

HEALWELL AI INC.
(formerly known as MCI ONEHEALTH TECHNOLOGIES INC.)

Condensed Interim Consolidated Financial Statements
For the Three and Six Months Periods Ended June 30, 2024
(In Canadian Dollars)
(Unaudited)

HEALWELL AI INC. (formerly known as MCI ONEHEALTH TECHNOLOGIES INC.)
Condensed Interim Consolidated Statement of Financial Position
(In thousands of Canadian dollars, except per share amounts)
(Unaudited)

	Note	June 30, 2024	December 31, 2023
ASSETS			
Current assets			
Cash		19,823	19,162
Accounts receivable	4	4,021	1,115
Prepaid and other assets	5	3,936	1,203
Advance against investment	13	8,427	-
Net investment in subleases	17	72	126
		<u>36,279</u>	<u>21,606</u>
Assets classified as held for sale		-	1,150
Total current assets		<u>36,279</u>	<u>22,756</u>
Non-current assets			
Net investment in subleases	17	225	249
Property, plant and equipment	9	2,380	3,733
Intangible assets	10	50,208	24,811
Investment in equity securities	11	3,162	410
Call options	14	850	1,500
Other assets	5	275	387
		<u>57,100</u>	<u>31,090</u>
Total non-current assets		<u>57,100</u>	<u>31,090</u>
Total assets		<u>93,379</u>	<u>53,846</u>
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	16	4,533	6,421
Deferred revenue		1,176	334
Related party loan	8	6,411	672
Other liabilities		-	86
Current portion of lease liability	17	557	1,010
		<u>12,677</u>	<u>8,523</u>
Liabilities associated with assets classified as held for sale		-	897
Total current liabilities		<u>12,677</u>	<u>9,420</u>
Non-current liabilities			
Non-current portion of lease liability	17	2,987	4,264
Related party loan	8	4,183	10,659
Liability for contingent consideration	15	260	260
Deferred tax liabilities	25	5,669	2,024
Non-controlling interest redeemable liability	18	-	1,282
Debenture payable	19	2,859	2,932
Loan payable	20	1,570	1,541
		<u>17,528</u>	<u>22,962</u>
Total non-current liabilities		<u>30,205</u>	<u>32,382</u>
Total liabilities		<u>30,205</u>	<u>32,382</u>
EQUITY			
Share capital	21	111,520	67,368
Convertible debenture option reserve		1,744	1,964
Contributed surplus		15,497	12,567
Translation reserve		50	-
Deficit		(72,268)	(69,249)
Equity attributable to HEALWELL AI Inc.		<u>56,543</u>	<u>12,650</u>
Non-controlling interest		6,631	8,814
Total equity		<u>63,174</u>	<u>21,464</u>
TOTAL LIABILITIES AND EQUITY		<u>93,379</u>	<u>53,846</u>

The financial statements were approved by the Company's board of directors (the "Board of Directors") and authorized for issue on August 12, 2024.

They were signed on behalf of the Company by:

"Alexander Dobranowski" – CEO/Director

"Kingsley Ward" – Director

See accompanying notes to the condensed interim consolidated financial statements.

HEALWELL AI INC. (formerly known as MCI ONEHEALTH TECHNOLOGIES INC.)
Condensed Interim Consolidated Statement of Profit (Loss) and Comprehensive Income (Loss)

(In thousands of Canadian dollars, except per share amounts)

(Unaudited)

		Three months ended June 30		Six months ended June 30	
	Note		note 34		note 34
		2024	2023	2024	2023
Continuing operations					
Revenue	33	5,442	1,785	10,022	3,757
Cost of Revenue		2,129	1,454	4,319	2,923
Gross profit		<u>3,313</u>	<u>331</u>	<u>5,703</u>	<u>834</u>
Operating Expenses					
Research and development		800	700	1,717	2,551
Sales and marketing		1,503	318	2,264	638
General and administrative		8,346	2,964	14,494	5,316
Impairment of right of use assets	9	850	-	850	-
Impairment of goodwill and intangibles		-	7,629	-	7,629
Operating expenses	23	<u>11,499</u>	<u>11,611</u>	<u>19,325</u>	<u>16,134</u>
Loss before other expense (income) and taxes		(8,186)	(11,280)	(13,622)	(15,300)
Financing expenses	24	622	418	1,475	637
Other income		(159)	(4)	(351)	(10)
Share of comprehensive loss from associate		-	(26)	-	-
Changes in fair value of call options	14	250	-	650	-
Changes in fair value of contingent consideration payable		-	(30)	-	(37)
Changes in fair value of investments		-	11	-	134
Loss on settlement of shares-contingent consideration	15	-	-	-	677
Debt forgiveness	8	(7,863)	-	(7,863)	-
Liability extinguishment	17	(3,088)	-	(3,088)	-
Impairment of investment in an associate		-	-	-	2,180
		<u>(10,238)</u>	<u>369</u>	<u>(9,177)</u>	<u>3,581</u>
Profit (loss) before taxes		2,052	(11,649)	(4,445)	(18,881)
Income tax recovery	25	(531)	(731)	(765)	(950)
Net profit (loss) for the period on continuing operations, net of tax		<u>2,583</u>	<u>(10,918)</u>	<u>(3,680)</u>	<u>(17,931)</u>
Net profit (loss) on discontinued operations, net of tax	7	(43)	1,105	(54)	667
Net profit (loss) for the period		<u>2,540</u>	<u>(9,813)</u>	<u>(3,734)</u>	<u>(17,264)</u>
Other Comprehensive Expense					
Foreign currency translation of foreign operations		317	-	50	-
Net Comprehensive profit (loss) for the period		<u>2,857</u>	<u>(9,813)</u>	<u>(3,684)</u>	<u>(17,264)</u>
NET PROFIT (LOSS) ATTRIBUTED TO					
Non-controlling interests		(42)	(8)	(391)	(29)
Shareholders of HEALWELL AI Inc.		<u>2,582</u>	<u>(9,805)</u>	<u>(3,343)</u>	<u>(17,235)</u>
		<u>2,540</u>	<u>(9,813)</u>	<u>(3,734)</u>	<u>(17,264)</u>
NET COMPREHENSIVE PROFIT (LOSS) ATTRIBUTABLE TO					
Non-controlling interests		(42)	(8)	(391)	(29)
Shareholders of HEALWELL AI Inc.		<u>2,899</u>	<u>(9,805)</u>	<u>(3,293)</u>	<u>(17,235)</u>
		<u>2,857</u>	<u>(9,813)</u>	<u>(3,684)</u>	<u>(17,264)</u>
Profit (loss) per share attributable to HEALWELL AI Inc.					
Basic and diluted - Continuing operations		0.02	(0.20)	(0.03)	(0.34)
Basic and diluted		0.02	(0.18)	(0.03)	(0.33)

See accompanying notes to the condensed interim consolidated financial statements.

HEALWELL AI INC. (formerly known as MCI ONEHEALTH TECHNOLOGIES INC.)
Condensed Interim Consolidated Statement of Cash Flows
(In thousands of Canadian dollars, except per share amounts)

		Six months ended June 30	
	Note	2024	2023 note 34
Operating activities:			
Net loss and comprehensive loss for the period		(3,684)	(17,264)
<i>Items not affecting cash:</i>			
Depreciation and amortization	30	4,001	1,591
Deferred tax	25	(983)	(950)
Non-cash interest accreted income	17	(7)	(8)
Non-cash interest accreted expense	17	52	82
Share based compensation	22	1,183	1,121
Expected credit losses	4	23	(103)
Fair value changes in redeemable liability		-	(37)
Loss on settlement of shares-contingent consideration		-	677
Impairment on intangible		-	7,629
Impairment on right of use assets	9	850	-
Changes in fair value of investments		-	134
Changes in fair value of call options	14	650	-
Interest on related party loan	8	1,015	478
Assets written off		229	-
Interest on bank loan	20	29	-
Debt forgiveness	8	(7,863)	-
Liability extinguishment	17	(3,088)	-
Impairment on investments		-	2,180
		(7,593)	(4,470)
<i>Net Change in non-cash operating items:</i>	26	(5,707)	370
Net cash flows used in operating activities from continuing operations		(13,300)	(4,100)
Net cash flows generated in operating activities from discontinued operations		69	614
Net cash flows used in operating activities		(13,231)	(3,486)
Investing activities			
Acquisition of subsidiary, net of cash acquired	12	(2,189)	-
Buyback of Polyclinic NCI Shares	6	(625)	-
Proceeds from sale of consideration shares		-	535
Advance against Investment		(8,427)	-
Investment in equity securities		(2,752)	-
Purchase of intangible assets		(934)	-
Purchase of property, plant and equipment	9	(17)	(30)
Net cash flows (used in) generated from investing activities from continuing operations		(14,944)	505
Net cash flows used in investing activities from discontinued operations		-	(21)
Net cash flows (used in) generated from investing activities		(14,944)	484
Financing activities			
Advances from related parties-net		797	3,128
Proceeds from issuance of shares		19,119	-
Proceeds from issuance of shares against exercise of warrants		9,012	-
Proceeds from issuance of shares against settlement of RSUs		244	-
Advance from Bank credit facility		-	(275)
Net cash inflow on disposal of subsidiary		-	1,000
Lease payments	17	(471)	(1,278)
Lease payments received	17	85	228
Net cash flows from financing activities from continuing operations		28,786	2,803
Net cash flows used in financing activities from discontinued operations		-	(550)
Net cash flows from financing activities		28,786	2,253
Foreign currency translation of foreign operations		50	-
Net increase (decrease) in cash and cash equivalents		661	(749)
Cash and cash equivalent at beginning of the period		19,162	1,411
Cash and cash equivalent at ending of the period		19,823	662

See accompanying notes to the condensed interim consolidated financial statements.

HEALWELL AI INC. (formerly known as MCI ONEHEALTH TECHNOLOGIES INC.)

Condensed Interim Consolidated Statement of Changes in Equity

(In thousands of Canadian dollars, except per share amounts)

(Unaudited)

Note	Class A Subordinate Voting shares									Class B multiple voting shares
	Shares	Share Capital	Convertible Debenture Option Reserve	Contributed Surplus	Translation Reserve	Deficit	Total	Non-Controlling interest	Total Equity	
Balance-January 1, 2023	50,075,202	39,787	-	9,640	-	(37,652)	11,775	1,719	13,494	36,000,000
Net loss and comprehensive loss	-	-	-	-	-	(17,235)	(17,235)	(29)	(17,264)	
Share based Payments	-	-	-	1,121	-	-	1,121	-	1,121	
Share issued in exchange for achieving milestone	3,035,657	2,277	-	-	-	-	2,277	-	2,277	
Share issued in exchange for achieving earn out target	758,914	400	-	(400)	-	-	-	-	-	
Balance- June 30, 2023	53,869,773	42,464	-	10,361	-	(54,887)	(2,062)	1,690	(372)	36,000,000

Note	Class A Subordinate Voting shares									Class B multiple voting shares
	Shares	Share Capital	Convertible Debenture Option Reserve	Contributed Surplus	Translation Reserve	Deficit	Total	Non-Controlling interest	Total Equity	
Balance-January 1, 2024	87,986,790	67,368	1,964	12,567	-	(69,249)	12,650	8,814	21,464	30,800,000
Net loss and comprehensive loss	-	-	-	-	50	(3,343)	(3,293)	(391)	(3,684)	
NCI adjustments for Polycilic	-	-	-	629	-	324	953	(324)	629	
Buyback of Polyclinic NCI Shares	-	-	-	1,305	-	-	1,305	(1,468)	(163)	
Share based Payments	-	-	-	1,183	-	-	1,183	-	1,183	
Share issuance	14,815,000	18,751	-	-	-	-	18,751	-	18,751	
Share issued for acquisition	21,682,465	14,961	-	-	-	-	14,961	-	14,961	
Share issuance for settlement of RSUs and DSUs	135,000	354	-	(110)	-	-	244	-	244	
Share issued against conversion of debentures	3,179,207	619	(220)	-	-	-	399	-	399	
Share warrants	-	-	-	378	-	-	378	-	378	
Exercise of warrants	25,525,988	9,467	-	(455)	-	-	9,012	-	9,012	
Balance- June 30, 2024	153,324,450	111,520	1,744	15,497	50	(72,268)	56,543	6,631	63,174	30,800,000

See accompanying notes to the condensed interim consolidated financial statements.

HEALWELL AI INC. (formerly known as MCI ONEHEALTH TECHNOLOGIES INC.)

Notes to Condensed Interim Consolidated Financial Statements

(In thousands of Canadian dollars, except per share amounts)

For the three and six months periods ended June 30, 2024 and 2023 (Unaudited)

NATURE OF BUSINESS AND BASIS OF PREPARATION

1. REPORTING ENTITY

HEALWELL AI INC. ("HEALWELL"), formerly known as MCI ONEHEALTH TECHNOLOGIES INC., is a company incorporated in Canada.

The condensed interim consolidated financial statements of HEALWELL as at and for the three and six months periods ended June 30, 2024, and June 30, 2023, comprise HEALWELL and its subsidiaries (together referred to as the "Company"). The Company provides:

- Government-insured primary and specialty healthcare through medical clinics in its Quit Clinic subsidiary
- Technology-enabled rare disease screening through its Khure Health subsidiary.
- Clinical research through its Canadian Phase Onward subsidiary.
- Pulmonary function testing lab services through its North York Pulmonary Function Test Centre subsidiary.
- AI-driven healthcare information analytics and insights through its Pentavere Research subsidiary.
- Subscription-based "Healthcare Software " (HS) information software through its Intrahealth Systems subsidiary.

The head office and principal address of the Company are located at 460 College Street, Unit 301, Toronto, Ontario, M6G 1A1. The records office of the Company is located at 22 Adelaide St. W., Unit 3600, Toronto, Ontario, M5H 4E3.

2. BASIS OF PRESENTATION

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting and using the same accounting policies as described in the Company's annual consolidated financial statements for the years ended December 31, 2023 and 2022 except for the new accounting standards/amendments adopted. The notes presented in these condensed interim consolidated financial statements include, in general, only significant changes and transactions occurring since the Company's last year end and are not fully inclusive of all disclosures required by IFRS for annual financial statements. These condensed interim consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements, including the notes thereto, for the years ended December 31, 2023 and 2022.

These condensed interim consolidated financial statements for the period ended June 30, 2024 were approved by the Board of Directors on August 12, 2024.

a) Use of Estimates and Judgement

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

In preparing these condensed interim consolidated financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the December 31, 2023 annual consolidated financial statements.

3. MATERIAL ACCOUNTING POLICIES

The preparation of financial statements is based on accounting principles and practices consistent with those used in the preparation of December 31, 2023 annual consolidated financial statements, except for the following:

HEALWELL AI INC. (formerly known as MCI ONEHEALTH TECHNOLOGIES INC.)

Notes to Condensed Interim Consolidated Financial Statements

(In thousands of Canadian dollars, except per share amounts)

For the three and six months periods ended June 30, 2024 and 2023 (Unaudited)

a) Foreign currency translation

(i) Functional and presentation currency

These condensed interim consolidated financial statements are presented in their functional currency, which is Canadian dollars.

Each of the Company's subsidiaries determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The determination of functional currency is based on the primary economic environment in which an entity operates. The functional currency of an entity reflects the underlying transactions, events and conditions that are relevant to the entity.

The functional currency of Intrahealth Australia Limited is the Australian dollar, and the functional currency of Intrahealth New Zealand Limited and Intrahealth Systems Limited is the New Zealand dollar. The functional currency of all other entities in the consolidated group is the Canadian dollar.

(ii) Foreign operations translation

Foreign operations that have a functional currency other than the Canadian dollar are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing foreign currency rate at the date of that consolidated statement of financial position;
- income and expenses are translated at the average exchange rate for that period (unless this is not a reasonable approximation of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rate on the dates of the transactions); and
- all resulting foreign currency gains and losses are recognized in other comprehensive loss as a foreign currency translation adjustment.

The relevant amount of cumulative foreign currency translation adjustment is reclassified to earnings upon disposition of a foreign operation.

(iii) Transactions in foreign currency

Foreign currency transactions for each entity are translated into the relevant functional currency using the exchange rates prevailing at the dates of the transactions (or using the average rate for the period when this is a reasonable approximation). Period end balances of monetary assets and liabilities denominated in currencies other than an entity's functional currency are translated into the entity's functional currency using period end foreign currency rates. Foreign exchange gains and losses resulting from the translation or settlement of monetary assets and liabilities denominated in currencies other than an entity's functional currency are recognized in the consolidated statements of profit and comprehensive loss.

b) Revenue Recognition

(i) Services revenue is revenue earned according to the scope of a project or service request; these projects are delivered across Canada, Australia and New Zealand over a period of time and revenue is recognized accordingly. Services revenue is most often based on fixed fee milestone payments, with the most common form being payment of a percentage of the total on signature, payment at a key decision gate midway through the project, and the remaining payment made upon close of the project. Payment is occasionally based on a time and materials basis, where work is billed in arrears based on tracked hours and expenses.

HEALWELL AI INC. (formerly known as MCI ONEHEALTH TECHNOLOGIES INC.)**Notes to Condensed Interim Consolidated Financial Statements****(In thousands of Canadian dollars, except per share amounts)****For the three and six months periods ended June 30, 2024 and 2023 (Unaudited)**

(ii) SaaS revenue is mainly derived from subscription licenses to the Company's software products and related add-on products. SaaS revenue is generated by providing support, hosting, and related services to customers across Canada, Australia and New Zealand that use Company's subscription-based software products. SaaS revenue is recognized over a period of time, typically for terms ranging from monthly to annually, and is most frequently prepaid by customers in advance of the Company rendering the service.

c) Basis of Consolidation

The consolidated financial statements include the accounts of HEALWELL and its subsidiaries after elimination of inter-company transactions and balances. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control.

If the Company loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest, and other components of equity, while any resultant gain or loss is recognized in the condensed interim consolidated statement of loss and comprehensive loss.

Profit or loss and each component are attributed to the equity holders of the parent of the Company and to the non-controlling interests.

These condensed interim consolidated financial statements include the Company and the following subsidiaries:

Name of Entity	Place of business / Country of Incorporation	Economic ownership interest percentage	Voting interest percentage	Nature of Relationships	Date Acquired
MCI Medical Clinics Inc	Canada	100%	100%	Subsidiary	April 26, 2007
MCI Medical Clinics (BC) Inc	Canada	100%	100%	Subsidiary	April 26, 2007
Onehealth Technologies Inc	Canada	100%	100%	Subsidiary	February 16, 2021
Khure Health Inc	Canada	100%	100%	Subsidiary	April 26, 2021
MCI Polyclinic Group Inc	Canada	100%	100%	Subsidiary	July 30, 2021
The Quit Clinic Inc	Canada	100%	100%	Subsidiary	July 30, 2021
Canadian Phase Onward	Canada	100%	100%	Subsidiary	July 30, 2021
North York Pulmonary Function Test Centre	Canada	100%	100%	Subsidiary	July 30, 2021
Pentavere Research	Canada	51%	51%	Subsidiary	December 1, 2023
Intrahealth Systems Limited	New Zealand	100%	100%	Subsidiary	February 1, 2024
Intrahealth Australia Solutions Pty	Australia	100%	100%	Subsidiary	February 1, 2024
Intrahealth New Zealand Limited	New Zealand	100%	100%	Subsidiary	February 1, 2024
Intrahealth Canada Limited	Canada	100%	100%	Subsidiary	February 1, 2024
Intrahealth Systems UK Limited	United Kingdom	100%	100%	Subsidiary	February 1, 2024

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Notes to Condensed Interim Consolidated Financial Statements

(In thousands of Canadian dollars, except per share amounts)

For the three and six months periods ended June 30, 2024 and 2023 (Unaudited)

Adoption of new accounting standards

On January 1, 2024, the Company adopted “Classification of Liabilities as Current or Non-current (Amendments to IAS 1)” and “Non-current Liabilities with Covenants (Amendments to IAS 1)”. The amendments clarify the requirements for classifying liabilities as current or non-current, specifically to introduce certain requirements related to the determination of the existence of a right at the end of a reporting period to defer settlement of a liability for at least twelve months after the reporting period. The amendments also specify that if a right to defer settlement of a liability for at least twelve months is subject to an entity complying with covenants after the reporting period, then those covenants would not affect the classification of the liability as current or non-current at the reporting date. The amendments also require entities to provide additional disclosures for liabilities classified as non-current and subject to covenants within twelve months of the reporting date. The adoption of the amendments did not have any impact on these condensed interim consolidated financial statements.

New accounting standard

On April 9, 2024, the IASB issued IFRS Accounting Standard 18 “Presentation and Disclosures in Financial Statements”. The objective of the new standard is to set out requirements for the presentation and disclosure of information in general purpose financial statements to help ensure they provide relevant information that faithfully represents an entity’s assets, liabilities, equity, income and expenses. The new standard is effective for reporting periods beginning on or after January 1, 2027. The Company is currently assessing the impact of the new standard.

HEALWELL AI INC. (formerly known as MCI ONEHEALTH TECHNOLOGIES INC.)
Notes to Condensed Interim Consolidated Financial Statements
(In thousands of Canadian dollars, except per share amounts)
For the three and six months periods ended June 30, 2024 and 2023 (Unaudited)

	June 30, 2024	December 31, 2023
4 ACCOUNTS RECEIVABLE		
Accounts receivable consist of the following:		
Trade receivables - Patient services	236	258
Trade receivables – Clinical research , AI & Data sciences	1,542	211
Trade receivables - Healthcare Software	2,291	-
Trade receivables – Others	-	671
Expected credit losses	(48)	(25)
	<u>4,021</u>	<u>1,115</u>
 The change in the allowance for expected credit losses are as follows:		
As at January 1,	25	189
Expense of provision for expected credit losses- continuing operations	23	11
Reversal of provision for expected credit losses- discontinued operations	-	(175)
	<u>48</u>	<u>25</u>
 5 PREPAID AND OTHER ASSETS		
Other assets consist of:		
Prepaid expenses	3,031	157
Harmonized Sales Tax (HST)	905	632
Scientific research & experimental development credits receivable	-	415
Other receivable	80	45
MCI Alberta Holdback	150	150
Security deposit	45	191
	<u>4,211</u>	<u>1,590</u>
Less: current portion	(3,936)	(1,203)
	<u>275</u>	<u>387</u>

6 DISPOSAL OF SUBSIDIARY

On June 17, 2024, MCI Polyclinic Group Inc. ("MCI Polyclinic"), a subsidiary of HEALWELL, acquired, for the purpose of cancellation, all of its issued and outstanding Class B common shares (representing 20% of all of its issued and outstanding common shares) from Health Network Efficiencies Inc. ("HNE"). The purchase price paid by MCI Polyclinic to HNE for acquiring its own equity instruments comprised of cash consideration of \$625 and the remaining \$50 was settled through the transfer of all the shares of Executive Medical Concierge Canada (2021) Ltd (EMC), a 100% owned subsidiary of MCI Polyclinic, to HNE. Following the disposal, EMC ceased to be a subsidiary or affiliate of the Company.

The assets and liabilities of EMC have been derecognized in the consolidated statement of financial position.

HEALWELL AI INC. (formerly known as MCI ONEHEALTH TECHNOLOGIES INC.)
Notes to Condensed Interim Consolidated Financial Statements
(In thousands of Canadian dollars, except per share amounts)
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The following table summarizes the carrying amount of the major class of the identifiable assets and liabilities disposed off:

	<u>June 17, 2024</u>
Cash	839
Accounts Receivable	77
Other Assets	20
Goodwill	384
Property, Plant and Equipment	2
Deferred revenue	(433)
Accounts payable and accrued liabilities	(598)
Total net assets derecognized	<u>291</u>
Cash	839
Accounts Receivable	77
Other Assets	39
Property, Plant and Equipment	2
Deferred revenue	(433)
Accounts payable and accrued liabilities	(598)
Net liabilities	(74)
Total consideration (Investment in EMC)	50
Gain on disposal-net of tax	<u>(24)</u>

7 DISCONTINUED OPERATIONS

The results of discontinued operations are shown as follows:

	Three Months ended June 30 2024	Three Months ended June 30 2023	Six Months ended June 30 2024	Six Months ended June 30 2023
Revenue	241	8,604	477	18,166
Cost of revenue	135	6,080	308	12,766
Gross profits	106	2,524	169	5,400
<u>Operating Expenses</u>				
Sales and marketing	-	11	-	25
General and administrative	58	3,189	119	6,327
Operating expenses	58	3,200	119	6,352
Net (Loss) Income before other expense and taxes	48	(676)	50	(952)
Net financing expenses	8	55	21	200
Impairment of goodwill and intangibles	-	147	-	147
Loss (gain) on disposal of subsidiary	78	(2,016)	78	(2,016)
(Loss) Income before taxes	(38)	1,138	(49)	717
Income tax expenses	5	33	5	50
Net (loss) income from discontinued operations	(43)	1,105	(54)	667

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(In thousands of Canadian dollars, except per share amounts)
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The Cashflows from discontinued operations is as follows:

Cash flows from operating activities

Six Months ended June 30 2024	Six Months ended June 30 2023
69	614

The profit earnings per share of discontinued operations for the period ended June 30, 2024, and 2023 as follows:

	June 30, 2024	June 30, 2023
Basic and diluted (loss) earnings per share	(0.0005)	0.0126

Basic and dilutive earnings per share for discontinued operations is calculated by dividing net income (loss) attributable to shareholders by the sum of the weighted average number of shares outstanding. The denominators used are the same as those detailed in note 19 to these condensed interim consolidated financial statements.

For the comparative period of six months ended June 30, 2023, discontinued operations includes all the disposed off entities. These entities were disposed in 2023. Accordingly, discontinued operations in the six months period ended June 30, 2024 only represent EMC.

For the comparative period of three and six months ended June 30, 2023, discontinued operations also included disposed off entities other than EMC. These entities have been disposed in 2023. Accordingly, discontinued operations in the three and six months period ended June 30, 2024 only represented EMC.

8 RELATED PARTY BALANCES AND TRANSACTIONS

The following related parties have engaged in transactions with the Company:

- WELL Health Technologies Corp. – has common directorship with the Company and has shareholding.
- HEALWELL management and board members.
- The First Canadian Wellness Co. Inc.- affiliate of major shareholders

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a) Related party balances

	Note	June 30, 2024	December 31, 2023
WELL Health Technologies Corp			
Principal including accrued interest		-	7,226
Debtenture payable	19	2,741	2,511
Operating loan payable		100	822
Holdback – Intrahealth		642	-
Convertible principal promissory note including accrued interest		5,060	-
Deferred Consideration - Intrahealth		606	-
Related parties of Intrahealth System Limited			
Operating loan payable		609	-
Management and Board members			
Debtenture payable	19	836	772
		10,594	11,331
Less: current portion		(6,411)	(672)
		<u>4,183</u>	<u>10,659</u>

b) Related party transactions

The Company has engaged in the following transactions with related parties:

	Three months ended June 30	
	2024	2023
The First Canadian Wellness Co. Inc.		
Loan advances	-	1,468
Interest on loan advances	-	478
Set-up fee on loan advances	-	46
WELL Health Technologies Corp.		
Interest on loan advances	196	-
Transition services	372	-
Debt forgiveness	(7,863)	-
Interest on debentures	121	-
Interest on promissory notes	60	-
Management and Board members		
Interest on debentures payable	38	-

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The First Canadian Wellness Co. Inc.

Loan advances

Interest on loan advances

Set-up fee on loan advances

WELL Health Technologies Corp.

Interest on loan advances

Transition services

Debt forgiveness

Interest on debentures

Interest on promissory notes

Management and Board members

Interest on debentures payable

Six months ended June 30	
2024	2023
-	3,128
-	478
-	46
637	-
523	-
(7,863)	-
242	-
60	-
76	-

On February 1, 2024, in connection with its acquisition of Intrahealth. the Company delivered a promissory note to WELL Health Technologies Corp. ("WELL") for a portion of the purchase price in the principal amount of \$5,000. The promissory note bears interest at a rate of 18% per annum and is repayable over the 10 months following the closing date in either cash or shares. The interest will be charged on maturity of respective promissory notes, The outstanding amount may be converted into Class A Subordinate Voting Shares of the Company ("Subordinate Voting Shares") at the option of WELL. Subject to certain conditions and at the Conversion price calculated in accordance with the promissory note. Payments are made in Canadian currency at a designated location.

On June 29, 2024, Pursuant to Section 10 of the Debt Resolution Agreement, WELL has agreed that, upon the resolution of the Company's outstanding claims and obligations to unsecured creditors to WELL's satisfaction, WELL shall settle, compromise, forgive, release or otherwise discharge the Company from all obligations under the Loan Agreement, the Guarantee, the GSA, the Security, the Registrations and any other loan and security documents ancillary or related thereto, together with all principal, interest, fees, expense reimbursement rights associated with enforcing the GSA or other entitlements owing to WELL in respect of any of the foregoing.

WELL absolutely, unconditionally and irrevocably releases and forever discharges the Company from any and all liability and obligations under the Loan and Security Documents. As a result, the Company derecognized all the associated liabilities and recorded a gain amounting to \$7,863.

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9 PROPERTY PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

a) Cost

Balance, December 31, 2022
Additions
Lease modification
Reclassified as assets held for sale
Acquisition through business combination
Disposal of subsidiary and assets
Balance, December 31, 2023
Additions
Acquisition through business combination
Assets Written Off
Translation Reserve
Balance, June 30, 2024

Medical equipment	Furniture and Equipment	Leasehold Improvements	Right-of-use Assets	Total
1,294	5,147	7,334	20,061	33,836
2	11	53	-	66
-	-	-	(201)	(201)
-	(4)	-	-	(4)
-	22	23	181	226
(982)	(1,914)	(3,909)	(9,820)	(16,625)
314	3,262	3,501	10,221	17,298
	17	-	-	17
	54	-	-	54
-	(467)	-	-	(467)
	8			8
314	2,874	3,501	10,221	16,910

b) Accumulated Depreciation

Balance, December 31, 2022
Depreciation
Reclassified as assets held for sale
Impairment
Impairment for discontinued operation
Lease modification
Disposal of subsidiary and assets
Balance, December 31, 2023
Depreciation
Assets Written Off
Impairment
Balance, June 30, 2024

Medical equipment	Furniture and Equipment	Leasehold Improvements	Right-of-use Assets	Total
1,174	4,299	6,390	11,530	23,393
12	192	265	1,319	1,788
-	(2)	-	-	(2)
-	-	677	1,264	1,941
11	64	-	99	174
-	-	-	(121)	(121)
(920)	(1,779)	(3,837)	(7,072)	(13,608)
277	2,774	3,495	7,019	13,565
3	67	4	279	353
	(238)			(238)
			850	850
280	2,603	3,499	8,148	14,530

c) Carrying Amounts

Balance, December 31, 2023
Balance, June 30, 2024

Medical equipment	Furniture and Equipment	Leasehold Improvements	Right-of-use Assets	Total
37	488	6	3,202	3,733
34	271	2	2,073	2,380

During 2023, the Company identified indicators of impairment within the MCI Medical Clinics Inc for Right-of-Use assets ("ROU") and leasehold improvements. As these are no longer used to generate income, the recoverable amount was determined to be nil therefore an impairment provision of \$1,941 was recognized as at December 31, 2023.

As at June 30, 2024, the Company identified indicators of impairment in a lease contract for Head Office classified as a ROU. Following an impairment assessment, the Company determined that the carrying value of the right of use asset exceeded its recoverable by \$850, and as a result recognized an impairment charge of \$850 in the period ended June 30, 2024.

On May 1, 2024, the Company re-cycled its computer equipment having net book value of \$229 on account of change in head office and sub-lease of 4881 Yonge Street, Suite 300, Toronto, Ontario M2N 5X3..

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10 INTANGIBLE ASSETS AND GOODWILL

Intangible assets consist of the following:

a) Cost	Physician Contracts	Customer Relationships	Favourable Contracts	Trademark	Goodwill	Software & Product Development	Total
Balance, December 31, 2022	187	9,200	75	-	10,074	5,241	24,777
Reclassified as assets held for sale	-	-	-	-	(384)	-	(384)
Acquisition through business combination	-	1,300	-	1,050	8,120	5,375	15,845
Disposal of subsidiary and assets	(187)	-	(75)	-	(104)	-	(366)
Balance, December 31, 2023	-	10,500	-	1,050	17,706	10,616	39,872
Additions	-	-	-	-	-	934	934
Acquisition through business combination	-	5,875	-	-	10,335	11,639	27,849
Translation reserve	-	56	-	-	98	110	264
Balance, June 30, 2024	-	16,431	-	1,050	28,139	23,299	68,919

b) Accumulated Amortization	Physician Contracts	Customer Relationships	Favourable Contracts	Trademark	Goodwill	Software & Product Development	Total
Balance, December 31, 2022	187	1,563	75	-	-	1,631	3,456
Impairment	-	2,199	-	-	5,354	1,402	8,955
Impairment from discontinued operation	-	-	-	-	47	-	47
Disposal of subsidiary and assets	(187)	-	(75)	-	-	-	(262)
Amortization	-	1,001	-	9	-	1,855	2,865
Balance, December 31, 2023	-	4,763	-	9	5,401	4,888	15,061
Amortization	-	756	-	53	-	2,841	3,650
Balance, June 30, 2024	-	5,519	-	62	5,401	7,729	18,711

c) Carrying Amounts	Physician Contracts	Customer Relationships	Favourable Contracts	Trademark	Goodwill	Software & Product Development	Total
Balance, December 31, 2023	-	5,737	-	1,041	12,305	5,728	24,811
Balance, June 30, 2024	-	10,912	-	988	22,738	15,570	50,208

As at September 30, 2023, the Company identified indicators of impairment within its Khure Health Inc. ("Khure") CGU and tested for impairment. The Company determined that goodwill and customer relationships related to the Khure Health Inc. CGU was impaired and recognized an impairment loss of \$5,199 for goodwill, \$2,199 for customer relationships. Subsequent to the recognition of the impairment loss, the carrying value of the Khure Health Inc. goodwill is \$nil.

During the six months period ended June 30, 2024 the Company impaired \$nil (2023-\$1,402) of software.

The Company also tests whether goodwill has suffered any impairment on an annual basis. As at December 31, 2023, the Company determined that goodwill related to Onehealth Technologies Inc. CGU was impaired and recognized loss of \$155. Subsequent to the recognition of the impairment loss, the carrying value of Onehealth Technologies Inc. goodwill is \$nil.

The Company determined that there is no indicator of impairment on any of the CGUs at June 30, 2024.

	June 30, 2024	December 31, 2023
Polyclinic Group	4,185	4,569
Pentavere Research	8,120	8,120
Intrahealth	10,433	-
Reclassified as asset held for sale	-	(384)
	<u>22,738</u>	<u>12,305</u>

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The following table provides the carrying values of the Company's investments in financial assets measured at fair value through profit and loss as at June 30, 2024 and December 31, 2023. Financial asset investments include equity instruments that are measured at fair value through profit and loss (FVPL) in accordance with IFRS 9.

		June 30, 2024	December 31, 2023
Investment in Doctorly	11 (a)	410	410
Investment in Fund holding X.AI Securities	11 (b)	2,752	-
		<u>3,162</u>	<u>410</u>

11(a) In 2023, the Company invested \$410 (US\$300) to acquire 2,341 shares representing 1.16% of total outstanding shares in Doctorly GmbH ("Doctorly"). Doctorly is engaged in the design, build and selling of a next generation Electronic Health Record (EHR) system initially focused on continental European healthcare systems, and particularly Germany. Doctorly provides the software on a "System-as-a-Service" SaaS basis to healthcare clinics recognizing revenue on a subscription basis each month. The fair value of the investment in Doctorly is \$410 as of June 30, 2024 (December 31, 2023 - \$410).

11(b) On May 09, 2024, the Company invested in a Think 1st Principles the fund with the opportunity to realize the long-term appreciation from investments in the securities of X.AI Corp("X.AI"). The Company invested \$2,752 (US\$2,000) to acquire an indirect interest in less than 1% total outstanding shares in X.AI. The fair value of the investment in X.AI is \$2,752 as of June 30, 2024. X.AI is an American startup company working in the area of artificial intelligence. The following investments were recognized as equity and debt instruments under IFRS 9 and are measured at fair value through profit and loss (FVPL). As they are private companies, the fair value of the shares of these companies was not readily determinable, and the fair value measurement of the assets has been categorized within Level 3 of the fair value hierarchy (Note 25(b)). The Company initially measured the investment at fair value equal to cost as the best estimate. As at June 30, 2024, the Company determined that the fair value of the investment approximated its cost.

12 BUSINESS ACQUISITION

On February 1, 2024, the Company acquired 100% shares of Intrahealth Systems Limited, a corporation existing under the laws of New Zealand. Intrahealth is a digital health AI company with a patient identification solution that enables the early identification of serious health issues to enable people to live longer, healthier lives. The purchase consideration consists of the following amounts:

On Closing:

(a) The Company paid cash of \$3,600, after adjustment of hold back and working capital of \$606 and \$158.

(b) The Company issued 21,682,465 Subordinate Voting Shares valued in aggregate at \$14,961. The Company booked \$14,961 as part of share consideration based on a February 1, 2024 closing date value of \$0.69 per share.

(c) The Company delivered a convertible \$5,000 principal amount promissory note (the "VTB Note") of the Company. The promissory note's, principal and interest are convertible at the sole and complete discretion of the holder at any time prior to the maturity date at a conversion price equal to the Value Weighted Average Price("VWAP") of the Company's Subordinate Voting Shares for the 5 trading days prior to the payment date. The entire outstanding amount, including principal and interest, would be due over the 10 months following the closing date in either cash or shares.

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(d) Deferred Purchase Amount of \$641, to be settled in cash or deferred purchase shares at the complete discretion of the Company. The Company may satisfy the Deferred Purchase Amount by issuing Common Shares (the “Deferred Purchase Shares”) on the Deferred Payment Date at a deemed price per share that is equal to the VWAP immediately preceding the Deferred Payment Date.

The following table summarizes the Company’s assessment of fair values, etc. of the identifiable assets and liabilities of Intrahealth, including goodwill.

Accounts receivable and other current assets	1,508
Cash	772
Fixed assets	54
Other non-current assets	136
Software	11,639
Customer relationship	5,875
Total Assets	19,984
Accounts payable and other current liabilities	925
Deferred revenue	177
Deferred tax liability	4,629
Due to related parties	419
Total Liabilities	6,150
Total net identifiable assets	13,834
Goodwill	10,335
Total purchase consideration	24,169
Purchase Consideration	
Share consideration	14,961
Cash	2,961
Holdback	606
Convertible notes	5,000
Deferred payments	641
Total purchase consideration	24,169

The acquisition was accounted for using the acquisition method in accordance with IFRS 3 with the results of operations consolidated with those of the Company effective February 1, 2024.

The goodwill recognized in connection with this acquisition is primarily attributable to the broader access Intrahealth will have to deploy its technology in a bigger health care ecosystem by being a part of HEALWELL and intangible assets that do not qualify for separate recognition. Goodwill is not deductible for income tax purposes.

Since acquisition, Intrahealth contributed revenue of \$4,655 and net profit of \$106 during the period between the date of its acquisition and June 30, 2024. For the full six month period ended June 30, 2024, Intrahealth would have generated revenue of \$5,594 and a net profit of \$16 had the acquisition been made at the beginning of financial year.

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The amortization period for the customer relationships is 10 years, and for software technology related intangibles is 3 years.
The Acquisition related costs for Intrahealth amounts to \$104.

13 ADVANCE AGAINST INVESTMENTS

On June 28 2024, the Company paid cash of \$3,874 and \$4,553 against investment in Verosource Solutions Inc. and Bio Pharma Services Inc, respectively. to be acquired as subsidiaries by the Company.

14 CALL OPTIONS

The Company has a call option to acquire the outstanding Class A Common Shares of Pentavere that are not currently owned by the Company. The Company modeled the probability of achieving the milestones associated with the call option and used the Black Scholes method to model the option itself to arrive at a fair value of \$850 as at June 30, 2024 (December 31, 2023 \$ 1,500). During the period, the change in fair value of \$650 has been recognized in the statement of profit (loss) and comprehensive income (loss).

15 LIABILITY FOR CONTINGENT CONSIDERATION SHARES

	June 30, 2024	December 31, 2023
Balance as at January 1	260	1,637
Changes in fair value loss for contingent consideration	-	223
Issuance of shares upon achievement of revenue targets	-	(1,600)
Balance as at June 30, 2024	260	260

At the time of acquisition of Khure, a portion of the total consideration up to a maximum of \$5,600, payable in Subordinate Voting Shares, was subject to an earn-out arrangement over an earn-out period ending December 23, 2023. The final earn-out payable will be determined based on multiple post-acquisition period revenue targets as specified in the transaction agreements. During the year ended December 31, 2022, the second earn-out target was achieved. Under the terms of the purchase and sale agreement, the Company is required to issue Subordinate Voting Shares equal to \$1,600 divided by the volume weighted average market price of the Company's shares at the time of issuance. On February 15, 2023, the Company issued 3,035,657 Subordinate Voting Shares from treasury in consideration of achieving the second earn-out milestones agreed to in the Khure transaction agreements, valued at \$2,277. In connection with the settlement of the contingent liability, the Company recognized a loss of \$677 for 2023 in the statement of loss and comprehensive loss.

On July 12, 2023, the Company entered into an agreement with Khure to extend the time to achieve the third and final earn-out milestone from December 23, 2023, to December 31, 2025.

The determination of the fair value of contingent consideration is primarily based upon the Company's expectations of the amount of revenue to be achieved by Khure. During the year ended December 31, 2023, the Company recognized changes in fair value of loss of \$223 (December 31, 2022, fair value gain of \$1,485) resulting from the change in fair value of the contingent consideration.

As of June 30, 2024, the Company expects no change in its fair value of the contingent consideration of \$260.

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16	Accounts payable and accrued liabilities	June 30, 2024	December 31, 2023
	Trade & Other Payables	1,488	3,931
	Income taxes Payables	220	19
	Holdback Pentavere	-	443
	Accrued Liabilities	2,776	1,979
	Deposits	49	49
		<u>4,533</u>	<u>6,421</u>

17 LEASES

The Company leases various clinic spaces for its operations and subleases its excess office and clinic spaces to subtenants. Rental contracts are typically made for fixed periods of 5 to 12 years. Extension options are included in the majority of leases for clinic space and typically range from 5 to 10 years. These terms are used to maximize operational flexibility in terms of managing the Company's clinic space. For the majority of its leases with renewal options, the Company has not included lease payments under extension options, as it is not reasonably certain that renewal options on those leases will be exercised. Substantially all the property leases contain variable lease payments for operating costs that are based on actual costs incurred by the lessor. The variable operating costs do not depend on an index or a rate and are recognized as an expense in the period they are incurred.

The Company's lease liability and lease receivable as at June 30, 2024, and December 31, 2023, are as follows:

	June 30, 2024	December 31, 2023
Lease liability – current	557	1,010
Lease liability – non-current	2,987	4,264
Total Lease liability	<u>3,544</u>	<u>5,274</u>
Lease receivable – current	72	126
Lease receivable – non-current	225	249
Total Lease receivable	<u>297</u>	<u>375</u>

Amounts recognized in the condensed interim consolidated statement of profit (loss) and comprehensive Income (loss):

	June 30, 2024	June 30, 2023
Expenses relating to variable lease payments	270	434
Lease income from operating leases	29	17
Interest income on subleases	4	1

Lease Liability

Lease liability interest expense recognized in comprehensive loss and lease payments recognized in the financing component of statement of cash flows are as follows:

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	Note	June 30, 2024	December 31, 2023
Balance - Beginning		5,274	10,420
Lease modification		-	(98)
Business combination		-	181
Disposal of subsidiary and clinics		-	(3,429)
Interest expense from continuing operations		52	149
Interest expense from discontinued operations		19	160
Termination	16.1	(1,330)	-
Lease cash payments		(471)	(2,109)
Balance - Ending		3,544	5,274

The maturity analysis of lease liabilities at June 30, 2024, is as follows:

Minimum lease payments due	< 1 year	2 – 5 years	>5 years	Total
Lease payments	682	2,434	962	4,078
Finance charges	(125)	(296)	(113)	(534)
Lease liabilities	557	2,138	849	3,544

Net Investment in Subleases

Rental contracts for subleases are typically made for fixed periods of 1 to 10 years but may have extension options ranging from 5 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. As at June 30, 2024, and December 31, 2023, the Company had sublease contracts for 7 spaces, with an average remaining life to expiry (including extension term) of 1.30 years (2023-1.45 years).

Lease receivable interest income recognized in comprehensive loss and lease recoveries recognized in the financing component of statement of cash flows are as follows:

	June 30, 2024	December 31, 2023
Balance-Beginning	375	1,253
Disposal	-	(543)
Interest income from continuing operations	7	15
Interest income from discontinued operations	-	13
Lease cash recoveries	(85)	(363)
Balance - Ending	297	375

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As at June 30, 2024, the minimum rent expected to be received under net investment in subleases is as follows:

2024	69
2025	57
2026	57
2027	57
2028	57
More than five years	28
	<hr/>
	325
Unearned finance income	(28)
	<hr/>
	297

As at June 30, 2024, the minimum rent expected to be received under operating leases for the next five years and thereafter is as follows:

2024	57
2025	23
	<hr/>
	80

The Company subleased a space for 5 years. The rent per annum will start at \$48 per annum from September 1, 2024 and increase over 5 years, ending at \$79 per annum.

During 2024, the Company entered into settlement agreements with several landlords to settle the Company's outstanding obligations under certain lease agreements. After the Company made the settlement payments as per the applicable settlement agreements, the parties irrevocably agreed that the lease is hereby terminated and their affiliates will have no further obligation under or in respect of that lease as of the effective date of the settlement agreements. Accordingly, the Company has derecognized the related liabilities which results in a gain on settlement of \$3,088.

18 NON-CONTROLLING INTEREST REDEEMABLE LIABILITY

In 2021, the Company completed a series of share purchase transactions to acquire an 80% interest in Canadian Phase Onward Inc., The Quit Clinic Inc., North York Pulmonary Function Center Inc. and Executive Medical Concierge Canada (2021) Ltd. (collectively, "Polyclinic") through its newly formed subsidiary, MCI Polyclinic. Polyclinic provides onsite integrated health services including primary care, specialist care, lab services and in-house clinical research.

During the acquisition, the Company entered into an agreement with the non-controlling shareholders of MCI Polyclinic, which contained a put option to require the Company to purchase their retained interest based on specified calculations. On initial recognition, the Class B common shares of MCI Polyclinic, held by the non-controlling shareholders, representing 20% of all issued and outstanding common shares of MCI Polyclinic, were recognized as a financial liability.

On June 17, 2024, MCI Polyclinic Group Inc("MCI Polyclinic") acquired, for the purpose of cancellation, all of the issued and outstanding Class B common shares in the capital of MCI Polyclinic held by Health Network Efficiencies Inc. (HNE). The purchase of its own shares by MCI Polyclinic from HNE and their subsequent cancellation resulted in change in ownership interest of HEALWELL in MCI Polyclinic and its subsidiaries from 80% to 100%. The non-controlling interest previously recognized as a redeemable liability in the consolidated financial statements has been derecognized directly in the equity on account of settlement of the NCI 20% share in MCI Polyclinic.

The carrying amount as of June 30, 2024, is \$ Nil (December 31, 2023- \$1,282).

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	Note	June 30, 2024	December 31, 2023
Balance as at January 1, 2024		6,217	-
Debenture issuance		-	10,000
Conversion feature		-	(1,964)
Share warrants		-	(1,932)
Issuance cost		-	(190)
Accrued interest		617	303
Converted into shares		(398)	-
Balance as at June 30, 2024		<u>6,436</u>	<u>6,217</u>
Liability component		6,436	6,217
Reclass from Debenture payable to WELL Health Technologies Corp	8	(2,741)	(2,511)
Reclass from Debenture payable to Management and Board member	8	(836)	(774)
		<u>2,859</u>	<u>2,932</u>

The debentures bear interest at a rate of 10% per annum and mature 5 years from the closing date of October 1, 2023. The principal and interest outstanding under the debentures are convertible into Subordinate Voting Shares at \$0.20/share, and for every \$1 of debentures purchased, subscribers also received 5 warrants for Subordinate Voting Shares exercisable at \$0.20/share.

As the conversion feature results in the conversion of a fixed amount of stated principal into a fixed number of shares, it satisfies the 'fixed for fixed' criterion and, therefore, it is classified as an equity instrument.

The Company receives a fixed amount of cash in exchange for issuing a predetermined number of equity shares with each warrant corresponding to one share. Warrants associated with the debentures are classified as equity. The debentures have 2 features – the debenture itself and the conversion feature. The fair value of the liability component, at inception was calculated using a market interest rate for an equivalent instrument without conversion option. The discount rate applied was 20.5%. Debentures are classified as a financial liability whereas the conversion feature is classified as equity.

As of June 30, 2024, the Company was compliant with all covenants of the debentures.

20 LOANS

As at June 30, 2024 the company was in compliance with all covenants in respect of its loan facilities.

21 SHARE CAPITAL**(a) Authorized:**

The authorized share capital of the Company is an unlimited number of Class A Subordinate Voting Shares, an unlimited number of Class B Multiple Voting Shares and an unlimited number of Preferred Shares.

HEALWELL AI INC. (formerly known as MCI ONEHEALTH TECHNOLOGIES INC.)

Notes to Condensed Interim Consolidated Financial Statements

(In thousands of Canadian dollars, except per share amounts)

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(b) Issued:

Balance-December 31, 2022

Settlement of liability for contingent

Issuance of Subordinate shares for
achieving of earn-out target-Khure

Share issuance, net of share issuance

Share warrants

Issuance of Subordinate shares for Pentavere acquisition

Issuance of Subordinate shares for settlement of DSU
and RSUs

Cancelled during the year

Balance- December 31, 2023

Class A Subordinate Voting Shares		Class B Multiple Voting Shares
No. of Shares	Amount	
50,075,202	39,787	36,000,000
3,035,657	2,277	
758,914	400	
27,708,400	16,659	
	1,932	
5,705,664	5,592	
702,953	721	
		(5,200,000)
87,986,790	67,368	30,800,000

Balance-December 31, 2023

Issuance of Subordinate Voting Shares
against warrants exercised

Issuance of Subordinate Voting Shares for
acquisition of Intrahealth

Share issuance, net of share issuance costs

Issuance of Subordinate Voting Shares
against conversion of debentures

Issuance of Subordinate Voting Shares against RSU, PSU
& DSU

Balance- June 30, 2024

Class A Subordinate Voting Shares		Class B Multiple Voting Shares
No. of Shares	Amount	
87,986,790	67,368	30,800,000
25,525,988	9,467	
21,682,465	14,961	
14,815,000	18,751	
3,179,207	619	
135,000	354	
153,324,450	111,520	30,800,000

On January 26, 2024, the Company issued 350,000 Subordinate Voting Shares against conversion of debenture payables.

On January 26, 2024, the Company issued 187,500 Subordinate Voting Shares against conversion of debenture payables.

On February 1, 2024, the Company issued 21,682,465 Class A Subordinate Voting Shares to WELL Health Technologies Corp. as part of purchase consideration of Intrahealth acquisition.

On February 13, 2024, the Company issued 1,008,849 Subordinate Voting Shares against conversion of debenture payables and exercised of warrants of 258,849 and 750,000, respectively.

On February 23, 2024, the Company issued 1,761,645 Subordinate Voting Shares against conversion of debenture payables and exercised of warrants of 1,561,645 and 200,000, respectively.

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On February 28, 2024, the Company issued 100,000 Subordinate Voting Shares against conversion of debenture payables.

On March 14, 2024, the Company issued 78,267 Subordinate Voting Shares against conversion of debenture payables.

On March 14, 2024, the Company issued 40,000 Subordinate Voting Shares to the Broker against warrants exercised at \$0.80 per share.

On May 22, 2024, the Company issued a total of 14,815,000 Subordinate Voting Shares pursuant to a private placement at a price of \$1.35 per share for gross proceeds of \$20,000. The Company granted 7,407,500 initial warrants and 586,677 compensation warrants to the underwriters of the private placement, along with initial warrants with each warrant exercisable to acquire one Subordinate Voting Share at a price of \$1.80 per share and \$1.35 per share for a period of 24 months following closing of the private placement. The Company used the Black Scholes method and determined the fair value at \$1.01 and \$1.10 of initial warrants and broker warrants was \$4,756. The Company incurred share issuance cost \$882 including compensation warrants.

On April 8, 2024, the Company issued 90,000 Subordinate Voting Shares against exercise of warrants at \$0.20 per share.

On April 17, 2024, the Company issued 181,085 Subordinate Voting Shares against warrants exercised at \$0.75 and \$0.80 per share.

On April 29, 2024, the Company issued 359,637 Subordinate Voting Shares against conversion of debenture payable.

On May 10, 2024, the Company issued 100,000 Subordinate Voting Shares against exercise of warrants at \$0.20 per share.

In April 2024, the Company issued 854,450 Subordinate Voting Shares against exercise of warrants at \$1.20 per share.

On May 16, 2024, the Company issued 102,812 Subordinate Voting Shares to the Broker against warrants exercised at \$0.80 per share.

On May 27, 2024, the Company issued 206,466 Subordinate Voting Shares against conversion of debenture payable.

On May 27, 2024, the Company issued 104,970 Subordinate Voting Shares to the Broker against warrants exercised at \$0.75 per share.

On May 30, 2024, the Company issued 175,000 Subordinate Voting Shares against exercise of warrants at \$0.20 per share.

On May 30, 2024, the Company issued 454,871 Subordinate Voting Shares to the Broker against warrants exercised at \$0.75 per share.

In May 2024, the Company issued 586,025 Subordinate Voting Shares against exercise of warrants at \$1.20 per share.

On June 06, 2024, the Company issued 50,000 Subordinate Voting Shares against exercise of warrants at \$0.20 per share.

On June 11, 2024, the Company issued 375,000 Subordinate Voting Shares against exercise of warrants at \$0.20 per share.

HEALWELL AI INC. (formerly known as MCI ONEHEALTH TECHNOLOGIES INC.)**Notes to Condensed Interim Consolidated Financial Statements****(In thousands of Canadian dollars, except per share amounts)****For the three and six months periods ended June 30, 2024 and 2023 (Unaudited)**

On June 12, 2024, the Company issued 855,918 Subordinate Voting Shares against conversion of debenture payable.

On June 12, 2024, the Company issued 2,330,000 Subordinate Voting Shares against exercise of warrants at \$0.20 per share.

On June 13, 2024, the Company issued 133,425 Subordinate Voting Shares against conversion of debenture payable.

On June 13, 2024, the Company issued 3,687,500 Subordinate Voting Shares against exercise of warrants at \$0.20 per share.

On June 14, 2024, the Company issued 6,787,500 Subordinate Voting Shares against exercise of warrants at \$0.20 per share.

On June 19, 2024, the Company issued 772,150 Subordinate Voting Shares against exercise of warrants at \$0.20 per share.

On June 26, 2024, the Company issued 5,000,000 Subordinate Voting Shares against exercise of warrants at \$0.20 per share.

In June 2024, the Company issued 1,972,125 Subordinate Voting Shares against exercise of warrants at \$1.20 per share.

(c) Warrants

The following table summarizes grants of share warrants issued as broker compensation for equity bought deal financings, debenture warrants as part of October 1, 2023 debenture financing and the warrants issued as part of December 2023 and May 2024 bought deal equity financings:

Share warrants issuance date	Share warrants	Exercise price	Fair value	Exercised	Net Outstanding
October 17, 2023 Broker warrants	699,801	0.75	0.52	699,801	-
December 22, 2023 Broker warrants	862,500	0.80	0.49	183,937	678,563
December 22, 2023 Bought deal	7,187,500	1.20	0.52	3,412,600	3,774,900
October 1, 2023 Debenture warrants	50,000,000	0.20	0.20	21,229,650	28,770,350
May 22, 2024 Broker warrants	586,677	1.35	1.10	-	586,677
May 22, 2024 Initial warrants	7,407,500	1.80	1.01	-	7,407,500
June 30, 2024	66,743,978	-	-	25,525,988	41,217,990

The fair value of each warrants issued was estimated at the time of issuance using the Black-Scholes model. Black-Scholes is a pricing model used to determine the fair price or theoretical value for a warrants based on the following weighted assumptions at the measurement date:

	2024	2023
Risk free rate	4.15%	4.05% - 4.83%
Expected life (years)	2	2
Volatility	121.51%	140.08% - 140.29%
Underlying stock price	\$1.65	\$0.72 - \$0.75
Strike price	\$1.35 - \$1.8	\$0.75 - \$1.8

HEALWELL AI INC. (formerly known as MCI ONEHEALTH TECHNOLOGIES INC.)

Notes to Condensed Interim Consolidated Financial Statements

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22 SHARE BASED PAYMENT ARRANGEMENTS

As of June 30, 2024, the Company had the following share-based payment arrangements:

(a) Stock Option Plan:

On January 8, 2024, the Company granted an aggregate of 100,000 PSUs, each settleable for one Subordinate Voting Share, to key personnel.

On January 8, 2024, the Company granted an aggregate of 100,000 RSUs, each settleable for one Subordinate Voting Share, to key personnel.

On April 15, 2024, the Company granted an aggregate of 1,296,758 RSUs, each settleable for one Subordinate Voting Share, to key personnel.

On April 15, 2024, the Company granted an aggregate of 521,250 PSUs, each settleable for one Subordinate Voting Share, to key personnel.

On April 15, 2024, the Company granted an aggregate of 101,841 DSUs, each settleable for one Subordinate Voting Share, to key personnel.

On June 18, 2024, the Company granted an aggregate of 423,084 RSUs, each settleable for one Subordinate Voting Share, to key personnel.

Fair value of stock options granted:

The fair value of each option granted was estimated at the time of grant using the Black-Scholes option pricing model. Black-Scholes is a pricing model used to determine the fair price or theoretical value for a call or a put option based on the following weighted assumptions at the measurement date:

Risk free rate
Expected life (years)
Volatility
Underlying stock price
Strike price

December 31, 2023
4.05%
4-5
124.01%
\$0.55-\$0.75
\$0.69-\$0.75

Fair value of modification of stock options:

The fair value of each modification option granted was estimated at the time of modification using the Black-Scholes option pricing model. Black-Scholes is a pricing model used to determine the fair price or theoretical value for a modification of call or a put option. There is no modification were made during the six months ended June 30, 2024.

Risk free rate
Expected life (years)
Volatility
Underlying stock price
Strike price

December 31, 2023
4.26%-4.78%
4
130%-140%
\$0.55
\$0.69-\$5

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Notes to Condensed Interim Consolidated Financial Statements

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For the three and six months periods ended June 30, 2024 and 2023 (Unaudited)

The following table outlines the activity for stock options for the Six months ended June 30, 2024, and 2023:

	June 30, 2024		June 30, 2023	
	Number of options (000s)	Weighted average exercise price	Number of options (000s)	Weighted average exercise price
Outstanding-January 1,	2,304	4.40	4,701	3.85
Forfeited	(92)	3.10	(616)	1.30
Settled	(10)	3.00	-	-
Outstanding-June 30,	2,202	4.46	4,085	4.23

There were 1,105,500 options vested or exercisable as at June 30, 2024 (2023- 2,251,324), the following table, provides the outstanding options at their respective exercise prices and the related weighted average remaining contractual life:

Exercise Price	Number of outstanding (000s)	Weighted average remaining contractual life (years)
\$1.36	81	1.30
\$0.69	2,121	4.25
	2,202	4.14

The following table summarizes grants of stock options:

Grant date	Granted (000s)	Settled (000s)	Cancelled (000s)	Forfeited (000s)	Modified (000s)	Outstanding (000s)
January 6, 2021	3,420	-	(1,355)	(605)	(1,460)	-
May 18, 2021	528	-	-	(422)	(106)	-
June 29, 2021	400	-	-	(400)	-	-
September 10, 2021	95	-	-	-	(95)	-
April 8, 2022	645	(10)	-	(244)	(310)	81
October 5, 2022	635	-	-	(485)	(150)	-
September 30, 2023	-	-	-	-	2,121	2,121
Balance- June 30, 2024	5,723	(10)	(1,355)	(2,156)	-	2,202

No stock options expired during the quarter ended June 2024 as none will expire until 2025 (2023 – nil)

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(b) DSUs, RSUs and PSUs

The Company grants DSUs to the members of the Board of Directors as part of their annual remuneration for the services rendered as directors on the Company's Board and Committees and may also award one-time grants of DSUs to its directors in connection with major events, such as its going-public transaction in January 2021. The Company also grants RSUs to employees and contractors. The amount of the DSU or RSU award payable is based on the number of units outstanding multiplied by the share price of the Company at the date of the payout. For equity settled DSUs and RSUs, the fair value of the award is recorded as an expense at the grant date. To date, all RSUs and DSUs that have been awarded by the Company have been equity-settled.

The Company also grants PSUs to key employees as part of their long-term incentive compensation. The fair value of the PSU is recorded as an expense at the grant date based on assessing the performance criteria associated with the PSUs and adjusted quarterly depending on likely achievement of the performance criteria associated with the PSUs. PSUs are equity settled.

Grant date	Vesting period	RSUs	PSUs	DSUs	Vested	Settled	Net Outstanding
September 10, 2021	Fully vested	-	-	52,400	52,400	29,500	22,900
April 8, 2022	Fully vested	-	-	203,674	203,674	118,381	85,293
September 30, 2023	Fully vested	-	-	223,187	223,187	55,072	168,115
September 30, 2023	1/3 per year	950,000	-	-	-	-	950,000
September 30, 2023	1/3 per year	-	950,000	-	-	-	950,000
October 23, 2023	1/3 per year	-	325,000	-	-	-	325,000
October 23, 2023	1/3 per year	325,000	-	-	-	-	325,000
October 23, 2023	Fully vested	500,000	-	-	-	500,000	-
October 23, 2023	1/3 per year	70,000	-	-	-	-	70,000
January 8, 2024	1/3 per year	100,000	-	-	-	-	100,000
January 8, 2024	1/3 per year	-	100,000	-	-	-	100,000
April 15, 2024	1/2 (Aug 31, Nov 30)	125,000	-	-	-	-	125,000
April 15, 2024	1/3 Per Year	523,313	281,250	-	-	-	804,563
April 15, 2024	1/3 Per Year (From July 14, 2023)	134,735	-	-	-	-	134,735
April 15, 2024	100% on April 15, 2025	240,000	-	-	-	-	240,000
April 15, 2024	100% on April 6, 2025	73,475	-	-	-	-	73,475
April 15, 2024	100% on Dec 15, 2024	-	240,000	-	-	-	240,000
April 15, 2024	100% on Jan 1, 2025	26,241	-	-	-	-	26,241
April 15, 2024	100% on July 14, 2024	48,994	-	-	-	-	48,994
April 15, 2024	Quarterly (From Jan 1, 2024)	-	-	101,841	-	-	101,841
June 18, 2024	1/3 Per Year	423,084	-	-	-	125,000	298,084
June 30, 2024		3,539,842	1,896,250	581,102	479,261	827,953	5,189,241

On April 08, 2022, the Company issued 203,674 equity settled DSUs to directors. The closing price of the Subordinate Voting Shares on April 8, 2022 was \$1.31.

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Notes to Condensed Interim Consolidated Financial Statements

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23 OPERATING EXPENSES BY NATURE

	Note	Three months ended June 30		Six months ended June 30	
		2024	2023	2024	2023
Salaries and other short-term employee benefits		2,248	877	3,938	1,846
Research and development		800	700	1,717	2,551
Sales and marketing		1,503	318	2,264	638
Office expenses		957	(92)	1,163	(198)
Professional and accounting		1,719	1,450	2,960	1,629
Insurance		107	170	271	371
Technology and communication expenses		424	13	796	21
Stock compensation		702	276	1,183	841
Public company expenses		218	110	882	215
Depreciation and amortization expense		1,441	96	2,408	232
Impairment of goodwill and intangibles		-	7,629	-	7,629
Impairment of ROU	9	850	-	850	-
Loss on fixed assets write off		228	-	228	-
Others		302	64	665	359
Expenses from continuing operations		11,499	11,611	19,325	16,134
Salaries and other short-term employee benefits		35	2,023	72	4,243
Research and development		-	10	-	-
Sales and marketing		-	1	-	25
Office expenses		11	357	20	734
Professional and accounting		1	151	2	284
Insurance		-	38	-	89
Technology and communication expenses		-	22	-	63
Depreciation and amortization expense		1	421	2	870
Impairment of goodwill and intangibles		-	147	-	147
Others		9	177	23	44
Expenses from discontinued operations		11,556	14,958	19,444	22,633

24 FINANCING EXPENSES					
Financing expenses consist of the following:					
Interest on lease liabilities		16	54	52	82
Interest on related party loan		415	284	1,015	478
Interest, bank charges and fees		191	80	408	77
Financing from continuing operations		622	418	1,475	637
Financing from discontinued operations					
Interest on lease liabilities		7	52	19	103
Interest on lease receivables		-	(4)	-	(10)
Interest, bank charges and fees		-	8	-	107
		629	474	1,494	837

HEALWELL AI INC. (formerly known as MCI ONEHEALTH TECHNOLOGIES INC.)

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25 INCOME TAXES

Income taxes consists of the following:

Continuing operation

Current income tax

Deferred tax recovery

Discontinued operation

Current income tax

Total

Three months ended June 30		Six months ended June 30	
2024	2023	2024	2023
168		218	-
(699)	(731)	(983)	(950)
(531)	(731)	(765)	(950)
5	33	5	50
5	33	5	50
(526)	(698)	(760)	(900)

Reported income tax expense differs from the amount computed by applying the combined Canadian federal and provincial income tax rates to loss before income tax due to the following:

	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Continuing operation				
Income(Loss) before income tax	2,007	(10,513)	(4,522)	(18,161)
Effective income tax rate	26.5%	26%	26.5%	26.5%
Expected income tax recovery	532	(2,786)	(1,198)	(4,813)
Permanent difference	1,031	531	889	1,554
Intangibles	-	(4)	-	(15)
Deferred tax assets not recognized	(2,690)	2,543	169	3,373
Others	596	(1,015)	(625)	(1,049)
	(531)	(731)	(765)	(950)
Discontinued operation				
Income(Loss) before income tax	19	1,104	20	667
Effective income tax rate	26.5%	26.5%	26.5%	26.5%
Expected income tax recovery	5	293	5	177
Permanent difference	-	(260)	-	(127)
	5	33	5	50
Total	(526)	(698)	(760)	(900)

Deferred tax assets consist of:

	June 30, 2024	December 31, 2023
Leases (includes PP&E)	435	116
Security issuance expenses	759	922
Non-capital loss carry forward	13,106	11,736
Net-capital loss carried forward	9	9
SR&ED expenditure pool	1,985	1,986
Deferred tax assets not recognized	(14,967)	(13,633)
Others	7	9
	1,334	1,145
Deferred tax liabilities consist of:		
Property and equipment	(145)	(62)
Intangibles	(6,858)	(3,107)
	(7,003)	(3,169)

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Included in deferred tax asset and liabilities is \$6,676 (December 31, 2023 - \$3,032) that arose from business combination.

Deferred tax assets not recognized relate to non-capital loss and deferred financing costs of one of the legal entities where it is not certain that deferred tax asset on these tax attributes will be realized based on future profits generated by that entity.

The Company's non-capital loss carry forwards expire as follows:

2033	5
2035	258
2036	733
2037	-
2038	-
2039	822
2040	755
2041	10,673
2042	14,508
2043	19,695
2044	10,275
Unlimited	2,031
	59,755

The company also has a Scientific Research & Experimental Development ("SR&ED") expenditure pool of \$8,834 (December 31, 2023, of \$7,492) which can be carried forward for future years and which do not expire.

26 NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

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

Accounts receivable

Other assets

Accounts payable and accrued liabilities

June 30, 2024	June 30, 2023
(1,421)	1,657
(2,485)	29
(1,801)	(1,316)
(5,707)	370

27 KEY MANAGEMENT COMPENSATION

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the members of the executive team. The remuneration of these individuals was as follows:

Salary, wages and benefits

Management fee

Share based compensations

Six months ended June 30	
2024	2023
991	685
175	-
467	838
1,633	1,523

HEALWELL AI INC. (formerly known as MCI ONEHEALTH TECHNOLOGIES INC.)**Notes to Condensed Interim Consolidated Financial Statements****(In thousands of Canadian dollars, except per share amounts)****For the three and six months periods ended June 30, 2024 and 2023 (Unaudited)****28 CONTINGENCIES**

In October 2019, a claim was lodged against MCI Medical Clinics Inc., a subsidiary of the Company, asserting that it had breached a lease agreement for a clinic. The matter is currently being considered by the courts, such that the Company now expects judgment in 2024. The Company considers it to be too early to make a determination as to the outcome of this claim and has therefore not recognized a provision in relation to this claim. If there was an adverse decision related to the lawsuit, the potential undiscounted amount of the total payments that the Company could be required to make is estimated to be approximately \$3,000.

29 EARNINGS PER SHARE

Basic and dilutive earnings per share is calculated by dividing net loss attributable to shareholders by the sum of the weighted average number of shares outstanding:

	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Net loss attributable to Company shareholders				
Continuing Operations	2,625	(10,910)	(3,289)	(17,902)
Discontinued Operations	(43)	1,105	(54)	667
	2,582	(9,805)	(3,343)	(17,235)
Weighted average number of Class A Subordinate Voting Shares	125,215,458	53,869,773	119,205,487	52,900,049
Basic and diluted loss per share-Continuing operations	0.02	(0.20)	(0.03)	(0.34)
Basic and diluted loss per share-Discontinued operations	(0.0003)	0.02	(0.0005)	0.01
Basic and diluted loss per share	0.02	(0.18)	(0.03)	(0.33)

30 DEPRECIATION AND AMORTIZATION

The following table presents total depreciation and amortization by function:

	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Continuing Operations				
Cost of sale	448	158	893	317
Sales and marketing	258	248	565	495
Research and development	136	274	297	547
General and administrative	1,304	96	2,246	232
	2,146	776	4,001	1,591
Discontinued operations				
General and administrative	1	421	2	870
	2,147	1,197	4,003	2,461

31 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed to various risks through its financial instruments. The following analysis provides a summary of the Company's exposure to and concentrations of risk at June 30, 2024:

HEALWELL AI INC. (formerly known as MCI ONEHEALTH TECHNOLOGIES INC.)

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a) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause financial loss for the other party by failing to discharge an obligation. The Company's main credit risks relate to its accounts receivable, net investments in subleases and loan receivable. The Company has a low concentration of credit risk as 56% (2023 - 55%) of its accounts receivable are due from branches of provincial governments for public health services. The Company's remaining accounts receivable and its net investment in subleases are well diversified among a range of corporations, individual patients and tenants.

The Company performed expected credit loss calculations and adjusted the allowance for expected credit losses based on the ability of its tenants to pay their obligations on a timely basis and due to increased exposure from receivables with non-government customers which have limited historical loss information.

Receivables from Government Customers

The Company's receivables from government customers arise from the provision of public health services to patients in the provinces of Ontario and British Columbia, as well as government institutions in New Zealand. The Company has assessed the credit risk associated with its receivables from branches of provincial governments as low due to strong provincial credit ratings and a history of collection; thereby lowering the risk of default. The Company has never experienced a credit loss and does not reserve against its government receivables.

Receivables from Non-Government Customers

(i) Clinical research and patient services: Clinical research and patient services receivables from non-government customers arise from the provision of health services that are not covered by the provincial governments and includes amounts due from the Workplace Safety and Insurance Board, individual patients, corporate clients and private insurers. The Company's historical loss percentage for these receivables is low.

(ii) AI and data sciences and Health care software: It is comprised primarily of larger Fortune 500 corporations that purchase insurance plans for their employees or pay the Company directly. To date, Healwell has never had a credit loss from privately insured customers; however, given the lack of historical loss information in this subcategory, the Company believes that any credit losses will approximate the historical credit losses of its receivables from non-government customers at clinics.

Receivables from Subtenants

The Quit Clinics Inc. sublets space to healthcare suppliers such as medical testing laboratories, pharmacies, physiotherapists, chiropractic clinics, wellness providers and other similar or related services. These receivables have the highest risk of default for the Company as the tenant is typically an individual or small business; however, the credit losses on receivables from subtenants have historically been low.

b) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk, and price risk. The Company is mainly exposed to interest rate risk.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As described in Notes 7 and 18, the Company is exposed to interest rate risk with respect to its credit facilities. At June 30 2024 the amounts drawn are as follows: \$nil (December 31, 2023 - \$nil) from Bank credit facilities; \$10,594 (December 31, 2023 - \$11,181) from related party credit facilities ; \$1,570 (December 31, 2023 - \$1,541) from financing from FEDDEV and a financial institution; and \$2,859 (December 31, 2023 - \$2,932) from debenture payable.

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If interest rates increased/decreased by 50 basis points (2023 - 50 basis points) and all other variables were held constant, the Company's net loss for the three months ended June 30, 2024, would have increased/decreased by \$39 (2023 - \$52).

The Company is exposed to foreign exchange risk on revenue and purchase contracts denominated in currencies other than the currency of the Company's contracting entity. For Canadian operations, this is typically the U.S. dollar and for U.S. entities, this is typically the Canadian dollar. The Company is also exposed to foreign currency risk on translation of the net assets of its foreign operations to Canadian dollars.

The Company has foreign currency subsidiaries and a 1% movement in foreign exchange rates versus the CAD dollar would result in approximately \$0.13 change in the Company's net income for the six months ended June 30, 2024.

c) Fair Value

Financial assets and liabilities recognized or disclosed at fair value are classified in the fair value hierarchy based upon the nature of the inputs used in the determination of fair value. The levels of the fair value hierarchy are:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3 - Inputs for the asset or liability that are not based on observable market data (i.e., unobservable inputs)

The following table summarizes the carrying value of the Company's financial instruments:

	June 30, 2024	December 31, 2023
Cash	19,823	19,162
Accounts receivable	4,021	1,115
Call options	850	1,500
Investments in equity securities	3,162	410
Advance against investment	8,427	-
Assets classified as held for sale	-	1,150
Liabilities associated with assets classified as held for sale	-	(897)
Accounts payable and accrued liabilities	(4,533)	(6,421)
Bank loan	(1,570)	(1,541)
Related party loan	(10,594)	(11,181)
Lease liabilities	(3,544)	(5,274)
Debenture payable	(2,859)	(2,932)
Other liabilities	-	(86)
Non-controlling interest redeemable liability	-	(1,282)
Liability for contingent consideration	(260)	(260)

Due to the short-term maturities of cash, accounts receivable, Accounts payable and accrued liabilities, related party loan, bank loan and other liabilities, the carrying amounts of these financial instruments approximate fair value at the respective balance sheet date.

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The carrying value of lease liabilities and the non-controlling interest redeemable liability approximate fair value based upon a discounted cash flows method using a discount rate that reflects the Company's borrowing rate at the end of the year.

Investments, call option and the liability for contingent consideration are carried at fair value and are categorized as level 3 fair values. The significant unobservable inputs used in the fair value measurements are as follows:

Valuation techniques and key inputs

Investments (non-listed)	Recent comparable transactions, discounts for lack of marketability
Liability for contingent consideration	Discounted cash flow method based upon the probability adjusted revenue of Khure.
Call options	Black Scholes method, interest rates, volatility, dividend yield, Monte Carlo simulation, business plan parameters.

There were no transfers of assets or liabilities during the six months ended June 30, 2024 (2023 - nil) between any levels within the fair value hierarchy.

d) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages this risk by managing its working capital and ensuring that sufficient credit is available. The following are the contractual maturities of financial liabilities as at June 30, 2024:

	June 30, 2024		
	< 1 year	2 – 5 years	Over 5 years
Lease liabilities	682	2,434	962
Accounts payable and accrued liabilities	4,533	-	-
Bank loan	-	1,570	-
Related party loan	6,411	606	-
Debenture payable	-	9,245	-
Non-controlling interest redeemable liability	-	-	-
Liability for contingent consideration	260	-	-
	11,886	13,855	962

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The Company has assessed that it is currently exposed to liquidity risk due to its negative cash flow from operations and risk in achieving cost reductions. The Company expects to be able to meet its obligations as they become due in the normal course of business for at least the next twelve months from June 30, 2024.

	December 31, 2023		
	< 1 year	2 – 5 years	Over 5 years
Lease liabilities	2,001	2,600	673
Accounts payable and accrued liabilities	6,421	-	-
Bank loan	-	1,737	-
Related party loan	672	10,509	-
Debenture payables	-	10,000	-
Non-controlling interest redeemable liability	-	1,282	-
Liability for contingent consideration	-	260	-
Other liabilities	96	-	-
	9,190	26,388	673

32 CAPITAL MANAGEMENT

Company's objective in managing capital is to ensure sufficient liquidity to pursue its growth strategy, fund research and development to enhance new product offerings, undertake selective acquisitions and provide sufficient resources to meet day-to-day operating requirements, while at the same time taking a conservative approach towards management of financial risk.

In managing its capital structure, the Company takes into consideration various factors, including the growth of the business and related infrastructure. The Company's officers and senior management are responsible for managing the capital and do so through quarterly meetings and regular review of financial information. The Company's Board of Directors are responsible for overseeing this process. The Company manages capital to ensure that there are adequate capital resources while maximizing the return to shareholders through the optimization of the cash flows from operations and capital transactions.

33 SEGMENT REPORTING

The Company determined its operating segments based on information reviewed by the Company's chief executive officer and chief financial officer, mainly on the basis of services offered and the type/classes of customers served.

The Company has the following operating segments (1) Clinical Research and Patient services, (2) AI and Data sciences, (3) Healthcare Software. The Company reviews on a regular basis, revenue, direct cost, and profit (loss) to assess performance of the operating segments.

Continuing Operations

Clinical Research and Patient services
AI and Data sciences
Healthcare Software
Consolidated

Revenues			
Six months ended June 30, 2024		Six months ended June 30, 2023	
External	Total	External	Total
3,790	3,790	3,177	3,177
1,575	1,575	580	580
4,657	4,657	-	-
10,022	10,022	3,757	3,757

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Notes to Condensed Interim Consolidated Financial Statements

(In thousands of Canadian dollars, except per share amounts)

For the three and six months periods ended June 30, 2024 and 2023 (Unaudited)

Discontinued Operations

Clinical Research and Patient services
AI and Data sciences
Healthcare Software
Consolidated

Revenues			
Six months ended June 30, 2024		Six months ended June 30, 2023	
External	Total	External	Total
477	477	18,166	18,166
-	-	-	-
-	-	-	-
477	477	18,166	18,166

Continuing Operations

Clinical Research and Patient services
AI and Data sciences
Healthcare Software
Consolidated

Revenues			
Three months ended June 30, 2024		Three months ended June 30, 2023	
External	Total	External	Total
1,959	1,959	1,546	1,546
864	864	239	239
2,619	2,619	-	-
5,442	5,442	1,785	1,785

Discontinued Operations

Clinical Research and Patient services
AI and Data sciences
Healthcare Software
Consolidated

Revenues			
Three months ended June 30, 2024		Three months ended June 30, 2023	
External	Total	External	Total
241	241	8,604	8,604
-	-	-	-
-	-	-	-
241	241	8,604	8,604

Continuing operations

Revenue
Direct cost
Segment gross profit

Discontinued operation

Revenue
Direct cost
Segment gross profit

Six months ended June 30, 2024			
Clinical Research and Patient services	AI and Data sciences	Healthcare Software	Total
3,790	1,575	4,657	10,022
2,402	2,729	691	5,822
1,388	(1,154)	3,966	4,200
477	-	-	477
308	-	-	308
169	-	-	169

HEALWELL AI INC. (formerly known as MCI ONEHEALTH TECHNOLOGIES INC.)

Notes to Condensed Interim Consolidated Financial Statements

(In thousands of Canadian dollars, except per share amounts)

For the three and six months periods ended June 30, 2024 and 2023 (Unaudited)

Continuing operations

Revenue
Direct cost
Segment gross profit

Discontinued operation

Revenue
Direct cost
Segment gross profit

Six months ended June 30, 2023			
Clinical Research and Patient services	AI and Data sciences	Healthcare Software	Total
3,177	580	-	3,757
2,361	562	-	2,923
816	18	-	834
18,166	-	-	18,166
12,766	-	-	12,766
5,400	-	-	5,400

Continuing operations

Revenue
Direct cost
Segment gross profit

Discontinued operation

Revenue
Direct cost
Segment gross profit

Three months ended June 30, 2024			
Clinical Research and Patient services	AI and Data sciences	Healthcare Software	Total
1,959	864	2,619	5,442
1,230	555	344	2,129
729	309	2,275	3,313
241	-	-	241
135	-	-	135
106	-	-	106

Continuing operations

Revenue
Direct cost
Segment gross profit

Discontinued operation

Revenue
Direct cost
Segment gross profit

Three months ended June 30, 2023			
Clinical Research and Patient services	AI and Data sciences	Healthcare Software	Total
1,546	239	-	1,785
1,169	285	-	1,454
377	(46)	-	331
8,604	-	-	8,604
6,080	-	-	6,080
2,524	-	-	2,524

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Notes to Condensed Interim Consolidated Financial Statements

(In thousands of Canadian dollars, except per share amounts)

For the three and six months periods ended June 30, 2024 and 2023 (Unaudited)

Geographical Regions

Revenue
Direct cost
Segment gross profit
Non-current assets

June 30, 2024		
Canada	Australia & New Zealand	Total
2,823	4,657	7,480
1,785	691	2,476
1,038	3,966	5,004
56,804	296	57,100

Revenue
Direct cost
Segment gross profit
Non-current assets

June 30, 2023		
Canada	Australia & New Zealand	Total
3,757	-	3,757
2,923	-	2,923
834	-	834
31,090	-	31,090

During the current period, the Company changed the name of its reportable segments from "Medical Clinics" to "Clinical Research and Patient Services", "Health Technology" to "AI and Data Sciences", and "Electronic Medical Records" to "Healthcare Software". There is no change in the structure and composition of reportable segments from the corresponding period.

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Notes to Condensed Interim Consolidated Financial Statements
(In thousands of Canadian dollars, except per share amounts)
For the three and six months periods ended June 30, 2024 and 2023 (Unaudited)

34 Reclassification

During the period, the sale of EMC was completed. As a result, the management reclassified EMC's operational results from continuing operations to discontinued operations to align with the presentation of the financial statements. This reclassification did not affect the previously reported results or equity of the Company. The table below shows the reclassified amounts:

Impact due to reclassification						
Three months ended June 30, 2023			Six months ended June 30, 2023			
Amounts as previously presented	Reclassification	Re-presented	Amounts as previously presented	Reclassification	Re-presented	
Revenue	3,177	(1,392)	1,785	6,449	(2,692)	3,757
Cost of Revenue	2,351	(897)	1,454	4,670	(1,747)	2,923
Sales and marketing	319	(1)	318	641	(3)	638
General and administrative	3,740	(776)	2,964	6,643	(1,327)	5,316
Net financing expenses	431	(17)	414	741	(114)	627
Income tax expense (recovery)	(698)	(33)	(731)	(900)	(50)	(950)
Due to related parties	(150)	150	-	(150)	150	-
Other assets	-	150	150	-	150	150

35 SUBSEQUENT EVENTS

On July 01 2024, the Company acquired 100% shares of BioPharma Services Inc. from Think Research Corporation. The Company acquired BioPharma at a total purchase price of approximately \$12,500,000. The purchase price was paid by the Company as \$4,475,000 was paid in cash after adjustment of \$225,000 relating to working capital, \$2,500,000 by delivering a promissory note, bearing interest at a rate of 13% per annum and maturing on the first anniversary of the closing date, by issuing such number of Class A Subordinate Voting Shares equal to \$4,725,000 after adjustment of \$225,000 relating to working capital and dividing it by the closing VWAP, thereafter rounding it down to the nearest whole share and by issuing such number of Class A Subordinate Voting Shares equal to the General Indemnity Holdback amount divided by the closing VWAP.

BioPharma Services Inc. was founded in 2006 and is headquartered in 4000 Western Road, North York, ON M9L 3A2, Toronto, Canada. It is dedicated to advancing medical science in order to improve the lives of its patients by bringing pharmaceutical products to the market through high quality medical research. It uses state-of-the-art facilities and scientific expertise to provide customers with clinical trial services along with a full suite of support services.

On July 01 2024, the Company acquired 100% shares of VeroSource Solutions Inc., a corporation organized under the laws of the Province of New Brunswick. The Company acquired VeroSource at a total purchase price of approximately \$24,500,000. The purchase price was paid by the Company as \$3,739,140 was paid in cash on closing, \$11,900,000 will be paid through issuance of the Company's Consideration Shares, \$3,575,860 will be paid through delivery of a promissory note maturing on January 1, 2025 and secured by a pledge of 5,643 Class A1 common shares of the Company, and \$4,900,000, subject to any adjustment, will be satisfied by the payment of the Earn-Out.

VeroSource Solutions Inc. was founded in 2014 and is headquartered in 527 Queen Street, Suite 120 Fredericton, NB, Canada E3B 1B8. It provides a VS Platform which is an end-to-end, customizable, cloud-based solution that enables people, clinicians, and decision-makers to seamlessly access and work with healthcare data. It helps customers in digital transformation, integration of systems, adoption with right-fit cloud services, advanced analytics, enterprise resource planning and IT strategy.