Management's Discussion and Analysis

For the three month periods ended March 31, 2025 and 2024

Dated: May 6, 2025

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Management's Discussion and Analysis

(For the three month periods ended March 31, 2025 and 2024)

Forward-Looking Statements

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

Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those contemplated by such statements. Factors that could cause such differences include general business risks, the Company's exposure to and reliance on government regulation and funding, risks related to employee recruitment and retention, the Company's liquidity and capital requirements, exposure to epidemic or pandemic outbreaks, reliance on contracts with key care operators and other such risk factors described under the heading "*Risks and Uncertainties*" and from time to time in the reports and disclosure documents filed by the Company with Canadian securities regulatory agencies and commissions.

This list is not exhaustive of the factors that may impact the Company's forward-looking statements. These and other factors should be considered carefully and readers should not place undue reliance on the Company's forward-looking statements. As a result of the foregoing and other factors, no assurance can be given as to any such future results, levels of activity or achievements and neither the Company nor any other person assumes responsibility for the accuracy and completeness of these forward-looking statements. The factors underlying current expectations are dynamic and subject to change.

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

The following is a discussion of the consolidated statements of financial position and the consolidated statements of income and comprehensive income of the Company for the three month periods ended March 31, 2025 and 2024 and of certain factors that the Company believes may affect its prospective financial condition, cash flows and results of operations. The MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements and notes thereto for the three month periods ended March 31, 2025 and 2024. The unaudited condensed interim consolidated financial statements for the three month periods ended March 31, 2025 and 2024 are prepared in accordance with International Financial Reporting Standards 34, Interim Financial Reporting as outlined by International Financial Reporting Standards ("IFRS") and its interpretations as issued by the International Accounting Standards Board ("IASB"). The Company's material accounting policies are summarized in detail in note 2 of the consolidated financial statements for the year ended December 31, 2024.

Non-IFRS Financial Measures

This MD&A includes certain measures which have not been prepared in accordance with IFRS, such as "EBITDA", "Adjusted EBITDA", "Adjusted EBITDA Margin" and "Adjusted EBITDA per share". Management of the Company believes that these non-IFRS measures provide useful information to investors regarding the Company's financial condition and results of operations as they provide additional key metrics of performance. The Company believes that Adjusted EBITDA is a meaningful financial metric as it measures cash generated from operations which the Company can use to fund working capital requirements, service interest and principal debt repayments and fund future growth

initiatives. The Company's agreements with lenders are also structured with certain financial performance covenants which includes Adjusted EBITDA as a key component of the covenant calculations.

These non-IFRS measures are not recognized under IFRS, do not have any standardized meaning prescribed under IFRS and may differ from similarly-named measures as reported by other issuers, and accordingly may not be comparable. These measures should not be viewed as a substitute for the related financial information prepared in accordance with IFRS. See "*Reconciliation of Non-IFRS Measures*" in the MD&A for further information regarding these measures.

Non-IFRS Ratios

The Company uses certain non-IFRS ratios that are not standardized financial measures under IFRS, such as "Net Debt to Adjusted EBITDA". "Net Debt to Adjusted EBITDA" is a ratio of two non-IFRS financial measures - "Net Debt", being the sum of the outstanding principal balances of the Company's Credit Facilities, net of cash and cash equivalents, and "Adjusted EBITDA", as described in "*Reconciliation of Non-IFRS Measures".*

Management of the Company believes that this non-IFRS ratio provides useful information to investors regarding the Company's financial condition, results of operations and capital management.

Key Performance Indicators

In addition to those measures identified under "Non-IFRS Financial Measures", management uses certain key performance indicators in order to compare the financial performance of the Company's operations between periods, such as "average beds serviced". Such performance indicators may not be comparable to similar indicators utilized by other companies.

Unless otherwise specified, amounts reported in this MD&A are in millions of dollars, except shares and per share amounts and percentages. The following MD&A is presented as of May 6, 2025.

All amounts are disclosed in Canadian dollars. Additional information about the Company, including the most recently filed Annual Information Form, is available on www.sedarplus.ca.

Our Business

CareRx is Canada's largest provider of pharmacy services to seniors homes and other congregate care settings. We serve approximately 88,000 residents in approximately 1,450 seniors and other communities, including long-term care homes, retirement homes, assisted living facilities, and group homes. We play an integral role in supporting our home care partners by providing high-volume, cost-effective solutions for the supply of chronic medication, ensuring the highest level of safety and adherence for individuals with complex medication regimens.

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

We utilize best-in-class technology that automates the preparation and verification of multi-dose compliance packaging of medication, providing the highest levels of safety and adherence for individuals with complex medication regimens. We are committed to the continued innovation in our service offering through the adoption of leading technology to further capitalize on our growing scale and enhance our service offering, in addition to pursuing adjacent strategic opportunities that leverage our core capabilities.

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

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

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

Values: Collaboration, Accountability, Responsiveness and Excellence.

25
fulfilment centres

~1,450
long-term care and retirement homes

~88,000
beds

Highlights for the Three Month Period Ended March 31, 2025

Highlights for the First Quarter of 2025

(All comparative figures are for the first quarter of 2024)

- **Revenue remained stable at $89.6 million as compared to $89.7 million**
  - Revenue remained stable primarily due to a change in the mix of branded and generic pharmaceuticals dispensed.
- **Adjusted EBITDA[1] increased by 4% to $7.8 million from $7.4 million**
  - Adjusted EBITDA increased primarily due to certain efficiencies and cost savings initiatives.
- **Net income of $0.2 million compared to a net loss of $0.5 million**
  - Elimination of net loss was driven primarily by decreases in finance costs, and depreciation and amortization expenses; partially offset by increase in transaction, restructuring and other costs and lower change in fair value of contingent consideration liability.
- **Completed the new State-of-the-Art Pharmacy in British Columbia**
  - During the fourth quarter of 2024, the Company opened a new state-of-the-art pharmacy in North Burnaby, British Columbia, designed to enhance service delivery for the homes and residents serviced by the Company throughout the B.C. lower mainland, while improving the employee experience, through optimized workflows, streamlined operations and leading-edge medication packaging technology. Notably, this location will utilize an advanced high-volume medication packaging technology, allowing for the processing of significantly higher prescription volumes, while enhancing safety and reducing waste.
  - With this expansion, the Company commenced the consolidation of its existing Burnaby and Vancouver pharmacy operations into the new North Burnaby location. The transition was completed in the first quarter of 2025.

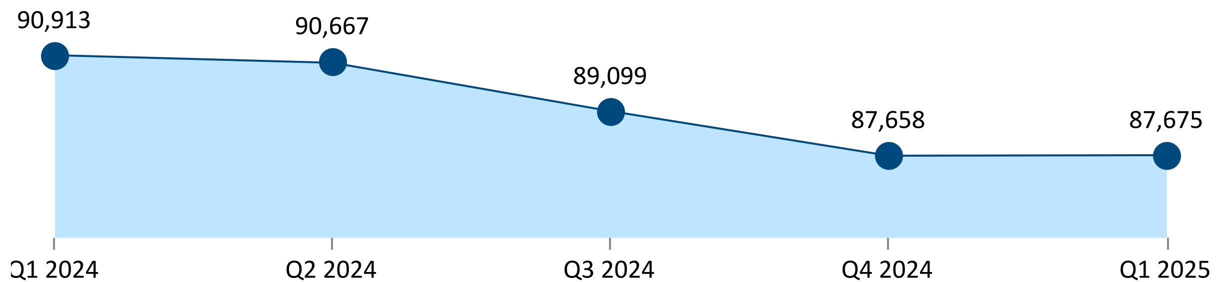
Highlights subsequent to quarter-end

- **Pause in previously scheduled fee changes in Ontario**
  - In April 2025, the Ontario Ministry of Health issued an Executive Officer Notice announcing the pause of the previously scheduled changes to long-term care pharmacy funding;
  - These changes, which were scheduled to go into effect on April 1, 2025, would have reduced the fixed professional fee under the fee-per-bed capitation model from an annual amount of $1,500 dollars per bed to $1,400 dollars per bed on April 1, 2025, further declining annually by $100 dollars per bed until it reached $1,200 dollars per bed.

[1] *Adjusted EBITDA is a non-IFRS measure that is defined and calculated in "Reconciliation of Non-IFRS Measures"*

Key Performance Indicators - First Quarter of 2025

Average Beds Serviced



Average beds serviced is a key performance indicator that the Company uses to monitor performance. The Company uses this key performance indicator to assess the performance of the Company's operations and to assess overall financial performance. Average beds serviced is calculated as the simple average of the number of residents serviced by the Company at the end of each month in the period.

Strategic Priorities

1. **Optimize business operations**
   - Continue to integrate historical acquisitions, creating a best-in-class standardized operating platform
   - Leverage innovative technology, Lean management and scale of operations to drive labour and other efficiencies
   - Centralize procurement management and implement best practices to reduce operating costs
   - Enhance quality reporting metrics that demonstrate value to customers with emphasis on improved healthcare outcomes
2. **Strengthen balance sheet and improve cash generation**
   - Reduce total net debt to Adjusted EBITDA
   - Increase conversion of Adjusted EBITDA to cash flow
   - Strategically deploy free cash flow
3. **Continue to grow revenue**
   - Grow volume and breadth of services provided to existing customers
   - Leverage value proposition to win new customer contracts
   - Make accretive acquisitions that leverage core competencies
   - Expand service offering to new geographies
4. **Expand industry advocacy efforts**
   - Strengthen government relations capabilities to ensure sustainable funding levels
   - Promote value of long-term care pharmacy sector with key stakeholders

Business Strategy and Outlook

CareRx's growth strategy is focused on capitalizing on the favourable demographic trends that exist in the rapidly expanding seniors market through a multi-pronged organic growth and acquisition strategy. The Company believes that it is well positioned to continue to increase revenue and expand Adjusted EBITDA Margins in the medium-to-long term by increasing the number of beds under care and making accretive acquisitions, as well as through the diversification of its offerings and leveraging its best-in-class platform to offer the highest levels of service to more Canadians.

In addition to winning new contracts with customers, the Company believes that there are significant organic growth opportunities available within its existing customer base and that this growth will be derived from customers that are expanding through the construction and acquisition of long-term care homes and retirement residences, through increased uptake of the Company's services in retirement homes and the expansion of the Company's other clinical and service offerings to existing customers.

CareRx is also focused on optimizing its operations to reduce its cost structure and expand its Adjusted EBITDA Margins and cash flow generation. The Company believes that there are significant opportunities within the business to leverage its scale through the use of technology, Lean management and procurement practices to drive efficiencies that will result in significant cost savings.

In the short-term, it is expected that the Company's Adjusted EBITDA Margins may be negatively impacted by investments related to the above initiatives, reductions to the average number of beds serviced and/or increased labour costs related to staffing shortages, in addition to the factors set out under the heading "*Risks and Uncertainties*".

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

Reconciliation of Non-IFRS Measures

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

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

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

	For the three month periods ended March 31,	
	2025	2024
(thousands of Canadian Dollars)	**$**	$
Net income (loss)	**227**	(517)
Depreciation and amortization	**4,758**	4,817
Finance costs, net	**1,745**	2,458
EBITDA	**6,730**	6,758
Transaction, restructuring and other costs	**517**	392
Change in fair value of contingent consideration liability	**30**	(188)
Share-based compensation expense	**422**	489
Loss on disposal of assets	**80**	(6)
Adjusted EBITDA	**7,779**	7,445
Weighted average number of shares - basic (in thousands)	**62,729**	59,865
Adjusted EBITDA per share - basic	**$0.12**	$0.12
Weighted average number of shares - diluted (in thousands)	**65,186**	59,865
Adjusted EBITDA per share - diluted	**$0.12**	$0.12

Selected Financial Information

The following selected financial information as at and for the three month period ended March 31, 2025, 2024, and 2023, have been derived from the consolidated financial statements and should be read in conjunction with those financial statements and related notes. The results of acquisitions are added from their respective dates of completion. Non-IFRS measures are defined and reconciled in the Reconciliation of Non-IFRS Measures section.

	For the three month periods ended March 31,		
	2025	2024	2023
(thousands of Canadian Dollars)	**$**	$	$
Revenue	**89,550**	89,729	91,404
EBITDA[2]	**6,730**	6,758	5,774
Adjusted EBITDA[2]	**7,779**	7,445	6,819
Per share - Basic and diluted	**$0.12**	$0.12	$0.12
Adjusted EBITDA Margin[2]	**8.7%**	8.3%	7.5%
Net income (loss)	**227**	(517)	(2,149)
Per share - Basic and diluted	**$0.00**	($0.01)	($0.04)
Cash provided by operations	**7,374**	9,278	5,066
Total assets	**223,513**	231,893	271,936
Total liabilities	**137,114**	150,367	193,957
Weighted average number of shares - basic (in thousands)	**62,729**	59,865	55,331
Weighted average number of shares - diluted (in thousands)	**65,186**	59,865	55,331

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

Results of Operations for the Three Month Periods Ended March 31, 2025 and 2024

Operating and Other Expenses as a Percentage of Revenue

	For the three month periods ended March 31,			
	2025		2024	
$ millions	**$**	**%**	$	%
Revenue	**89.6**	**100 %**	89.7	100 %
Operating expenses:				
Pharmacy services and supplies	**63.0**	**70.3 %**	63.3	70.6 %
Employee costs	**7.9**	**8.8 %**	7.0	7.8 %
Other operating expenses	**10.9**	**12.2 %**	12.0	13.4 %
Total operating expenses	**81.8**	**91.3 %**	82.3	91.8 %
Other expenses:				
Depreciation and amortization	**4.8**	**5.4 %**	4.8	5.4 %
Share-based compensation expense	**0.4**	**0.4 %**	0.5	0.6 %
(Gain) loss on disposal of assets	**0.1**	**0.1 %**	—	— %
Transaction, restructuring and other costs	**0.5**	**0.6 %**	0.4	0.4 %
Finance costs, net	**1.7**	**1.9 %**	2.5	2.8 %
Total other expenses	**7.5**	**8.4 %**	8.2	9.1 %

- Revenue for the three month period ended March 31, 2025 remained stable at $89.6 million as compared to $89.7 million for the same period in the prior year.
- Revenue for the three month period ended March 31, 2025 remained stable primarily as a result of a change in the mix of branded and generic pharmaceuticals dispensed.

Operating expenses consist of three major components:

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

- Overall operating expenses for the three month period ended March 31, 2025 decreased by 1% to $81.8 million as compared to $82.3 million for the same period in the prior year.
- Cost of pharmacy services and supplies for the three month period ended March 31, 2025 decreased by 1% to $63.0 million as compared to $63.3 million for the same period in the prior year primarily due to certain cost savings initiatives partially offset by inflationary increases.
- Employee costs for the three month period ended March 31, 2025 increased by 14% to $7.9 million as compared $7.0 million for the same period in the prior year primarily due to inflationary increases and timing.
- Other operating expenses for the three month period decreased by 9% to $10.9 million as compared to $12.0 million for the same periods in the prior year. Other operating expenses for the three month period ended March 31, 2025 decreased primarily due to the non-recurring adjustments partially offset by inflationary increases in certain operating expenses.

The loss (gain) on disposal of assets for the three month period was a nominal loss as compared to a nominal gain on disposal of assets for the same period in the

prior year. The loss (gain) were related to the disposal of assets no longer in use.

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

- Transaction, restructuring and other costs for the three month period increased by 32% to $0.5 million as compared to $0.4 million for the same period in the prior year.
- Transaction, restructuring and other costs incurred were non-recurring and primarily related to restructuring costs from labour savings and other initiatives.

Finance costs, net includes interest expense and accretion expense relating to the Company's borrowings and interest expense relating to the Company's finance leases; partially offset by the interest income earned on the Company's savings accounts and guaranteed investment certificates.

- Finance costs, net for the three month period ended March 31, 2025 decreased by 29% to $1.7 million as compared to $2.5 million for the same period in the prior year.
- Finance costs, net excluding accretion expense for the three month period decreased by 31% to $1.6 million as compared to $2.4 million for the same period in the prior year. The decrease in finance costs, net excluding accretion expense was primarily due to the repayment of the Convertible Debentures in the fourth quarter of 2024 and decrease in the outstanding principal of the Term Loan and repayment of the Operation Loan, and higher interest income earned during the three month period ended March 31, 2025.
- Accretion expense for the three month period ended March 31, 2025 remained stable at $0.1 million as compared to the same period in the prior year.

Income tax expense/recovery for the three month period ended March 31, 2025 and 2024 was nil due to the recognition of previously unrecognized deferred tax assets which offset income tax expense in full.

Liquidity and Capital Resources

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

As at March 31, 2025, the Company had $44.6 million of borrowings outstanding.

The Company is committed to executing on its operating plans and to further reduce its leverage and, as such, the Company has pursued a multi-pronged strategy, including the recapitalization of the balance sheet through the issuance of additional equity, convertible debentures and subordinated debt, and strategic acquisitions within its core business. All strategic alternatives being considered by the Company were and continue to be focused on further deleveraging the Company's balance sheet and maximizing shareholder value.

Credit Facilities

On December 21, 2023, the Company entered into a comprehensive refinancing transaction with Crown Private Credit Partners Inc. ("CPCP"). Under the terms of the refinancing, CPCP provided a senior secured revolving operating loan of up to $20.0 million (the "Operating Loan") and a $50.0 million senior secured term loan (the "Term Loan", and together with the Operating Loan, the "Credit Facilities"), of which $14.0 million and $47.0 million were advanced on closing.

The Credit Facilities have a five-year term with quarterly repayments of the Term Loan starting in the first quarter of 2024. The Credit Facilities accrue interest at a floating annual interest rate of prime plus between 2.0% and 2.75%, based on the Company's performance against applicable financial covenants. Additionally, undrawn portions of the Operating Loan incur a standby fee at an annual rate ranging between 0.35% and 0.50% of the undrawn Operating Loan based on the Company's performance against applicable financial covenants. Accrued interest and standby fees are paid quarterly. The Credit Facilities contain a number of customary positive and negative covenants, including a requirement to comply with certain financial covenants. These also include restrictions on incurring additional indebtedness, making certain investments or acquisitions and selling assets of the Company.

As at March 31, 2025, the Company was in compliance with its Credit Facilities covenants.

During the year ended December 31, 2024 and the three month period ended March 31, 2025, the Company made draws in the aggregate amount of $1.8 million and $0.5 million, respectively, on the Term Loan to fund certain capital expenditures.

Normal Course Issuer Bid

On September 3, 2024, the TSX approved the renewal of the Company's NCIB to repurchase for cancellation up to 1,500,000 of its common shares during the period from September 7, 2024 to September 6, 2025.

Additionally, the Company entered into the ASPP with a designated broker to allow for the purchase of shares under the NCIB during pre-determined times when the Company would ordinarily not be permitted to purchase shares due to regulatory restrictions and customary blackout periods. The Company has authorized the designated broker to make purchases under the NCIB in accordance with the terms of the ASPP. Such purchases will be determined by the designated broker at its sole discretion based on certain parameters as to price and number of shares set by the Company in accordance with the rules of the Toronto Stock Exchange (the "TSX"), applicable securities laws and the terms of the ASPP. The ASPP will terminate when the NCIB expires, unless terminated earlier in accordance with the terms of the ASPP. Outside of pre-determined blackout periods, the Company may repurchase its shares under the NCIB based on management's discretion, in compliance with TSX rules and applicable securities laws.

During the three month period ended March 31, 2025, the Company repurchased for cancellation 168,614 of its common shares.

Cash Flow

Cash flow activities for the three month period ended March 31, 2025 were as follows:

Cash provided by operating activities

Cash provided by operating activities was $7.4 million compared to $9.3 million for the same period in the prior year:

- Cash provided by operating activities in the current year was positively impacted by the improved supply terms as a result of the amendment to the existing agreement with the Company's principal pharmaceutical wholesaler effective April 1, 2024, and partially offset by the timing of certain working capital receipts and payments.

-Cash provided by operating activities for the same period in the prior year was positively impacted by the completion of the amortization of certain deferred amounts received under the Company's supply agreement with its primary drug supplier, resulting in incremental cash receipts following the completion of the amortization, and the timing of certain working capital payments.

Cash used in investing activities

Cash used in investing activities was $1.8 million compared to $1.3 million for the same period in the prior year:

- Cash used in investing activities in the current year related to the purchases of property and equipment and intangible assets.

- Cash used in investing activities in the same period in the prior year related to the purchases of property and equipment and intangible assets; partially offset by the net proceeds from the disposal of property and equipment.

Cash used in financing activities

Cash used in financing activities was $3.5 million compared to $3.6 million for the same period in the prior year:

- Cash used in financing activities in the current year related to the repayment of the Term Loan, repurchase of shares for cancellation and payments of interest and finance leases; partially offset by proceeds from Term Loan.

- Cash used in financing activities in the same period in the prior year related to the partial repayment of the Operating Loan and payments of interest and finance leases; partially offset by transfers from restricted cash.

Contractual Commitments

The Company's contractual commitments at March 31, 2025, are as follows:

	Total	2025	2026-2027	2028-2029	Thereafter
	$	$	$	$	$
Trade payables and other liabilities	**54.4**	52.7	1.7	—	—
Term Loan	**44.6**	3.7	9.9	31.0	
Hogan Vendor Take-Back Note	**0.4**	0.4	—	—	—
Interest payments on borrowings	**9.6**	2.4	5.1	2.1	
Leases	**69.3**	4.5	10.5	8.8	45.5
Contingent consideration	**0.8**	—	0.8	—	—
Total	**179.1**	**63.7**	**28.0**	**41.9**	**45.5**

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

Equity

As at March 31, 2025, the Company had total shares outstanding of 62,742,307 (December 31, 2024 - 62,154,366).

For the period ended	March 31, 2025	December 31, 2024
Common shares		
Balance, beginning of period	**62,154,366**	59,831,092
Issuance of shares	**739,309**	—
RSUs and DSUs exercised	**17,246**	625,597
Shares repurchased for cancellation	**(168,614)**	(385,655)
Conversion of Convertible Debentures	**—**	2,083,332
Balance, end of period	**62,742,307**	62,154,366

Subsequent to the year ended March 31, 2025, and as of the date of these unaudited condensed interim consolidated financial statements, the Company repurchased and cancelled 176,000 of its common shares at an average price of $2.69 per common share for a total cost of $0.5 million.

Issuance of Deferred Share Units ("DSUs") and Restricted Stock Units ("RSUs")

As at March 31, 2025, there were a total of 2,169,256 RSUs and DSUs outstanding to grant an equivalent number of common shares.

For the period ended	March 31, 2025	December 31, 2024
RSUs and DSUs		
Balance, beginning of period	**1,467,629**	1,207,497
RSUs and DSUs granted	**740,620**	1,124,956
RSUs and DSUs released	**(10,996)**	(625,597)
RSUs and DSUs forfeited	**(27,997)**	(239,227)
Balance, end of period	**2,169,256**	1,467,629

Issuance of Warrants

As at March 31, 2025, there were nil warrants outstanding and exercisable.

For the period ended	March 31, 2025	December 31, 2024
Share purchase warrants		
Balance, beginning of period	**7,200,000**	12,600,000
Warrants expired	**(7,200,000)**	(5,400,000)
Balance, end of period	**—**	7,200,000
Exercisable, end of period	**—**	7,200,000

Issuance of Stock Options

As at March 31, 2025, there were 223,352 options exercisable to purchase an equivalent number of common shares.

For the period ended	March 31, 2025	December 31, 2024
Common share options		
Balance, beginning of period	**498,805**	583,805
Options released	**(6,250)**	—
Options forfeited	**—**	(85,000)
Balance, end of period	**492,555**	498,805
Exercisable, end of period	**223,352**	185,852

Should all outstanding options that were exercisable at March 31, 2025 be exercised, the Company would receive proceeds of $0.9 million.

As at the date of this report, May 6, 2025, the number of shares outstanding is 62,996,071; the number of RSUs and DSUs outstanding is 1,739,492; and the number of stock options outstanding is 492,555.

Transactions with Related Parties

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

Certain directors help manage funds that own common shares of the Company.

Summary of Quarterly Results

(thousands of Canadian Dollars)	Q1 2025 $	Q4 2024 $	Q3 2024 $	Q2 2024 $
Revenue	89,550	92,181	92,836	91,968
Adjusted EBITDA	7,779	7,560	7,775	7,517
Adjusted EBITDA per share:				
Basic and diluted	$0.12	$0.12	$0.13	$0.13
Net income (loss)	227	(2,245)	(360)	(1,379)
Earnings (loss) per share:				
Basic and diluted	$0.00	($0.04)	($0.01)	($0.02)
	Q1 2024 $	**Q4 2023 $**	**Q3 2023 $**	**Q2 2023 $**
Revenue	89,729	91,097	93,760	94,485
Adjusted EBITDA	7,445	7,505	7,309	7,040
Adjusted EBITDA per share:				
Basic	$0.12	$0.13	$0.13	$0.12
Diluted	$0.12	$0.13	$0.13	$0.11
Net income (loss)	(517)	(3,700)	(1,437)	1,881
Earnings (loss) per share:				
Basic and diluted	($0.01)	($0.06)	($0.02)	$0.03

In the second quarter of 2023, the Company's revenue and Adjusted EBITDA increased primarily as a result of new beds onboarded during the first half of 2023. Net income was generated primarily due to an income tax recovery that was recorded during the quarter.

In the third quarter of 2023, the Company's revenue decreased slightly due to a small net reduction in the average number of beds serviced. Despite the reduction in revenue, Adjusted EBITDA increased compared to the second quarter of 2023 as a result of certain procurement and labour cost saving initiatives. The net loss in the quarter compared to the net income generated in the second quarter of 2023 was primarily due to a non-recurring income tax recovery that was recorded during the second quarter of 2023.

In the fourth quarter of 2023, the Company's revenue decreased primarily due to a net reduction in the average number of beds serviced. Despite the reduction in revenue, Adjusted EBITDA increased compared to the third quarter of 2023 as a result of certain procurement and other cost savings initiatives. The net loss increased primarily due to higher transaction, restructuring and other costs, and certain non-cash items including share-based compensation expense, loss on disposal of assets, loss on financial liability extinguishment and intangibles assets impairment.

In the first quarter of 2024, the Company's revenue and Adjusted EBITDA decreased due to a net reduction in the average number of beds serviced. The impact of this reduction in the number of beds serviced on Adjusted EBITDA as compared to the fourth quarter of 2023 was partially offset by certain procurement and other cost savings initiatives that commenced during the second half of 2023, which continued in the first quarter of 2024. Net loss decreased primarily due to decreases in finance costs and the non-recurring intangible assets impairment recorded during the fourth quarter of 2023.

In the second quarter of 2024, despite a slight net reduction in the average number of beds serviced, the Company’s revenue increased as compared to the first quarter of 2024 as a result of two additional days to generate revenues. Adjusted EBITDA increased slightly compared to the first quarter of 2024 as a result of the benefits of (i) improved supply terms as a result of the amendment to the existing agreement with the Company's principal pharmaceutical wholesaler effective April 1, 2024, and (ii) certain procurement and other cost savings initiatives that commenced during the second half of 2023, which continued in the first half of 2024. These savings were partially offset by temporary incremental labour costs related to overtime and contract labour as well as increases to other operating expenses. Net loss increased primarily due to a non-

recurring intangible asset impairment recorded during the second quarter of 2024.

In the third quarter of 2024, despite a slight net reduction in the average number of beds serviced, the Company’s revenue increased as compared to the second quarter of 2024 as a result of an increase in branded pharmaceutical prices during the third quarter of 2024. This change did not negatively impact the Company's profitability in the quarter. Adjusted EBITDA increased and net loss decreased compared to the second quarter of 2024 as a result of the full quarter benefit of improved supply terms as a result of the amendment to the existing agreement with the Company's principal pharmaceutical wholesaler effective April 1, 2024, and certain procurement and other cost savings initiatives that commenced during the second half of 2023, which continued in 2024. These savings were partially offset by inflationary increases and timing.

In the fourth quarter of 2024, the Company’s revenue and Adjusted EBITDA decreased as compared to the third quarter of 2024 due to a net reduction in the average number of beds serviced. Net loss increased compared to the third quarter of 2024 primarily due to increase in share-based compensation expense.

In the first quarter of 2025, the Company’s revenue decreased as compared to the fourth quarter of 2024 primarily due to the first quarter having two less weekdays compared to the previous quarter. This change did not negatively impact the Company's profitability in the quarter. Adjusted EBITDA increased primarily due to non-recurring adjustments in other operating expenses. Net income was generated primarily due to decrease in finance costs, lower share-based compensation expense and lower loss on disposal of assets as compared to the fourth quarter of 2024.

Disclosure Controls and Procedures and Internal Control Over Financial Reporting

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

The Certifying Officers have caused such DC&P to be designed under their supervision to provide a reasonable level of assurance that (a) material information relating to the Company is made known to them by others, particularly during the period in which the annual filings are being prepared; and (b) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

The Certifying Officers have caused such ICFR to be designed under their supervision using the framework established in Internal Control - Integrated Framework (2013) published by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") to provide a reasonable level of assurance regarding the reliability of financial reporting and the preparation of the financial statements for external reporting purposes in accordance with IFRS.

There have been no significant changes to the Company's ICFR for the three month period ended March 31, 2025, which has materially affected, or is reasonably likely to materially affect the Company's ICFR.

Material Accounting Policies and Critical Accounting Estimates

Material Accounting Policies

The unaudited condensed interim consolidated financial statements have been prepared in accordance with IFRS and its interpretations as issued by the IASB that are effective for the year ended December 31, 2025.

The Company's significant accounting policies are summarized in detail in note 2 of the unaudited condensed interim consolidated financial statements for the three month periods ended March 31, 2025 and 2024. No significant changes in accounting policies have occurred.

Critical Accounting Estimates and Judgments

The Company describes its critical accounting estimates and judgments as well as any changes in accounting estimates and judgments in note 2 of the unaudited condensed interim consolidated financial statements for the three month periods ended March 31, 2025 and 2024.

Risks and Uncertainties

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

General Business Risks

The Company is subject to general business risks and to risks inherent in the pharmacy industry. These risks include general economic conditions, changes in regulations and laws, changes in government funding levels, natural disasters, health-related risks, including disease outbreaks (for example, COVID-19), increases in operating costs, labour markets, employee costs and pay equity, reduction in availability of personnel below acceptable levels (for example, due to events such as a pandemic or disease outbreak), changes in accounting principles or policies, the imposition of increased taxes, new taxes or tariffs, competition, capital expenditure requirements, changes in interest rates, and changes in the availability and cost of money for long-term financing. In particular, general inflationary pressures (including wage inflation) may result in higher operating costs for the Company. Continued inflationary pressures, as well as any one of, or a combination of, these other factors may adversely affect the business, results of operations and financial condition of the Company.

Government Regulation and Funding

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

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

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

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

On September 25, 2023, the pan-Canadian Pharmaceutical Alliance (“pCPA”), which represents participating federal, provincial, and territorial public drug plans, reached a new 3-year agreement with the Canadian Generic Pharmaceutical Association (“CGPA”) with respect to the pricing of generic drugs in Canada, which became effective October 1, 2023. Under the new agreement, the price of new generics entering into the pan-Canadian Tiered Pricing Framework will drop automatically to 55% of brand reference price after three

months where there is only one generic marketed in Canada, and between 25% and 50% where there are multiple manufacturers. The prior agreement between the pCPA and CGPA provided for a listing at 75% to 85% of brand reference price for new generics. The effect of this reduction, which lowers the price for certain generic drugs, will result in a lower mark-up that the Company receives on the price of new generic drugs that enter the market.

On January 1, 2020, certain amendments to O. Reg. 201/96 under the *Ontario Drug Benefit Act* ("ODBA" and the "ODBA Amendments") came into effect. Notably, the ODBA Amendments removed the payment of a dispensing fee for drug products supplied for a long-term care home resident in Ontario by a pharmacy service provider and instead imposed a capitation model where pharmacy service providers now receive a professional fee for all pharmacy services provided to the long-term care home that is based on the number of beds in the home. The original fee was set at $1,500 per bed per year for 2019-2020 and 2020-2021, and was supposed to decrease to $1,400 per bed per year in 2021-2022 (with all years above referring to the Government's fiscal year from April 1 to March 31). Following five one-year pauses that were announced in January 2021, February 2022, March 2023, March 2024 and April 2025, respectively, the capitation rate of $1,500 per bed per year has been maintained.

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

Employee Recruitment and Retention

The Company believes that its future success will depend significantly upon its ability to attract, motivate and retain executive management and other employees that are critical in operating the Company's businesses. As with many organizations, the Company has recently experienced higher employee turnover and worker shortages, which has affected the Company's ability to operate its business in the normal course at certain of its pharmacies. In order to address labour shortages, the Company has had to incur increased labour costs in the form of overtime and contract labour. If prolonged, these challenges, in addition to wage inflation, may result in higher costs as the Company competes with other organizations to attract and retain employees at competitive salaries. The loss of employees, the inability to recruit these individuals and continued wage inflation could adversely affect the Company's ability to operate its business efficiently and profitably, and could cause service issues that lead to the non-renewal of customer contracts.

Liquidity and Capital Requirements

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

The future capital requirements of the Company will depend on many factors, including the number and size of acquisitions consummated, the integration of any such acquisitions, the rate of growth of its client base, capital expenditure requirements, the costs of expanding into new markets, the growth of the market for pharmacy services, the costs of administration and its debt servicing obligations. In order to meet such capital requirements, the Company may consider additional public or private financing (including the incurrence of debt and the issuance of additional common or preferred shares or other securities exchangeable for or convertible into common shares) to fund its working capital needs or all or a part of a particular venture or in connection with acquisitions, which could entail dilution of current investors' interest in the Company. There can be no assurance that additional funding will be available or, if available, that it will be available on acceptable terms. There can be no assurance that the Company will be able to raise additional capital if its capital resources are depleted or exhausted.

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

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

In addition, the Company's borrowings under the Credit Facilities are collateralized by substantially all of the Company's assets. In the event of a default, including, among other things, a failure to make any payment when due or non-observance of any term of the agreements, all of the Company's obligations may immediately become due and payable, and the lenders would also be entitled to realize on their security and liquidate the assets of the Company. If the Company's lenders accelerate the repayment of borrowings, the Company cannot ensure that it will have sufficient

assets to repay the amounts outstanding, which could have a material adverse effect on the Company's business, financial condition and results of operations.

Cash Flow to Service Debt

As at March 31, 2025, the Company had approximately $44.6 million of outstanding indebtedness. The Company currently estimates its debt service for the next 12 months under the Credit Facilities will be approximately $8.1 million, including required principal and interest payments. The Company's substantial debt servicing costs could have significant adverse consequences on the Company and its business, including: requiring a substantial portion of its cash flows to be dedicated to the payment of principal and interest on its indebtedness, therefore reducing its ability to use cash flows to fund its operations, capital expenditures and potential future business opportunities; making it more difficult for the Company to make payments on its indebtedness, which could result in an event of default under the Credit Facilities; limiting its ability to obtain additional financing; reducing the Company's flexibility in planning for, or reacting to, changes in its operations or business; prohibiting the Company from making strategic acquisitions, introducing new technologies or exploiting business opportunities; placing the Company at a competitive disadvantage as compared to its less-highly-leveraged competitors; and negatively affecting the Company's ability to renew key care operator contracts. For additional information on the Company's outstanding long-term debt, see "Liquidity and Capital Resources".

Reliance on Contracts with Key Care Operators

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

In addition, the Company's revenues are highly dependent on occupancy levels at care homes. To the extent that occupancy levels at homes operated by care operators with whom the Company has significant contracts declines due to general economic conditions or the materialization of risks specific to care operators, the Company's financial condition and results of operations could be materially affected.

Third Party Service Providers

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

In addition, the Company relies on a single-source vendor for the provision of its pharmacy management software. In the event of a failure of this software, the Company's operations could be significantly disrupted. In addition, changes to the supply terms with the Company's vendor could have a negative impact on the Company's financial position.

Acquisitions and Integration

The Company has and continues to expect to make acquisitions of various sizes as part of its stated growth strategy, and continues to integrate previously acquired businesses.

There is no assurance that the Company will be able to continue to acquire businesses on satisfactory terms or at all, which could impact the stated growth strategy of the Company. Acquisitions involve the commitment of capital, management time and other resources, and such acquisitions could have a major financial impact in the year of acquisition and beyond. The speed and effectiveness with which CareRx integrates acquired companies into its existing businesses and the upfront capital that may be required to realize any synergies may have a significant short-term impact on CareRx's ability to achieve its growth and profitability targets. In addition, CareRx may devote significant time and resources towards evaluating business acquisition opportunities, and ultimately elect not to proceed with such acquisitions. CareRx may also elect to pursue acquisition opportunities that are outside of its current core business of providing pharmacy services to seniors homes and other congregate care settings.

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

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

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

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

iv Expected synergies in support of the acquisition model may not be fully realized as anticipated or could take longer to realize than expected;

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

vi Historical financial information for certain acquired businesses may be based on carve-out financial information given acquired businesses may have been consolidated into the larger operations of the applicable vendors;

vii The customer contracts underlying acquired businesses may not be retained or renewed on similar terms;

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

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

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

Supply Chain

The Company sources the majority of its pharmaceutical products from a single drug supplier. Under the terms of the supply agreement, the Company is required to purchase a minimum of 95% of its pharmaceutical products from its principal drug supplier, subject to certain exceptions. As such, the Company is highly dependent on its principal drug supplier for timely supply of pharmaceutical products.

From time to time during periods of intense demand or supply chain disruptions (for example, during epidemics or pandemics such as COVID-19), the Company's principal drug supplier may not be able to allocate its supply of particular pharmaceutical products equally among its customers. While such allocations have not historically caused any significant disruptions in the supply of pharmaceutical products to the Company, there is no assurance that the Company's principal drug supplier will continue to supply pharmaceutical products in the quantities and timeframes required by the Company. While the Company has made provision for any disruption of service, any disruption, even if temporary, could negatively affect the Company's sales and financial performance. In addition, the Company has established certain credit terms and limits with its major suppliers. Any unforeseen change in the nature of these credit terms could have a negative impact on the Company's operations.

Utilization of Prescription Drugs

The profitability the Company's business is dependent, in part, upon the utilization of prescription drugs. Utilization trends are affected by, among other factors, the introduction of new and successful prescription drugs as well as lower-priced generic alternatives to existing brand name drugs generally due to higher gross margins on the sale of generic alternatives. Inflation in the price of drugs may also adversely affect utilization. New brand name drugs can result in increased drug utilization and associated sales, while the introduction of lower priced generic alternatives typically results in relatively lower sales, but relatively higher gross profit margins. Accordingly, a decrease in the number or magnitude of significant new brand name drugs or generic drugs successfully introduced, delays in their introduction, or a decrease in the utilization of previously introduced prescription drugs, could have an impact on results of operations. In addition, gross profit margins could be adversely affected if there is an increase in the amounts the Company pays to procure pharmaceutical drugs, including generic drugs, or if new generic drugs replace existing brand name drugs, or if new brand name drugs replace existing generic drugs.

Litigation

From time to time the Company is involved in and potentially subject to litigation, investigations, disputes, proceedings or other similar matters related to claims arising out of its operations in the ordinary course of business, performance under its contracts, and the completion of acquisitions or divestitures.

The Company makes acquisitions of various sizes that may involve consideration to vendors in the form of cash and securities of the Company, as well as adjustment for contingent consideration that may take the form of price protection, earn-outs or performance rewards over a period of time. Contestation through litigation by vendors at a future date of actual, or applicable, entitlements under the negotiated agreements can happen, and may result in liabilities and contingencies to the Company or strained working relationships with vendors turned key employees in connection with the acquisition. The Company also completes divestitures of various sizes and the Company may from time-to-time be a party to a dispute relating to the transaction, which could result in liabilities and/or contingencies to the Company. In addition, the Company is party to a number of customer, supply and other commercial agreements. From time to time, disputes may arise between the Company and the counterparty to such contracts over the interpretation of the contract or each party's obligations thereunder that cannot be resolved by the parties and may be contested through litigation.

In the opinion of the Company, these claims and lawsuits in the aggregate, when settled, are not expected to have a material impact on the Company's financial position or result in significant dilution to shareholders. However, to the extent that management's assessment of the Company's exposure in respect of such matters is either incorrect or changes as a result of any determinations made by judges or other finders of fact, or requires any significant one-time payments of cash or the issuance of a significant number of shares, the Company's exposure could exceed current expectations, which could have a material adverse effect on the Company's reputation, operations, dilution to shareholders or its financial position and performance in future periods.

Exposure to Epidemic or Pandemic

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

In the event of epidemic or pandemic outbreaks, it is possible that medication supply could become disrupted or that pharmacies could be required to close if staff members become ill or there are otherwise staffing shortages.

The Company has developed protocols and procedures should they be required to deal with any potential epidemics and pandemics, and previously put these protocols and procedures in place to address the COVID-19 pandemic. Despite appropriate steps being taken to mitigate such risks, and the fact that the Company's business is an essential service and its largest payers are the provincial governments, there can be no assurance that these policies and procedures and the nature of the Company's business will ensure that the Company will not be adversely affected.

Tariffs and Trade Restrictions

The Company's operations and financial performance may be impacted by the imposition of tariffs or trade restrictions by foreign governments and retaliatory tariffs by the Canadian government, including announced and proposed tariffs between the United States and Canada. While the Company operates exclusively in Canada and procures the majority of its pharmaceutical products and machinery utilized in its business from outside the United States and does not expected any material impact on its business, there can be no certainty on whether evolving tariffs, trade restrictions or a trade war between Canada and the United States or between other countries could cause supply chain disruptions, inflationary pressures, or have a material impact on the Company's customers and, in turn, the Company's operations and financial performance.

Insurance Coverage

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

Due to the nature of the pharmacy services provided by the Company, general liability, error and omissions claims and malpractice claims, amongst other types of claims, may be commenced against the Company. Although the Company carries insurance in amounts that management believes to be customary, there can be no assurance that the Company will have coverage of sufficient scope to satisfy any particular liability claim. The Company believes that it will be able to obtain

adequate insurance coverage in the future at acceptable costs, but there can be no assurance that it will be able to do so or that it will not incur significant liabilities in excess of policy limits. Any such claims that exceed the scope of coverage or applicable policy limits, or an inability to obtain adequate coverage, could have a material adverse effect on the Company’s business, financial condition and results of operations.

Dilution

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

Medication Errors

The Company dispenses a significant volume of prescriptions per month, and as with any pharmacy, medication errors are an inevitability. Medication errors can arise from human error from the prescribing physician or nurse practitioner, from a pharmacist or pharmacy assistant in processing and dispensing a prescription, or from a failure in technology that the Company relies upon to package medication correctly. Medication errors can lead to adverse health outcomes of residents. In addition, pharmacists may offer counseling to customers about medication, dosage, delivery systems, common side effects and other information, which may be incorrect. While the Company has robust policies and procedures in place to minimize the occurrence of medication errors and maintains professional liability and other insurance in amounts it deems to be sufficient, a high rate of errors or errors that cause significant resident harm could expose the Company to significant reputational damage, a loss of customers, litigation or increased insurance premiums.

Competition

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

Information Technology Systems

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

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

Collections Risk

While the Company derives most of its revenues from provincial drug plans and other third party insurers that are relatively secure, a portion of its revenues are derived from its patients in the form of co-payments and the provision of non-insured medications and products. To the extent that the Company is unable to collect payments from its customers on a large scale, the Company is required to waive or reduce co-payments, or co-payments are eliminated through regulatory changes, the Company’s financial condition could be affected.

Confidentiality of Personal and Health Information

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

Labour Relations

The Company currently operates one pharmacy location that is partially unionized, with certain positions at this site governed by a collective bargaining agreement, which expired in February 2026. In the future, it is possible that other locations operated by the Company could unionize. While the relationship with the existing union is positive, there can be no assurance that the Company will not at any time, whether in connection with the renegotiation of the collective agreement, future collective agreements, or otherwise, experience strikes, labour stoppages or any other type of conflict with unionized employees, or that negotiations with any current or future union could result in higher labour costs to the Company, each of which could have a material adverse effect on the business, operating results and financial condition of the Company.

Failure of Business Continuity Plans

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

Accounting, Tax and Legal Rules and Laws

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

Third Party Audits

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

Internal Control over Financial Reporting and Disclosure Controls and Procedures

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

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

Capital Investment

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

Significant Shareholders

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

Ethical Business Conduct

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

Volatile Market Price for Securities of the Company

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

- i actual or anticipated fluctuations in the Company's quarterly results of operations;
- ii changes in estimates of future results of operations by the Company or securities research analysts;
- iii changes in the economic performance or market valuations of other companies that investors deem comparable to the Company;
- iv addition or departure of the Company’s executive officers and other key personnel;
- v release or other transfer restrictions on outstanding securities;
- vi sales or perceived sales of additional securities;
- vii the outcome of ongoing litigation;
- viii significant acquisitions, dispositions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Company or its competitors; and,
- ix news reports relating to trends, concerns or competitive developments, regulatory changes and other related issues in the Company’s industry or target markets.

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

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

volatility continue, the Company's operations and the trading price of the Company's securities may be adversely affected.

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

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

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

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

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

Directors and Officers May Have Conflicts of Interest

Certain of the directors and officers of the Company may also serve as directors and/or officers of other companies, while other directors serve as nominees of certain significant shareholders of the Company. Consequently, there exists the possibility for such directors and officers to be in a position of conflict. Any decision made by any of such directors and officers involving the Company are being made in accordance with their fiduciary duties and obligations to deal fairly and in good faith with a view to the best interests of the Company.

Proposed Transactions

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

Off-Balance Sheet Arrangements

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

Unaudited Condensed Interim Consolidated Financial Statements

For the three month periods ended March 31, 2025 and 2024

(in thousands of Canadian dollars)

Dated: May 6, 2025

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Consolidated Statements of Financial Position

(unaudited, in thousands of Canadian dollars)

	March 31, 2025	December 31, 2024
	$	$
Assets		
Current assets		
Cash and cash equivalents	**11,165**	9,084
Restricted cash	**480**	480
Trade and other receivables	**32,451**	33,072
Income taxes receivable	**76**	76
Inventories	**18,627**	17,671
Prepaid expenses and other current assets	**2,202**	1,952
	65,001	62,335
Non-current assets		
Property and equipment, net (note 4)	**56,342**	56,888
Goodwill and intangible assets, net (note 4)	**102,170**	104,315
Total assets	**223,513**	223,538
Liabilities		
Current liabilities		
Trade payables and other liabilities (note 6)	**52,677**	54,682
Current portion of borrowings (note 7)	**5,362**	5,331
Current portion of lease liabilities (note 9)	**2,812**	2,789
	60,851	62,802
Non-current liabilities		
Borrowings (note 7)	**39,250**	39,957
Contingent consideration (note 3)	**829**	799
Other liabilities (note 6)	**1,122**	1,198
Lease liabilities (note 9)	**35,062**	34,554
Total liabilities	**137,114**	139,310
Equity		
Share capital (note 8)	**332,664**	331,107
Warrants (note 8)	**—**	583
Contributed surplus	**40,697**	39,727
Deficit	**(286,962)**	(287,189)
Total equity	**86,399**	84,228
Total liabilities and equity	**223,513**	223,538

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

Approved by the Board

"Jeff Watson" — Jeff Watson, Director

"Maria Perrella" — Maria Perrella, Director

Consolidated Statements of Income and Comprehensive Income

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

	For the three month periods ended March 31,	
	2025	2024
	$	$
Revenue (note 2)	**89,550**	89,729
Cost of pharmacy services and supplies	**62,957**	63,309
General and administrative expenses (note 11)	**24,074**	24,275
Transaction, restructuring and other costs (note 12)	**517**	392
Income from operations	**2,002**	1,753
Finance costs, net (note 13)	**1,745**	2,458
Change in fair value of contingent consideration liability (note 3)	**30**	(188)
Income (loss) before income taxes	**227**	(517)
Income tax expense (recovery) (note 5)	**—**	—
Net income (loss) and total comprehensive income (loss) for the period	**227**	(517)
Basic and diluted earnings (loss) per common share:	**$0.00**	($0.01)
Weighted average number of common shares outstanding (in thousands) (note 8):		
Basic	**62,729**	59,865
Diluted	**65,186**	59,865

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

Consolidated Statements of Changes in Equity

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

	Number of common shares[1]	Share capital $	Warrants $	Contributed surplus $	Equity component of Convertible Debentures $	Deficit $	Total $
Balance at December 31, 2023	**59,831,092**	**323,297**	**892**	**33,620**	**6,405**	**(282,688)**	**81,526**
RSUs and DSUs exercised (note 8)	90,831	389	—	(389)	—	—	—
Share-based compensation expense	—	—	—	489	—	—	489
Net loss for the period	—	—	—	—	—	(517)	(517)
Balance at March 31, 2024	**59,921,923**	**323,686**	**892**	**33,720**	**6,405**	**(283,205)**	**81,498**
Balance at December 31, 2024	**62,154,366**	**331,107**	**583**	**39,727**	**—**	**(287,189)**	**84,228**
Issuance of shares, net of share issuance costs (note 8)	739,309	1,899	—	—	—	—	1,899
RSUs, DSUs and stock options exercised (note 8)	17,246	48	—	(35)	—	—	13
Warrants expired (note 8)	—	—	(583)	583	—	—	—
Share-based compensation expense	—	—	—	422	—	—	422
Shares repurchased for cancellation (note 8)	(168,614)	(390)	—	—	—	—	(390)
Net income for the period	—	—	—	—	—	227	227
Balance at March 31, 2025	**62,742,307**	**332,664**	**—**	**40,697**	**—**	**(286,962)**	**86,399**

[1] *The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements*

Consolidated Statements of Cash Flows

(unaudited, in thousands of Canadian dollars)

	For the three month periods ended March 31,	
	2025	2024
Cash provided by (used in):	**$**	$
Operating activities		
Net income (loss) for the period	**227**	(517)
Adjustments for:		
Finance costs, net (note 13)	**1,745**	2,458
Loss (gain) on disposal of assets (note 11)	**80**	(6)
Depreciation of property and equipment (note 4)	**2,488**	2,350
Amortization of finite-life intangible assets (note 4)	**2,270**	2,467
Share-based compensation expense (note 11)	**422**	489
Change in fair value of contingent consideration liability (note 3)	**30**	(188)
Interest received (note 13)	**36**	1
Net change in non-cash working capital items (note 15)	**76**	2,224
Cash provided by operating activities	**7,374**	9,278
Investing activities		
Proceeds on disposal of property, equipment and intangible assets	**—**	23
Purchase of property and equipment (note 4)	**(1,652)**	(678)
Purchase of intangible assets (note 4)	**(159)**	(665)
Cash used in investing activities	**(1,811)**	(1,320)
Financing activities		
Proceeds from Term Loan (note 7)	**500**	—
Repayment of Term Loan (note 7)	**(1,220)**	—
Interest paid	**(864)**	(366)
Repayment of leases	**(1,521)**	(1,454)
Repayment of Operating Loan, net of proceeds	**—**	(2,000)
Transfer from restricted cash	**—**	200
Net proceeds from common shares issued (note 8)	**(377)**	—
Cash used in financing activities	**(3,482)**	(3,620)
Net increase in cash and cash equivalents	**2,081**	4,338
Cash and cash equivalents, beginning of period	**9,084**	7,029
Cash and cash equivalents, end of period	**11,165**	11,367

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

1. Corporate Information

CareRx Corporation, together with its subsidiaries (collectively, "CareRx" or the "Company"), is incorporated under the *Canada Business Corporations Act*. The Company is listed on the Toronto Stock Exchange (the "TSX") and is incorporated and domiciled in Canada. The address of the Company's registered office is 320 Bay Street, Suite 1200, Toronto, Ontario.

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

2. Material Accounting Policies

Basis of preparation

These unaudited condensed interim consolidated financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting* as outlined by International Financial Reporting Standards ("IFRS") and its interpretations as issued by the International Accounting Standards Board ("IASB"). They do not include all the information required for a complete set of annual financial statements prepared in accordance with IFRS, and therefore should be read in conjunction with the Company's audited annual consolidated financial statements and notes thereto for the year ended December 31, 2024. However, selected explanatory notes are included to explain events and transactions that are significant to the understanding of the changes in the Company's financial position and performance since December 31, 2024.

The material accounting policies applied in these unaudited condensed interim consolidated financial statements are consistent with the material accounting policies used in the preparation of the annual consolidated financial statements for the year ended December 31, 2024.

These unaudited condensed interim consolidated financial statements were approved by the Board of Directors (the "Board") on May 6, 2025.

New standards and amendments not yet adopted by the Company

A number of new standards, amendments and annual improvements are not mandatory for reporting periods beginning January 1, 2025 and have not been early adopted by the Company. These standards, amendments and annual improvements are not expected to have a material impact on the Company in the current or future reporting periods, except for:

- IFRS 18, *Presentation and Disclosure in Financial Statements* ("IFRS 18") will replace IAS 1, whilst retaining many of the principles from IAS 1 with limited changes. IFRS 18 will not impact the recognition or measurement of items in the financial statements; or which items are presented in other comprehensive income or how, but will result in changes in the presentation of the financial statements and related disclosures. IFRS 18 becomes effective for annual reporting periods beginning on or after January 1, 2027, and is to be applied retrospectively. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

2. Material Accounting Policies - continued

Revenue

The Company's revenues were derived as follows:

	For the three month periods ended March 31,	
	2025	2024
Sale of goods	**79%**	79%
Capitated pharmacy service fees	**18%**	19%
Rendering of other pharmacy services	**3%**	2%
Total	**100%**	100%

During the three month period ended March 31, 2025, geographically, 63% and 37% of the Company's revenues were derived from Eastern Canada and Western Canada, respectively (2024 - 61% and 39%).

3. Contingent Consideration

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

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

	Hogan $	Total $
Balance at December 31, 2024	**799**	**799**
Change in fair value during the period	30	**30**
Balance at March 31, 2025	**829**	**829**
Less: Current portion	**—**	**—**
Non-current portion at March 31, 2025	**829**	**829**

On May 30, 2022, the Company recorded a contingent consideration liability related to a portion of the vendor take-back note that was issued as part of the consideration for the acquisition of the long-term care pharmacy business of Hogan Pharmacy Partners Ltd. ("Hogan") (note 7). This portion of the vendor take-back note, with a maximum principal value of $800, is payable on the fourth anniversary of the closing date and is subject to downward adjustment to the extent that certain growth targets are not achieved over the four-year period. As at March 31, 2025 and December 31, 2024, the Company estimated the probability of meeting the growth targets to be 100%. As at March 31, 2025 and December 31, 2024, the fair value of the contingent consideration liability was estimated based on a risk-adjusted discount rate of 7.2% and 8.7%, respectively. As at March 31, 2025, the expected range of potential undiscounted amounts payable remaining is between nil and $890.

4. Goodwill, Intangible Assets and Property and Equipment

	Goodwill $	Intangible assets $	Total goodwill and intangible assets $	Property and equipment $
For the period ended March 31, 2025				
Cost				
Balance at December 31, 2024	118,308	93,674	211,982	89,990
Additions	—	159	159	2,132
Disposals	—	(75)	(75)	(1,466)
Balance at March 31, 2025	**118,308**	**93,758**	**212,066**	**90,656**
Accumulated amortization and impairment losses				
Balance at December 31, 2024	(48,297)	(59,370)	(107,667)	(33,102)
Depreciation and amortization charge	—	(2,270)	(2,270)	(2,488)
Disposals	—	41	41	1,276
Balance at March 31, 2025	**(48,297)**	**(61,599)**	**(109,896)**	**(34,314)**
Net carrying value				
As at December 31, 2024	70,011	34,304	104,315	56,888
As at March 31, 2025	**70,011**	**32,159**	**102,170**	**56,342**

Included in the net carrying value of property and equipment are right-of-use assets of $30,738 (December 31, 2024 - $30,458).

The right-of-use assets as at March 31, 2025 and December 31, 2024 consist of the following:

	March 31, 2025 $	December 31, 2024 $
Right-of-use assets - Properties	**28,461**	27,992
Right-of-use assets - Equipment	**1,709**	1,860
Right-of-use assets - Vehicles	**568**	606
Total	**30,738**	30,458

During the three month period ended March 31, 2025, additions of property and equipment related to right-of-use assets were $1,261.

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

During the three month period ended March 31, 2025, amortization charges related to right-of-use assets were $976.

As at March 31, 2025 and December 31, 2024, the Company had $1,820 of indefinite-life intangible assets.

The Company performs its annual impairment testing of goodwill and indefinite-life intangible assets during the fourth quarter. Impairment assessments for long-lived assets, including goodwill and indefinite-life intangible assets, are performed more frequently whenever events or changes in circumstances arise and an indicator of impairment exists. As at March 31, 2025, the Company assessed for any indicators of impairment requiring goodwill and indefinite-life intangible assets to be further tested outside of the annual cycle. Based on this assessment, the Company concluded there were no indicators of impairment requiring goodwill and indefinite-life intangible assets to be tested for impairment as at March 31, 2025.

5. Income Taxes

Income tax expense (recovery) is recognized based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the three month period ended March 31, 2025 was 0.00%. A deferred income tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that the Company will be able to realize these benefits. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

6. Trade Payables and Other Liabilities

Trade payables and other liabilities are comprised of the following:

	March 31, 2025	December 31, 2024
	$	$
Trade payables	**31,972**	31,830
Salaries, wages and employee benefits payable	**4,425**	4,289
Deferred revenue	**847**	822
Other liabilities	**1,316**	1,191
Other accrued liabilities	**14,033**	16,426
Severance costs	**84**	124
Total	**52,677**	54,682

Other liabilities are related to multi-year agreements with national customers, of which $1,316 is due within the next 12 months (December 31, 2024 - $1,191). The liabilities were initially recognized at their aggregate fair values and subsequently measured at amortized cost using the effective interest rate method. As at March 31, 2025, the aggregate carrying value of the liabilities was $2,438 (December 31, 2024 - $2,389).

7. Borrowings

Borrowings consist of the following:

	March 31, 2025	December 31, 2024
	$	$
Term Loan	**44,189**	44,875
Hogan Vendor Take-Back Note (note 3)	**423**	413
Total borrowings	**44,612**	45,288
Less current portion of borrowings:		
Term Loan	**4,939**	4,918
Hogan Vendor Take-Back Note	**423**	413
Total current portion of borrowings	**5,362**	5,331
Total non-current portion of borrowings	**39,250**	39,957

As at March 31, 2025, the current portion of borrowings includes $40 of interest accrued and payable within 12 months following the consolidated statement of financial position date (December 31, 2024 - $22).

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

The Credit Facilities contain a number of customary positive and negative covenants, including a requirement to comply with certain financial covenants. These also include restrictions on incurring additional indebtedness, making certain investments or acquisitions and selling assets of the Company.

As at March 31, 2025, the Company was in compliance with its Credit Facilities' covenants.

On January 2, 2025, the Company made a draw of $500 on the Term Loan to fund certain capital expenditures.

8. Shareholders’ Equity and Earnings per Share

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

For the period ended ($ thousands, except share amounts)	**March 31, 2025**		December 31, 2024	
Common shares	**Common shares**	**Stated value $**	Common shares	Stated value $
Balance, beginning of period	**62,154,366**	**331,107**	59,831,092	323,297
Issuance of shares, net of share issuance costs	739,309	1,899	—	—
RSUs, DSUs and stock options exercised	17,246	48	625,597	2,361
Shares repurchased for cancellation	(168,614)	(390)	(385,655)	(801)
Conversion of Convertible Debentures, net of share issuance costs	—	—	2,083,332	6,250
Balance, end of period	**62,742,307**	**332,664**	62,154,366	331,107

8. Shareholders' Equity and Earnings per Share - continued

Normal Course Issuer Bid

On September 3, 2024, the TSX approved the renewal of the Company's normal course issuer bid (the "NCIB") to repurchase for cancellation up to 1,500,000 of its common shares during the period from September 7, 2024 to September 6, 2025.

Additionally, the Company entered into an automatic share purchase plan ("ASPP") with a designated broker to allow for the purchase of shares under the NCIB during pre-determined times when the Company would ordinarily not be permitted to purchase shares due to regulatory restrictions and customary blackout periods. The Company has authorized the designated broker to make purchases under the NCIB in accordance with the terms of the ASPP. Such purchases will be determined by the designated broker at its sole discretion based on certain parameters as to price and number of shares set by the Company in accordance with the rules of the TSX, applicable securities laws and the terms of the ASPP. The ASPP will terminate when the NCIB expires, unless terminated earlier in accordance with the terms of the ASPP. Outside of pre-determined blackout periods, the Company may repurchase its shares under the NCIB based on management's discretion, in compliance with TSX rules and applicable securities laws.

During the three month period ended March 31, 2025, the Company repurchased and cancelled 168,614 of its common shares at an average price of $2.29 per common share for a total cost of $390.

Subsequent to the three month period ended March 31, 2025, and as of the date of these unaudited condensed interim consolidated financial statements, the Company repurchased and cancelled 176,000 of its common shares at an average price of $2.71 per common share for a total cost of $477.

Issuance of common shares

During the three month periods ended March 31, 2025 and 2024, the Company issued 17,246 and 90,831 common shares, respectively, related to RSUs, DSUs and stock options issued to management, employees and directors that vested.

On March 31, 2025, the Company issued 739,309 common shares as part of a multi-year agreement with a national customer.

Issuance of RSUs and DSUs

RSUs and DSUs vest over a period of three years on each anniversary of the grant date unless a different vesting schedule is approved by the Board. DSUs are only eligible to be converted into common shares of the Company when the holder ceases to be employed by the Company.

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

For the period ended	**March 31, 2025**	December 31, 2024
RSUs and DSUs	**Units**	Units
Balance, beginning of period	**1,467,629**	1,207,497
RSUs and DSUs granted	740,620	1,124,956
RSUs and DSUs released	(10,996)	(625,597)
RSUs and DSUs forfeited	(27,997)	(239,227)
Balance, end of period	**2,169,256**	1,467,629

The weighted-average remaining term to vest for RSUs and DSUs outstanding as at March 31, 2025 is 2.04 years.

8. Shareholders’ Equity and Earnings per Share - continued

During the three month period ended March 31, 2025, the Company had the following RSU and DSU grants:

Grant date	Units granted	Granted to	Vesting conditions	Fair valued based on the quoted market price of issuance per common share
March 31, 2025	730,452	Management and employees of the Company	Vest over three years	$2.76
March 31, 2025	10,168	Directors of the Company	Vest immediately	$2.76

Issuance of warrants

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

For the period ended	**March 31, 2025**		December 31, 2024	
Share purchase warrants	**Warrants**[1]	**Weighted average exercise price per common share**	Warrants	Weighted average exercise price per common share
Balance, beginning of period	**7,200,000**	**$5.00**	12,600,000	$5.63
Warrants expired	(7,200,000)	$5.00	(5,400,000)	$6.46
Balance, end of period	**—**	**$—**	7,200,000	$5.00
Exercisable, end of period	**—**	**$—**	**7,200,000**	**$5.00**

[1] Each warrant entitled the holder to acquire 0.05 common shares in the capital of the Company.

Issuance of stock options

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

For the period ended	**March 31, 2025**		December 31, 2024	
Common share options	**Options**	**Weighted average exercise price**	Options	Weighted average exercise price
Balance, beginning of period	498,805	$3.32	583,805	$3.34
Options released	(6,250)	$2.25	—	$—
Options forfeited	—	$—	(85,000)	$3.46
Balance, end of period	**492,555**	**$3.33**	498,805	$3.32
Exercisable, end of period	**223,352**	**$4.01**	185,852	$3.68

The weighted average remaining term to vest for stock options outstanding as at March 31, 2025 is 0.81 years.

8. Shareholders' Equity and Earnings per Share - continued

Earnings per share

Earnings per share has been calculated on the basis of profit or loss for the period divided by the weighted average number of common shares outstanding during the period. Diluted earnings per share, for all periods presented, was calculated based on the weighted average number of common shares outstanding and takes into account the effects of contingently issuable common shares, unvested share options, RSUs and DSUs, warrants and convertible debentures outstanding during the period. A loss per share is not adjusted for anti-dilutive instruments. The diluted weighted average calculation is based on a time-weighting factor that includes all stock options, RSUs, DSUs, warrants and conversion features that were issued at exercise prices lower than the market price of the Company's common shares at the respective year-ends. These instruments were anti-dilutive for the three month periods ended March 31, 2025 and 2024.

The following table illustrates the basic and diluted weighted average number of common shares outstanding for the three month periods ended March 31, 2025 and 2024:

	For the three month periods ended March 31,	
	2025	2024
Weighted average number of common shares outstanding - basic	**62,729,242**	59,864,593
Dilutive effect of in-the-money stock options	287,555	—
Dilutive effect of RSUs and DSUs	2,169,256	—
Weighted average number of common shares outstanding - diluted	**65,186,053**	59,864,593

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

As at March 31, 2025 and December 31, 2024, the Company's financial instruments consisted of cash and cash equivalents, restricted cash, trade and other receivables, trade and other payables, contingent consideration, lease liabilities and borrowings.

Fair value hierarchy

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

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

The Company's Level 3 financial liabilities measured and recognized at fair value on a recurring basis are as follows:

	March 31, 2025	December 31, 2024
	$	$
Contingent consideration	**829**	799
Total	**829**	799

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

There were no financial instruments classified as Level 1 or Level 2 as at March 31, 2025. There were no transfers between levels during the three month periods ended March 31, 2025 and 2024.

Details regarding Level 3 fair value measurements for contingent consideration can be found in note 3.

There were no changes in the valuation techniques used during the three month period ended March 31, 2025.

Financial instruments measured at amortized cost

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

	March 31, 2025 **$**	December 31, 2024 $
Financial assets measured at amortized cost:		
Cash and cash equivalents	**11,165**	9,084
Restricted cash	**480**	480
Trade receivables, net of provision	**31,757**	32,429
Financial liabilities measured at amortized cost:		
Trade payables and other liabilities	**53,715**	55,756
Lease liabilities	**37,874**	37,343
Term Loan	**44,189**	44,875
Hogan Vendor Take-Back Note	**423**	413

Financial risk management

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

Credit risk

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

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

	March 31, 2025 **$**	December 31, 2024 $
Current	**26,688**	26,452
More than 30 days past due	**2,411**	2,434
More than 60 days past due	**756**	1,402
More than 90 days past due	**1,902**	2,141
	31,757	32,429

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

Included in trade and other receivables as at March 31, 2025 are $12,048 (December 31, 2024 - $11,856) of amounts receivable from government funding related to product sales and services rendered, and $839 lease incentive receivable (December 31, 2024 - $801).

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

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

For the period ended	**March 31, 2025**	December 31, 2024
	$	$
Provision, beginning of period	**3,783**	4,420
Provision for receivables impairment	**245**	1,595
Write-offs charged against the provision for receivables impairment	**(652)**	(2,232)
Provision, end of period	**3,376**	3,783

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

Liquidity risk

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

The following table presents the contractual terms to maturity of the financial liabilities owed by the Company as at March 31, 2025:

	Total	2025	2026-2027	2028-2029	Thereafter
	$	$	$	$	$
Trade payables and other liabilities	**54,413**	52,739	1,674	—	—
Term Loan	**44,556**	3,698	9,860	30,998	—
Hogan Vendor Take-Back Note	**400**	400	—	—	—
Interest payments on borrowings	**9,633**	2,398	5,149	2,086	—
Leases	**69,283**	4,494	10,515	8,786	45,488
Contingent consideration	**800**	—	800	—	—
Total	**179,085**	**63,729**	**27,998**	**41,870**	**45,488**

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

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

Interest rate risk

Interest rate risk is the risk borne by an interest-bearing asset or liability as a result of fluctuations in interest rates. The Company is exposed to interest rate risk through its Credit Facilities. As at March 31, 2025, a 0.5% change in the variable interest rate on the Company's Credit Facilities would have resulted in an annualized change in finance costs of $223.

Currency risk

Virtually all of the Company's transactions are denominated in Canadian dollars. As at March 31, 2025 and December 31, 2024, the Company held no significant financial instruments that were denominated in a currency other than Canadian currency.

10. Related Party Transactions and Balances

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

Certain directors help manage funds that own common shares of the Company.

11. General and Administrative Expenses

The components of general and administrative expenses are as follows:

	For the three month periods ended March 31,	
	2025	2024
	$	$
Employee costs	**7,938**	6,961
Other operating expenses	**10,876**	12,014
Depreciation and amortization	**4,758**	4,817
Share-based compensation expense	**422**	489
Loss (gain) on disposal of assets	**80**	(6)
Total	**24,074**	24,275

Other operating expenses for the three month periods ended March 31, 2025 and 2024 include expenses of $305 and $293, respectively, relating to short-term leases, low-value asset leases and variable lease payments.

12. Transaction, Restructuring and Other Costs

Transaction, restructuring and other costs are expensed as incurred. Transaction costs are comprised primarily of legal, consulting, due diligence and other professional fees directly related to business combinations and divestitures. Restructuring and other costs include legal, consulting and other professional fees associated with business restructuring; costs associated with new customer contract implementation and the integration of newly acquired businesses; and severance and other costs associated with corporate reorganization, other staffing reductions and divestitures.

Transaction, restructuring and other costs for the three month periods ended March 31, 2025 and 2024 consist of the following:

	For the three month periods ended March 31,	
	2025	2024
	$	$
Transaction costs	**16**	11
Restructuring and other costs	**501**	381
Total	**517**	392

13. Finance Costs, Net

Finance costs, net for the three month periods ended March 31, 2025 and 2024 are comprised of the following:

	For the three month periods ended March 31,	
	2025	2024
	$	$
Interest on Term Loan	**844**	1,163
Accretion on Term Loan	**33**	(37)
Interest on Operating Loan	**—**	326
Accretion on Operating Loan	**34**	5
Interest on leases	**803**	733
Interest on Hogan Vendor Take-Back Note	**5**	5
Accretion on Hogan Vendor Take-Back Note	**5**	4
Accretion on other liabilities	**57**	80
Interest on Convertible Debentures	**—**	127
Accretion on Convertible Debentures	**—**	53
Interest income, net	**(36)**	(1)
Total	**1,745**	2,458

14. Contingencies

From time to time, the Company is involved in and potentially subject to litigation, investigations, disputes, proceedings or other similar matters related to claims arising out of its operations in the ordinary course of business, performance under its contracts, and the completion of acquisitions or divestitures.

The Company believes that all claims and lawsuits in the aggregate, when settled, are not expected to have a material impact on the Company's financial position, results of operations or cash flows. There are a number of uncertainties involved in such matters, individually or in aggregate, and as such, to the extent that the Company's assessment of its exposure in respect of such matters is either incorrect or changes, there is a possibility that the ultimate resolution of these matters may result in a material adverse effect on the Company's reputation, operations, financial condition or performance in future periods. The Company regularly assesses the adequacy of accruals or provisions related to such matters and makes adjustments as necessary.

15. Supplementary Disclosure to the Consolidated Statements of Cash Flows

The net change in non-cash working capital items consists of the following:

	For the three month periods ended March 31,	
	2025	2024
	$	$
Trade and other receivables	**345**	4,502
Inventories	**(812)**	403
Prepaid expenses	**(250)**	(354)
Trade payables and other liabilities	**793**	(2,327)
Total	**76**	2,224

The movements in liabilities from financing activities consist of the following:

	Leases	**Borrowings**	**Total**
	$	**$**	**$**
Balance at December 31, 2024	**37,343**	**45,288**	**82,631**
Additions	1,261	500	1,761
Payments	(1,521)	(2,084)	(3,605)
Modifications of leases	(12)	—	(12)
Interest expense	803	849	1,652
Accretion expense	—	59	59
Balance at March 31, 2025	**37,874**	**44,612**	**82,486**