2576560 Ontario Inc. (operating as NeuPath Health)

Condensed Consolidated
Interim Financial Statements
March 31, 2020 and 2019
(unaudited)

2576560 ONTARIO INC. (OPERATING AS NEUPATH HEALTH)
CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

(Canadian dollars in thousands)	***Notes***	**As at March 31, 2020 $**	As at December 31, 2019 $
ASSETS			
CURRENT			
Cash		**477**	883
Accounts receivable		**6,093**	7,151
Other assets		**633**	614
TOTAL CURRENT ASSETS		**7,203**	8,648
NON-CURRENT			
Property, plant and equipment		**3,252**	3,359
Right-of-use assets		**4,577**	4,857
Other assets		**397**	427
Intangible assets		**1,503**	1,729
Goodwill		**18,970**	18,970
TOTAL ASSETS		**35,902**	37,990
LIABILITIES AND EQUITY			
CURRENT			
Accounts payable and accrued liabilities		**4,684**	5,161
Provisions	*5*	**712**	892
Derivative financial liabilities	*7*	**1,481**	1,175
Conversion feature on preferred shares	*8*	**297**	236
Preferred shares liability	*8*	**774**	798
Current portion of long-term debt	*7*	**8,323**	8,588
Current portion of lease obligations	*6*	**1,047**	1,019
Current income tax liabilities		**268**	169
TOTAL CURRENT LIABILITIES		**17,586**	18,038
NON-CURRENT			
Long-term debt	*7*	**1,180**	1,187
Lease obligations	*6*	**4,400**	4,672
Deferred income tax liabilities		**96**	96
Due to related parties	*15*	**3,674**	4,226
TOTAL LIABILITIES		**26,936**	28,219
EQUITY			
Share capital	*9*	**11,527**	11,527
Warrants	*11*	**11,653**	11,653
Contributed surplus	*10*	**99**	74
Deficit		**(14,313)**	(13,483)
TOTAL EQUITY		**8,966**	9,771
TOTAL LIABILITIES AND EQUITY		**35,902**	37,990

Note 14, *Commitments*
The accompanying Notes are an integral part of these Condensed Consolidated Interim Financial Statements.

2576560 ONTARIO INC. (OPERATING AS NEUPATH HEALTH)
CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS (UNAUDITED)

		Three months ended March 31, 2020	Three months ended March 31, 2019
(Canadian dollars in thousands, except per share figures)	***Notes***	**$**	$
REVENUE			
Medical services	*3*	**11,602**	10,921
Total revenue		**11,602**	10,921
OPERATING EXPENSES			
Cost of medical services		**9,371**	8,803
General and administrative expenses	*4, 10*	**1,395**	1,458
Occupancy costs		**346**	321
Depreciation and amortization		**623**	622
Interest cost		**446**	469
Total operating expenses		**12,181**	11,673
OTHER EXPENSES (INCOME)			
Fair value adjustments	*7, 8*	**163**	277
Finance income		**(12)**	(14)
Net loss before income taxes		**(730)**	(1,015)
INCOME TAXES			
Current tax expense		**100**	128
NET LOSS AND COMPREHENSIVE LOSS		**(830)**	(1,143)
Net loss per common share			
- basic and diluted		**(0.05)**	(0.08)
Weighted average number of common shares outstanding (in thousands)			
- basic and diluted		**16,557**	13,971

The accompanying Notes are an integral part of these Condensed Consolidated Interim Financial Statements.

2576560 ONTARIO INC. (OPERATING AS NEUPATH HEALTH)
CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

		Share Capital		**Warrants**	**Contributed Surplus**	**Deficit**	**Total**
(Canadian dollars in thousands, except number of shares)	***Notes***	**000s**	**$**	**$**	**$**	**$**	**$**
Balance, December 31, 2018		13,898	9,066	11,482	-	(8,173)	12,375
Issuance of warrants	*11*	-	-	136	-	-	136
Issuance of common shares, net of issue costs	*9*	2,187	2,052	-	-	-	2,052
Net and comprehensive loss		-	-	-	-	(1,143)	(1,143)
Balance, March 31, 2019		16,085	11,118	11,618	-	(9,316)	13,420
Stock option compensation expense	*10*	-	-	-	74	-	74
Issuance of warrants	*11*	-	-	35	-	-	35
Issuance of common shares, net of issue costs	*9*	472	409	-	-	-	409
Net and comprehensive loss		-	-	-	-	(4,167)	(4,167)
Balance, December 31, 2019		16,557	11,527	11,653	74	(13,483)	9,771
Stock option compensation expense	*10*	-	-	-	25	-	25
Net and comprehensive loss		-	-	-	-	(830)	(830)
Balance, March 31, 2020		**16,557**	**11,527**	**11,653**	**99**	**(14,313)**	**8,966**

The accompanying Notes are an integral part of these Condensed Consolidated Interim Financial Statements.

2576560 ONTARIO INC. (OPERATING AS NEUPATH HEALTH)
CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS (UNAUDITED)

		Three months ended March 31, 2020	Three months ended March 31, 2019
(Canadian dollars in thousands)	***Notes***	**$**	$
OPERATING ACTIVITIES			
Net and comprehensive loss		**(830)**	(1,143)
Items not involving current cash flows:			
Depreciation and amortization		**632**	636
Accretion of lease obligations	*6*	**146**	167
Accretion of long-term debt		**178**	157
Accretion of preferred shares liability		**37**	32
Accretion on promissory note		**15**	22
Gain on modification of long-term debt	*7*	**(143)**	-
Gain on modification of Preferred Shares	*8*	**(61)**	-
Fair value adjustment of derivative financial liabilities	*7*	**306**	231
Fair value adjustment of conversion feature on Preferred Shares	*8*	**61**	46
Accretion of finance lease receivable		**30**	-
Equity-settled stock option compensation expense	*10*	**25**	-
		396	148
Net change in non-cash working capital	*13*	**481**	(954)
CASH PROVIDED BY (USED) IN OPERATING ACTIVITIES		**877**	(806)
INVESTING ACTIVITIES			
Acquisition of CompreMed, net of cash acquired	*4*	**-**	(141)
Acquisition of property, plant and equipment, net of disposals	*4*	**(19)**	(98)
CASH USED IN INVESTING ACTIVITIES		**(19)**	(239)
FINANCING ACTIVITIES			
Proceeds on issuance of common shares, net of issue costs		**-**	2,188
Repayment of long-term debt		**(307)**	(205)
Advances from related parties		**55**	76
Repayment of promissory note	*16*	**(622)**	-
Repayment of lease obligations	*6*	**(390)**	(384)
CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES		**(1,264)**	1,675
Net change in cash during the period		**(406)**	630
Cash, beginning of the period		**883**	1,422
CASH, END OF PERIOD		**477**	2,052
Supplemental Cash Flow Information			
Interest paid[1]		**109**	43
Income taxes paid		**-**	198

1. Amounts received for interest were reflected as operating cash flows in the Consolidated Interim Statements of Cash Flows.

The accompanying Notes are an integral part of these Condensed Consolidated Interim Financial Statements.

1. NATURE OF BUSINESS

2576560 Ontario Inc. ("NeuPath" or the "Company") is Canada's largest provider of chronic pain management services and operates under the brand names CPM - Centres for Pain Management and InMedic Creative Medicine ("InMedic"). NeuPath has twelve locations across Ontario. NeuPath offers a comprehensive chronic pain assessment and multi-modal treatment plan based on recommendations by a group of trained physicians to help patients manage their chronic pain and optimize their quality of life. NeuPath provides workplace health services and independent medical assessments to disability insurers through its subsidiary, CompreMed Canada Inc. ("CompreMed") (acquired March 2019). NeuPath was incorporated under the laws of the Province of Ontario on May 10, 2017. The Company's registered office is located at 65 Front Street, Suite 300, Toronto, Ontario, Canada, M5E 1B5.

2. GOING CONCERN ASSUMPTION

These Condensed Consolidated Interim Financial Statements have been prepared on a going concern basis, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations for the foreseeable future.

As at March 31, 2020, the Company had an accumulated deficit of $14,313, including a net loss of $830 during the quarter ended March 31, 2020.

The Company anticipates that its current cash and the revenue it expects to generate from its continuing operations will be sufficient to fund operations as currently planned through 2020. However, unexpected increases in costs and expenses due to operational decisions made by the Company and/or factors beyond the Company's control, such as foregone revenues and increased expenses as a result of the impact of the novel coronavirus ("COVID-19"), could cause a material impact on cash resources and the profitability of the Company.

There can be no assurance that the Company will have sufficient capital to fund its ongoing operations. In addition, the Company may not be able to secure adequate debt or equity financing on desirable terms or at all. The credit ratings that the Company might obtain in connection with any debt financing may make securing debt financing prohibitive. There can be no assurance that additional financing will be available on acceptable terms or at all.

As there can be no certainty as to the outcome of the above matters, there is material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

These Condensed Consolidated Interim Financial Statements do not include any adjustments to the amounts and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern.

3. BASIS OF PREPARATION

Statement of Compliance

The Company prepares its Condensed Consolidated Interim Financial Statements in accordance with International Accounting Standard 34, Interim Financial Reporting. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to these Condensed Consolidated Interim Financial Statements were the same as those applied to the Company's annual Consolidated Financial Statements as at and for the year ended December 31, 2019. Accordingly, these Condensed Consolidated Interim Financial Statements do not include all disclosures required for annual financial statements and should be read in conjunction with the annual Consolidated Financial Statements of the Company for the year ended December 31, 2019.

The policies applied to these Condensed Consolidated Interim Financial Statements are based on International Financial Reporting Standards ("IFRS"), which have been applied consistently to all periods presented except those disclosed under the headings *Use of Estimates and Judgements* and *Adoption of New Accounting Standards* noted below. These Condensed Consolidated Interim Financial Statements were issued and effective as at July 14, 2020, the date the Board of Directors approved these Condensed Consolidated Interim Financial Statements.

Unless noted otherwise, all amounts shown are in thousands, except share and per share amounts.

Use of Estimates and Judgments

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of these Condensed Consolidated Interim Financial Statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from these estimates and such differences could be material. During the three months ended March 31, 2020, the Company revised its disaggregation categories of revenues in Note 17 as a result of aligning its disclosures with its non-financial statement publications and to align with managements internal evaluation process for assessing financial performance.

Impact of Coronavirus

While the precise impact of the recent COVID-19 outbreak remains unknown, it has introduced uncertainty and volatility in Canadian and global economies. As discussed in Note 2, *Going Concern Assumption*, the Company is monitoring developments and preparing for any impacts related to COVID-19. The Company has a comprehensive business continuity plan that ensures its readiness to appropriately address and mitigate regulatory and business risks as they arise including, but not limited to, impacts on patients, practitioners and employees.

Basis of Measurement

These Condensed Consolidated Interim Financial Statements have been prepared under the historical cost convention, except for the revaluation of certain financial liabilities to fair value. Items included in the financial statements of each consolidated entity in the Company are measured using the currency of the primary economic environment in which the entity operates (the functional currency). These Condensed Consolidated Interim Financial Statements are presented in Canadian dollars, which is the Company's functional currency.

Basis of Consolidation

These Condensed Consolidated Interim Financial Statements include the accounts of the Company and its subsidiaries as follows:

	% Ownership
CompreMed Canada Inc.	**100%**
Renaissance Asset Management (London) Inc.	**100%**
Viable Healthworks (Canada) Corp.	**100%**

The Company controls its subsidiaries with the power to govern its financial and operating policies. All significant intercompany balances and transactions have been eliminated upon consolidation.

Adoption of New Accounting Standards

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the International Accounting Standards Board ("IASB") or IFRS Interpretations Committee that are mandatory for fiscal periods beginning on or after January 1, 2020 and have been adopted in these Condensed Consolidated Interim Financial Statements.

(a) Amendments to IFRS 3: Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3, *Business Combinations* ("IFRS 3") to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Company was not affected by these amendments on the date of transition.

(b) Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1, *Presentation of Financial Statements* and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments to the definition of material did not have a significant impact on these Condensed Consolidated Interim Financial Statements.

Unless noted otherwise, all amounts shown are in thousands, except share and per share amounts.

4. BUSINESS COMBINATIONS

CompreMed Acquisition
On March 31, 2019, the Company acquired 100% of the issued and outstanding shares of CompreMed in accordance with the Company's growth strategy.

CompreMed has a national network of medical specialists and rehab clinics providing independent medical assessments for employers and insurers who seek a better understanding of their employees' or plan members' status with respect to a disability.

The Company finalized its measurement of the assets acquired and liabilities assumed as a result of the CompreMed acquisition on December 31, 2019. The consideration for the acquisition and measurement of assets acquired and liabilities assumed, in accordance with IFRS 3 is as follows:

Fair value of consideration	**$**
Amount settled in cash	150
Amount owed for working capital surplus	7
Total consideration transferred	**157**
Recognized amounts of identifiable net assets	
Cash	16
Accounts receivable	65
Other assets	8
Intangible asset – patient relationships	130
Intangible asset – brand	20
Total identifiable assets acquired	**239**
Accounts payable and accrued liabilities	(74)
Long-term debt assumed	(8)
Total liabilities assumed	**(82)**
Net identifiable assets acquired	**157**
Goodwill on acquisition	**-**

Consideration Transferred
The Company satisfied the purchase price through the payment of $157 from cash on hand. There were no acquisition costs incurred as a result of the transaction.

Identifiable Intangible Assets
The identifiable patient relationships and brand have been valued using an income approach. Specifically, patient relationships were valued using a multi-period excess earnings method discounted at 12%. The brand was valued using a relief-from-royalty method incorporating a royalty rate of 0.5% and a discount rate of 12%.

Patient relationships and the brand are considered finite-lived intangible assets and will be amortized over their estimated useful lives, with amortization commencing on the acquisition date.

Unless noted otherwise, all amounts shown are in thousands, except share and per share amounts.

5. PROVISIONS

	Legal and Other Restructuring Expenses	Severance	Lease Termination Settlements	Total
	$	$	$	$
Balance, December 31, 2019	287	550	55	892
Repayments	-	(125)	(55)	(180)
Balance, March 31, 2020	**287**	**425**	**-**	**712**

The Company expects to settle the above provisions within the next 1-2 years.

6. LEASE OBLIGATIONS

The Company leases computer equipment and real property for its clinical and office locations in Canada. Lease obligations arose on the adoption of IFRS 16, *Leases* ("IFRS 16") and consist of the following as at:

	2020	2019
	$	$
Balance, as at January 1	5,691	-
Transition to IFRS 16	-	6,486
Payments during the period	(390)	(384)
Interest expense during the period	146	167
	5,447	6,269
Less amounts due within one year	**1,047**	910
Long-term balance, March 31	**4,400**	**5,359**

For the three months ended March 31, 2020, lease payments totalled $390 [March 31, 2019 - $384]. The Company expenses payments for short-term leases and low-value leases as incurred. These payments for short-term leases and low-value leases were not material for the three months ended March 31, 2020 or 2019.

The Company's future cash outflows may change due to variable lease payments, renewal options, termination options, residual value guarantees and leases that have not yet commenced which the Company is committed, but are not reflected in the lease obligations. The following is a maturity analysis for undiscounted lease payments that are reflected in the lease obligations as at March 31, 2020:

	$
Less than 1 year	1,555
1 to 2 years	1,556
2 to 3 years	1,361
3 to 4 years	1,155
4 to 5 years	735
Beyond 5 years	655
	7,017

See Note 14, *Commitments* for additional information on estimated additional rent payment obligations related to the Company's leases on its clinical and office locations.

Unless noted otherwise, all amounts shown are in thousands, except share and per share amounts.

7. LONG-TERM DEBT

	March 31, 2020 $	December 31, 2019 $
Convertible debentures	**4,832**	4,797
Royal Bank of Canada	**4,671**	4,978
Long-term debt	**9,503**	9,775
Less amounts due within one year	**8,323**	8,588
Long-term balance	**1,180**	1,187

Convertible Debentures

On March 24, 2020, the Company extended the maturity dates of convertible debentures to August 31, 2020. The Company assessed the change in present value of future cash flows and determined that the changes to the convertible debentures should be accounted for as a modification of debt. As a result, a gain on the modification of debt totalling $143 was recorded. The gain is included in fair value adjustments on the Consolidated Interim Statements of Loss and Comprehensive Loss.

The derivative liability conversion feature related to convertible debentures was fair valued using the Monte-Carlo Simulation method with inputs to the model as follows:

	March 31, 2020	December 31, 2019
Share price	$0.93	$0.93
Volatility factor	70.00%	36.65%
Expected life	0.42 years	0.25 years
Probability of Liquidity Event [i]	80%	80%

[i] A Liquidity Event is defined as follows:
- The completion of a public offering of common shares by the Company and listing of same on a Canadian or U.S. stock exchange;
- The sale for cash proceeds of all the issued and outstanding shares in the capital stock of the Company; and
- The amalgamation or any other corporate transaction involving the Company with or into another entity pursuant to which the common shares of the resulting issuer from such transaction are listed on a Canadian or U.S. stock exchange.

The derivative liability conversion feature was fair valued as at March 31, 2020, and a fair value loss of $306 was recorded and is included in fair value adjustments on the Consolidated Interim Statements of Loss and Comprehensive Loss for the three months ended March 31, 2020 [March 31, 2019 - $231].

Royal Bank of Canada

On February 26, 2018, the Company acquired long-term debt as a result of the business combination with Renaissance Asset Management (London) Inc. ("RAM"). Of the outstanding long-term debt held with the Royal Bank of Canada as at March 31, 2020, $3,395 bears interest at RBC Prime+1.95% and matured on February 2020 and was renewed for a consecutive 12-month period (Facility #1), and $1,276 bears interest at a rate of 5.23% and matures in September 2023 (Facility #2).

Unless noted otherwise, all amounts shown are in thousands, except share and per share amounts.

The schedule of repayments of long-term debt, based on maturity is as follows:

	< 1 year $	**1 year $**	**2 years $**	**3 years $**	**Total $**
Convertible Debentures					
Tranche 1	1,986	-	-	-	1,986
Tranche 2	291	-	-	-	291
Tranche 3	2,036	-	-	-	2,036
Tranche 4	173	-	-	-	173
Tranche 5	230	-	-	-	230
Tranche 6	116	-	-	-	116
Royal Bank of Canada	3,395	-	-	-	3,395
Royal Bank of Canada	96	96	96	988	1,276
	8,323	**96**	**96**	**988**	**9,503**

8. PREFERRED SHARES LIABILITY

During the year ended December 31, 2018, the Company issued 835 Class A Preferred Shares ("Preferred Shares") for aggregate proceeds of $835.

Preferred Shares were scheduled to mature in December 2019. The Company extended the maturity date of the Preferred Shares to March 31, 2020. On March 24, 2020, the Company extended the maturity dates of Preferred Shares to August 31, 2020. The Company assessed the change in present value of future cash flows and determined that the change should be accounted for as a modification of debt. As a result, a gain on the modification of Preferred Shares totalling $61 was recorded. The gain is included in fair value adjustments on the Consolidated Interim Statements of Loss and Comprehensive Loss.

The conversion feature on Preferred Shares was fair valued using the Monte-Carlo Simulation method with inputs to the model as follows:

	March 31, 2020	December 31, 2019
Share price	$0.93	$0.93
Volatility factor	70.00%	36.65%
Expected life	0.42 years	0.25 years
Probability of Liquidity Event	80%	80%

The conversion feature on Preferred Shares was fair valued as at March 31, 2020, and a fair value loss of $61 was recorded and is included in fair value adjustments on the Consolidated Interim Statements of Loss and Comprehensive Loss for the three months ended March 31, 2020 [March 31, 2019 - $46].

The Company did not issue any Preferred Shares during the three months ended March 31, 2020 [March 31, 2019 - nil].

9. SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares with no nominal or par value, with a right to vote per share and carry a right to a dividend when declared by the Board of Directors.

During the three months ended March 31, 2020, the Company did not issue any common shares. During the three months ended March 31, 2019, the Company issued 2,186,666 common shares for aggregate net proceeds of $2,052.

10. STOCK-BASED COMPENSATION

The Company has one stock-based compensation plan: the Stock Option Plan.

Stock Option Plan
On November 30, 2019, NeuPath shareholders approved a resolution affirming, ratifying and approving the Stock Option Plan and approving all of the unallocated common shares issuable pursuant to the Stock Option Plan.

The maximum number of common shares that will be reserved for issuance under the Stock Option Plan shall be 10% of the total number of common shares outstanding calculated on an as-converted basis from time to time. The allocation of such maximum percentage shall be determined by the Board of Directors (or a committee thereof) from time to time.

As at March 31, 2020, the number of common shares available for issuance under the Share Option Plan was 560,745 [December 31, 2019 - 560,745].

Under the Stock Option Plan, the Company may grant options to purchase common shares to officers, directors, employees or consultants of the Company or its affiliates. Options issued under the Stock Option Plan are granted for a term not exceeding ten years from the date of grant. All options issued to-date have a life of six years or less. In general, options have vested either immediately upon grant or over a period of one to five years or upon the achievement of certain performance-related measures or milestones.

The following is a schedule of the options outstanding as at:

	Options	Range of Exercise Price	Weighted Average Exercise Price
	000s	$	$
Balance, December 31, 2019	1,075	1.00	1.00
Balance, March 31, 2020	**1,075**	**1.00**	**1.00**

The fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Options model inputs for option grants outstanding as at March 31, 2020 were as follows:

Options	Grant Date	Share Price	Exercise Price	Risk-free Interest Rate	Expected Life	Volatility Factor	Fair Value per Option
000s		$	$	%	(years)	%	$
1,075	November 30, 2019	0.93	1.00	1.59	5 - 6	36.1 - 38.2	0.29 - 0.34

The following table summarizes the outstanding and exercisable options held by directors, officers, employees and consultants as at March 31, 2020:

	Outstanding			Exercisable	
Exercise Price Range	Options	Remaining Contractual Life	Weighted Average Exercise Price	Vested Options	Weighted Average Exercise Price
$	000s	years	$	000s	$
1.00	1,075	4.7 – 5.7	1.00	171	1.00

During the three months ended March 31, 2020 and March 31, 2019, there were no issuances of options under the Stock Option Plan.

Summary of Stock-based Compensation
Stock-based compensation, under the Stock Option plan, for the three months ended March 31, 2020 was $25 [March 31, 2019 - $nil] and has been included in general and administrative expenses.

11. WARRANTS

On March 24, 2020, the Company extended the maturity dates of certain warrants that were issued in conjunction with convertible debentures, preferred shares, and common shares by an additional six months. The maturities were extended in recognition of the additional time it has taken the Company to complete its anticipated go-public transaction. All other terms related to the warrants remain unchanged.

As at March 31, 2020, the following warrants were outstanding:

				Fair Value Black-Scholes Model Inputs			
Type	**Exercise Price**	**Warrants Outstanding**	**Weighted Average Remaining Contractual Life**	**Risk Free Rate**	**Expected Life**	**Volatility**	**Fair Value**
	$	**000s**	**years**	**%**	**years**	**%**	**$**
Warrants	0.25	4,480	5.84	0.73	4 - 9	55.00	800
Warrants	1.00	2,000	0.89	1.46 - 2.29	2 - 3	42.20 - 60.95	548
Warrants	1.30	1,986	2.72	1.47 - 2.29	2 - 3	60.95 - 75.14	357
Warrants	2.00	1,000	2.15	0.97	2	39.10	37
Prepaid warrants	0.001	10,420	1.90	1.89	3	43.18	9,794
Warrants issued as a component of convertible debentures and Preferred Shares	1.00	1,250	1.61	-	-	-	117
		21,136	**2.52**				**11,653**

The Company did not issue any additional warrants during the three months ended March 31, 2020.

12. MANAGEMENT OF CAPITAL

The Company's capital management objectives are to safeguard its ability to continue as a going concern and to preserve its capital through adapting its strategic efforts and working to optimize revenues from its pain management business. The Company also attempts to raise additional funds through the issuance of debt or equity.

In the management of capital, the Company's definition of capital includes shareholders' deficiency, long-term debt and preferred shares liability, net of cash, which for the three months ended March 31, 2020, totalled $18,766 [December 31, 2019 - $19,461].

There were no changes to the Company's capital management policy during the three months ended March 31, 2020.

13. NET CHANGE IN NON-CASH WORKING CAPITAL

Net change in non-cash working capital consists of:

	Three months ended March 31, 2020	Three months ended March 31, 2019
	$	$
Accounts receivable	**1,058**	(388)
Other assets	**(19)**	(114)
Accounts payable and accrued liabilities	**(477)**	10
Income tax liabilities	**99**	(64)
Provisions	**(180)**	(398)
Net change in non-cash working capital	**481**	(954)

Unless noted otherwise, all amounts shown are in thousands, except share and per share amounts.

14. COMMITMENTS

The Company leases real property for its clinical and office locations in Canada. The Company is committed, under estimated additional variable rent payment obligations, as follows:

	Expiry	Additional Rent Payments	1 year	2-3 years	4-5 years	More than 5 years
Clinic Location		$	$	$	$	$
London	June 30, 2025	1,181	225	450	450	56
Hamilton	November 30, 2022	171	64	107	-	-
Mississauga	February 28, 2024	734	187	375	172	-
Oakville	July 31, 2022	110	47	63	-	-
Brampton	July 31, 2025	213	40	80	80	13
Toronto	December 31, 2023	199	53	106	40	-
Scarborough	July 31, 2022	156	67	89	-	-
Oshawa	November 30, 2025	346	61	122	122	41
Ottawa	July 31, 2028	691	83	166	166	276
		3,801	**827**	**1,558**	**1,030**	**386**

These additional rent payments are variable, and therefore have not been included in the right-of-use asset or lease obligations.

15. FINANCIAL INSTRUMENTS

Classification of Financial Instruments

Financial assets and financial liabilities are measured on an ongoing basis at fair value or amortized cost. The classification of the financial instruments, as well as their carrying values, are shown in the table below:

	March 31, 2020	December 31, 2019
	$	$
Financial assets at amortized cost		
Cash	**477**	883
Accounts receivable	**6,093**	7,151
Total financial assets	**6,570**	8,034
Financial liabilities at amortized cost		
Accounts payable and accrued liabilities	**4,684**	5,161
Provisions	**712**	892
Due to related parties	**3,674**	4,226
Preferred shares liability	**774**	798
Long-term debt	**9,503**	9,775
	19,347	20,852
Financial liabilities at fair value		
Derivative financial liabilities	**1,481**	1,175
Conversion feature on preferred shares	**297**	236
	1,778	1,411
Total financial liabilities	**21,125**	22,263

Except for the financial liabilities carried at fair value, the Company's financial instruments are measured at amortized cost and their fair values approximate carrying values.

Unless noted otherwise, all amounts shown are in thousands, except share and per share amounts.

Financial Instruments
IFRS 13, *Fair Value Measurements* requires disclosure of a three-level hierarchy that reflects the significance of the inputs used in making fair value measurements. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets
- Level 2 - Observable inputs other than quoted prices in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are note active; or other inputs that are observable or can be corroborated by observable market data
- Level 3 - Significant unobservable inputs that are supported by little or no market activity

The Company reviews the fair value hierarchy classification on a quarterly basis. Changes to the ability to observe valuation inputs may result in a reclassification of levels for certain securities within the fair value hierarchy. The Company did not have any transfer of assets and liabilities between Level 1, Level 2 and Level 3 of the fair value hierarchy during the three months ended March 31, 2020 and March 31, 2019.

Derivative financial liabilities and conversion feature on preferred shares are classified as Level 3 fair value financial instruments on the fair value hierarchy.

	Derivative Financial Liabilities	Conversion Feature on Preferred Shares	Total Level 3 Financial Instruments
	$	$	$
Balance, December 31, 2019	1,175	236	1,411
Fair value adjustments	306	61	367
Balance, March 31, 2020	**1,481**	**297**	**1,778**

Credit Risk
The Company, in the normal course of business, is exposed to credit risk from its customers. Credit risk is the risk of an unexpected loss if a counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk on its cash and accounts receivable. The Company's objective with regard to credit risk in its operating activities is to reduce its exposure to losses. As the Company does not utilize credit derivatives or similar instruments, the maximum exposure to credit risk is the full amount of the carrying value of its cash and accounts receivable.

The Company's cash is held with three financial institutions in various bank accounts. These financial institutions are major banks in Canada which the Company believes lessens the degree of credit risk.

Risk Factors
The following is a discussion of liquidity risk and market risk and related mitigation strategies that have been identified. This is not an exhaustive list of all risks nor will the mitigation strategies eliminate all risks listed.

Liquidity Risk
Liquidity risk is the risk that the Company will encounter difficulties in meeting its financial liability obligations as they become due. The Company's objective is to provide for expected cash requirements and accommodate for changes in liquidity needs. The Company manages this risk by managing its capital structure, through continuous monitoring of its actual and projected cash flows.

During the three months ended March 31, 2020, the Company became aware of the presence of COVID-19 in Canada. The process of assessing and preparing for its precise impact on patients, practitioners and employees is ongoing. The Company considered these impacts in the preparation of these Condensed Consolidated Interim Financial Statements and concluded that the impact was not significant for the three months ended March 31, 2020 (refer to discussions included in Note 2, *Going Concern Assumption* and Note 3, *Basis of Preparation* under the title *Use of Estimates and Judgments)*.

Unless noted otherwise, all amounts shown are in thousands, except share and per share amounts.

As at March 31, 2020, the Company's financial liabilities had contractual maturities as summarized below:

		Current	Non-current		
	Total **$**	**Within 12 Months** **$**	**1 to 2 Years** **$**	**2 to 5 Years** **$**	**> 5 years** **$**
Accounts payable and accrued liabilities	4,684	4,684	-	-	-
Provisions	712	712	-	-	-
Due to related parties	3,674	-	3,674	-	-
Preferred shares liability	774	774	-	-	-
Long-term debt	4,671	3,491	192	988	-
Convertible debt	4,832	4,832	-	-	-
Derivative financial liabilities	1,481	1,481	-	-	-
Conversion feature on preferred shares	297	297	-	-	-
	21,125	**16,271**	**3,866**	**988**	**-**

The Company's ability to satisfy its debt obligations will depend principally upon its future operating performance. The Company's inability to generate sufficient cash flow to satisfy its debt service obligations or to refinance its obligations on commercially reasonable terms could materially adversely impact the Company's business, financial condition or operating results.

Interest Rate Risk
Financial instruments that potentially subject the Company to cash flow interest rate risk are those assets and liabilities with a variable interest rate. Only one of the Company's loan facilities included in long-term debt includes a variable interest rate. Accordingly, with respect to the carrying and fair values of interest-bearing liabilities, an assumed 25-basis point increase or decrease in interest rates would have no significant impact on net loss and comprehensive loss.

Financial assets and financial liabilities that bear interest at fixed rates are subject to fair value interest rate risk. The Company's lease obligations and long-term debt are at fixed rates of interest. Those that are non-interest bearing are carried at amortized cost and calculated using discount rates appropriate to the related debt.

The Company's policy is to minimize interest rate cash flow risk exposures on its long-term financing. The Company's loans and borrowings and lease obligations are at fixed interest rates.

16. RELATED PARTY TRANSACTIONS

The Company's related parties include certain investors and shareholders, subsidiaries and key management personnel.

Loans from Related Parties
The following related party balances were outstanding as at:

	March 31, 2020	December 31, 2019
	$	$
Due to Bloom Burton & Co. Inc.	**3,631**	3,577
Due to Bloom Burton Development Corp.	**43**	43
Promissory note	**-**	606
	3,674	4,226

On February 26, 2018, as part of the acquisition of RAM, a promissory note in the amount of $650 was issued to the vendors as part of the purchase consideration. The promissory note bore interest at 4% per annum and matured on February 26, 2020. A partial repayment was made against the promissory note during 2019 in the amount of

Unless noted otherwise, all amounts shown are in thousands, except share and per share amounts.

$80. The Company repaid the remaining balance of the promissory note during the three months ended March 31, 2020.

17. DISAGGREGATED REVENUES

The Company's revenues are disaggregated by major category:

	Three months ended March 31, 2020	Three months ended March 31, 2019
	$	$
Clinic revenue	**10,792**	10,243
Non-clinic revenue	**810**	678
Total revenue	**11,602**	10,921

18. CONTINGENCIES

Litigation

From time to time, the Company may become involved in litigation which arises in the normal course of business. In respect of claims relating to litigation, the Company believes it has prepared valid defenses, which it continues to adamantly defend and has made adequate provision for the outcomes of such claims in these Condensed Consolidated Interim Financial Statements. The Company believes that no material exposure exists on the eventual settlement of such litigation, beyond settlements for lease terminations, as provided for in these Condensed Consolidated Interim Financial Statements.

Harmonized Sales Tax

From time to time, the Company may be subject to review and audit of its tax filing positions which arises in the normal course of business. As a result of a Harmonized Sales Tax ("HST") audit being carried out by the Canada Revenue Agency ("CRA"), the CRA has challenged the Company's filing position over its pain related medical services and has assessed additional HST amounts owing for 2014 and 2015. During 2019, the additional HST amounts assessed were paid through installments, which the Company expects to recover once the objection has been resolved in the Company's favour, and is included in accounts receivable as at March 31, 2020. During 2019, following the installment payments, the CRA extended the period under the HST audit to include 2016, 2017, 2018 and a portion of 2019. The result of their assessment was that further amounts were owing for the intervening years totalling $1,628.

The Company believes it has prepared valid defenses and that its filing position is well supported by industry practice and the regulations governing and defining tax exempt medical services. Accordingly, the Company has filed a Notice of Objection to the CRA assessment and believes its defense against these assessments will be successful. The Company has not provisioned any incremental amounts for additional HST liabilities as a result of this exposure. If the Company is not able to defend their position with the CRA and an adverse outcome is rendered, the resulting liabilities would have a material effect on the Company's financial statements.

19. SUBSEQUENT EVENTS

Qualifying Transaction

On April 24, 2020, the Company entered into a definitive agreement ("Definitive Agreement") with Klinik Health Ventures Corp. ("Klinik"). Pursuant to the Definitive Agreement, on June 25, 2020, Klinik acquired indirectly all of the issued and outstanding common shares of NeuPath in consideration for common shares of Klinik. This resulted in a reverse takeover of Klinik by NeuPath as a qualifying transaction, as defined in the policies of the TSX Venture Exchange and was effected through a court approved plan of arrangement under Section 182 of the Business Corporations Act (Ontario). In connection with the qualifying transaction, the common shares in the capital of Klinik were consolidated on a five to one basis. Upon completion of the transaction, the resulting issuer carried on the business of NeuPath. Pursuant to the Definitive Agreement, the Company amalgamated with a wholly-owned subsidiary of Klinik, and now operates under the corporate name of 5033421 Ontario Inc.