

**SANARA MEDTECH INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS**

	<b>(Unaudited)</b>	
<b>Assets</b>	<b>June 30, 2021</b>	<b>December 31, 2020</b>
<b>Current assets</b>		
Cash	\$ 24,389,004	\$ 455,366
Accounts receivable, net of allowances of \$138,417 and \$100,189	2,445,225	2,217,533
Royalty receivable	49,344	49,344
Inventory, net of allowance for obsolescence of \$295,841 and \$276,603	1,538,398	1,148,253
Prepaid and other assets	497,110	611,817
<b>Total current assets</b>	<b>28,919,081</b>	<b>4,482,313</b>
<b>Long-term assets</b>		
Property and equipment, net of accumulated depreciation of \$159,732 and \$124,691	1,668,994	678,589
Right of use assets – operating leases	406,024	467,653
Intangible assets, net of accumulated amortization of \$983,466 and \$827,108	3,785,187	3,097,666
Investment in equity securities	4,005,374	1,100,000
<b>Total long-term assets</b>	<b>9,865,579</b>	<b>5,343,908</b>
<b>Total assets</b>	<b>\$ 38,784,660</b>	<b>\$ 9,826,221</b>
<b>Liabilities and shareholders' equity</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 313,569	\$ 271,251
Accounts payable – related parties	57,507	223,589
Accrued royalties and expenses	527,518	502,191
Accrued bonus and commissions	2,719,258	2,417,277
Operating lease liability - current	128,301	125,587
<b>Total current liabilities</b>	<b>3,746,153</b>	<b>3,539,895</b>
<b>Long-term liabilities</b>		

Operating lease liability – long term	290,751	355,797
Other long-term liabilities	90,293	90,293
<b>Total long-term liabilities</b>	<b>381,044</b>	<b>446,090</b>
<b>Total liabilities</b>	<b>4,127,197</b>	<b>3,985,985</b>
<b>Shareholders' equity</b>		
Common Stock: \$0.001 par value, 20,000,000 shares authorized; 7,612,336 issued and outstanding as of June 30, 2021 and 6,297,008 issued and outstanding as of December 31, 2020	7,612	6,297
Additional paid-in capital	44,487,958	13,176,576
Accumulated deficit	(9,385,478)	(7,032,242)
<b>Total Sanara MedTech shareholders' equity</b>	<b>35,110,092</b>	<b>6,150,631</b>
Equity attributable to noncontrolling interest	(452,629)	(310,395)
<b>Total shareholders' equity</b>	<b>34,657,463</b>	<b>5,840,236</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 38,784,660</b>	<b>\$ 9,826,221</b>

**SANARA MEDTECH INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)**

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2021	2020	2021	2020
<b>Net Revenue</b>	\$ 6,277,133	\$ 2,967,183	\$ 11,286,569	\$ 6,491,514
<b>Cost of goods sold</b>	<u>536,405</u>	<u>348,675</u>	<u>1,010,838</u>	<u>678,863</u>
<b>Gross profit</b>	5,740,728	2,618,508	10,275,731	5,812,651
<b>Operating expenses</b>				
Selling, general and administrative expenses	6,562,144	3,582,511	11,971,874	8,514,662

Research and development	103,981	41,516	222,193	45,903
Depreciation and amortization	100,807	74,221	191,398	127,726
	<u>6,766,932</u>	<u>3,698,248</u>	<u>12,385,465</u>	<u>8,688,291</u>
<b>Total operating expenses</b>				
	<b>(1,026,204)</b>	<b>(1,079,740)</b>	<b>(2,109,734)</b>	<b>(2,875,640)</b>
<b>Operating loss</b>				
<b>Other expense</b>				
Other expense	-	(48,716)	-	(85,474)
Interest expense	-	(1,101)	(711)	(9,455)
Share of losses from equity method investment	(179,769)	-	(278,904)	-
	<u>(179,769)</u>	<u>(49,817)</u>	<u>(279,615)</u>	<u>(94,929)</u>
<b>Total other expense</b>				
	<b>(1,205,973)</b>	<b>(1,129,557)</b>	<b>(2,389,349)</b>	<b>(2,970,569)</b>
<b>Net loss</b>				
Less: Net loss attributable to noncontrolling interest	(34,481)	(3,793)	(36,113)	(7,848)
	<u>(34,481)</u>	<u>(3,793)</u>	<u>(36,113)</u>	<u>(7,848)</u>
<b>Net loss attributable to Sanara MedTech common shareholders</b>	<b>\$ (1,171,492)</b>	<b>\$ (1,125,764)</b>	<b>\$ (2,353,236)</b>	<b>\$ (2,962,721)</b>
Net loss per share of common stock, basic and diluted	\$ (0.16)	\$ (0.18)	\$ (0.33)	\$ (0.54)
Weighted average number of common shares outstanding, basic and diluted	7,496,604	6,203,577	7,158,503	5,477,759

**SANARA MEDTECH INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

	Six Months Ended	
	June 30,	
	2021	2020
<b>Cash flows from operating activities:</b>		
Net loss	\$ (2,389,349)	\$ (2,970,569)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	191,398	127,726
Interest expense on convertible debt	-	8,354
Interest expense on PPP loan	-	1,101
Loss on disposal of asset	-	2,180
Bad debt expense	51,536	30,000
Inventory obsolescence	29,834	75,422
Share-based compensation	623,440	491,069
Noncash lease expense	61,629	57,880
Loss on equity method investment	278,904	-
<b>Changes in operating assets and liabilities:</b>		
Accounts receivable	(279,229)	(112,301)
Inventory	(419,979)	(191,595)
Prepaid - related parties	-	(50,970)
Prepaid and other assets	114,707	(310,666)

Accounts payable	42,318	(197,709)
Accounts payable - related parties	(166,081)	(66,346)
Accrued royalties and expenses	25,327	333,731
Accrued liabilities	239,650	40,502
	<hr/>	<hr/>
<b>Net cash used in operating activities</b>	(1,595,895)	(2,732,191)
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(25,446)	(57,456)
Purchase of intangible assets	-	(1,100,000)
Investment in equity securities	(3,184,278)	-
	<hr/>	<hr/>
<b>Net cash used in investing activities</b>	(3,209,724)	(1,157,456)
<b>Cash flows from financing activities:</b>		
Draw on line of credit	800,000	-
Pay off line of credit	(800,000)	-
Proceeds from PPP Loan	-	583,000
Public offering net proceeds	28,939,257	-
Distribution to noncontrolling interest shareholders	(200,000)	-
	<hr/>	<hr/>
<b>Net cash provided by financing activities</b>	28,739,257	583,000
<b>Net increase (decrease) in cash</b>	23,933,638	(3,306,647)
<b>Cash, beginning of period</b>	455,366	6,611,928
	<hr/>	<hr/>
<b>Cash, end of period</b>	\$ 24,389,004	\$ 3,305,281
	<hr/>	<hr/>

**Cash paid during the period for:**

Interest	\$	711	\$	-
Income taxes		-		-

**Supplemental noncash investing and financing activities:**

Common stock issued for conversion of Series F Preferred Stock		-		11,368,150
Common stock issued for conversion of related party debt and interest		-		1,611,911
Common stock issued for asset acquisitions		1,750,000		750,000
License agreement as capital contribution from noncontrolling interest member		93,879		-