



**WELL Health**  
TECHNOLOGIES CORP

**WELL HEALTH TECHNOLOGIES CORP.**  
**Condensed Interim Consolidated Financial Statements**  
**Three months ended March 31, 2021**  
Expressed in thousands of Canadian Dollars

**WELL Health Technologies Corp.****Consolidated Statements of Loss and Comprehensive Loss**

(Unaudited, expressed in thousands of Canadian Dollars unless otherwise stated, except share and per share amounts)

	<b>For the three months ended</b>	
	<b>31 March, 2021</b>	31 March, 2020
	<b>\$'000</b>	\$'000
<b>Revenue (Note 5)</b>	<b>25,560</b>	10,227
<b>Expenses</b>		
Cost of sales (excluding depreciation and amortization)	<b>(15,521)</b>	(6,285)
General and administrative (Note 6)	<b>(11,232)</b>	(3,869)
Depreciation and amortization	<b>(1,442)</b>	(728)
Stock-based compensation (Note 14)	<b>(2,993)</b>	(632)
Foreign exchange loss	<b>(11)</b>	-
<b>Operating loss</b>	<b>(5,639)</b>	(1,287)
Interest income (Note 7)	<b>320</b>	89
Interest expense (Note 7)	<b>(458)</b>	(452)
Time-based earn-out expense (Note 17)	<b>(891)</b>	(334)
Income tax expense	<b>(367)</b>	(56)
Other income	<b>14</b>	26
<b>Net loss for the period before share of loss of associates</b>	<b>(7,021)</b>	(2,014)
Share of loss of associates, net of tax	<b>(64)</b>	-
<b>Net loss for the period</b>	<b>(7,085)</b>	(2,014)
 <b>Net (loss) profit for the period attributable to:</b>		
Owners of WELL Health Technologies Corp.	<b>(7,039)</b>	(2,041)
Non-controlling interests	<b>(46)</b>	27
	<b>(7,085)</b>	(2,014)
 <b>Other comprehensive loss</b>		
<i>Items that will not be reclassified to profit or loss</i>		
Exchange difference on translation of foreign operations	<b>(46)</b>	-
<b>Total comprehensive loss for the period</b>	<b>(7,131)</b>	(2,014)
 <b>Total comprehensive loss for the period attributable to:</b>		
Owners of WELL Health Technologies Corp.	<b>(7,071)</b>	(2,041)
Non-controlling interests	<b>(60)</b>	27
	<b>(7,131)</b>	(2,014)
 <b>Loss per share attributable to WELL Health Technologies Corp.</b>		
Basic and diluted	<b>(0.04)</b>	(0.02)
<b>Weighted average number of common shares outstanding</b>		
Basic and diluted	<b>163,123,252</b>	118,143,317

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

**WELL Health Technologies Corp.**  
**Consolidated Statements of Financial Position**

(Unaudited, expressed in thousands of Canadian Dollars unless otherwise stated)

<b>As at</b>	<b>31 March, 2021 \$'000</b>	31 December, 2020 \$'000
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	<b>83,250</b>	86,890
Restricted cash	-	4,169
Accounts and other receivables (Note 8)	<b>7,852</b>	8,654
Inventory and work in progress	<b>571</b>	1,268
Lease receivable – current	<b>288</b>	282
Other assets – current (Note 9)	<b>2,259</b>	2,114
<b>Total current assets</b>	<b>94,220</b>	103,377
Financial assets at fair value through profit and loss (Note 10)	<b>1,091</b>	304
Investment accounted for using the equity method	<b>4,978</b>	5,042
Lease receivable – non-current	<b>1,446</b>	1,521
Other assets – non-current (Note 9)	<b>270</b>	246
Property and equipment	<b>20,112</b>	20,892
Intangible assets (Notes 11 & 17)	<b>136,051</b>	131,346
<b>Total assets</b>	<b>258,168</b>	262,728
<b>Liabilities and equity</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	<b>8,386</b>	6,262
Unearned revenue (Note 12)	<b>2,311</b>	2,900
Lease liability	<b>2,647</b>	2,618
Other liabilities – current (Note 13)	<b>9,179</b>	10,856
<b>Total current liabilities</b>	<b>22,523</b>	22,636
Lease liability – non-current	<b>18,536</b>	19,249
Other liabilities - non-current (Note 13)	<b>1,594</b>	1,868
<b>Total liabilities</b>	<b>42,653</b>	43,753
<b>Equity</b>		
Share capital (Note 14)	<b>232,634</b>	231,885
Contributed surplus (Note 14)	<b>9,296</b>	6,374
Accumulated other comprehensive loss	<b>(101)</b>	(69)
Accumulated deficit	<b>(27,862)</b>	(20,823)
<b>Equity attributable to owners of WELL Health Technologies Corp.</b>	<b>213,967</b>	217,367
Non-controlling interests	<b>1,548</b>	1,608
<b>Total equity</b>	<b>215,515</b>	218,975
<b>Total equity and liabilities</b>	<b>258,168</b>	262,728

*Events after the reporting period (Note 20)*

Approved by the Directors:

"Hamed Shahbazi"

Director

"Thomas Liston"

Director

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

**WELL Health Technologies Corp.  
Statements of Changes in Equity**

(Unaudited, expressed in thousands of Canadian Dollars unless otherwise stated, except share amounts)

**Attributable to owners of WELL Health Technologies Corp.**

	Number of Shares	Share Capital \$'000	Contributed Surplus \$'000	Accumulated comprehensive income (loss) \$'000	Accumulated Deficit \$'000	Total \$'000	Non- controlling interests \$'000	Total equity \$'000
<b>Balance at December 31, 2020</b>	<b>162,998,852</b>	<b>231,885</b>	<b>6,374</b>	<b>(69)</b>	<b>(20,823)</b>	<b>217,367</b>	<b>1,608</b>	<b>218,975</b>
Share issue costs (Note 14)	-	(753)	-	-	-	(753)	-	(753)
Options exercised (Note 14)	9,375	28	(7)	-	-	21	-	21
Warrants exercised (Note 14)	119,656	172	(64)	-	-	108	-	108
Shares issued for deferred acquisition costs (Note 13)	2,989	23	-	-	-	23	-	23
Shares issued for working capital holdback	156,746	1,279	-	-	-	1,279	-	1,279
Stock-based compensation (Note 14)	-	-	2,993	-	-	2,993	-	2,993
Foreign currency translations of foreign subsidiaries	-	-	-	(32)	-	(32)	(14)	(46)
Loss for the period	-	-	-	-	(7,039)	(7,039)	(46)	(7,085)
<b>Balance at March 31, 2021</b>	<b>163,287,618</b>	<b>232,634</b>	<b>9,296</b>	<b>(101)</b>	<b>(27,862)</b>	<b>213,967</b>	<b>1,548</b>	<b>215,515</b>
<b>Balance at December 31, 2019</b>	<b>115,571,194</b>	<b>45,412</b>	<b>3,671</b>	<b>24</b>	<b>(17,137)</b>	<b>31,970</b>	<b>32</b>	<b>32,002</b>
Options exercised	20,000	14	(6)	-	-	8	-	8
Warrants exercised	389,470	498	(141)	-	-	357	-	357
Shares issued for deferred acquisition costs	34,976	19	-	-	-	19	-	19
Shares issued for acquisitions	1,039,566	1,975	-	-	-	1,975	-	1,975
Conversion rights of convertible debentures	-	-	744	-	-	744	-	744
Shares issued for conversion of convertible debentures	2,369,467	2,079	(150)	-	-	1,929	-	1,929
Investment in associate	2,625,204	3,754	-	-	-	3,754	-	3,754
Stock-based compensation	-	-	632	-	-	632	-	632
(Loss)/profit for the period	-	-	-	-	(2,041)	(2,041)	27	(2,014)
<b>Balance at March 31, 2020</b>	<b>122,049,877</b>	<b>53,751</b>	<b>4,750</b>	<b>24</b>	<b>(19,178)</b>	<b>39,347</b>	<b>59</b>	<b>39,406</b>

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

**WELL Health Technologies Corp.**  
**Consolidated Statements of Cash Flows**

(Unaudited, expressed in thousands of Canadian Dollars unless otherwise stated)

	For the three months ended	
	March 31, 2021 \$'000	March 31, 2020 \$'000
<b>Cash flows provided by (used in)</b>		
<b>Operating activities</b>		
Net loss for the period	(7,085)	(2,014)
<i>Adjustments to net loss for non-operating and non-cash items:</i>		
Non-cash interest income accretion (Note 7)	(40)	(31)
Non-cash interest expense accretion and non-cash interest on convertible debentures (Note 7)	321	452
Exchange difference	(46)	(24)
Depreciation and amortization	1,442	728
Share of loss of associates	64	-
Stock-based compensation (Note 14)	2,993	632
Change in non-cash operating items (Note 18)	3,549	(197)
<b>Net cash provided by (used in) operating activities</b>	<b>1,198</b>	<b>(454)</b>
<b>Investing activities</b>		
Restricted cash	4,169	2
Business acquisitions, net of cash acquired (Notes 17 & 18)	(4,033)	(3,918)
Equity and debt investments in associates and others	(773)	(2,035)
Acquisition of property and equipment	(105)	(527)
Working capital holdbacks	(2,301)	-
Deferred acquisition costs (Note 13)	(308)	(1,171)
<b>Net cash used in investing activities</b>	<b>(3,351)</b>	<b>(7,649)</b>
<b>Financing activities</b>		
Share issue costs (Note 14)	(753)	-
Convertible debentures	-	11,000
Debt issuance costs	-	(846)
Payment of interest on convertible debentures	-	(15)
Loan repayments	(47)	-
Options exercised	21	8
Agent warrants exercised	108	356
Lease payments	(911)	(607)
Lease payments received	95	111
<b>Net cash provided by (used in) financing activities</b>	<b>(1,487)</b>	<b>10,007</b>
<b>Net change in cash</b>	<b>(3,640)</b>	<b>1,904</b>
<b>Cash and cash equivalents - beginning of period</b>	<b>86,890</b>	<b>15,644</b>
<b>Cash and cash equivalents - end of period</b>	<b>83,250</b>	<b>17,548</b>

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

**WELL Health Technologies Corp.**  
**Notes to Condensed Interim Consolidated Financial Statements**

(Unaudited, expressed in thousands of Canadian Dollars unless otherwise stated, except share and per share amounts)

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**1. Nature of operations**

WELL Health Technologies Corp. ("the Company") is an omni-channel digital health company. Its overarching objective is to empower doctors to provide advanced care while leveraging the latest trends in digital health technology.

The Company was incorporated under the Business Corporations Act of British Columbia on November 23, 2010. The Company's common shares trade on the TSX Exchange under the symbol WELL.

The Company's head office is located at Suite 200-322 Water St, Vancouver, BC, V6B 1B6.

The Company's Board of Directors approved these condensed interim consolidated financial statements on May 11, 2021.

**2. Basis of presentation**

These condensed interim consolidated financial statements, including comparatives, 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. These condensed interim consolidated financial statements should be read in conjunction with the December 31, 2020 annual consolidated financial statements, which have been prepared in accordance with IFRS issued by the IASB.

The preparation of these condensed interim consolidated financial statements is based on accounting principles and practices consistent with those used in the preparation of the December 31, 2020 annual consolidated financial statements, except as disclosed below.

These condensed interim consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value. All financial information in these condensed interim consolidated financial statements, except share and per share amounts, is presented in thousands of Canadian dollars, which is the functional currency of the Company. All amounts are rounded to the nearest thousand of dollar.

**3. Significant accounting policies**

The preparation of financial statements is based on accounting principles and practices consistent with those used in the preparation of December 31, 2020 annual consolidated financial statements.

**a) Income tax**

Income tax expense recognized in interim periods is based on the best estimate of the income tax rate expected for the full financial year. At the date of each interim financial report, the effective annual tax rate is re-estimated and is applied to profits earned, or losses incurred, to date.

## **WELL Health Technologies Corp.**

### **Notes to Condensed Interim Consolidated Financial Statements**

(Unaudited, expressed in thousands of Canadian Dollars unless otherwise stated, except share and per share amounts)

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#### **b) Consolidation and business combinations**

These condensed interim consolidated financial statements incorporate the assets and liabilities of the Company and its wholly-owned and majority-owned subsidiaries and the results of the Company and its subsidiaries for the 3 months ended March 31, 2021 and 2020.

As at March 31, 2021, WELL Health Technologies operates 27 medical clinics, through 19 wholly owned clinics and 1 majority owned clinic in the province of British Columbia, 5 wholly owned clinics in the province of Quebec and 2 majority owned clinics in the state of California. The Company also provides digital Electronic Medical Records ("EMR") software services through its 1 wholly owned subsidiary incorporated in British Columbia (amalgamated from 3 subsidiaries effective January 1, 2021), as well as cybersecurity protection and patient data privacy solutions ("Cybersecurity") through 2 wholly owned subsidiaries in British Columbia and Ontario. The Company also provides telehealth services and digital health app marketplace through 3 wholly owned subsidiaries in British Columbia and Ontario, and 2 majority owned subsidiaries in the state of California. The Company also provides billing and back office services ("Billing as a service" or "BAAS") to physician through its 4 wholly owned subsidiaries incorporated in Ontario.

#### **4. Critical accounting estimates and judgments**

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, 2020 annual consolidated financial statements, except as described below.

Judgment is required in determining whether the Company is the principal in its Cybersecurity sales contracts, and report revenues on a gross basis; or the agent, and report revenues on a net basis. This evaluation includes, but is not limited to, assessing indicators such as whether the Company: (i) is primarily responsible for fulfilling the promise to provide the specified good or service, (ii) has inventory risk before the specified good or service has been transferred to a customer; and (iii) has discretion in establishing the price for the specified good or service. This evaluation could vary on a contract by contract basis.

**WELL Health Technologies Corp.****Notes to Condensed Interim Consolidated Financial Statements**

(Unaudited, expressed in thousands of Canadian Dollars unless otherwise stated, except share and per share amounts)

**5. Revenue**

The following table shows the details of revenues for the three months ended March 31, 2021 and 2020:

	<b>For the three months ended</b>			
	<b>March 31, 2021</b>		March 31, 2020	
	<b>\$'000</b>		\$'000	
Public insured	<b>7,668</b>	<b>30%</b>	6,795	66%
Other non-insured	<b>4,014</b>	<b>16%</b>	1,728	17%
<b>Total Patient Services</b>	<b>11,682</b>	<b>46%</b>	8,523	83%
<b>Software and Services</b>	<b>7,578</b>	<b>30%</b>	1,704	17%
<b>Cybersecurity Services</b>	<b>6,300</b>	<b>24%</b>	-	-
<b>Total revenue</b>	<b>25,560</b>	<b>100%</b>	10,227	100%

**6. General and administrative expenses**

The following table shows the details of general and administrative expenses for the three months ended March 31, 2021 and 2020:

	<b>For the three months ended</b>	
	<b>March 31,</b>	March 31,
	<b>2021</b>	2020
	<b>\$'000</b>	\$'000
Wages and benefits	<b>5,849</b>	2,709
Professional and consulting fees	<b>3,416</b>	442
Office expenses	<b>522</b>	474
Marketing and promotion	<b>682</b>	95
Others	<b>763</b>	149
	<b>11,232</b>	3,869



**WELL Health Technologies Corp.****Notes to Condensed Interim Consolidated Financial Statements**

(Unaudited, expressed in thousands of Canadian Dollars unless otherwise stated, except share and per share amounts)

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**7. Interest**

The following table shows a breakdown of interest income and interest expense for the three months ended March 31, 2021 and 2020:

	<b>For the three months ended</b>	
	<b>March 31, 2021</b>	March 31, 2020
	<b>\$'000</b>	\$'000
Interest accretion on leases	<b>26</b>	31
Interest income on cash and cash equivalents	<b>280</b>	58
Others	<b>14</b>	-
<b>Interest income</b>	<b>320</b>	89
Interest accretion on leases	<b>(269)</b>	(218)
Accretion of discount on deferred acquisition costs (N	<b>(53)</b>	(57)
Interest on convertible debentures	-	(177)
Interest on loans and other	<b>(136)</b>	-
<b>Interest expense</b>	<b>(458)</b>	(452)

**8. Accounts and other receivables**

The following table shows the details of the Company's accounts and other receivables at March 31, 2021 and December 31, 2020:

	<b>March 31, 2021</b>	December 31, 2020
	<b>\$'000</b>	\$'000
Accounts Receivable	<b>7,748</b>	8,424
Others	<b>104</b>	230
	<b>7,852</b>	8,654

The Company evaluates credit losses on a regular basis based on the aging and collectability of its receivables. As at March 31, 2021 and December 31, 2020, the Company recognized expected credit losses of \$248 (December 31, 2020- \$240), which has been netted against accounts receivable. The expected lifetime credit loss provision for our trade receivables is based on historical counterparty default rates and adjusted for relevant forward-looking information as required.

**WELL Health Technologies Corp.****Notes to Condensed Interim Consolidated Financial Statements**

(Unaudited, expressed in thousands of Canadian Dollars unless otherwise stated, except share and per share amounts)

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**9. Other assets**

	<b>March 31,</b>	December 31,
	<b>2021</b>	2020
	<b>\$'000</b>	\$'000
<i>Current:</i>		
Prepayments	<b>900</b>	612
Others	<b>1,359</b>	1,502
	<b>2,259</b>	2,114
<i>Non-current:</i>		
Others	<b>270</b>	246
	<b>2,529</b>	2,360

**10. Financial assets at fair value through profit and loss**

## (a) Debt and equity investment in Phelix AI Inc. ("Phelix")

On March 1, 2021, the Company converted the outstanding principal and accrued interest of convertible promissory notes into common shares of Phelix. The Company also subscribed for additional shares for US\$412 (C\$523).

## (b) Investment into Twig Fertility Co. ("Twig")

On February 3, 2021, the Company completed the investment of \$250 into Twig, a reproductive start-up looking to create the next generation fertility care in mid-town Toronto.

**WELL Health Technologies Corp.****Notes to Condensed Interim Consolidated Financial Statements**

(Unaudited, expressed in thousands of Canadian Dollars unless otherwise stated, except share and per share amounts)

**11. Intangible assets**

	Goodwill	Customer relationships	Total
Cost	\$'000	\$'000	\$'000
<b>Balance at December 31, 2019</b>	<b>13,579</b>	<b>11,924</b>	<b>25,503</b>
PPA adjustment	3,251	-	3,251
Acquired via business combinations	93,289	12,052	105,341
<b>Balance at December 31, 2020</b>	<b>110,119</b>	<b>23,976</b>	<b>134,095</b>
Acquired via business combinations (Note 17)	5,304	-	5,304
<b>Balance at March 31, 2021</b>	<b>115,423</b>	<b>23,976</b>	<b>139,399</b>
<b>Accumulated Amortization</b>			
<b>Balance at December 31, 2019</b>	-	<b>(624)</b>	<b>(624)</b>
Amortization for the period	-	(2,125)	(2,125)
<b>Balance at December 31, 2020</b>	-	<b>(2,749)</b>	<b>(2,749)</b>
Amortization for the period	-	(599)	(599)
<b>Balance at March 31, 2021</b>	-	<b>(3,348)</b>	<b>(3,348)</b>
<b>Net Carrying Amounts</b>			
As at December 31, 2020	110,119	21,227	131,346
<b>As at March 31, 2021</b>	<b>115,423</b>	<b>20,628</b>	<b>136,051</b>

**12. Unearned revenue**

	March 31, 2021 \$'000	December 31, 2020 \$'000
Balance, beginning of period	2,900	384
Acquired via business combinations	-	1,545
Billings	2,977	9,122
Revenue recognized	<b>(3,566)</b>	<b>(8,151)</b>
<b>Balance, end of the period</b>	<b>2,311</b>	2,900

**WELL Health Technologies Corp.****Notes to Condensed Interim Consolidated Financial Statements**

(Unaudited, expressed in thousands of Canadian Dollars unless otherwise stated, except share and per share amounts)

**13. Other Liabilities**

	<b>March 31, 2021 \$'000</b>	December 31, 2020 \$'000
<i>Current:</i>		
Deferred Acquisition costs (Note 13 (a))	<b>1,313</b>	1,315
Loans and other borrowings	<b>933</b>	753
Income tax payable	<b>415</b>	65
Working Capital Holdback	<b>3,785</b>	6,751
Others	<b>2,733</b>	1,972
	<b>9,179</b>	10,856
<i>Non-current:</i>		
Deferred Acquisition costs (Note 13 (a))	<b>737</b>	844
Loans and other borrowings	<b>781</b>	948
Others	<b>76</b>	76
	<b>1,594</b>	1,868

**(a) Deferred Acquisition Costs**

Deferred acquisition costs are certain time-based earn-out payments that are treated as purchase consideration for business combinations (Note 17). The following table summarizes changes in deferred acquisitions costs during the three months ended March 31, 2021 and year ended December 31, 2020:

	\$'000
Balance at December 31, 2019	2,848
Additions	2,113
Accretion of discount	144
Settlement in cash	(2,869)
Settlement in common shares	(77)
<b>Balance at December 31, 2020</b>	<b>2,159</b>
Additions (Note 17)	169
Accretion of discount	53
Settlement in cash	(308)
Settlement in common shares	(23)
<b>Balance at March 31, 2021</b>	<b>2,050</b>
Current portion of deferred acquisition costs	1,313
Non-current portion of deferred acquisition costs	737
<b>Balance at March 31, 2021</b>	<b>2,050</b>

## **14. Share Capital**

### **a) Authorized**

Unlimited common shares without par value.

### **b) Issued Common Shares**

As at March 31, 2021, the issued share capital comprises 163,287,618 (December 31, 2020 – 162,998,852) common shares.

### **c) Private Placements**

On February 17, 2021, the Company completed a subscription receipts financing for \$302,500. The financing was structured as a non-brokered offering of subscription receipts at a price of C\$9.80 per subscription receipt (the "Offering"). The proceeds from the Offering were deposited in escrow with Computershare Trust Company of Canada (the "Escrow Agent") pursuant to the terms of a Subscription Receipt Agreement. The Subscription Receipt Agreement required the Escrow Agent to hold the funds subject to and until the completion of the acquisition of CRH Medical Corporation ("CRH"). If the acquisition was not completed, such holders would have been entitled to receive the aggregate subscription amount paid for their Subscription Receipts and the Subscription Receipts would have been cancelled.

Subsequent to March 31, 2021, the acquisition of CRH was completed (see Note 20) and the \$302,500 funds from the subscription receipts were released to the Company to fund the acquisition of CRH. As the completion of the CRH acquisition was uncertain at March 31, 2021, the subscription receipts were accounted for as a contingent asset and were not recognized on the balance sheet at March 31, 2021.

### **d) Normal Course Issuer Bid ("NCIB")**

On March 23, 2020, the Company announced the NCIB of up to 5,943,822 common shares (5% of the issued and outstanding shares), commencing on March 25, 2020 and over the next 12-month period. No shares were purchased in conjunction with the NCIB.

On May 10, 2021, the Company announced that the Notice of an Intention it filed to make an NCIB was approved by the TSX. Under the NCIB, the Company may acquire up to an aggregate of 4,879,031 common shares from May 12, 2021 to May 11, 2022. In accordance with TSX rules, daily purchases made by the Company on the TSX will not exceed 260,501 common shares, subject to certain prescribed exemptions, being 25% of the average daily trading volume over the preceding six calendar months of 1,042,004 common shares.

### **e) Convertible Debentures and special warrants**

During the 3 months ended March 31, 2021 and 2020, nil and 2,369,467, respectively, shares were issued upon the conversion of convertible debentures.

**WELL Health Technologies Corp.****Notes to Condensed Interim Consolidated Financial Statements**

(Unaudited, expressed in thousands of Canadian Dollars unless otherwise stated, except share and per share amounts)

**f) Options to purchase common shares**

## (i) Movement in share options

The changes in share options during the three months ended March 31, 2021 and year ended December 31, 2020 were as follows:

	<b>March 31, 2021</b>		December 31, 2020	
	<b>Number of options</b>	<b>Weighted average exercise price \$</b>	Number of options	Weighted average exercise price \$
Balance outstanding, beginning of year	<b>6,974,099</b>	<b>1.03</b>	6,547,774	0.65
Options granted	-	-	1,125,000	2.91
Options exercised	<b>(9,375)</b>	<b>(2.29)</b>	(621,175)	0.55
Expired/Cancelled	-	-	(77,500)	0.59
Balance outstanding, end of period	<b>6,964,724</b>	<b>1.03</b>	6,974,099	1.03

During the 3 months ended March 31, 2021 and 2020, the Company recognized \$449 and \$337, respectively, of stock-based compensation expense through the consolidated statements of loss related to stock options.

## (ii) Share options outstanding at the end of the period

The following table summarizes information concerning outstanding and exercisable options of the Company at March 31, 2021:

<b>Options outstanding</b>	<b>Options exercisable</b>	<b>Exercise price \$</b>	<b>Weighted average remaining contractual life (years)</b>
407,774	407,774	0.25	1.21
1,073,432	993,750	0.39	1.71
2,500,000	2,173,441	0.50	2.15
537,268	316,026	0.43	2.81
1,321,250	440,000	1.42	3.28
765,000	-	2.24	4.10
255,000	-	3.25	4.34
105,000	-	6.94	4.69
<b>6,964,724</b>	<b>4,330,991</b>		<b>2.63</b>

The weighted average exercise price of options exercisable at March 31, 2021 is \$0.54 (December 31, 2020 - \$0.52)

**WELL Health Technologies Corp.****Notes to Condensed Interim Consolidated Financial Statements**

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**g) Restricted Share Units (“RSUs”)**

The changes in RSUs during the three months ended March 31, 2021 and year ended December 31, 2020 were as follows:

	<b>March 31, 2021</b>	December 31, 2020
	<b>Number of RSUs</b>	Number of RSUs
Balance outstanding, beginning of year	<b>3,564,497</b>	2,230,995
Units granted	-	2,565,822
Units forfeited	<b>(4,854)</b>	(87,175)
Units vested	-	(1,145,145)
Balance outstanding, end of year	<b>3,559,643</b>	3,564,497

During the 3 months ended March 31, 2021 and 2020, the Company recognized \$2,084 and \$266, respectively, of stock-based compensation expense through the consolidated statements of loss related to RSUs.

**h) Performance Share Units (“PSUs”)**

The changes in PSUs during the three months ended March 31, 2021 and year ended December 31, 2020 were as follows:

	<b>March 31, 2021</b>	December 31, 2020
	<b>Number of PSUs</b>	Number of PSUs
Balance outstanding, beginning of year	<b>719,729</b>	320,267
Units granted	-	565,254
Units vested	-	(157,216)
Units forfeited	-	(8,576)
Balance outstanding, end of year	<b>719,729</b>	719,729

During the 3 months ended March 31, 2021 and 2020, the Company recognized \$460 and \$29, respectively, of stock-based compensation expense through the consolidated statements of loss related to PSUs.

**i) Agent’s Warrants**

The changes in agent’s warrants during the three months ended March 31, 2021 and year ended December 31, 2020 were as follows:

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	<b>March 31, 2021</b>		December 31, 2020	
	<b>Number of agent's warrants</b>	<b>Weighted average exercise price \$</b>	Number of agent's warrants	Weighted average exercise price \$
Balance outstanding, beginning of year	119,656	0.91	1,275,184	0.79
Agent's warrants exercised	(119,656)	0.91	(1,155,528)	0.77
Balance outstanding, end of year	-	-	119,656	0.91

**15. Related Party Transactions**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 Company's Board of Directors and members of the senior executive team. The remuneration of the Company's key management personnel during the three months ended March 31, 2021 and 2020 was as follows:

	<b>For the three months ended</b>	
	<b>March 31, 2021</b>	March 31, 2020
	<b>\$'000</b>	\$'000
Wages	<b>145</b>	177
Consulting fees	<b>45</b>	129
Stock-based compensation expense <sup>(1)</sup>	<b>415</b>	376
	<b>605</b>	682

Note:

- (1) Reflects the amount recorded as an expense in the consolidated statements of loss. The fair value of stock-based compensation is measured at the grant date using an option pricing model and is recognized as an expense over the vesting period.

During the 3 months ended March 31, 2021, the Company paid \$56 of rent (March 31, 2020 - \$24) for the right of use of office premises operated and owned by related parties (key management team and a family member).

During the 3 months ended March 31, 2021, the company settled \$490 of performance-based earnout, \$60 of time-based earnout and \$55 of deferred acquisition costs to members of key management personnel (2020 - \$395 of performance-based earnout, \$60 of time-based earnout and \$55 of deferred acquisition costs).



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During the 3 months ended March 31, 2021, the Company paid \$77 of physician fees to a member of key management personnel (2019 - \$64).

Included in other current assets as at March 31, 2021 and December 31, 2020 is \$1,049 of receivables from related parties.

**16. Segment reporting**

The Company has the following operating segments: (1) clinical operations ("clinics"), (2) EMR, (3) cybersecurity services ("security"), (4) allied health ("allied"), (5) billing services ("BaaS"), (6) digital apps ("apps"), and (7) corporate/shared services. They are grouped into the reporting segments in the table below. Please refer to note (1) of the table.

For the three months ended March 31, 2021 and 2020:

	Patient Services <sup>(1)</sup>		Software and Services <sup>(1)</sup>		Cybersecurity Services		Corporate/shared services		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total segment revenue	11,682	8,523	7,578	1,704	6,300	-	1,350	1,101	26,910	11,328
Inter-segment revenue	-	-	-	-	-	-	(1,350)	(1,101)	(1,350)	(1,101)
<b>Revenue from external customers</b>	<b>11,682</b>	<b>8,523</b>	<b>7,578</b>	<b>1,704</b>	<b>6,300</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25,560</b>	<b>10,227</b>
General & Administrative <sup>(2)</sup>	2,991	1,848	5,155	781	762	-	2,324	1,240	11,232	3,869
<b>Segment profit (loss) before tax, interest and depreciation and amortization<sup>(3)</sup></b>	<b>1,149</b>	<b>1,027</b>	<b>(664)</b>	<b>616</b>	<b>544</b>	<b>-</b>	<b>(6,167)</b>	<b>(2,510)</b>	<b>(5,138)</b>	<b>(867)</b>
Goodwill and intangible assets	18,179	9,593	107,672	22,426	10,200	-	-	-	136,051	32,019

See below information by geographic region for the three months ended March 31, 2021 and 2020:

	Canada		US		Total	
	2021	2020	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total segment revenue	24,392	11,328	2,518	-	26,910	11,328
Inter-segment revenue	(1,350)	(1,101)	-	-	(1,350)	(1,101)
<b>Revenue from external customers</b>	<b>23,042</b>	<b>10,227</b>	<b>2,518</b>	<b>-</b>	<b>25,560</b>	<b>10,227</b>
General & Administrative <sup>(2)</sup>	9,917	3,869	1,315	-	11,232	3,869
<b>Segment profit (loss) before tax, interest and depreciation and amortization<sup>(3)</sup></b>	<b>(4,554)</b>	<b>(867)</b>	<b>(584)</b>	<b>-</b>	<b>(5,138)</b>	<b>(867)</b>
Goodwill and intangible assets	112,919	32,019	23,132	-	136,051	32,019

Notes:

(1) Patient Services include Clinical operations and Allied health. Software and Services include EMR, Billing services, and Digital apps for reporting purposes for materiality reasons.

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- (2) General & administrative included \$682 spent on marketing and promotion for the three months ended March 31, 2021 (2020 - \$95). Rent expense is not included in General & administrative under IFRS 16.
- (3) Rent expense is not included in the above profit (loss) under IFRS 16.

**17. Business combinations and asset acquisitions**

During the three months ended March 31, 2021, the Company acquired interests in the following companies:

<b>Company name</b>	<b>Date of acquisition</b>	<b>% equity ownership</b>	<b>Place of incorporation</b>	<b>Line of business</b>
Adracare Inc. (" <b>Adracare</b> ")	Jan 1, 2021	100	Canada	Telehealth
Open Health Software Solutions Inc. (" <b>Open Health</b> ")	Jan 1, 2021	100	Canada	EMR

The purchase prices of acquisitions are typically comprised of (i) cash paid to the vendor net of working capital adjustments, (ii) fair value of common shares of the Company issued to the vendor determined at the opening share price on the date of the transaction, (iii) working capital/indemnification holdback, and (iv) non-performance, time-based earnout payable over time considered to be deferred acquisition costs.

In determining the fair value of deferred acquisition costs, the future payments due to be paid beyond one year from the acquisition date were discounted using a discount rate of 7%. In estimating the discount rate, the Company used the yield to maturity of high-risk debt.

The time-based earn-out payments considered to be acquisition costs have been classified as a financial liability carried at amortized cost. Accordingly, the liability was measured at fair value on initial recognition and is subsequently being measured at amortized cost using the effective interest method.

The fair value of purchase consideration and fair values of the net assets acquired are as follows. Goodwill is attributable to the workforce, expected synergies and profitability of the acquired businesses. The Company elected to recognize the non-controlling interests at its proportionate share of the acquired net identifiable assets.

The Company is in the process of determining the fair values of assets and liabilities acquired, as well as identifying any intangible assets that existed at the date of acquisition. The Company has three to six months after the close date to finalize any working capital adjustments with the vendor. As of March 31, 2021, the working capital adjustment process is still in progress. The Company will finalize the accounting for the businesses no later than one year from the date of acquisition or once it has all of the necessary information to do so.

	<b>Total (provisional) \$'000</b>
Cash at closing, inclusive of working capital adjustment	<b>4,505</b>
Working capital Holdback	<b>613</b>
Present value of Deferred acquisition cost (Note 13(a))	<b>169</b>
<b>Fair value of purchase consideration</b>	<b>5,287</b>

**WELL Health Technologies Corp.****Notes to Condensed Interim Consolidated Financial Statements**

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<b>Fair values of assets and liabilities acquired:</b>	
Cash	473
Accounts receivable and other current assets	306
Accounts payable and other current liabilities	(796)
Goodwill (Note 11)	5,304
	<u>5,287</u>

The following revenue and net income (loss) are included in the Company's condensed interim consolidated financial statements for the three months ended March 31, 2021:

	<b>Total (provisional) \$'000</b>
Revenue	<u>372</u>
Net income (loss)	(43)

**18. Cash Flow Information**

	<b>For the three months ended</b>	
	<b>March 31, 2021</b>	March 31, 2020
	<b>\$'000</b>	\$'000
<b>Change in non-cash operating items:</b>		
Accounts and other receivables	<b>878</b>	305
Inventory and work in progress	<b>916</b>	-
Other current assets	<b>(135)</b>	(382)
Other non-current assets	<b>(24)</b>	(1)
Accounts payable and accrued liabilities	<b>1,392</b>	77
Unearned revenue	<b>(588)</b>	188
Income tax payable	<b>349</b>	(58)
Other current liabilities	<b>761</b>	(326)
	<u><b>3,549</b></u>	(197)
<b>Business acquisitions, net of cash acquired (Note 17):</b>		
Trinity Healthcare Technologies	-	(3,918)
Adracare	<b>(3,698)</b>	-
Open Health	<b>(335)</b>	-
	<u><b>(4,033)</b></u>	(3,918)
<b>Equity and debt investments in associates and others (Note 10):</b>		
Debt investment in Insig	-	(2,000)
Transaction costs of investment under equity method	-	(35)
Investment in Phelix	<b>(523)</b>	-
Investment in Twig	<b>(250)</b>	-
	<u><b>(773)</b></u>	(2,035)

**WELL Health Technologies Corp.****Notes to Condensed Interim Consolidated Financial Statements**

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**19. Financial Instruments**

## a. Classification of financial instruments

The following table summarizes the Company's financial instruments and their carrying amounts:

	<b>March 31, 2021 \$'000</b>	December 31, 2020 \$'000
<b>Financial assets at amortized cost</b>		
Cash and cash equivalents	<b>83,250</b>	86,890
Restricted cash	-	4,169
Accounts and other receivables	<b>7,852</b>	8,654
Lease receivable	<b>1,734</b>	1,803
Other current and non-current assets	<b>2,529</b>	2,361
	<b>95,365</b>	103,877
<b>Financial assets at fair value through profit or loss (FVPL)</b>		
Phelix and Twig	<b>1,091</b>	304
<b>Financial liabilities at amortized cost</b>		
Accounts payable and accrued liabilities	<b>8,386</b>	6,262
Deferred acquisition costs	<b>2,050</b>	2,159
Lease liability	<b>21,183</b>	21,867
Other current and non-current liabilities	<b>8,723</b>	10,565
	<b>40,342</b>	40,853

## b. Fair value measurements

The fair value hierarchy establishes three levels to reflect the significance of the inputs used in making the measurements:

Level 1 – quoted prices in active markets for identical assets or liabilities.

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either direct (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company does not have any fair value measurements categorized within level 1 or 2 of the fair value hierarchy.

The carrying value of the Company's financial instruments approximate their fair value.

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The investments in Phelix and Twig are classified as financial assets at FVPL. The fair value measurements of the investments are categorized within Level 3 of the fair value hierarchy. As at March 31, 2021 and December 31, 2020, in the absence of observable market data and any facts to suggest otherwise, management concluded that the fair value of the investments approximated the cost (Note 10).

c. Risk management

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligation. Credit risk arises from the Company's financial assets. The carrying value of the financial assets represents the maximum exposure to credit risk. The Company's exposure to credit risk is considered to be low, given the size and nature of the various counterparties involved and their history of performance. The Company had a debt investment in Phelix as of December 31, 2020 which was converted into common shares on March 1, 2021 (see Note 10). The majority of the Company's revenue from clinic operations is from billings for insured services paid for by the provincial health authorities.

As at March 31, 2021, the Company had \$7,852 (December 31, 2020 - \$8,654) of accounts and other receivables (Note 8).

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due and remain solvent. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. To date, the Company has generated operating losses and net cash outflows from operations, and has relied on equity and convertible debentures to fund its operations and acquisitions and will need to continue to secure additional funding for operations. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that financing will be on terms advantageous to the Company.

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. The Company has cash and limited interest-bearing debt and therefore the Company's interest rate risk is considered to be low. With the acquisition of CRH in April 2021 (Note 20), there will be more interest-bearing loans/credit facilities and interest rate risk will increase.

Foreign currency risk

The Company's functional currency is the Canadian dollar and the majority of its transactions are in Canadian dollars. With the acquisition of Circle Medical in November 2020 (functional currency of which is the US dollar), part of the business operations is in the U.S. With the acquisition of CRH in April 2021 (Note 20), the Company's exposure to foreign currency risk will increase.

## **WELL Health Technologies Corp.**

### **Notes to Condensed Interim Consolidated Financial Statements**

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#### **20. Events After the Reporting Period**

##### Acquisition of Intrahealth Systems Limited ("Intrahealth")

On April 1, 2021, the Company completed its acquisition of all of the issued and outstanding shares of New Zealand-based Intrahealth for total consideration of approximately \$19.3 million. Intrahealth is a provider of EMR and clinical healthcare software with customers in Canada, New Zealand and Australia.

##### Acquisition of CRH

On April 22, 2021 the Company completed its acquisition of all of the issued and outstanding common shares of CRH for US\$4 per share in cash with a transaction value of approximately US\$372.9 million, inclusive of CRH's credit facility. In conjunction with the acquisition of CRH, the Company entered into a US\$250 million U.S. dollar foreign exchange forward contract.

##### Upsized CRH Revolving Credit facility with JPMorgan Chase Bank ("JP Morgan")

On April 25, 2021, the Company announced it has entered into an amended senior credit arrangement administered by JP Morgan and a syndicate of lenders, for an aggregate amount of US\$300 million, including revolving credit facilities of US\$175 million and access to a US\$125 million accordion feature.

##### Proposed acquisition of the majority interest of Doctors Services Group ("DSG")

On April 30, 2021, the Company announced it has entered into a definitive share purchase agreement to acquire 51% of the issued and outstanding shares of DSG for a total consideration of approximately \$1.4 million. The remaining 49% will be retained by the founders of DSG, who will continue to operate DSG post-close.

##### Acquisition of ExecHealth Inc. ("ExecHealth")

On May 1, 2021, the Company completed its acquisition of all of the issued and outstanding shares of ExecHealth for a total consideration of approximately \$12.6 million. ExecHealth is an omni-channel healthcare provider located in Ottawa, Ontario specializing in corporate and executive health, primary care and integrated health services.

##### Acquisition of New England Anesthesia Associates ("NEAA")

On May 1, 2021, CRH completed its first acquisition as a WELL business unit, an 85% majority stake position in NEAA based in Guilford, Connecticut. NEAA represents CRH's 34<sup>th</sup> acquisition to date and expands its footprint to 73 ambulatory surgery centers across 16 states.

##### NCIB

On May 10, 2021, the Company announced that the Notice of an Intention it filed to make an NCIB was approved by the TSX. Under the NCIB, the Company may acquire up to an aggregate of 4,879,031 common shares from May 12, 2021 to May 11, 2022. In accordance with TSX rules, daily purchases made by the Company on the TSX will not exceed 260,501 common shares.