
| add back: Depreciation | Depreciation | - | - |
| | Taxes | - | - |
| Non recurring costs | | | |
| | Finance costs | 23,540 | 17,768 |
| Non-cash items | | | |
| | Loss on exit from related party | - | 209,000 |
| | Share based compensation | - | 417,735 |
| | Loss on equity investment | - | 4,602 |
| **Adjusted EBITDA** | | (562,440) | (712,637) |

***Capital and Liquidity***

| **For the period ending** | **30-Sep-23** | **30-Sep-22** |
|---|---|---|
| Cash | 44,279 | 247,459 |
| Trade and other receivables | 275,975 | 1,972,414 |
| Prepaid expenses | - | 1,135 |
| Short term loans to practices | - | 184,728 |
| Accounts payable and accrued liabilities | (1,110,380) | (2,710,394) |
| Deferred revenue | - | (95,095) |
| Related party l | (983,102) | |
| Loans and interest payable | (213,450) | (223,882) |
| Working capital | (1,986,678) | (623,635) |

There are no expected trends other than seasonality, where the winter months have more activity than the summer months.

Cash decreased to $44,279 on September 30, 2023, compared to $247,459 on September 30, 2022, and $393,746 on December 31, 2022.

Working capital deficit has increased to $1,986,678 on September 30, 2023, compared to a working capital deficit of $623,635 as of September 30, 2022. The increase in the deficit in working capital is due to the loans obtained to run the business and payables that are larger than receivables.

The Company's capital management objectives are to maintain financial flexibility to pursue its strategy of organic acquisitional growth while maintaining an adequate return for shareholders. The Company defines its capital as cash, the aggregate of cash and cash equivalents, short-term investments, restricted short-term investments, bank indebtedness, current and long-term debt, and shareholder's equity.

On January 20, 2023, the Company issued 235,000 options at Cdn. $0.13 to employees, consultants, and directors. The options vest equally on grant date, 6 month, 12 months, 18 months, and 24 months from the date of issue and expire on January 19, 2028.

On June 12, 2023, the Company issued 900,000 options at Cdn. $0.10 to employees, consultants, and directors. The options vest equally on grant date, 6 month, 12 months, 18 months, and 24 months from the date of issue and expire on June 11, 2028.

In the first nine month of 2023, 1,396,165 common shares were issued to employees and consultants for backpay not paid in 2022 and any remaining backpay not paid in common shares, was paid to employees by January 15, 2023, except for $7,814 owed to the CEO/Director, that is included in accounts payable and accrued liabilities on September 30, 2023.

Included in accounts payable and accrued liabilities as at September 30, 2023 is also $220,298 owed to employees and consultants due to reduced pay during 2023 of which $111,984 of this amount is owed to the CEO of the Company related to 2023 wages and $7,814 is owed to the CEO related to 2022 wages.

In May 2023, a vendor converted $76,862 of accounts payable into 1,017,650 common shares and 508,825 warrants exercisable at Cdn. $0.15 for five years.

During the nine months ended September 30, 2023, the company received loans from a director/CEO, an employee and an over 10% shareholder and third parties, including totaling with interest on September 30, 2023, $744,494 and subsequent to September 30, 2023, an additional $162,800 has been loaned by the CEO/Director. These loans are due in one year from issuance and bear an interest rate of 12% and at the loan holders have the option to be converted into a future qualified equity financing in excess of Cdn. $1M.

The Company's loan from a former director of $165,000 plus interest, previously due September 30, 2023, was repaid to the former director by a loan holder related organization who is also a 10% shareholder of the Company. The loan was repaid before September 30, 2023, and the interest was paid after September 30, 2023.

Amounts due to for loans are unsecured, and payable on terms of the agreements. The remuneration of key management personnel is determined by the board of directors having regard to the performance of individuals and market comparisons and trends in the US healthcare sector.

The company has no significant fixed asset needs as its business operates mostly across the internet, and its employees and consultants work from home on a permanent basis and the physical clinics and equipment are owned by the independent nurse practitioners/clinicians.

The Company manages its capital structure in according to changes in economic conditions. To adjust its capital structure, the Company may issue new shares. In the current nine-month period, CareSpan conducted the following transactions:

| For the period ending | 30-Sep-23 | 30-Sep-22 |
|---|---|---|
| Net cash used in operating activities | (1,298,583) | (3,393,018) |
| Net cash used in investing activities | - | - |
| Net cash for financing activities | 949,116 | 2,691,815 |
| Net (decrease) Increase in cash | (349,467) | - 701,203 |
| Cash, Beginning of period | 393,746 | 948,662 |
| Effects of exchange rates on cash held in foreign currencies | | - |
| Cash, End of period | 44,279 | 247,459 |

### *Cash Used in Operating Activities*

During the nine-month period September 30, 2023, the Company used cash of $(1,298,583) compared to a use of cash of $(3,398,018) during the nine-month period on September 30, 2022. The decrease in net cash used in operating activities is due in 2023 due the decreased loss in 2023 compared to 2022.

### *Cash Used in Investing Activities*

During the nine-month period September 30, 2023, and 2022 there were no investing activities.

### *Cash from Financing Activities*

During the nine-month period September 30, 2023, cash from financing activities was $941,116, compared to $2,691,815 for the nine-month period September 30, 2022. The decrease is principally due to lower cash received for capital raises and loans in the nine months ended September 30, 2023, compared to the nine months of September 30, 2022

### *Working Capital*

Working capital deficit $1,986,678 on September 30, 2023, compared to a working capital deficit of $623,635 as of September 30, 2022.

CareSpan has no bank lines of credit, debt (other than related party payables) at September 30, 2023. The related party debt does not restrict the Company.

The Company has a credit card that has balance just under US$100,000 which is included in accounts payable and accrued liabilities as at September 30, 2023.

The following table summarizes the outstanding share capital as of September 30, 2023:

| Type of Securities | Number of Common Shares issued or issuable |
|---|---|
| Common shares | 47,282,297 |
| Stock options | 1,216,428 |
| Warrants | 11,328,217 |

The senior employee/consultants who hold executive roles at the Company are the CEO, COO and CFO and Corporate Secretary for the period ended September 30, 2023. In 2022, there was 2 other senior employees and when these employees left, they were not replaced.

**Non-controlling Interests**

***CareSpan Integrated Networks Inc.***

CSIN a subsidiary of the Company is authorized to issue up to 80,000,000 Class A common, voting shares and 20,000,000 Class B common, non-voting shares. On September 30, 2023, CareSpan owned 50,000,000 Class A common, voting shares (September 30, 2022- 50,000,000) and there were 880,500 Class B common, non-voting shares (September 30, 2022: 805,500).

During 2021 CSIN issued 75,000 Class B common, non-voting shares. The board of CSIN issues shares for services performed by members of the boards of American-APN and American MedPsych, owners of American-APN and American MedPsych, certain practitioners and consultants. No shares were issued in 2022 or in the nine months end September 30, 2023.

## CAPITAL RESOURCES

The company has cash of $44,279 on September 30, 2023.

The Company has no capital expenditure needs planned as at September 30, 2023, and has very low capital expenditure needs generally as all employees and contractors work from their homes, the company has no physical offices that they go to and our business is based on a virtual platform**.**

## OFF-BALANCE SHEET ARRANGEMENTS

On September 30, 2023, there were no off-balance sheet arrangements.

## RELATED PARTY TRANSACTIONS

The amount related to ICME International AG ("**ICME**") is the Company's investment in SmartCare in Germany. The CEO of ICME is a Director of the Company. CareSpan owns 15% of the share capital of the joint venture and has appointed one director nominee to the SmartCare Board of Directors. No funding of this ICME is required to be made by CareSpan. The joint venture has exclusive rights to the CareSpan Clinic in the EMEA territory for the fifteen-year term of the agreement.

CareSpan entered into a Joint Venture Agreement with Argosy Partners, Inc. for the establishment of CareSpan Asia Inc., in October 2020 to leverage the capabilities of the CareSpan Clinic for the delivery of digitalized medical care, remote patient monitoring and other digital health services to the Philippines and Asia-Pacific markets. In 2022, CareSpan was reduced in ownership due to investments by Argosy and CareSpan now owns 15 % of CareSpan Asia Inc.

Loans and interest from the CEO, an employee, a director and an over 10% shareholder during the period ended September 30, 2023, totalled $744,494. Deferred pay to the CEO and the COO and three other employees totals $220,298 at September 30, 2023 of which $111,984 is owed to the CEO of the Company related to 2023 wages and $7,814 is owed to the CEO related to 2022 wages and $22,500 is owed to the COO and the balance is owed to employees.

**INVESTMENT IN JOINT VENTURES**

- **EMEA** – CareSpan entered into a Joint Venture and Cooperation Contract with SmartCare GmbH ("**SmartCare**") in July 2021 for the establishment of CareSpan Europe and related international business development by and through ICME GmbH Management Consultants Munich, a German limited liability company and a subsidiary of ICME International AG, Switzerland, and an early seed investor into CareSpan. The joint venture agreement created a European-based business, SmartCare, owned jointly between the parties to leverage the capabilities of the CareSpan Clinic for the delivery of digitalized medical care, remote patient monitoring and other digital health services to the EU, the Middle East and Africa ("**EMEA**"). CareSpan owns 15% of the share capital of the joint venture and has appointed two director nominees to the board of directors. The joint venture has exclusive rights to the CareSpan Clinic in the EMEA territory for the fifteen-nine-month period term of the agreement.

- **Asia-Pacific** – CareSpan entered into a Joint Venture Agreement with Argosy Partners, Inc. (Argosy) for the establishment of CareSpan Asia Inc., in October 2021 to leverage the capabilities of the CareSpan Clinic for the delivery of digitalized medical care, remote patient monitoring and other digital health services to the Philippines and Asia-Pacific markets. At the beginning of this relationship the company held 50.1% but due to the investment by Argosy, as of July 1, 2022, the Company now owns 15% of CareSpan Asia. CareSpan Asia has exclusive rights to the CareSpan Clinic in member countries of the Association of Southeast Asian Nations, Japan, Australia, India, and Bangladesh for the five-year term of the agreement.

For the period ended September 30, 2023, the losses of the entities were not considered to be material to CareSpan.

Further information regarding the Reverse Takeover Transaction can be found in the materials filed by the Company on www.sedar.com.

## ACCOUNTING POLICIES

The accounting policies set out in the notes to the audited financial statements as of December 31, 2022, have been applied in preparing the audited financial statements for the nine-month period ended September 30, 2023, including the comparative information presented in the financial statements for the nine-month period ended September 30, 2022.

These financial statements have been prepared in accordance with accounting principles applicable to going concern, which contemplates that the Company will be able to realize its assets and settle its liabilities in the normal course as they come due during the normal course of operations for the foreseeable future. On September 30, 2023, the Company had a shareholders' deficiency of $1,986,678 and a net comprehensive loss of $(1,385,197) for the nine-month period ended September 30, 2023.

Certain new standards, interpretations, amendments, and improvements to existing standards were issued by the IASB or IFRS Interpretations Committee that are mandatory for fiscal periods beginning on or after January 1, 2022. None of these standards or amendments to existing standards have been early adopted by the Company, however the Company has adopted the policies for annual nine-month periods starting January 1, 2022, as applicable. The standards impacted that may be applicable to the Company are as follows:

***Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)***

In February 2021, the IASB issued Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2). The amendments provide guidance to help entities disclose their material accounting policy information rather than disclosing significant accounting policies. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. The Company has adopted the amendments.

***Definition of Accounting Estimates (Amendments to IAS 8)***

In February 2021, the IASB issued Definition of Accounting Estimates (Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors). The amendments define accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. The Company has adopted the amendments.

***Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12)***

Income Taxes has been revised to incorporate amendments issued by the IASB in May 2021. The amendments clarify the accounting for deferred tax on transactions such as leases and decommissioning obligations. The scope of the recognition exemption no longer applies to transactions that, on initial recognition, give rise to equal taxable and deduction temporary differences.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The Company has adopted the amendments.

***Amendments to IFRS 9, Financial Instruments ("IFRS 9")***

As part of its 2018 – 2020 annual improvements to the IFRS standards process, the IASB issued an amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after January 1, 2022, with earlier adoption permitted. The Company has adopted this policy on January 1, 2022.

### *Amendments to IAS 1, Classification of Liabilities as Current or Non-Current*

In January 2020, the IASB issued Classification of Liabilities as Current or Non-Current, amending IAS 1, Presentation of Financial Statements to improve the information provided about non-current liabilities with covenants. The proposed amendments address the classification, presentation, and disclosure of liabilities for which an entity's right to defer settlement for at least 12 months is subject to compliance with conditions after the reporting period and are effective for annual reporting periods beginning on or after January 1, 2023, with earlier adoption permitted. While earlier application is permitted, the Company has adopted the amendments.

Other new and amended standards and interpretations issued by the IASB applicable for periods within the current nine-month period did not impact CareSpan as they are either not relevant to CareSpan's activities or apply to accounting standards which are consistent with CareSpan. Other accounting standards or amendments to existing standards Span's current accounting policies. Accounting that has been issued, but have future effective dates, are either not applicable or are not expected to have a significant impact on the Company's annual consolidated financial statements.

## FINANCIAL INSTRUMENTS

In the normal course of business, CareSpan is exposed to a number of risks that can affect its operating performance. These risks, and the actions taken to manage them, are described below.

### *Credit and concentration risk*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to CareSpan. CareSpan does not provide any guarantees which would expose CareSpan to credit risk. The credit risk on cash is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Since its incorporation, CareSpan has not incurred any significant credit loss in respect of its trade receivables. Based on consideration of all possible default events over the assets' contractual lifetime, the expected credit loss in respect of

### *Fair value*

The carrying value of financial instruments classified at amortized cost approximate fair value due to their short-term nature.

### *Interest rate risk*

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets or liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

Convertible loans and short-term advances from related parties bear interest at fixed rates or are noninterest bearing. Accordingly, the fair value of these financial liabilities could fluctuate because of changes in market interest rates.

### *Liquidity risk*

Liquidity risk refers to the risk that CareSpan will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of CareSpan's short-, medium- and long-term funding and liquidity management requirements. CareSpan manages liquidity risk by maintaining adequate cash balances and borrowings, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The following table provides details of CareSpan's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which CareSpan can be required to pay. The tables include both interest and principal cash flows.

| | Within 1 year | Within than five years | Later than five years | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Accounts payable and accrued liabilities | 1,110,380 | - | - | 1,110,380 |
| Due to related parties | 983,102 | - | - | 983,102 |
| Loans | 213,450 | | | 231,450 |
| | 2,306,932 | | | 2,306,932 |

## CRITICAL ESTIMATES

### *Estimates, assumptions, and judgments*

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and the disclosure of contingent assets and liabilities at the reporting date. Uncertainty about these assumptions and estimates could result in adjustments to the carrying amount of an asset or liability or the reported amount of revenue and expense in future periods. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Key areas of judgment and estimation are as follows:

### *Revenue recognition*

The core principle of IFRS 15 Revenue from Contracts with Customers ("**IFRS 15**") is that an entity should recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard establishes a comprehensive five-step framework for the timing and measurement of revenue recognition. The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

CareSpan accounts for a contract with a customer when it has approval and commitment from all parties, the rights of the parties and payment terms are identified, the contract has commercial substance and collectability of consideration is probable. Revenue is recognized when control of the promised goods and services is transferred to customers, and in an amount that reflects the consideration the Company is contractually due in exchange for those goods and services.

***Patient service revenue***

Patient service revenue is recognized at the time services are provided by CareSpan's affiliated healthcare providers. CareSpan's performance obligations related to the delivery of services to patients are satisfied at the time of service. Accordingly, there are no performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period with respect to patient service revenue. Substantially all of CareSpan's patient service revenue is reimbursed by government-sponsored or funded healthcare programs ("**GHC Programs**"), including Medicare and Medicaid, and third-party insurance payors. Payments by insurance companies and health plans for services rendered to patients of American-APN and American-MedPsych member practitioners are generally less than billed charges. CareSpan monitors its revenue and receivables from these sources and records an estimated contractual allowance to properly account for the anticipated differences between billed and reimbursed amounts.

Accordingly, patient service revenue is presented net of an estimated provision for contractual adjustments and uncollectible amounts. CareSpan estimates allowances for contractual adjustments and uncollectible amounts on accounts receivable based upon historical experience and other factors, including evaluation of expected adjustments and delinquency rates, past adjustments, and collection experience in relation to amounts billed, an aging of accounts receivable, current contract and reimbursement terms, changes in payor mix and other relevant information. Contractual adjustments result from the difference between the rates billed by healthcare providers for services performed and the reimbursements by GHC Programs and third-party insurance payors for such services.

Collection of patient service revenue that CareSpan expects to receive is normally a function of providing complete and correct billing information to the GHC Programs and third-party insurance payors within the various filing deadlines and typically occurs within 30 to 60 days of billing.

Accounts receivable are primarily amounts due under fee-for-service contracts from third-party payors, such as insurance companies, self-insured employers, and patients and GHC Programs geographically dispersed throughout the United States. Concentration of credit risk relating to accounts receivable is limited by the number, diversity and geographic dispersion of patients and payors, including the various governmental agencies in the states in which CareSpan provides services.

***License revenue***

Renewable software licenses for CareSpan's digital care delivery platform include the right-to-access the software for a specified term, technical support, and maintenance services. These agreements are accounted for as licenses, as the customer only has the right to access the software for a specified term. These services are similar in substance to a subscription, as CareSpan does not sell licenses without technical support and maintenance services. Revenue is recognized rateably over the term of the agreement from the date the license term commences.

### *Deferred development costs*

Expenditure on research activities is recognized as an expense in the period in which it is incurred. An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for deferred development costs is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

After initial recognition, deferred development costs are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized using the straight-line method. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

During 2023, CareSpan did not recognize any development costs as a single internally generated intangible asset (2022 - $Nil).

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on CareSpan’s estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, CareSpan revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

### *Deferred tax*

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which CareSpan expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is recognized in profit or loss, except when it relates to items that are recognized in other comprehensive income or loss or directly in equity, in which case, the deferred tax is also recognized in other comprehensive income or loss or directly in equity, respectively. Where deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

### *Leases*

At inception of a contract, CareSpan assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. CareSpan recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, less any lease incentives received.

The right-of-use assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method. The lease term includes periods covered by an option to extend if CareSpan is reasonably certain to exercise that option. In addition, the right-of-use asset can be periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, CareSpan's incremental borrowing rate.

### *Financial instruments*

IFRS 9 Financial Instruments ("**IFRS 9**") contains six principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("**FVOCI**") and fair value through profit or loss ("**FVTPL**"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at fair value through profit or loss (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income or loss.

CareSpan reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

### *Financial assets*

#### Recognition and initial measurement

CareSpan recognizes financial assets when it becomes party to the contractual provisions of the instrument. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in profit or loss when incurred.

#### Classification and subsequent measurement

On initial recognition, financial assets are classified as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss. CareSpan determines the classification of its financial assets, together with any embedded derivatives, based on the business model for managing the financial assets and their contractual cash flow characteristics.

Financial assets are classified as follows:

- Amortized cost - Assets that are held for collection of contractual cash flows where those cash flows are solely payments of principal and interest are measured at amortized cost.

- Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in profit or loss.

- Fair value through other comprehensive income - Assets that are held for collection of contractual cash flows and for selling the financial assets, and for which the contractual cash flows are solely payments of principal and interest, are measured at fair value through other comprehensive income. Interest income calculated using the effective interest method and gains or losses arising from impairment and foreign exchange are recognized in profit or loss.

- All other changes in the carrying amount of the financial assets are recognized in other comprehensive income. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss.

- Mandatorily at fair value through profit or loss - Assets that do not meet the criteria to be measured at amortized cost, or fair value through other comprehensive income, are measured at fair value through profit or loss. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss.

- Designated at fair value through profit or loss - On initial recognition, CareSpan may irrevocably designate a financial asset to be measured at fair value through profit or loss in order to eliminate or significantly reduce an accounting mismatch that would otherwise arise from measuring assets or liabilities, or recognizing the gains and losses on them, on different bases. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss.

CareSpan measures all equity investments at fair value. Changes in fair value are recorded in profit or loss except where CareSpan has irrevocably elected on initial recognition to present in other comprehensive income the fair value gains and losses of an equity investment that is neither held for trading nor contingent consideration acquired in a business combination. In such cases, the cumulative gains and losses recognized in other comprehensive income are not reclassified to profit or loss on derecognition of the investment.

***Business model assessment***

CareSpan assesses the objective of its business model for holding a financial asset at a level of aggregation which best reflects the way the business is managed, and information is provided to management. Information considered in this assessment includes stated policies and objectives.

***Contractual cash flow assessment***

The cash flows of financial assets are assessed as to whether they are solely payments of principal and interest on the basis of their contractual terms. For this purpose, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, the credit risk associated with the principal amount outstanding, and other basic lending risks and costs. In performing this assessment, CareSpan considers factors that would alter the timing and amount of cash flows such as prepayment and extension features, terms that might limit CareSpan's claim to cash flows, and any features that modify consideration for the time value of money.

***Impairment***

CareSpan recognizes a loss allowance for the expected credit losses associated with its financial assets, other than financial assets measured at fair value through profit or loss.

Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions, and forecasts of future economic conditions.

CareSpan applies the simplified approach for trade receivables. Using the simplified approach, CareSpan records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

CareSpan assesses whether a financial asset is credit-impaired at the reporting date. Regular indicators that a financial instrument is credit-impaired include significant financial difficulties as evidenced through borrowing patterns or observed balances in other accounts and breaches of borrowing contracts such as default events or breaches of borrowing covenants. For financial assets assessed as credit-impaired at the reporting date, CareSpan continues to recognize a loss allowance equal to lifetime expected credit losses.

For financial assets measured at amortized cost, loss allowances for expected credit losses are presented in the consolidated statement of financial position as a deduction from the gross carrying amount of the financial asset.

Financial assets are written off when CareSpan has no reasonable expectations of recovering all or any portion thereof.

### *Derecognition of financial assets*

CareSpan derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire, or the financial asset has been transferred under the particular circumstances.

For this purpose, a financial asset is transferred if CareSpan either:

- Transfers the right to receive the contractual cash flows of the financial asset, or;
- Retains the right to receive the contractual cash flows of the financial asset but assumes an obligation to pay received cash flows in full to one or more third parties without material delay and is prohibited from further selling or transferring the financial asset.

Transferred financial assets are evaluated to determine the extent to which CareSpan retains the risks and rewards of ownership. When CareSpan neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it evaluates whether it has retained control of the financial asset.

Where substantially all risks and rewards of ownership have been transferred, or risks and rewards have neither been transferred nor retained and control of the financial asset has not been retained, CareSpan derecognizes the financial asset. At the same time, CareSpan separately recognizes as assets or liabilities the fair value of any rights and obligations created or retained in the transfer.

Any difference between the carrying amount measured at the date of recognition and the consideration received is recognized in profit or loss.

### *Financial liabilities*

#### **Recognition and initial measurement**

CareSpan recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, CareSpan measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss.

Where an instrument contains both a liability and equity component, these components are recognized separately based on the substance of the instrument, with the liability component measured initially at fair value and the equity component assigned the residual amount.

**Classification and subsequent measurement**

Subsequent to initial recognition, all financial liabilities, except for financial liabilities subsequently measured at fair value through profit or loss, are measured at amortized cost using the effective interest rate method. Interest, gains, and losses relating to a financial liability are recognized in profit or loss.

**Derecognition of financial liabilities**

CareSpan derecognizes a financial liability only when its contractual obligations are discharged, cancelled, or expire.

***Derivative financial instruments***

Derivative instruments are recorded at fair value, including those derivatives that are embedded in financial or non-financial contracts that are not closely related to the host contracts. Changes in the fair values of derivative instruments are recorded in profit or loss.

***Embedded derivatives***

For hybrid contracts containing a host that is not an asset in the scope of IFRS 9, embedded derivatives are evaluated on initial recognition to determine if the embedded derivative must be separated from the host contract. Embedded derivatives are separated from the host contract when the economic characteristics and risks of the derivative are not closely related to those of the host contract, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives that are separated from the host contract are initially measured at fair value and subsequently measured at fair value through profit or loss. The host contract is accounted for in accordance with the appropriate Standards.

Non-option derivatives are separated from the host contract on the basis of their stated or implied substantive terms so as to result in them having a fair value of zero at inception. Option-based derivatives are separated from the host contract on the basis of stated terms and conditions and measured at their fair value on inception, with the host contract's initial carrying amount being the residual amount after separating the derivative.

***Classification of financial instruments***

The following table summarizes the classification of CareSpan's financial instruments:

| Asset / Liability | Classification |
|---|---|

| | |
|---|---|
| Cash | FVTPL |
| Accounts receivable | Amortized cost |
| Accounts payable and accrued liabilities | Amortized cost |
| Warrant liability | FVTPL |
| Due to related parties | Amortized cost |

***Fair value***

Assets and liabilities carried at fair value must be classified using a six -level hierarchy that reflects the significance and transparency of the inputs used in making the fair value measurements.

Level 1 inputs are unadjusted quoted prices of identical instruments in active markets;

Level 2 inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs that are not based on observable market data (unobservable data).

Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available. The classification of a financial instrument in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value.

***Loss per share***

CareSpan calculates basic loss per share amounts for loss attributable to common shareholders of the parent entity. Basic loss per share is calculated by dividing loss attributable to common shareholders of the parent entity (the numerator) by the weighted average number of common shares outstanding (the denominator) during the nine month period.

For calculating diluted loss per share, CareSpan adjusts the loss attributable to common shareholders of the parent entity, and the weighted average number of common shares outstanding during the nine month period, for the effects of all dilutive potential common shares. Potential common shares are treated as dilutive when, and only when, their conversion to common shares would decrease earnings per share or increase loss per share from continuing operations.

In the application of CareSpan's accounting policies, the directors and management are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### *Critical judgments in applying accounting policies*

The following are the critical judgments, apart from those involving estimations, that the directors and management have made in the process of applying CareSpan's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

Fair value of financial liabilities as at fair value through profit or loss ("**FVTPL**")

The determination of the fair values of debt instruments or the component parts of hybrid contracts requires the use of valuation models and/or techniques for which the underlying assumptions are inherently subject to significant estimation and judgment. These models and techniques require that management make estimates and assumptions with respect to one or more of the following at the date of issuance: the fair value of CareSpan's equity securities, expected volatility of the Company's share value, estimated life of conversion rights and warrants and interest rates which could be obtained for debt instruments with similar terms and maturities.

Selecting the option pricing model to estimate the fair value of equity instruments granted.

CareSpan uses the Black-Scholes Merton formula to estimate the fair value of equity instruments granted in connection with equity-settled share-based payments. Management considers factors that knowledgeable, willing market participants would consider when selecting the option pricing model to apply. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historical volatility adjusted for changes expected due to publicly available information of a comparable peer group), weighted average expected life of the instruments, expected dividends, and the risk-free interest rate (based on government bonds). The inputs to the model are subject to estimate and changes in these inputs can materially impact the estimated fair value of warrant liabilities. The fair value reported may not represent the transaction value if these options/warrants were exercised/exchanged at any point in time.

## FINANCIAL RISKS

Where used in this "Risk Factors" section, the "Company" refers to either CareSpan Health, Inc. or its subsidiaries, as the context may require. Due to the nature of the Company's business, the legal and economic climate in which it operates and its present stage of development, the Company is subject to significant risks. The risks presented below should not be considered exhaustive and may not be all the risks that the Company may face. Please refer to the filing statement of the Company dated November 15, 2021, available on the Company's SEDAR profile for additional risk factors of the Company.

Additional risks and uncertainties not presently known to the Company or that the Company currently considers immaterial may also impair the business and operations of the Company and cause the value of the Common Shares to decline. If any of the following risks or any other risks occur, the Company's business, prospects, financial condition, results of operations and cash flows could be materially adversely impacted. In that event, the trading price of the Common shares could decline, and investors could lose all or part of their investment. There is no assurance that risk management steps taken will avoid future loss due to the occurrence of the risks described below or other unforeseen risks.

### *Going concern*

Management has applied significant judgment in the assessment of CareSpan's ability to continue as a going concern when preparing the September 30, 2023, financial statements. Management prepares the condensed consolidated interim financial statements on a going concern basis which assumes that CareSpan will be able to realize its assets, meet its obligations and continue its operations in the normal course of business. CareSpan's ability to continue as a going concern is dependent upon increasing its sales, improving its overall operating results, obtaining financing as required. The outcome of these matters cannot be predicted at this time.

Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. Accordingly, these financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business and therefore, be required to realize its asset and discharge its liabilities at an amount different from those reflected in these financial statements.

### *Interest Rate Risk*

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets or liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. Convertible loans and short-term advances from related parties bear interest at fixed rates or are non-interest bearing. Accordingly, the fair value of these financial liabilities could fluctuate because of changes in market interest rates.

### *Key sources of estimation uncertainty*

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial nine-month period.

### *Expected credit losses*

CareSpan recognizes a loss allowance for the expected credit losses associated with its financial assets, other than financial assets measured at fair value through profit or loss. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions, and forecasts of future economic conditions.

CareSpan applies the simplified approach for trade receivables. Using the simplified approach, CareSpan records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

CareSpan assesses whether a financial asset is credit-impaired at the reporting date. Regular indicators that a financial instrument is credit-impaired include significant financial difficulties as evidenced through borrowing patterns or observed balances in other accounts and breaches of borrowing contracts such as default events or breaches of borrowing covenants. For financial assets assessed as credit-impaired at the reporting date, CareSpan continues to recognize a loss allowance equal to lifetime expected credit losses. For financial assets measured at amortized cost, loss allowances for expected credit losses are presented in the consolidated statement of financial position as a deduction from the gross carrying amount of the financial asset.

Financial assets are written off when CareSpan has no reasonable expectations of recovering all or any portion thereof. CareSpan did not assess any credit loss provision at nine-month period end.

***Valuation of common share purchase warrants and equity-settled share-based payments.***

CareSpan uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of common share purchase warrants and equity-settled share-based payments.

The valuation techniques require the input of subjective assumptions including expected volatility, dividend yield and expected life of the instrument. Management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of these instruments.

## OTHER RISKS

### *Retention and Acquisition of Skilled Personnel*

The loss of any member of CareSpan's management team, could have a material adverse effect on its business and results of operations. In addition, the inability to hire or the increased costs of hiring new personnel, including members of executive management, could have a material adverse effect on CareSpan's business and operating results. The expansion of marketing and sales of its products will require CareSpan to find, hire and retain additional capable employees who can understand, explain, market, and sell its products.

There is intense competition for capable personnel in all these areas and CareSpan may not be successful in attracting, training, integrating, motivating, or retaining new personnel, vendors, or subcontractors for these required functions. New employees often require significant training and, in many cases, take a significant amount of time before they achieve full productivity. As a result, CareSpan may incur significant costs to attract and retain employees, including significant expenditures related to salaries and benefits and compensation expenses issued in connection to equity awards, and may lose new employees to its competitors or other companies before it realizes the benefit of its investment in recruiting and training them. In addition, as CareSpan moves into new jurisdictions, it will need to attract and recruit skilled employees in those new areas.

### *Managing Growth*

To manage growth and changes in strategy effectively, CareSpan must: (a) maintain adequate systems to meet customer demand; (b) expand sales and marketing, distribution capabilities, and administrative functions; (c) expand the skills and capabilities of its current management team; and (d) attract and retain qualified employees.

While it intends to focus on managing its costs and expenses over the long term, CareSpan expects to invest its earnings and capital to support its growth but may incur additional unexpected costs. If CareSpan incurs unexpected costs it may not be able to expand quickly enough to capitalize on potential market opportunities.

### *Reliance on Contracts with Key Customers*

Revenues attributable to the Resulting Issuer's business is heavily dependent upon certain significant customers. The largest provider on CareSpan's network was responsible for generating over 90% of its revenue in 2022 and for much of the nine-month period ended September 30, 2023, however additional providers continue to be added over time. There can be no assurance that CareSpan's contracts with these key customers will be renewed or that the CareSpan's services will continue to be utilized by those key customers. There could be material adverse effects on the financial results or businesses of CareSpan if a material healthcare practitioner does not renew its contracts with CareSpan or if such practitioner elects to terminate its contracts with CareSpan in favour of another service provider.

### *Ability to Attract Nurse Practitioners and Behavioral Health Providers to CareSpan's Networks*

The organic growth of CareSpan's business relies heavily on its ability to attract and contract with nurse practitioners ("**NP**"), doctors and behavioral health providers to its integrated networks – American-APN and American MedPsych. CareSpan's current value proposition is that, to independent practitioners, it is a "one stop shop" that provides the technology platform and business services that allows them to focus on caring for patients. While CareSpan's offering is fundamentally attractive, target providers may not find it compelling enough to shift their current business to the Company over time. CareSpan's recruiting cycle can also vary widely by client.

### *Ability to Help CareSpan's Network Providers Grow their Practices*

CareSpan's revenues are dependent on the individual practice growth of its member providers. Their growth is influenced by multiple factors, including their ability to market their services to their communities, their ability to retain patients/clients over time, and competitive factors in their community that impact their growth. If CareSpan is unable to help them grow their practices profitably, the Company will constrict network growth and, therefore, revenues for CareSpan.

### *Onboarding and Transitioning*

While CareSpan has a standardized onboarding and transitioning process, its operations can be negatively impacted depending on the individual situations of individual providers. For example, whether a provider's network is efficient can impact the transition process – an inefficient network can make the process difficult to implement and complete. CareSpan is heavily reliant on the effectiveness of its training, data migration and interface implementation.

### *Intense Competition for Healthcare Providers*

As the Resulting Issuer expands its operations, it may encounter difficulty in securing the necessary professional medical and support staff to support its expanding operations. Competition for NPs, doctors, behavioural health specialists or other healthcare service providers in specific areas of the United States may affect the Resulting Issuer's ability to adequately meet demand for its services and provide its clients with adequate services, which may adversely affect the business, financial condition, and results of operations of Resulting Issuer.

### *Breach of Clients' or Patients' Confidential Information and Clinical Malpractice*

CareSpan's platform stores confidential information of clients and patients, including personal health information and other personally identifiable sensitive data. Any accidental or willful security breaches of CareSpan's information technology systems or other unauthorized access could cause clients' secure information to be stolen and used for criminal purposes. Security breaches or unauthorized access to secure information could also expose CareSpan to liability related to the loss of the information, time consuming and expensive litigation, negative publicity, and loss of reputation. If security measures are breached because of third-party action, employee error, malfeasance or otherwise, or if design flaws in its licensed software is exposed and exploited, and, as a result, a third party or disaffected employee obtains unauthorized access to any of its clients' data, CareSpan's relationships with its users could be severely damaged and CareSpan could incur significant liability In general, malpractice insurance is recommended or required by State legislation in providing the services provided by the NP's. NP's who use CareSpan's platform are members of AAPN and or AMPN and while third parties to CareSpan are generally required to have their own malpractice insurance through these organizations.

### *Regulatory Requirements*

Regulatory compliance risk is the risk of potential non-conformance with laws, rules, regulations, and prescribed practices in any jurisdiction in which CareSpan operates. CareSpan operates in a highly regulated environment and is subject to multiple federal, state, and local laws. CareSpan also operates within the rules parameters and guidelines required by entities that have contracted CareSpan's services, including the Centers for Medicare and Medicaid (CMS), various government payors (for example the Veteran's Administration), private health insurers, health plans and payors, as well as provider governing bodies. CareSpan's operations are governed by, and subject to, the following: ○ HIPAA and HITECH (see prior section "Regulatory Overview");

- Federal, state, and local provider licensing, certification and credential and related guidelines.
- Laws overseeing the corporate practice of medicine; - the United States Physician Self

  Referral Law (also known as the Stark law); ○ The United States Anti-Kickback Statute; ○

  The United States False Claims Act; and U.S. and international healthcare laws

Any violation of rules and statutes that govern our operations present a risk to the Company. The Company has policies and procedures in place to address these regulatory requirements, compliance and adherence is a critical part of CareSpan's day-to-day operations. However, legislation may be subject to change, whilst uncertainty of interpretation, application and enforcement may result in failure to comply with legal requirements. Non-compliance with legislation could result in regulatory challenges, fines, and litigation.

### *Healthcare Legislation*

Reforms in the legislation governing the healthcare industry in any of the jurisdictions in which CareSpan operates could limit the prices that CareSpan can charge for its services, which would reduce its revenues and harm its operating results. In addition to extensive existing government healthcare regulation, there could be initiatives at the federal, state, or provincial levels for reforms affecting the payment for and availability of healthcare services. Limitations on reimbursement amounts and other cost containment pressures could result in a decrease in the revenue received for each patient seen. It is not clear at this time what proposals, if any, will be adopted or, if adopted, what effect these proposals would have on the business of CareSpan. The adoption of any such proposals could have an adverse impact on the business, financial conditions, or results of operations of CareSpan.

### *Permits and Licenses*

The operations of CareSpan may require licenses and permits from various governmental authorities in the future. There can be no assurance that CareSpan will be able to obtain any or all necessary licenses and permits that may be required.

### *Material Defects or Errors in CareSpan's Technology Infrastructure*

CareSpan's ability to provide services to its customers is heavily dependent on the operability of its technology as well as partner- or supplier-owned technology that is embedded or interfaces with the CareSpan platform. Material defects or errors in CareSpan's and its partners'/vendors' technology infrastructure could harm CareSpan's reputation, result in significant costs and impair CareSpan's ability to sell its services. Software used by CareSpan can contain errors, defects, security vulnerabilities or software bugs that are difficult to detect and correct, particularly when first introduced. Despite internal testing, CareSpan's technology may contain serious errors or defects that cause performance problems or service interruptions, security vulnerabilities or software bugs that CareSpan may be unable to successfully correct in a timely manner, or at all.

### *Dependencies on Third Party Software and Services*

Certain of CareSpan's technology and services rely on software and services developed and maintained by third party vendors. CareSpan's business may be disrupted if these services or software ceased to be available to CareSpan or offered to it on commercially reasonable terms. In either instance, CareSpan would either be required to redesign services to function with alternate third-party vendors, or CareSpan may need to develop these components itself, which could result in increased costs and could result in delays in providing future services. Further, CareSpan be forced to limit the features available in its current or future service offerings because of unavailability of third-party software.

### *Litigation Risks*

CareSpan's business may become susceptible from time to time to various legal claims, including class action claims, during its operations or with respect to the interpretation of existing agreements. Any future claims or litigation could have a material adverse effect on the CareSpan's business and its profitability. CareSpan carried malpractice insurance to protect the company.

### *Insurance Coverage*

CareSpan's production is, in general, subject to different risks and hazards, including adverse weather conditions, fires, plant diseases and pest infestations, other natural phenomena, industrial accidents, labour disputes, changes in the legal and regulatory framework applicable to CareSpan and environmental contingencies.

### *History of Losses*

CareSpan has a history of losses since inception. CareSpan intends to further incur expenses to facilitate the growth of the business. While CareSpan expects to generate profits in the future, there can be no assurances that it will be successful in this regard.

### *Access to Capital*

CareSpan makes, and will continue to make, substantial investments and other expenditures related to acquisitions, research and development and marketing initiatives. Since its incorporation, CareSpan has financed these expenditures through offerings of its equity securities. CareSpan will have further capital requirements and other expenditures as it proceeds to expand its business or take advantage of opportunities for acquisitions or other business opportunities that may be presented to it. CareSpan may incur major unanticipated liabilities or expenses. CareSpan can provide no assurance that it will be able to obtain financing to meet the growth needs of its operations.

### *Foreign Sales*

CareSpan's functional currency is denominated in US dollars. CareSpan currently expects that sales will be denominated in US dollars and may, in the future, have sales denominated in the currencies of additional countries in which it establishes operations or distribution. In addition, CareSpan incurs the majority of its operating expenses in US dollars. In the future, the proportion of CareSpan's sales that are international may increase. Such sales may be subject to unexpected regulatory requirements and other barriers. Any fluctuation in the exchange rates of foreign currencies may negatively impact CareSpan's business, financial condition, and results of operations. CareSpan has not previously engaged in foreign currency hedging. If CareSpan decides to hedge its foreign currency exposure, it may not be able to hedge effectively due to lack of experience, unreasonable costs, or illiquid markets. In addition, those activities may be limited in the protection they provide CareSpan from foreign currency fluctuations and can themselves result in losses.

Significant assumptions and estimates used in preparing the financial statements include those related to the credit quality of accounts receivable, income tax credits receivable, share based payments, impairment of non-financial assets, fair value of biological assets, as well as revenue and cost recognition.

## RISKS RELATED TO THE COMMON SHARES

### *Market for the Common Shares*

There can be no assurance that an active trading market for the Common Shares will develop or, if developed, that any market will be sustained. CareSpan cannot predict the prices at which the Common

Shares will trade. The price of the CareSpan Subscription Receipts was determined by negotiations with the Subscription Receipt Agents in connection with the financing and might not bear any relationship to the market price at which the Common Shares will trade or to any other established criteria of the value of CareSpan's business.

Fluctuations in the market price of the Common Shares could cause an investor to lose all or part of its investment in Common Shares. Factors that could cause fluctuations in the trading price of the Common Shares include:

(e) announcements of new offerings, products, services or technologies, commercial relationships, acquisitions, or other events by CareSpan or its competitors;

(f) price and volume fluctuations in the overall stock market from time to time;

(g) significant volatility in the market price and trading volume of agriculture companies;

(h) fluctuations in the trading volume of the Common Shares or the size of CareSpan's public float;

(i) actual or anticipated changes or fluctuations in CareSpan's results of operations;

(j) whether CareSpan's results of operations meet the expectations of securities analysts or investors;

(k) actual or anticipated changes in the expectations of investors or securities analysts;

(l) litigation involving CareSpan, its industry, or both;

(m) regulatory developments in the United States and foreign countries;

(n) general economic conditions and trends:

(o) major catastrophic events;

(p) escrow releases, sales of large blocks of the Common Shares;

(q) departures of key employees or members of management; or

(r) an adverse impact on CareSpan from any of the other risks cited herein.

### *No History of Payment of Cash Dividends*

CareSpan has not declared or paid cash dividends on the Common Shares. CareSpan intends to retain future earnings to finance the operation, development, and expansion of the business. CareSpan does not anticipate paying cash dividends on the Common Shares in the foreseeable future.

Payment of future cash dividends, if any, will be at the discretion of the Board and will depend on CareSpan's financial condition, results of operations, contractual restrictions, capital requirements, business prospects and other factors that the Board considers relevant.

### *Significant Sales of Common Shares*

The Common Shares held by CareSpan's directors, executive officers, control persons, and certain other security holders of CareSpan may be subject to contractual lock-up restrictions and may also be subject to escrow provisions pursuant to the policies of the TSXV. Sales of a substantial number of the Common Shares in the public market after the expiry of lock-up or escrow restrictions, or the perception that these sales could occur, may adversely affect the market price of the Common Shares, and could make it more difficult for investors to sell Common Shares at a favourable time and price.

### *Events after the reporting period*

Subsequent to September 30, 2022, the Company received an additional $162,800 in loans from our CEO/Director to support business operations. These loans are due in one year and bear an interest rate of 12% and at the loan holders have the option to be converted into a future qualified equity financing in excess of Cdn. $1M.

### **Additional Information**

Additional information relating to the Company is available on the SEDAR website at www.sedar.com and on the Company's website at www.carespanhealth.com.