NeuPath Health Inc.
[formerly Klinik Health Ventures Corp.]

Condensed Consolidated Interim Financial Statements June 30, 2020 and 2019 (unaudited)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the Condensed Consolidated Interim Financial Statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited Condensed Consolidated Interim Financial Statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these Condensed Consolidated Interim Financial Statements.

NEUPATH HEALTH INC. [formerly Klinik Health Ventures Corp.]
CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

(Canadian dollars in thousands)	***Notes***	**As at June 30, 2020 $**	As at December 31, 2019 $
ASSETS			
CURRENT			
Cash		**3,289**	883
Accounts receivable		**6,868**	7,151
Other assets		**568**	614
TOTAL CURRENT ASSETS		**10,725**	8,648
NON-CURRENT			
Property, plant and equipment		**3,138**	3,359
Right-of-use assets		**4,300**	4,857
Other assets		**367**	427
Intangible assets		**1,273**	1,729
Goodwill		**18,970**	18,970
TOTAL ASSETS		**38,773**	37,990
LIABILITIES AND EQUITY			
CURRENT			
Accounts payable and accrued liabilities		**6,198**	5,161
Provisions	*6*	**637**	892
Derivative financial liabilities	*8*	**-**	1,175
Conversion feature on preferred shares	*9*	**-**	236
Preferred shares liability	*9*	**-**	798
Current portion of long-term debt	*8*	**3,591**	8,588
Current portion of lease obligations	*7*	**1,075**	1,019
Current income tax liabilities		**375**	169
TOTAL CURRENT LIABILITIES		**11,876**	18,038
NON-CURRENT			
Long-term debt	*8*	**1,213**	1,187
Lease obligations	*7*	**4,122**	4,672
Deferred income tax liabilities		**96**	96
Due to related parties	*16, 17*	**3,674**	4,226
TOTAL LIABILITIES		**20,981**	28,219
EQUITY			
Share capital	*4, 10*	**23,473**	11,527
Warrants	*4, 12*	**11,727**	11,653
Contributed surplus	*4, 11*	**256**	74
Deficit		**(17,664)**	(13,483)
TOTAL EQUITY		**17,792**	9,771
TOTAL LIABILITIES AND EQUITY		**38,773**	37,990

Note 15, *Commitments*
The accompanying Notes are an integral part of these Condensed Consolidated Interim Financial Statements.

NEUPATH HEALTH INC. [formerly Klinik Health Ventures Corp.]
CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS (UNAUDITED)

		Three months ended June 30		Six months ended June 30	
		2020	2019	**2020**	2019
(Canadian dollars in thousands, except per share figures)	***Notes***	**$**	$	**$**	$
REVENUE					
Medical services	*3, 18*	**11,222**	13,005	**22,824**	23,926
Total revenue		**11,222**	13,005	**22,824**	23,926
OPERATING EXPENSES					
Cost of medical services		**8,833**	10,359	**18,204**	19,162
General and administrative expenses	*5, 11*	**1,513**	1,904	**2,908**	3,362
Occupancy costs		**320**	347	**666**	668
Depreciation and amortization		**622**	568	**1,245**	1,190
Interest cost		**690**	463	**1,136**	932
Total operating expenses		**11,978**	13,641	**24,159**	25,314
OTHER EXPENSES (INCOME)					
Fair value adjustments	*8, 9*	**242**	31	**405**	308
Finance income		**(12)**	(14)	**(24)**	(28)
Listing expense and transaction costs	*4*	**2,258**	-	**2,258**	-
Net loss before income taxes		**(3,244)**	(653)	**(3,974)**	(1,668)
INCOME TAXES					
Current tax expense		**107**	164	**207**	292
NET LOSS AND COMPREHENSIVE LOSS		**(3,351)**	(817)	**(4,181)**	(1,960)
Net loss per common share					
- basic and diluted		**(0.18)**	(0.05)	**(0.25)**	(0.13)
Weighted average number of common shares outstanding (in thousands)					
- basic and diluted		**18,309**	16,085	**16,930**	15,034

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

NEUPATH HEALTH INC. [formerly Klinik Health Ventures Corp.]
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	*12*	-	-	136	-	-	136
Issuance of common shares, net of issue costs	*10*	2,187	2,052	-	-	-	2,052
Net and comprehensive loss		-	-	-	-	(1,960)	(1,960)
Balance, June 30, 2019		16,085	11,118	11,618	-	(10,133)	12,603
Stock option compensation expense	*11*	-	-	-	74	-	74
Issuance of warrants	*12*	-	-	35	-	-	35
Issuance of common shares, net of issue costs	*10*	472	409	-	-	-	409
Net and comprehensive loss		-	-	-	-	(3,350)	(3,350)
Balance, December 31, 2019		16,557	11,527	11,653	74	(13,483)	9,771
Stock option compensation expense	*11*	-	-	-	63	-	63
Reverse takeover of Klinik Health Ventures Corp.	*4*	3,870	3,870	74	119	-	4,063
Conversion of long-term debt	*8*	6,724	6,724	-	-	-	6,724
Conversion of preferred shares	*9*	1,352	1,352	-	-	-	1,352
Net and comprehensive loss		-	-	-	-	(4,181)	(4,181)
Balance, June 30, 2020		**28,503**	**23,473**	**11,727**	**256**	**(17,664)**	**17,792**

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

NEUPATH HEALTH INC. [formerly Klinik Health Ventures Corp.]
CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS (UNAUDITED)

		Six months ended June 30	
		2020	2019
(Canadian dollars in thousands)	***Notes***	**$**	$
OPERATING ACTIVITIES			
Net and comprehensive loss		**(4,181)**	(1,960)
Items not involving current cash flows:			
Depreciation and amortization		**1,260**	1,230
Accretion of lease obligations	*7*	**287**	337
Accretion of long-term debt		**389**	313
Accretion of preferred shares liability		**277**	66
Accretion on promissory note		**15**	46
Gain on modification of long-term debt	*8*	**(143)**	-
Gain on modification of preferred shares	*9*	**(61)**	-
Fair value adjustment of derivative financial liabilities	*8*	**507**	257
Fair value adjustment of conversion feature on preferred shares	*9*	**102**	51
Accretion of finance lease receivable		**60**	54
Listing expense	*4*	**1,373**	-
Equity-settled stock option compensation expense	*11*	**63**	-
		(52)	394
Net change in non-cash working capital	*14*	**1,222**	(1,727)
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		**1,170**	(1,333)
INVESTING ACTIVITIES			
Acquisition of CompreMed, net of cash acquired	*5*	**-**	(141)
Acquisition of property, plant and equipment, net of disposals		**(26)**	(100)
Cash acquired on reverse takeover of Klinik Health Ventures Corp.	*4*	**2,784**	-
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		**2,758**	(241)
FINANCING ACTIVITIES			
Proceeds on issuance of common shares, net of issue costs		**-**	2,188
Repayment of long-term debt		**(214)**	(512)
Advances of long-term debt		**40**	-
Advances from related parties		**55**	230
Repayment of promissory note	*17*	**(622)**	-
Repayment of lease obligations	*7*	**(781)**	(786)
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		**(1,522)**	1,120
Net change in cash during the period		**2,406**	(454)
Cash, beginning of the period		**883**	1,422
CASH, END OF PERIOD		**3,289**	968
Supplemental Cash Flow Information			
Interest paid[1]		**167**	115
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

NeuPath Health 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").

NeuPath (formerly Klinik Health Ventures Corp.) was incorporated under the laws of the Province of Ontario on April 17, 2019. On June 25, 2020, the Company amended its articles to change its name from Klinik Health Ventures Corp. to NeuPath Health Inc. As a result of the transaction described in Note 4, *Reverse Take Over Transaction*, on June 25, 2020, the Company continued to carry on the business of 2576560 Ontario Inc. ("257") under the *Business Corporations Act* (Ontario). The Company's common shares are listed on the TSX Venture Exchange under the symbol NPTH.

The Company's registered office is located at 181 Bay Street, Suite 2100, Toronto, Ontario, Canada, M5J 2T3.

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 June 30, 2020, the Company had an accumulated deficit of $17,664, including a net loss of $4,181 during the six months ended June 30, 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.

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

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 Judgments* and *Adoption of New Accounting Standards* noted below. These Condensed Consolidated Interim Financial Statements were issued and effective as at August 26, 2020, the date the Board of Directors approved these Condensed Consolidated Interim Financial Statements.

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 18, *Disaggregated Revenues,* as a result of aligning its disclosures with its non-financial statement publications and to align with management's internal evaluation process for assessing financial performance.

Impact of COVID-19
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.

Government Grants
The Company received government grants during the three and six months ended June 30, 2020 in that amount of $487 [2019 - $nil] related to Canada Emergency Wage Subsidies ("CEWS"). The Company's CEWS eligibility is determined based on a revenue decline test prescribed by the Canada Revenue Agency ("CRA"). Amounts have been included as an offset to salary and wages, with $253 offset to cost of medical services, and $234 offset to general and administrative expenses.

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
5033421 Ontario Inc.	**100%**
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.

4. REVERSE TAKE OVER TRANSACTION

On April 24, 2020, Klinik Health Ventures Corp. ("Klinik") entered into an arrangement agreement ("Definitive Agreement") with 257. Pursuant to the Definitive Agreement, on June 25, 2020, Klinik acquired indirectly all of the issued and outstanding common shares of 257 in consideration for common shares of Klinik ("Klinik RTO"). Upon completion of the Klinik RTO, the resulting issuer carried on the business of 257 and operates as NeuPath Health Inc. This resulted in a reverse takeover of Klinik by 257 as a qualifying transaction, as defined in the policies of the TSX Venture Exchange and was affected through a court approved plan of arrangement under Section 182 of the Business Corporations Act (Ontario).

257, whose shareholders held approximately 86.4% of the voting shares of the Company immediately after the qualifying transaction, is considered the acquiring company for accounting purposes. Since Klinik did not meet the definition of a business under IFRS 3, the acquisition was accounted for as the purchase of Klink's assets by 257. Consequently, the transaction is accounted for as a continuation of the financial statements of 257. The consideration paid was determined as equity-settled share-based payments under IFRS 2, *Share-based Payment*, at the fair value of the equity of NeuPath retained by the shareholders of Klinik.

Pursuant to the Definitive Agreement, immediately before the Klinik RTO, the Company's Class A Preferred Shares ("Preferred Shares") [Note 9, *Preferred Shares Liability*] and convertible debentures [Note 8, *Long-term Debt*] outstanding were converted into 257 common shares.

Pursuant to the Definitive Agreement (i) holders of issued and outstanding 257 common shares received five (5) common shares of the resulting issuer (the Company's common shares) for each one (1) 257 common share (the "Exchange Ratio") held by them; and (ii) all options and warrants convertible into 257 common shares were exchanged, based on the Exchange Ratio, for similar securities to purchase the Company's common shares on substantially similar terms and conditions.

Pursuant to the Definitive Agreement, immediately following the completion of the Klinik RTO, all issued and outstanding shares of the Company were consolidated on a 5:1 basis (the "Klinik Share Consolidation").

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

The following table represents the fair value of the share-based consideration provided and net assets acquired:

Consideration provided	**$**
Fair value of 3,869,500 common shares at $1.00 per share	3,870
Estimated fair value of stock options issued (Note 11)	119
Estimated fair value of warrants issued (Note 12)	74
Total consideration provided	**4,063**

Net assets acquired	
Cash	2,559
Refundable deposit advanced to NeuPath	225
Accounts payable and accrued liabilities	(94)
Total net assets acquired	**2,690**

Listing expense	1,373
Transaction costs	885
Listing expense and transaction costs	**2,258**

5. 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	**-**

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

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.

6. 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
Repayments	-	(75)	-	(75)
Balance, June 30, 2020	**287**	**350**	**-**	**637**

The Company expects to settle the above provisions within the next year.

7. 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	**(781)**	(786)
Interest expense during the period	**287**	330
	5,197	6,030
Less amounts due within one year	**1,075**	963
Long-term balance, June 30	**4,122**	5,067

For the three and six months ended June 30, 2020, lease payments totalled $391 and $781 [$402 and $786 for the three and six months ended June 30, 2019]. 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 and six months ended June 30, 2020 or 2019.

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

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 June 30, 2020:

	$
Less than 1 year	1,561
1 to 2 years	1,540
2 to 3 years	1,277
3 to 4 years	1,036
4 to 5 years	721
Beyond 5 years	-
	6,135

See Note 15, *Commitments* for additional information on estimated additional rent payment obligations related to the Company's leases on its clinical and office locations.

8. LONG-TERM DEBT

	June 30, 2020 $	December 31, 2019 $
Convertible debentures	**-**	4,797
Royal Bank of Canada	**4,804**	4,978
Long-term debt	**4,804**	9,775
Less amounts due within one year	**3,591**	8,588
Long-term balance	**1,213**	1,187

Convertible Debentures

During the years ended December 31, 2017 and December 31, 2018, the Company issued $4,165 of convertible debt with a stated interest rate of 8%. The debt may be converted into common shares at the discretion of the holders at the lesser of $1.00 per common share or a 25% discount to the price per common share upon the occurrence of a Liquidity Event.

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.

On March 24, 2020, the Company extended the maturity dates of the 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 was fair valued immediately before the Klinik RTO and a fair value loss of $201 and $507 was recorded and is included in fair value adjustments on the Consolidated Interim Statements of Loss and Comprehensive Loss for the three and six months ended June 30, 2020 [$26 and $257 for the three and six months ended June 30, 2019]. As at December 31, 2019, 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:

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

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

On June 25, 2020, the Company completed the Klinik RTO as described in Note 4, *Reverse Take Over Transaction*. This transaction qualified as a Liquidity Event. In accordance with the terms of the Definitive Agreement, all NeuPath's outstanding convertible debentures were converted into the Company's shares. The conversion price was $0.75 per common share which is the lesser of $1.00 per common share or a 25% discount to the price per common share upon the occurrence of a Liquidity Event. The Company issued a total of 6.7 million common shares to satisfy the total obligation of $5.0 million.

Accretion expense on the convertible debentures in the amount of $211 and $389 was recorded and is included in interest cost on the Consolidated Interim Statements of Loss and Comprehensive Loss for the three and six months ended June 30, 2020 [$156 and $313 for the three and six months ended June 30, 2019].

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 June 30, 2020, $3,495 bears interest at RBC Prime+1.95% and matured on February 2020 and was renewed for a consecutive 12-month period (Facility #1), and $1,269 bears interest at a rate of 5.23% and matures in September 2023 (Facility #2).

On May 11, 2020, the Company entered into a long-term debt agreement with a principal amount of $40 which is interest free and repayable on or before December 31, 2021. This loan was made available to the Company under the Canada Emergency Business Account, a government-backed program designed to assist businesses impacted by COVID-19.

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

	< 1 year **$**	**1 year** **$**	**2 years** **$**	**3 years** **$**	**Total** **$**
Royal Bank of Canada	3,495	-	-	-	3,495
Royal Bank of Canada	96	96	96	981	1,269
Royal Bank of Canada	-	40	-	-	40
	3,591	**136**	**96**	**981**	**4,804**

9. PREFERRED SHARES LIABILITY

During the year ended December 31, 2017, the Company issued 835,000 Preferred Shares for aggregate proceeds of $835. The Preferred Shares may be converted into common shares at the discretion of the holder at the lesser of $1.00 per common share or a 25% discount to the price per common shares upon occurrence of an Liquidity Event (See Note 8, *Long-term Debt* for the definition of a Liquidity Event). The Preferred Shares carry a right to a cumulative share dividend equal to 8% of the initial price of the Preferred Shares which accrues quarterly. The Preferred Shares will be automatically redeemed by the Company for cash at $1.00 per Preferred Share after two years from the issuance date.

On March 24, 2020, the Company extended the maturity dates and the mandatory redemption period of the 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.

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

The conversion feature on Preferred Shares was fair valued immediately before the Klinik RTO and a fair value loss of $41 and $102 was recorded and is included in fair value adjustments on the Consolidated Interim Statements of Loss and Comprehensive Loss for the three and six months ended June 30, 2020 [$5 and $51 for the three and six months ended June 30, 2019]. As at December 31, 2019, the conversion feature on Preferred Shares was fair valued using the Monte-Carlo Simulation method with inputs to the model as follows:

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

On June 25, 2020, the Company completed the Klinik RTO as described in Note 4, *Reverse Take Over Transaction*. This transaction qualified as a Liquidity Event. In accordance with the terms of the Definitive Agreement, all of NeuPath's outstanding Preferred Shares were converted into the Company's shares. The conversion price was $0.75 per common share which is the lesser of $1.00 per common share or a 25% discount to the price per common share upon the occurrence of a Liquidity Event. The Company issued a total of 1.4 million common shares to satisfy the total obligation of $1.0 million.

Accretion expense on the Preferred Shares in the amount of $240 and $277 was recorded and is included in Interest cost on the Consolidated Interim Statements of Loss and Comprehensive Loss for the three and six months ended June 30, 2020 [$34 and $66 for the three and six months ended June 30, 2019].

10. 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 and six months ended June 30, 2020, the Company issued 11,945,987 common shares related to the conversion of preferred shares (see Note 9, *Preferred Shares Liability*) and convertible debentures to common shares (see Note 8, *Long-term Debt*) and shares issued as consideration for the Klinik RTO (see Note 4, *Reverse Take Over Transaction*). During the three and six months ended June 30, 2019, the Company issued 2,186,666 common shares for aggregate net proceeds of $2,052.

11. STOCK-BASED COMPENSATION

The Company has three stock-based compensation plans: the Amended and Restated Stock Option Plan ("Stock Option Plan"), the Employee Share Purchase Plan ("ESPP") and the Restricted Share Unit ("RSU") Plan

Stock Option Plan

On June 23, 2020, 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 a non-diluted basis at the relevant grant date.

As at June 30, 2020, the number of common shares available for issuance under the Stock Option Plan was 1,388,394 [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 and 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
Klinik RTO options	387	1.00	1.00
Balance, June 30, 2020	**1,462**	**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 June 30, 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
279	June 25, 2020	1.00	1.00	1.48	4.4	41.45	0.51
108	June 25, 2020	1.00	1.00	1.48	4.8	41.53	0.53

The following table summarizes the outstanding and exercisable options held by directors, officers, employees and consultants as at June 30, 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	1,462	4.2 – 5.4	1.00	477,585	1.00

During the three and six months ended June 30, 2020 and June 30, 2019, there were no issuances of new options under the Stock Option Plan.

On June 25, 2020, as part of the Klink RTO described in Note 4, *Reverse Take Over Transaction*, the Company issued 386,950 options with a total fair value of $142 in exchange for 1,934,750 Klinik options assumed as part of the transaction (after giving effect to the Klinik Share Consolidation). The instruments were issued on the same or similar terms as the Klinik options. Each option is exercisable at the option of the holder for one common share of the Company at an exercise price of $1.00 per share. In accordance with the Klinik RTO, 306,335 of the options issued with a total fair value of $119 vested upon closing.

Employee Share Purchase Plan
On June 23, 2020, NeuPath shareholders approved a resolution affirming, ratifying and approving the ESPP and approving all of the unallocated common shares issuable pursuant to the ESPP. The maximum number of common shares that can be issued under the ESPP is 500,000. No common shares have been issued under this plan.

Restricted Share Unit Plan
On June 23, 2020, NeuPath shareholders approved a resolution affirming, ratifying and approving the RSU Plan and approving all of the unallocated common shares issuable pursuant to the RSU Plan. The maximum number of common shares that can be issued under the RSU Plan is 2,000,000. No common shares have been issued under this plan.

Summary of Stock-based Compensation
Stock-based compensation for the three and six months ended June 30, 2020 was $38 and $63 [$nil for the three and six months ended June 30, 2019] and has been included in general and administrative expenses.

The maximum number of common shares that can be issued under all three plans cannot exceed 20% of the total number of common shares outstanding calculated on a non-diluted basis.

12. 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.

On June 25, 2020, as part of the Klinik RTO described in Note 4, *Reverse Take Over Transaction*, the Company issued 300,000 warrants with a total fair value of $74 in exchange for 1,500,000 Klinik warrants assumed as part of the transaction (after giving effect to the Klinik Share Consolidation). The instruments were issued on the same or similar terms as the Klinik warrants. Each warrant is exercisable at the option of the holder for one common share of the Company at an exercise price of $1.00 per share and expire in December 2021.

As at June 30, 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	5.59	0.73	4 – 9	55.00	800
Warrants	1.00	2,000	0.64	1.46 – 2.29	2 – 3	42.20 – 60.95	548
Warrants	1.30	1,986	2.47	1.47 – 2.29	2 – 3	60.95 – 75.14	357
Warrants	2.00	1,000	1.90	0.97	2	39.10	37
Prepaid warrants	0.001	10,420	1.65	1.89	3	43.18	9,794
Warrants issued as a component of convertible debentures and Preferred Shares	1.00	1,250	5.69	-	-	-	117
Klinik RTO warrants	1.00	300	1.42	1.52	1.44	50.48	74
		21,436	**2.77**				**11,727**

Except for the Klinik warrants issued in connection with the Klinik RTO, the Company did not issue any additional warrants during the three and six months ended June 30, 2020.

13. 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 as at June 30, 2020, totalled $19,307 [December 31, 2019 - $19,461].

There were no changes to the Company's capital management policy during the three and six months ended June 30, 2020.

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

14. NET CHANGE IN NON-CASH WORKING CAPITAL

Net change in non-cash working capital consists of:

	Six months ended June 30	
	2020	2019
	$	$
Accounts receivable	**283**	(2,183)
Other assets	**46**	35
Accounts payable and accrued liabilities	**942**	846
Income tax liabilities	**206**	100
Provisions	**(255)**	(525)
Net change in non-cash working capital	**1,222**	(1,727)

15. 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	1,125	225	450	450	-
Hamilton	November 30, 2022	155	64	91	-	-
Mississauga	February 28, 2024	687	187	375	125	-
Oakville	July 31, 2022	98	47	51	-	-
Brampton	July 31, 2025	203	40	80	80	3
Toronto	December 31, 2023	185	53	106	26	-
Scarborough	July 31, 2022	140	67	73	-	-
Oshawa	November 30, 2025	330	61	122	122	25
Ottawa	July 31, 2028	670	83	166	166	255
		3,593	**827**	**1,514**	**969**	**283**

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

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

16. 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:

	June 30, 2020	December 31, 2019
	$	$
Financial assets at amortized cost		
Cash	**3,289**	883
Accounts receivable	**6,868**	7,151
Total financial assets	**10,157**	8,034
Financial liabilities at amortized cost		
Accounts payable and accrued liabilities	**6,198**	5,161
Provisions	**637**	892
Due to related parties	**3,674**	4,226
Preferred shares liability	**-**	798
Long-term debt	**4,804**	9,775
	15,313	20,852
Financial liabilities at fair value		
Derivative financial liabilities	**-**	1,175
Conversion feature on preferred shares	**-**	236
	-	1,411
Total financial liabilities	**15,313**	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.

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 not 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 and six months ended June 30, 2020 and 2019.

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

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

	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
Fair value adjustments	201	41	242
Conversion on Liquidity Event	(1,682)	(338)	(2,020)
Balance, June 30, 2020	**-**	**-**	**-**

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.

As a result of COVID-19, the Company has not noted a significant change in the credit risk of its financial instruments.

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.

As a result of COVID-19, the Company has reviewed the working capital requirements needed for medical supplies and the additional safety protocols that were implemented to comply with guidelines from the Ontario Government. The Company anticipates that its current cash of $3.3 million as at June 30, 2020, together with the cash flows generated from operations, will be sufficient to execute its current business plan for the next 12 months.

As at June 30, 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	6,198	6,198	-	-	-
Provisions	637	637	-	-	-
Due to related parties	3,674	-	3,674	-	-
Long-term debt	4,804	3,591	232	981	-
	15,313	**10,426**	**3,906**	**981**	**-**

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.

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

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 not have a 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.

17. 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:

	June 30, 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

The amount due to Bloom Burton & Co. Inc. ("BBCI"), a shareholder of the Company, is non-interest bearing, unsecured and due on demand. BBCI has agreed not to call the loan prior to December 31, 2021.

The amount due to Bloom Burton Development Corp. ("BBDC"), a shareholder of the Company, is non-interest bearing, unsecured and due on demand. BBDC has agreed not to call the loan prior to December 31, 2021.

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

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

18. DISAGGREGATED REVENUES

The Company's revenues are disaggregated by major category:

	Three months ended June 30		Six months ended June 30	
	2020	2019	**2020**	2019
	$	$	**$**	$
Clinic revenue	**10,452**	12,150	**21,244**	22,393
Non-clinic revenue	**770**	855	**1,580**	1,533
Total revenue	**11,222**	13,005	**22,824**	23,926

19. 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 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 was included in accounts receivable as at June 30, 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 $1.6 million (before interest), of which no amounts have been paid to the CRA. The CRA has held back the Company's HST refunds in the amount of $0.4 million, and therefore the amount outstanding to the CRA as at June 30, 2020, including interest, is $1.4 million.

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.