

HEALWELL AI INC.
(formerly known as MCI Onehealth Technologies Inc.)

August 12, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is management's discussion and analysis ("MD&A") of the consolidated financial condition and results of operations of HEALWELL AI Inc. ("HEALWELL") and its subsidiaries (together with HEALWELL, the "Company") for the three-months and six-months ended June 30, 2024 (the three-month period, the "Reporting Period"), and the three-months and six-months ended June 30, 2023 (the three-month period, the "Prior Period") and is provided as of August 12, 2024 (the "MD&A Date"). This MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements of the Company for the same periods and the notes thereto (the "Financial Statements"). The 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. All amounts presented in this MD&A are stated in thousands of Canadian dollars, unless otherwise indicated.

Additional information relating to the Company, including the Company's annual information form for the financial year ended December 31, 2023 (the "AIF") and the Company's other continuous disclosure materials, are available on the Company's SEDAR+ profile at www.sedarplus.com. Due to rounding, certain totals and subtotals may not foot and certain percentages may not reconcile exactly.

FORWARD-LOOKING STATEMENTS

Certain statements in this MD&A constitute "forward-looking information" and "forward-looking statements" (collectively, "forward-looking statements") within the meaning of applicable Canadian securities laws, and are based on assumptions, expectations, estimates and projections as of the MD&A Date. Forward-looking statements include statements with respect to projected revenues, earnings, growth rates, targets, revenue mix and product plans, pending or potential transactions and the Company's future growth, results of operations, performance and business prospects and opportunities. The words "plans", "expects", "projected", "estimated", "forecasts", "anticipates", "intend", "guidance", "outlook", "potential", "prospects", "seek", "aim", "strategy", "targets" or "believes", or variations of such words and phrases or statements that certain future conditions, actions, events or results "will", "may", "could", "would", "should", "might" or "can", or negative versions thereof, "occur", "continue" or "be achieved", and other similar expressions, identify forward-looking statements. Forward-looking statements are necessarily based upon management's perceptions of historical trends, current conditions, and expected future developments, as well as a number of specific factors and assumptions that, while considered reasonable by the Company as of the date of such statements, are outside of the Company's control and are inherently subject to significant business, economic and competitive uncertainties and contingencies which could result in the forward-looking statements ultimately being entirely or partially incorrect or untrue. Forward-looking statements contained in this MD&A are based on various assumptions, including, but not limited to, the following: the Company's ability to achieve its growth strategy; the demand for the Company's products and services; the requirement for increasingly innovative product solutions; equity and debt markets continuing to provide the Company with access to capital; the availability of future business ventures, commercial arrangements and acquisition targets or opportunities and the Company's ability to consummate them; the Company's ability

to successfully integrate recent and future acquired businesses; currency exchange rates and interest rates; the effects of competition in the industry; trends in customer growth; the stability of general economic and market conditions; the Company's ability to comply with applicable laws and regulations; the Company's continued compliance with third party intellectual property rights and the risk factors noted below. By their nature, forward-looking statements are subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections, or conclusions will not prove to be accurate, that assumptions may not be correct, and that objectives, strategic goals and priorities will not be achieved.

Known and unknown risk factors, many of which are beyond the control of the Company, could cause the actual results of the Company to differ materially from the results, performance, achievements, or developments expressed or implied by such forward-looking statements. Such risk factors include but are not limited to those factors which are discussed in the Company's AIF, a copy of which is or will shortly be made available on the Company's SEDAR+ profile at www.sedarplus.com. The risk factors are not intended to represent a complete list of the factors that could affect the Company and the reader is cautioned to consider these and other factors, uncertainties, and potential events carefully and not to put undue reliance on forward-looking statements. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Forward-looking statements are provided for the purpose of providing information about management's expectations and plans relating to the future. The Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, or to explain any material difference between subsequent actual events and such forward-looking statements, except to the extent required by applicable law. All the forward-looking statements contained in this MD&A are qualified by these cautionary statements.

NON-IFRS MEASURES

The Company prepares its condensed interim consolidated Financial Statements in accordance with IFRS. However, this MD&A also includes certain measures which have not been prepared in accordance with IFRS, such as Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Gross Profit and Adjusted Gross Margin. These measures do not have standardized meanings prescribed by IFRS and therefore may not be comparable to similar measures presented by other companies. These measures are provided as additional information to complement IFRS measures and provide a further understanding of the Company's results of operations from the management's perspective. These measures should not be considered in isolation nor as a substitute for analysis of the Company's financial information reported under IFRS. These non-IFRS measures are used to provide investors with a supplemental measure of the Company's operating performance and thus highlight trends in the Company's core business that may not otherwise be apparent when relying solely on IFRS measures. The Company's management also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts, and to determine components of management compensation. The Company believes that each of these measures is an important supplemental measure of the Company's performance, primarily as a means of evaluating a company's underlying operating performance.

The term "Adjusted EBITDA" refers to net income (loss) before adjusting for acquisition related legal expenses, share-based payment expense, depreciation and amortization, net finance charges, income/loss from investments, expected credit losses, income tax expenses/recoveries, impairment charges, gains/losses on sublease contracts and fair value changes in contingent

consideration. “Adjusted EBITDA Margin” refers to the percentage that Adjusted EBITDA for any period represents as a portion of total revenue for that period. Investors are cautioned that Adjusted EBITDA should not be construed as an alternative to net income (loss) or cash flows from operating activities as an indicator of the Company’s performance or cash flows. Management uses these measures, and believes that they are useful to investors, to assist in identifying underlying operating trends and to allow for a comparison of the Company’s operating performance on a consistent basis, and to provide an indication of the results generated by the Company’s main business activities before considering temporal and non-cash items that are not associated with ongoing operations. For a reconciliation of these measures, see “*Results of Operations – Reconciliation of Adjusted EBITDA.*”

The term “Adjusted Gross Profit” refers to revenue less the cost of sales (excluding depreciation and amortization). “Adjusted Gross Margin” refers to the percentage that Adjusted Gross Profit for any period represents as a portion of total revenue for that period. Investors are cautioned that Adjusted Gross Profit and Adjusted Gross Margin should not be construed as an alternative to revenue. Management uses these measures, and believes that they are useful to investors, to assess the Company’s ability to meet arising debt obligations and to pay back outstanding credit, as well as to determine the profitability of the Company’s primary business activities and the general financial health of the Company. For a reconciliation of these measures, see “*Results of Operations – Gross Profit & Gross Margin.*”

KEY PERFORMANCE INDICATORS

Key performance indicators that the Company uses to manage its business and evaluate its financial results and operating performance include revenue, expenses, Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Gross Profit, Adjusted Gross Margin, net income (loss) and earning (loss) per share. The Company evaluates its performance on these metrics by comparing its actual results to management budgets, forecasts, and prior period performance.

Corporate Background

The Company was incorporated on July 18, 2012, under the *Business Corporations Act* (Ontario) and was continued under the *Canada Business Corporations Act* on January 4, 2021. The registered and records offices of the Company are located at 22 Adelaide St. W., Suite 3600, Toronto, ON M5H 4E3, and its head office is located at 460 College Street, Unit 301, Toronto, Ontario, M6G 1A1. The principal activities of the Company consist of AI and Data Sciences, Healthcare Software, and Clinical Research and Patient Services offerings. The authorized share capital of the Company is an unlimited number of Class A Subordinate Voting Shares (“Subordinate Voting Shares”), an unlimited number of Class B Multiple Voting Shares (“Multiple Voting Shares”), and an unlimited number of Preferred Shares. The Company completed an initial public offering on January 6, 2021, and its Subordinate Voting Shares are listed for trading on the Toronto Stock Exchange (the “Exchange”). On September 26, 2023, the name of the Company was changed from MCI Onehealth Technologies Inc. to HEALWELL AI Inc.

BUSINESS OVERVIEW

HEALWELL operates as a healthcare technology firm specializing in artificial intelligence (“AI”) and data science solutions for preventive care. The Company is dedicated to enhancing healthcare outcomes and saving lives by leveraging proprietary technology to develop and commercialize advanced clinical decision support systems. These systems assist healthcare providers in detecting rare and chronic diseases, optimizing practice efficiency, and ultimately improving patient health

outcomes. HEALWELL pursues a strategic approach focused on advancing and integrating technology and clinical sciences capabilities that align with its corporate roadmap.

HEALWELL's AI technologies process clinical information and patient records, structuring clinical data and applying AI algorithms to screen records. This aids in identifying patients at high risk for specific conditions and those with unmet therapeutic needs. Early detection and HEALWELL's AI tools enhance physician workflows, ensuring comprehensive patient care.

The Company's Subordinate Voting Shares are listed on the Toronto Stock Exchange under the symbol "AIDX" and on the OTCQX Market under the symbol "HWAIF".

WELL Health Strategic Alliance

The Company's data driven insights business aims to take advantage of the unique ecosystem of clinics to which the Company can obtain access through its strategic alliance with WELL Health Technologies Corp. ("WELL"), who owns and operates the largest network of primary care, diagnostic and specialty clinics in Canada. The strategic alliance agreement creates the potential for the Company to accelerate the growth and development of its AI-enabled healthcare technologies and to leverage those technologies for the benefit of WELL's care providers and their patients. It also sets up a framework under which both companies plan to co-develop and roll out AI based decision support tools to WELL's network of clinics and providers, establishing a unique relationship between the two companies to harness their collective resources and expertise to drive growth and enhance the experience of doctors and patients in WELL's clinics. It is also expected that the companies will collaborate on capital allocation opportunities within the AI-enabled digital health marketplace particularly as it relates to helping doctors detect and diagnose diseases as early as possible.

M&A Strategy

HEALWELL is executing a strategy centered around developing and acquiring technology and clinical sciences capabilities that complement the Company's road map. With this strategy, HEALWELL is targeting AI and data science companies that expand current capabilities and disease/therapeutic indications along with technology and healthcare software companies that provide access to additional clinical information and mature recurring revenue.

On December 1, 2023, HEALWELL acquired a majority interest in Pentavere Research Group ("Pentavere"), one of Canada's leading healthcare AI companies focused on early disease detection. Pentavere is a healthcare AI Company that helps identify patients for approved medications or interventions – finding patients that have fallen through the cracks. Pentavere has developed and validated AI capabilities in data structuring and abstraction, a key competency to unlocking clinical value for patients and providers and a proven track record in commercialization of real-world evidence studies adding 5 new pharma relationships to the HEALWELL ecosystem.

On February 1, 2024, HEALWELL acquired Intrahealth Systems Limited ("Intrahealth"), an enterprise grade healthcare software Company, which gives HEALWELL access to 15,000 healthcare service providers across provides multiple jurisdictions and the Company with a potential platform to deploy its artificial intelligence technology. Intrahealth is a SaaS based multi-national healthcare software provider supporting clinicians in its global network across Canada, Australia and New Zealand.

Revenue Sources

HEALWELL generates revenue from three sources.

AI and Data Sciences: The Company's AI and data sciences revenues stem from pioneering the integration of advanced AI and data science technologies in healthcare through its Khure Health Inc. ("Khure") and Pentavere divisions. These divisions leverage cutting-edge AI algorithms and sophisticated analytics to analyze extensive clinical datasets, extracting actionable insights. This empowers healthcare providers with early disease detection capabilities, optimizing patient care pathways for swift and accurate diagnosis and treatment. HEALWELL's health technology segment, which primarily operates on recurring revenue models, has historically achieved gross margins exceeding 70%, driven by robust growth. Serving a diverse clientele including pharmaceuticals, life sciences firms, and precision medicine pioneers, HEALWELL remains at the forefront of transformative healthcare technologies.

Healthcare Software: The Company benefits from revenue generated by Intrahealth's healthcare software as a service, catering to healthcare providers, hospitals, and clinics across Canada, Australia, and New Zealand. Intrahealth's SaaS model historically delivers over 80% gross margins, supported by positive Adjusted EBITDA and cash flows. A significant portion of revenue derives from high margin recurring sources, reflecting its extensive network of over 15,000 healthcare service providers.

Clinical Research and Patient Services: Revenue from clinical research and patient services encompasses clinical research contracts and revenue from medical consultations provided through the Company's MCI Polyclinic Group Inc. ("MCI Polyclinic") subsidiary in Ontario. Clinical research revenue is contract-based with major pharmaceutical clients, while medical consultations are billed per visit. Historically, revenue from patient services has generated gross margins in the upper 20% range and positive Adjusted EBITDA.

OPERATIONS FOR THE REPORTING PERIOD

Operational Highlights (Q2 2024 Reporting Period)

The Company's operational highlights during the Reporting Period, included the following:

Revenue Changes: Revenue from continuing operations during the Reporting Period increased by approximately 205% over the Prior Period, mainly driven by the Intrahealth acquisition. The growth in revenue has been further stimulated by the rising revenue contributions of Khure, The Quit Clinic Inc. ("Quit Clinic"), a subsidiary of MCI Polyclinic, and Pentavere. Furthermore, MCI Polyclinic's Canadian Phase Onward Inc. ("CPO") subsidiary saw a noticeable pickup in sequential revenue from new studies that it handled during the Reporting Period.

Information and Data Analytics: Driven by the Company's improved financial prospects, its Khure operating subsidiary saw a quarter-over-quarter increase in revenues and an increase in quoting activity and pipeline value for the first time in nine months. In addition, the Company's recently acquired Pentavere subsidiary also saw a quarterly sequential increase in revenue and the first revenue from Pentavere's DERMAID product. Khure and Pentavere offerings are targeted primarily at pharmaceutical companies, life science companies, precision medicine companies, hospital systems and top-tier university centers.

Equity Financing: On May 22, 2024, the Company conducted a private placement issuing 14,815,000 Subordinate Voting Shares at \$1.35 per share, generating gross proceeds of \$20,000. As part of this offering, the Company granted 7,407,500 initial warrants and 586,677 compensation warrants to the underwriters. These warrants are exercisable to acquire one Subordinate Voting Share each, at prices of \$1.80 and \$1.35 per share, respectively, over a 24-month period following the placement's closing.

Acquisition of Remaining 20% Interest in MCI Polyclinic: On June 17, 2024, MCI Polyclinic, a subsidiary of HEALWELL, acquired all of its own issued and outstanding Class B common shares from Health Network Efficiencies Inc. ("HNE") for the purpose of canceling them. MCI Polyclinic paid \$625 in cash for this acquisition and settled the remaining \$50 by transferring Executive Medical Concierge Canada (2021) Ltd. ("EMC"), a wholly owned subsidiary of MCI Polyclinic, to HNE. Following this transaction, MCI Polyclinic is now wholly-owned by HEALWELL (up from 80% ownership) and EMC has ceased to be an indirect subsidiary or affiliate of HEALWELL.

Settlement of Indebtedness: On or about June 28, 2024, MCI Medical Clinics Inc. ("MCI Medical"), a subsidiary of HEALWELL, entered into settlement agreements in respect of certain outstanding payables and lease arrangements, resulting in the extinguishment of approximately \$2,900 of payment arrears and approximately \$3,900 of potential future liabilities relating to rent and operating costs. Subsequently, MCI Medical also received the forgiveness of approximately \$7,800 of loans originally advanced by The First Canadian Wellness Co Inc. ("FCW") in 2022 and 2023, as originally provided under the debt resolution and acknowledgement agreement between the Company, WELL and FCW dated July 19, 2023.

Investment in X.AI: On June 26, 2024, the Company completed an investment of US\$2,000 (CAD\$2,752) in X.AI Corp. ("X.AI"), an artificial intelligence company founded by Elon Musk in 2023. The investment was made indirectly through a Think 1st Principles investment vehicle. Through this investment, the Company has gained access to the closed X.AI Developer Program, allowing the Company to leverage the world-leading technical and AI-oriented expertise and resources of X.AI.

New CFO: On June 4, 2024, the Company appointed Mr. Anthony Lam as its new Chief Financial Officer.

Expense Optimization: The Company took steps to consolidate its corporate headquarters office with Pentavere corporate offices to further reduce operating expenses, which are expected to yield further savings beginning in the second quarter of 2024. The Company also made minor reductions in staff at its head office that supported both discontinued clinic operations and ongoing healthcare technology operations to streamline the business and brought onboard senior healthcare technology operations consultants to help realign staff resources and operating expenses towards accelerating revenue at Khure and Pentavere.

Results of Operations

A summary of the financial results of the Company's operations during the three-months and six-months ended June 30, 2024, and the three-months and six-months ended June 30, 2023 (in thousands of dollars, except percentages and per share amounts) is as follows:

	Three months ended June 30		Period over period Change		Six months ended June 30		Period over period Change	
	2024	2023	\$	%	2024	2023	\$	%
	(\$ in thousands except percentages)				(\$ in thousands except percentages)			
Continuing operation								
Revenue	5,442	1,785	3,657	205	10,022	3,757	6,265	167
Cost of Revenue	2,129	1,454	675	46	4,319	2,923	1,396	48
Gross Profits	3,313	331	2,982	901	5,703	834	4,869	584
Research and development	800	700	100	14	1,717	2,551	(834)	(33)
Sales and marketing	1,503	318	1,185	372	2,264	638	1,626	255
General and administrative	8,346	2,964	5,382	182	14,494	5,316	9,178	173
Impairment of right of use assets	850	-	850	-	850	-	850	-
Impairment of goodwill and intangibles	-	7,629	(7,629)	(100)	-	7,629	(7,629)	(100)
	11,499	11,611	(112)	(1)	19,325	16,134	3,191	20
Financing expenses	622	418	204	49	1,475	637	838	132
Other income	(159)	(4)	(155)	3,875	(351)	(10)	(341)	3,410
Share of comprehensive loss from associate	-	(26)	26	(100)	-	-	-	-
Changes in fair value of call options	250	-	250	-	650	-	650	-
Changes in fair value of contingent consideration payable	-	(30)	30	(100)	-	(37)	37	(100)
Changes in fair value of investments	-	11	(11)	(100)	-	134	(134)	(100)
Loss on settlement of shares-contingent consideration	-	-	-	-	-	677	(677)	(100)
Debt forgiveness	(7,863)	-	(7,863)	-	(7,863)	-	(7,863)	-
Liability extinguishment	(3,088)	-	(3,088)	-	(3,088)	-	(3,088)	-
Impairment of investment in an associate	-	-	-	-	-	2,180	(2,180)	(100)
	(10,238)	369	(10,607)	(2,872)	(9,177)	3,581	(12,758)	(356)

Income (Loss) before taxes	2,052	(11,649)	13,701	(118)	(4,445)	(18,881)	14,436	(76)
Income tax recovery	(531)	(731)	200	(27)	(765)	(950)	185	(19)
Net Income (loss)-continuing operation	2,583	(10,918)	13,501	(124)	(3,680)	(17,931)	14,251	(79)
Net Income (loss) on discontinued operations, net of tax	(43)	1,105	(1,148)	(104)	(54)	667	(721)	(108)
Net Income (loss)	2,540	(9,813)	12,353	(126)	(3,734)	(17,264)	13,530	(78)
<u>Continuing operation</u>								
Adjusted Gross Profit ⁽¹⁾	3,761	489	3,272	669	6,596	1,150	5,446	474
Adjusted Gross Margin ⁽¹⁾	69%	27%	42%	152	66%	31%	35%	115
Adjusted EBITDA ⁽¹⁾	(3,676)	(9,893)	6,217	(63)	(6,275)	(12,615)	6,340	(50)
Adjusted EBITDA Margin ⁽¹⁾	(68%)	(554%)	487%	(88)	(63%)	(336%)	273%	(81)
<u>Discontinued operation</u>								
Adjusted Gross Profit ⁽¹⁾	105	2,944	(2,839)	(96)	340	6,271	(5,931)	(95)
Adjusted Gross Margin ⁽¹⁾	44%	34%	10%	30	71%	35%	37%	106
Adjusted EBITDA ⁽¹⁾	43	(433)	476	(110)	45	(418)	463	(111)
Adjusted EBITDA Margin ⁽¹⁾	18%	(5%)	23%	(455)	9%	(2%)	12%	(510)
Net income/(loss) attributable to Company shareholders								
- Continuing operation	2,625	(8,700)	11,325	(130)	(3,289)	(17,902)	14,613	(82)
- Discontinued operation	(43)	(1,105)	1,062	(96)	(54)	667	(721)	(108)
	2,582	(9,805)	12,387	(126)	(3,343)	(17,235)	13,892	(81)
Weighted average number of Of Share outstanding: Basic and diluted	125,215	53,870			119,205	52,900		
Net income (loss) per share -Basic and diluted								
- Continuing operation	0.02	(0.16)			(0.03)	(0.34)		
- Discontinued operation	0.0003	(0.02)			(0.0005)	0.01		
	0.02	(0.18)			(0.03)	(0.33)		

(1) Adjusted Gross Profit, Adjusted Gross Margin, Adjusted EBITDA and Adjusted EBITDA Margin are non-IFRS measures. Please see “Non-IFRS Measures” above for an explanation of the composition of these measures and their usefulness, and “Reconciliation of Non-IFRS Measures” below for a reconciliation of these measures to the IFRS measures found in the Financial Statements.

Reconciliation of Non-IFRS Measures

A reconciliation of the non-IFRS measures Adjusted EBITDA and Adjusted EBITDA Margin to net income (loss) for the three-months and six-months ended June 30, 2024, and the three-months and six-months ended June 30, 2023, is set out below:

	Three months ended		Six months ended	
	June 30		June 30	
	2024	2023	2024	2023
	\$ in thousands		\$ in thousands	
Total Revenue				
- Continuing operation	5,442	1,785	10,022	3,757
- Discontinued operation	241	8,604	477	18,166
	5,683	10,389	10,499	21,923
Net (loss) income				
- Continuing operation	2,583	(10,918)	(3,680)	(17,931)
- Discontinued operation	(43)	1,105	(54)	667
	2,540	(9,813)	(3,734)	(17,264)
Add back (deduct)				
<u>Continuing operation</u>				
Depreciation and amortization	2,146	776	4,001	1,591
Net finance charges	622	418	1,475	637
Other income	(159)	(4)	(351)	(10)
Share of comprehensive loss (income) from associate	-	(26)	-	-
Gain/ Loss on settlement of shares-contingent consideration	-	-	-	677
Impairment of investment in associate	-	-	-	2,180
Changes in fair value of Call options	250	-	650	-
Changes in fair value of contingent consideration	-	(30)	-	(37)
Changes in fair value of investments	-	11	-	134
Share-based payment expense	702	714	1,183	1,121
Acquisition related expenses	560	-	1,072	-
Expected credit loss (recovery)	23	(103)	12	(27)
Income taxes recovery	(531)	(731)	(765)	(950)
Liability Extinguishment	(3,088)	-	(3,088)	-
Debt forgiveness	(7,863)	-	(7,863)	-
Impairment on Right of Use Asset	850	-	850	-
Loss on Disposal of Fixed Assets	229	-	229	-
<u>Discontinued operation</u>				
Depreciation and amortization	1	421	2	870
Net finance charges	7	56	19	200

Impairment charged (reversal)	-	147	-	-
Loss (gain) on disposal of subsidiary	78	(2,106)	78	(2,106)
Expected credit recovery	-	(56)	-	(49)
	-			
Adjusted EBITDA				
- Continuing operation	(3,676)	(9,893)	(6,275)	(12,615)
- Discontinued operation	43	(433)	45	(418)
Adjusted EBITDA Margin				
- Continuing operation	(68%)	(554%)	(63%)	(336%)
- Discontinued operation	18%	(5%)	9%	(2%)

	Three months ended		Period over		Six months ended		Period over	
	June 30		period Change		June 30		period Change	
	2024	2023	\$	%	2024	2023	\$	%
	(\$ in thousands except percentages)				(\$ in thousands except percentages)			
Revenue								
- Continuing operation	5,442	1,785	3,657	205	10,022	3,757	6,265	167
- Discontinued operation	241	8,604	(8,363)	(97)	476	18,166	(17,689)	(97)
Cost of revenue								
- Continuing operation	2,129	1,454	675	46	4,319	2,923	1,396	48
- Discontinued operation	135	6,081	(5,946)	(98)	135	12,766	(12,631)	(99)
Add:								
Depreciation and amortization								
- Continuing operation	448	158	290	184	893	317	576	182
- Discontinued operation	1	421	(420)	(100)	2	870	(868)	(100)
<u>Continuing operation</u>								
Adjusted Gross Profit	3,761	489	3,272	669	6,596	1,150	5,446	474
Adjusted Gross Margin	69%	27%			66%	31%		
<u>Discontinued operation</u>								
Adjusted Gross Profit	105	2,944	(2,839)	(96)	340	6,271	(5,931)	(95)
Adjusted Gross Margin	44%	34%			71%	35%		

Selected Statement of Financial Position Data

A summary of the financial position of the Company as at the end of the Reporting Period and its most recently completed financial year (in thousands of dollars, except percentages and per share amounts) is as follows:

	June 30 2024	December 31 2023
	\$ in thousands	
Cash	19,823	19,162
Accounts receivable	4,021	1,115
Call options	850	1,500
Net investment in subleases	297	375
Investment in equity securities	3,162	410
Other assets	4,211	1,440
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)
Other liabilities	-	(86)
Debenture Payable	(2,859)	(2,932)
Non-controlling interest redeemable liability	-	(1,282)
Liability for contingent consideration	(260)	(260)

Comparison of the three-months and six-months ended June 30, 2024, and the three-months and six-months ended June 30, 2023.

Revenue

	(\$ in thousands except percentages)								
	Three months ended June 30								
	2024			2023			Period over Change		
	Continuing operation	Discontinued operation	Total	Continuing operation	Discontinued operation	Total	\$	%	
	Clinical Research and Patient Services	1,959	241	2,200	1,546	8,604	10,150	(7,950)	(78)
	AI and Data Sciences	864	-	864	239	-	239	625	362
Healthcare Software	2,619	-	2,619	-	-	-	2,619	100	
	5,442	241	5,683	1,785	8,604	10,389	(4,706)	(45)	

	(\$ in thousands except percentages)								
	Six months ended June 30								
	2024			2023			Period over Change		
	Continuing operation	Discontinued operation	Total	Continuing operation	Discontinued operation	Total	\$	%	
	Clinical Research and Patient Services	3,790	477	4,267	3,177	18,166	21,343	(17,076)	(80)
	AI and Data Sciences	1,575	-	1,575	580	-	580	995	172
Healthcare Software	4,657	-	4,657	-	-	-	4,657	100	
	10,022	477	10,499	3,757	18,166	21,923	(11,424)	(52)	

Total revenue from continuing operations for three-months and six-months ended June 30, 2024, was \$5,442 and \$10,022, respectively, an increase of \$3,657 (205%) and \$6,265 (167%) over the total revenue of \$1,785 and \$3,757 recognized in the comparable periods in 2023. Revenue increased primarily due to the acquisition of Intrahealth in Q1 2024, the inclusion of Pentavere revenues in AI and Data sciences and improvements in the Company's clinical research and patient services segment at MCI Polyclinic.

Clinical Research and Patient Services — The Company's Clinical Research and Patient services revenue from continuing operations for the three-months and six-months ended June 30, 2024, was \$1,959 and \$3,790, respectively, an increase of \$413 (27%) and \$613 (19%) over the clinical research and patient services revenue of \$1,546 and \$3,177 recognized in the comparable periods in 2023. The increase was driven by incremental revenue from the Company's CPO subsidiary, which generated a number of new clinical research studies, and incremental revenue from the Company's Quit Clinic subsidiary.

AI and Data Sciences — The Company's AI and data sciences revenue for the three-months and six-months ended June 30, 2024, was \$864 and \$1,575, respectively, an increase of \$625 (262%) and \$995 (172%) over the AI and Data Sciences revenue of \$239 and \$580 recognized in the comparable periods in 2023. AI and Data Sciences revenue increased due to the inclusion of Pentavere, which was acquired on December 1, 2023.

Healthcare Software — The Company's Healthcare software revenue for the three-months and six-months ended June 30, 2024, was \$2,619 and \$4,657, respectively. This is a new revenue stream arising from the acquisition of Intrahealth on February 1, 2024 and, as such, there was no comparable revenue generated in 2023.

Cost of Revenue

Cost of revenue from continuing operations for the three-months and six-months ended June 30, 2024, was \$2,129 and \$4,319, an increase of \$675 (46%) and \$1,396 (48%) over the cost of revenue of \$1,454 and \$2,923 recognized in the comparable periods in 2023. Cost of revenue increased for the three-month and six-month periods ended June 30, 2024, due to the acquisition of Pentavere and Intrahealth.

Cost of revenue for the three-months and six-months ended June 30, 2024, includes depreciation and amortization totalling \$448 and \$893, respectively, an increase of \$290 (184%) and \$576 (182%) over the depreciation and amortization of \$158 and \$317 included in cost of revenue in the comparable periods in 2023.

Gross Profit, Adjusted Gross Profit & Adjusted Gross Margin

Gross profit from continuing operations for the three-months and six-month ended June 30, 2024 was \$3,313 and \$5,703, respectively, an increase of \$2,982 (901%) and \$4,869 (584%) over the gross profit of \$331 and \$834 recognized in the comparable periods in 2023. The increase is mainly driven by the acquisition of Pentavere and Intrahealth.

Adjusted Gross Profit for the three-months and six-month ended June 30, 2024 was \$3,761 and \$6,596, respectively, an increase of \$3,272 (669%) and \$5,446 (473%) over the Adjusted Gross Profit of \$489 and \$1,150 recognized in the comparable periods in 2023. Adjusted Gross Profit increased due to the acquisition of Pentavere and Intrahealth.

Adjusted Gross Profit for the three-months and six-months ended June 30, 2024, includes depreciation of \$448 and \$893, respectively, an increase of \$290 (184%) and \$576 (182%) over the depreciation of \$158 and \$317 included in Adjusted Gross Profit in the comparable periods in 2023.

Adjusted Gross Margin for the three-months and six-months ended June 30, 2024, was 69% and 66%, respectively, compared to 27% and 31% for the comparable periods in 2023. The change in Adjusted Gross Margin was mainly driven by the acquisition of Intrahealth and an increase in the mix of higher margin technology revenues from Khure and Pentavere.

Operating Expenses

Total operating expenses from continuing operations for the three-months and six-months ended June 30, 2024, was \$11,499 and \$19,325, respectively, a decrease of (\$112) 1% and increase of \$3,191 (20%) over the total operating expenses of \$11,611 and \$16,134 in the comparable periods in 2023. The reasons for the decrease in operating expenses are described in greater detail under each category of expenses set out below.

Total operating expenses for the three-months and six-months ended June 30, 2024 include depreciation and amortization totalling \$1,698 and \$3,108, respectively, an increase of \$1,080 (175%) and \$1,834 (144%) over the depreciation and amortization of \$618 and \$1,274 included in total operating expenses for the comparable periods in 2023.

Research and Development Expenses

Research and development expenses from continuing operations for the three-months and six-months ended June 30, 2024 were \$800 and \$1,717, respectively, an increase of \$100 (14%) and a decrease of \$834 (-33%) over the research and development expenses of \$700 and \$2,551 recognized in the comparable periods in 2023. The change in expenses was due to reductions in staffing across operations (technology, clinics and head office) and lower use of outsourced technology services. As a percentage of revenue, research and development expenses were 15% and 17% for the three-months and six-month ended June 30, 2024, compared to 39% and 68% in the comparable periods in 2023. The Company is investing some of the proceeds from its recent financings to continue to expand the features, accessibility and functionality of its Khure rare disease screening offerings and enable ongoing development of its AI-enabled offerings at its Pentavere and Intrahealth subsidiaries.

Sales and Marketing Expenses

Sales and marketing expenses from continuing operations for the three-months and six-months ended June 30, 2024 were \$1,503 and \$2,264, respectively, an increase of \$1,185 (372%) and \$1,626 (255%) over the sales and marketing expenses of \$318 and \$638 recognized in the comparable period in 2023. The increase was due primarily to the launch of the "HEALWELL" brand in both the commercial and public equity markets in late 2023. As a percentage of revenue, sales and marketing expenses were 28% and 23% for the three-months and six-month ended June 30, 2024, compared to 18% and 17% in the comparable periods in 2023 due to the aforementioned factors.

General and Administrative Expenses

General and administrative expenses from continuing operation for the three-months and six-months ended June 30, 2024, were \$8,346 and \$14,494, respectively, an increase of \$5,382 (182%) and \$9,178 (173%) over the general and administrative expenses of \$2,964 and \$5,316 recognized in the comparable periods in 2023. As a percentage of revenue, general and administrative expenses were 153% and 145% for the three-months and six-month ended June 30, 2024, compared to 166% and 141%, in the comparable periods in 2023. General and administrative costs increased due to the substantial increase in legal expenses associated with various transactions and financings, the Intrahealth acquisition and launch of the "HEALWELL" brand in both the commercial and public equity markets. The Company expects to tightly manage its general and administrative expenses going forward, to enable more focus in investment on technology and research offerings and the continued development of the "HEALWELL" brand.

General and administrative expenses for the three-months and six-months ended June 30, 2024, include depreciation and amortization totalling \$1,304 and \$2,246, respectively, an increase of \$1,208 (1,258%) and \$2,014 (868%) over the depreciation and amortization of \$96 and \$232 included in general and administrative expenses in the comparable periods in 2023.

Finance Cost

Finance charges for the three-months and six-months ended June 30, 2024, were \$622 and \$1,475, respectively, an increase of \$204 (49%) and \$838 (132%) over the net finance charges of \$418 and \$637 recognized in the comparable periods in 2023. Higher average loan balances on the secured loan facility with WELL (formerly with FCW), debenture financing and balances on Pentavere's loans drove the increases in financing costs.

Net Profit (loss) and Profit (loss) per share

The Company reported a net profit (loss) from continuing operations for the three-months and six-months ended June 30, 2024 of \$2,625 and \$(3,289), or \$0.02 and \$(0.03) per share (basic and diluted), compared to a net loss of \$(10,910) and \$(17,902), or \$(0.20) and \$(0.34) per share (basic and diluted), for the comparable periods in 2023. Profits from continuing operations for the three-months and six-months period ended June 30, 2024 were driven by operations from restructuring efforts and the acquisition of Pentavere and Intrahealth.

The Company reported a net profit (loss) from continuing and discontinued operations for the three-month and six-month ended June 30, 2024, of \$2,582 and \$(3,343), or \$0.02 and \$(0.03) per share (basic and diluted), compared to a net loss of \$(9,805) and \$(17,235), or \$(0.18) and \$(0.33) per share (basic and diluted), for the comparable periods in 2023. Lower losses from continuing and discontinued operations for the three-months and six-months period ended June 30, 2024 were driven by lower operating expenses from continuing operations from restructuring efforts.

The Company reported a net loss from discontinued operation for the three-months and six-month ended June 30, 2024 of \$(43) and \$(54), or \$(0.0003) and \$(0.0005) per share (basic and diluted), compared to a net profit of \$1,105 and \$667, or \$0.02 and \$0.01 per share (basic and diluted), for the comparable periods in 2023.

Adjusted EBITDA

Adjusted EBITDA from continuing operations for the three-months and six-months ended June 30, 2024, was a loss of \$(3,676) and \$(6,275), respectively, an improvement of \$6,217 (63%) and \$6,340 (50%) over the Adjusted EBITDA of \$(9,893) and \$(12,615) recognized in the comparable periods in 2023. Adjusted EBITDA Margin was (68%) and (63%) in the three-months and six-months ended June 30, 2024, as compared to Adjusted EBITDA Margin of (554%) and (336%) in the three-months and six-months ended June 30, 2023. Adjusted EBITDA and Adjusted EBITDA Margins were higher due to reduced operating expenses and elimination of loss-making clinic operations coupled with an increase in revenues to produce improved results over the comparable periods in 2023.

SUMMARY OF QUARTERLY RESULTS

	June 30, 2024	Mar 31, 2024	Dec 31, 2023	Sep 30, 2023	June 30, 2023	Mar 31, 2023	Dec 31, 2022	Sep 30, 2022
			Re-	Re-	Re-	Re-	Re-	Re-
Revenue ⁽¹⁾	\$5,442	\$4,579	\$1,921	\$2,753	\$1,785	\$1,972	\$3,038	\$3,086
Net profit (loss)	2,540	(6,276)	(6,759)	(7,743)	(9,813)	(7,451)	(2,613)	(9,100)
Weighted average								
Basic and diluted	125,215	104,000	64,733	53,870	53,870	51,930	50,075	50,075
(in thousands)								
Net loss per share								
Basic and diluted	0.02	(0.06)	(0.10)	(0.14)	(0.18)	(0.15)	(0.02)	(0.18)

1) Revenue for June 30, 2024, and 2023 shows only from continuing operation and cannot be directly compared to the other quarters displayed because they are showing different information.

Due to the significant impact of the strategic transaction with WELL on October 1, 2023 that resulted in the sale of the Company's healthcare operations in Alberta and Ontario and recapitalization of the Company (the "Strategic Transaction") on the operational and financial composition of the Company, the significant acquisitions and financings that have been completed since the date of the Strategic Transaction, and the change in strategic focus of the Company to emphasize its data-driven, AI-enabled technology offerings, management is of the view that the Company's performance in the quarters preceding the closing of the Strategic Transaction on October 1, 2023 are unlikely to be indicative of any future performance trends. Management would expect quarterly results to remain somewhat volatile in future periods given the unpredictable timing of large contracts with pharmaceutical customers at its Khure, Pentavere and CPO subsidiaries.

With the addition of two businesses acquired after the end of the Reporting Period (see *Subsequent Events*, below), coupled with the subscription-based business of Intrahealth's software, management anticipates strong growth in revenue in the short- to medium-term, which may mitigate overall volatility over that same period.

LIQUIDITY AND CAPITAL RESOURCES

As at the end of the Reporting Period, the Company held cash of \$19,823, as compared to cash of \$19,162 as at December 31, 2023. The Company's approach to managing liquidity is to ensure, to the extent possible, that it always has sufficient liquidity to meet its liabilities as they come due. The Company does so by continuously monitoring cash flow and actual operating expenses compared to budget. The Company has historically financed its operations through a combination of operating revenue, as well as related and third-party debt, and equity issuances.

On May 22, 2024, HEALWELL raised net proceeds of approximately \$19,119 from an equity offering of Subordinate Voting Shares. The Company has already expended about \$8,427 of those proceeds as part of its long-term vision and strategy to acquire potential businesses that bring more money and profitability to the organization.

The Company continues to monitor cashflows and consider revenue opportunities and cost-saving measures. The Company intends to continue to grow revenue from its AI and Data sciences and Healthcare software offerings by broadening its customer base, expanding its technology screening offerings and inorganically through the acquisition of relevant technology and research offerings complimentary to its existing operations. The Company also continues to assess financing opportunities, including both debt and equity financing options. Moreover, with new and more synergetic businesses coming in, the outlook of the Company looks strong enough to continue positive streams of cashflows for the foreseeable future.

The following table provides a summary of cash inflows and outflows by activity:

	June 30, 2024	June 30, 2023
	\$ in thousands	
Operating activities	(13,231)	(3,486)
Investing activities	(14,944)	484
Financing activities	28,786	2,253
Currency Translation Reserve	50	-
Net cash flows increase (decrease)	661	(749)
Beginning cash and cash equivalents	19,162	1,411
Ending cash and cash equivalents	19,823	662

The Company used cash of \$13,231 in operating activities for the six-months ended June 30, 2024, (2023 – cash used of \$3,486). Cash consumption was largely driven from operational net losses and \$(5,707) of cash used was attributable to movements in non-cash working capital from continuing operations with changes arising from decreases in accounts receivable and other assets (2023 cash flows – \$370).

Net Cash Flows from Financing Activities

Net cash generated from financing activities during the six-months ended June 30, 2024, was \$28,786 (2023 - cash generated \$2,253).

During the six months ended June 30, 2024, net receipts from restricted share unit ("RSU") settlements was \$244 (2023 - \$nil)

During the six months ended June 30, 2024, the Company received net cash from equity issuances of \$19,119 (2023 - \$nil)

During the six-months ended June 30, 2024, net receipts from warrant exercises was \$9,012 (2023 - \$nil)

During the six-months ended June 30, 2024, payments on finance leases were \$471 (2023 - \$1,278).

During the six-months ended June 30, 2024, receipt of net investment in subleases was \$85 (2023 - \$228).

Cash from Investing Activities

During the six-months ended June 30, 2024, net cash used in investing activities was \$14,944 (2023 - \$484 generated), which consisted of (i) the purchase of certain property and equipment for \$17 (2023 - \$30), (ii) the acquisition of Intrahealth for \$2,189 (2023 - \$nil), (iii) investment in securities of X.AI of \$2,752, (iv) advances against the investment in Verosource Solutions Inc. ("Verosource") of \$3,874, (v) advances against the Investment in Bio Pharma Services Inc. ("Biopharma") of \$4,553, and (vi) buyback of MCI Polyclinic NCI shares of \$625.

Investments

Investment in X.AI Corp

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. 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.

Investment in Biopharma and Verosource

On June 28, 2024, the Company paid cash of \$3,874 and \$4,553 against investment in Verosource and Biopharma, respectively, to be acquired as subsidiaries by the Company after the end of the Reporting Period.

Capital Management

The Company aims to effectively manage its capital to support its growth strategy, finance research and development for new products, pursue strategic acquisitions, and meet day-to-day operational needs, all while adopting a prudent approach to financial risk management.

Capital structure decisions consider factors such as business growth and infrastructure development. Senior management oversees capital management through regular meetings and reviews of financial performance, with oversight from the board of directors. The Company strives to maintain sufficient capital resources to optimize operational cash flows and enhance shareholder returns, recognizing potential impacts from uncertain future cash flows on its capital management strategy.

CONTRACTUAL OBLIGATIONS

As at the end of the Reporting Period, the Company's contractual commitments included operating leases for office equipment and facilities, liability for contingent consideration and non-controlling interest redeemable liability.

	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	-
Liability for contingent consideration	260	-	-
	11,886	13,855	962

Except as set out above, the Company does not have any other business arrangements or derivative financial instruments that would have a significant effect on its assets and liabilities as at the end of the Reporting Period.

OFF-BALANCE SHEET ARRANGEMENTS

The Company did not have any material off-balance sheet arrangements as at the end of the Reporting Period or the Prior Period.

TRANSACTIONS WITH RELATED PARTIES

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

- WELL Health Technologies Corp. – has common directorship with the Company.
- HEALWELL Management and Board Members.
- The First Canadian Wellness Co. Inc. – affiliate of major shareholders.

a) Related party balances

	2024	2023
WELL Health Technologies Corp.		
Principal including accrued interest	-	7,226
Debenture payable	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 Systems Limited		
Operating loan payable	609	-

Management and Board members		
Debenture payable	836	772
	\$10,594	\$11,331
Less: current portion	(6,411)	(672)
	\$4,183	\$10,659

b) Related party transactions

	2024 (Three months)	2023 (Three months)
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	-

	2024 (Six months)	2023 (Six months)
The First Canadian Wellness Co. Inc.		
Loan advances	-	3,128
Interest on loan advances	-	478
Set-up fee on loan advances	-	46
WELL Health Technologies Corp.		
Interest on loan advances	637	-
Transition services	523	-
Debt forgiveness	(7,863)	-
Interest on debentures	242	-
Interest on promissory notes	60	-
Management and Board members		
Interest on debentures payable	76	-

On February 1, 2024, in connection with its acquisition of Intrahealth, the Company delivered a promissory note to 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 outstanding amount may be converted into Subordinate Voting Shares of the Company 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.

Related party transactions are incurred in the normal course of operations and are recorded at the contractual amounts between the related parties.

FINANCIAL RISK MANAGEMENT

In the normal course of its business, the Company engages in operating and financing activities that generate risks in the following primary areas:

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 significant 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 provincial 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 science and Healthcare 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.

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; \$10,444 (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.

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
Investment 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, other assets and other liabilities, the carrying amounts of these financial instruments approximate fair value at the respective balance sheet date.

The carrying value of net investment in subleases, 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 three-months and six-month 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 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

	December 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

MATERIAL ACCOUNTING POLICIES AND ESTIMATES

General

The preparation of Financial Statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues, and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to Financial Statements are disclosed.

Material accounting estimates, judgements and assumptions include the following:

(i) Leases

Management uses judgment and estimates in the determination of the lease term for some lease contracts in which the Company is a lessee, including whether the Company is reasonably certain to exercise lessee options. Management uses judgment and estimates in the determination of the incremental borrowing rate used to measure lease liabilities.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate for leases.

(ii) Estimated Useful Lives of Property and Equipment and Intangible Assets

Management estimates the useful lives of property, equipment and intangible assets based on the period during which the assets are expected to be available for use. The amounts and timing of recorded expenses for depreciation and amortization for any period are affected by these estimated useful lives. The estimates are reviewed at least annually and are updated if expectations change as a result of physical wear and tear, technical or commercial obsolescence, and legal or other limits to use. It is possible that changes in these factors may cause significant changes in the estimated useful lives of the Company's property and equipment and intangible assets in the future.

(iii) Impairment of Non-Financial Assets and Goodwill

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value calculation is based on discounted cash flows over the period of 5 year less incremental costs of disposing of the asset. The value in use calculation is based on a discounted cash flow ("DCF") model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant

future investments that will enhance the performance of the assets of the cash generating unit being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. Changes in these assumptions could result in impairment being recorded.

(iv) Fair Value of Share-Based Payments

Fair value of stock options is determined using the Black-Scholes option pricing model. Inputs to the model are subject to various estimates related to volatility, interest rates, dividend yields, and the expected life of the stock options issued. Fair value inputs are subject to market factors, expected forfeiture rates as well as internal estimates.

(v) Fair Value of Contingent Consideration

Contingent consideration is recorded at its estimated fair value at the acquisition date and is remeasured at the end of each reporting period. The estimated fair value of the applicable contingent consideration is calculated using the discounted estimated financial outcome of the contingent consideration to be paid.

Determining the probability of the acquired business achieving targets requires judgement. Changes in the fair value of the contingent consideration are included in the determination of net income/loss.

(vi) Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are recognized on a net basis to the extent they are related to the same fiscal entity and fall due in approximately the same period.

Significant judgements are utilized by the Company in interpreting tax rules and regulations when calculating deferred tax assets and liabilities. Judgement is used to evaluate whether a deferred tax asset can be recovered based on the Company's assessment of existing tax laws, to estimate future profitability, and to develop tax planning strategies. The ultimate realization of deferred tax assets and liabilities is dependent upon the generation of future taxable income. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets or liabilities, and deferred income tax provisions or recoveries could be affected.

(vii) Business Combinations

On the completion of business acquisitions, management's judgment is required to estimate the fair value of purchase consideration and to identify and estimate the fair values of assets, liabilities, warrants, call option and non-controlling interests. The determination of the fair value of assets, liabilities acquired, and non-controlling interests are based on management's estimates. Intangible assets use the excess earnings method using discounted cash flow models and the cost approach. Significant assumptions included revenue growth rates, customer attrition, discount rates, and opportunity costs. Call options were fair valued using Black Scholes. Significant assumptions included risk free rate, stock price, dividend yield and volatility of share price.

(viii) Fair Value of Investments

As at June 30, 2024, certain of the Company's investments are measured at fair value, with fair value being determined based on significant unobservable inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. While the Company considers these valuations to be the best reasonably available estimates, changes in assumptions could result in material adjustments to the fair value of the financial instruments, and changes in fair value of investments.

(ix) Financial instruments

Assumptions are made to determine the fair value of the debentures and warrants associated with the transactions as well as the split in value between debt, the conversion value within the debentures and warrants. Inputs to the model are subject to various estimates related to volatility, interest rates, dividend yields, and the expected life of the warrants issued.

CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Management is responsible for establishing and maintaining disclosure controls and procedures ("DC&P") as defined under National Instrument 52-109 ("NI 52-109"). As at the end of the Reporting Period, the Chief Executive Officer and Chief Financial Officer have reviewed the design and operation of these DC&P, which were not limited in any way, and concluded that there were no material weaknesses in the Company's DC&P, and that material information relating to the Company was made known to them and was recorded, processed, summarized and reported within the time period specified under applicable securities legislation.

Internal Controls over Financial Reporting

Management is responsible for designing and maintaining internal controls over financial reporting ("ICFR") as defined under NI 52-109. As at the end of the Reporting Period, the Chief Executive Officer and Chief Financial Officer have reviewed the design and operation of these ICFR, which was not limited in any way, and concluded that there were material weaknesses in the Company's ICFR. In particular, the Company's protocols for the oversight and review of accounting for (a) non-routine and complex transactions; and (b) the consolidation workbook and certain consolidation entries; was insufficient, particularly having regard to the complexity of the Strategic Transaction and other complex transactions completed in the last 12-18 months. Management has evaluated the impact of these deficiencies on its financial reporting and does not believe that they have materially impacted on the accuracy or reliability of the Financial Statements or this MD&A, however, these weaknesses in the design of the Company's ICFR increase the risk that material misstatements may occur, particularly if the Company continues to complete complex and non-routine transactions in future reporting periods. Management is in the process of evaluating the weaknesses and related processes to strengthen its ICFR to improve their effectiveness in providing reasonable assurance regarding the reliability of financial reporting and the preparation of the Financial Statements for external purposes in accordance with IFRS using the Committee of Sponsoring Organizations of the Treadway Commission Framework (2013).

The Chief Executive Officer and the Chief Financial Officer have evaluated, or caused to be evaluated under their supervision, whether there were changes to the Company's ICFR during the Reporting Period that have materially affected or are reasonably likely to materially affect the Company's ICFR. No such changes were identified through their evaluation.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that its objectives are met. Due to inherent limitations in all systems, no evaluations of controls can provide absolute assurance that all control issues, if any, within a company have been detected. Accordingly, the Company's disclosure controls, and procedures and its internal controls over financial reporting are effective in providing reasonable, not absolute assurance that the objectives of its control systems have been met.

SHARE CAPITAL

The authorized share capital of the Company is an unlimited number of Subordinate Voting Shares, an unlimited number of Multiple Voting Shares and an unlimited number of Preferred Shares. As at the end of the Reporting Period there were 153,324,450 Subordinate Voting Shares, 30,800,000 Multiple Voting Shares and nil Preferred Shares issued and outstanding (87,986,790 Subordinate Voting Shares, 30,800,000 Multiple Voting Shares and nil Preferred Shares as at December 31, 2023).

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 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.

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 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 08, 2024, the Company issued 90,000 Subordinate Voting Shares against warrants exercised 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 warrants exercised at \$0.20 per share.

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

On May 16, 2024, the Company issued 102,812 Subordinate Voting Shares 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 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 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.

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.

CONTINGENCIES

In October 2019, a claim was lodged against MCI Medical asserting that it had breached a lease agreement for a clinic. The matter is currently being considered by the courts and progress has been slower than anticipated, 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.

SUBSEQUENT EVENTS

On July 1, 2024, the Company acquired 100% shares of Biopharma from Think Research Corporation. The Company acquired BioPharma at a total purchase price of approximately \$12,500. The purchase price was paid by the Company as follows: \$4,475 was paid in cash after adjustments of \$225 relating to working capital, \$2,500 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 Subordinate Voting Shares equal to \$4,72 after adjustment of \$225 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 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 1, 2024, the Company acquired 100% shares of VeroSource, 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. The purchase price was paid by the Company as follows: \$3,739 was paid in cash on closing, \$11,900 was paid through issuance of Subordinate Voting Shares, \$3,575 was 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 VeroSource, and \$4,900, subject to any adjustment, will be satisfied by the payment of the Earn-Out.

Verosource 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.