



NeuPath Health Inc.

[formerly Klinik Health Ventures Corp.]

**Consolidated Financial Statements
December 31, 2020 and 2019
(audited)**

Independent auditor's report

To the Shareholders of
NeuPath Health Inc. [formerly Klinik Health Ventures Corp.]

Opinion

We have audited the consolidated financial statements of **NeuPath Health Inc.** [formerly Klinik Health Ventures Corp.] [the "Company"], which comprise the consolidated statement of financial position as at December 31, 2020, the consolidated statement of net loss and comprehensive loss, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ["IFRS"].

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The consolidated financial statements of the Company for the year ended December 31, 2019 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on April 27, 2020.

Material uncertainty related to going concern

We draw attention to note 2 in the consolidated financial statements, which indicates that the Company incurred a net loss of \$5,058,000, during the year ended December 31, 2020 and, as of that date, the Company had an accumulated deficit of \$18,541,000. As stated in note 2, these events or conditions, along with other matters as set forth in note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If based on the work we will perform on this other information, we conclude there is a material misstatement of other information, we are required to report that fact to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

The engagement partner on the audit resulting in this independent auditor's report is Paula J. Smith.

The logo for Ernst & Young LLP is written in a black, cursive script font.

Toronto, Canada
March 25, 2021

Chartered Professional Accountants
Licensed Public Accountants

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

<i>(Canadian dollars in thousands)</i>	<i>Notes</i>	As at December 31, 2020	As at December 31, 2019
		\$	\$
ASSETS			
CURRENT			
Cash		10,850	883
Accounts receivable	8	7,672	7,151
Other assets	9	634	614
Current income tax recoverable	23	172	-
TOTAL CURRENT ASSETS		19,328	8,648
NON-CURRENT			
Property, plant and equipment	10	2,889	3,359
Right-of-use assets	10	3,744	4,857
Other assets	9	305	427
Intangible assets	11	884	1,729
Goodwill	12	18,970	18,970
TOTAL ASSETS		46,120	37,990
LIABILITIES AND EQUITY			
CURRENT			
Accounts payable and accrued liabilities		5,612	5,161
Provisions	13	150	892
Derivative financial liabilities	15	-	1,175
Conversion feature on preferred shares	16	-	236
Preferred shares liability	16	-	798
Current portion of long-term debt	15	3,091	8,588
Current portion of lease obligations	14	1,127	1,019
Current income tax liabilities	23	-	169
TOTAL CURRENT LIABILITIES		9,980	18,038
NON-CURRENT			
Long-term debt	15	1,238	1,187
Lease obligations	14	3,545	4,672
Deferred income tax liabilities	23	59	96
Due to related parties	26	3,674	4,226
TOTAL LIABILITIES		18,496	28,219
EQUITY			
Share capital	17	32,825	11,527
Warrants	6, 19	12,910	11,653
Contributed surplus	18	430	74
Deficit		(18,541)	(13,483)
TOTAL EQUITY		27,624	9,771
TOTAL LIABILITIES AND EQUITY		46,120	37,990

Note 24, *Commitments*

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

Approved on behalf of the Board of Directors:

/s/ Dianne Carmichael

Dianne Carmichael, Director

/s/ Daniel Chicoine

Daniel Chicoine, Director

NEUPATH HEALTH INC. [formerly Klinik Health Ventures Corp.]
CONSOLIDATED STATEMENTS OF NET LOSS AND
COMPREHENSIVE LOSS

<i>(Canadian dollars in thousands, except per share figures)</i>	<i>Notes</i>	Year ended December 31, 2020	Year ended December 31, 2019
		\$	\$
REVENUE			
Medical services	7, 27	47,639	49,638
Total revenue		47,639	49,638
OPERATING EXPENSES			
Cost of medical services	21	37,920	39,681
General and administrative expenses	21	6,731	6,770
Occupancy costs		1,309	1,397
Depreciation and amortization	21	2,499	2,451
Interest cost	14, 15, 16	1,468	1,937
Restructuring	21	-	550
Total operating expenses		49,927	52,786
OTHER EXPENSES (INCOME)			
Fair value adjustments		405	738
Finance income		(46)	(55)
Impairment	12	-	1,564
Listing expense and transaction costs	6	2,258	-
Other income		(45)	-
Net loss before income taxes		(4,860)	(5,395)
INCOME TAXES			
Current tax expense	23	235	497
Deferred tax recovery	23	(37)	(582)
Total income taxes		198	(85)
NET LOSS AND COMPREHENSIVE LOSS		(5,058)	(5,310)
Net loss per common share			
- basic and diluted		(0.21)	(0.34)
Weighted average number of common shares outstanding (in thousands)			
- basic and diluted		24,498	15,643

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

NEUPATH HEALTH INC. [formerly Klinik Health Ventures Corp.]
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

<i>(Canadian dollars in thousands, except number of shares)</i>	<i>Notes</i>	Share Capital		Warrants	Contributed Surplus	Deficit	Total
		000s	\$	\$	\$	\$	\$
Balance, December 31, 2018		13,898	9,066	11,482	-	(8,173)	12,375
Stock option compensation expense	18	-	-	-	74	-	74
Issuance of warrants	19	-	-	171	-	-	171
Issuance of common shares, net of issue costs	17	2,659	2,461	-	-	-	2,461
Net loss and comprehensive loss		-	-	-	-	(5,310)	(5,310)
Balance, December 31, 2019		16,557	11,527	11,653	74	(13,483)	9,771
Stock option compensation expense	18	-	-	-	221	-	221
Reverse takeover of Klinik Health Ventures Corp.	6	3,870	3,870	74	119	-	4,063
Conversion of long-term debt	15	6,724	6,724	-	-	-	6,724
Conversion of preferred shares	16	1,352	1,352	-	-	-	1,352
Expiry of warrants	19	-	-	(16)	16	-	-
Issuance of warrants	19	-	-	1,199	-	-	1,199
Issuance of common shares and warrants, net of issue costs	17	13,340	9,352	-	-	-	9,352
Net loss and comprehensive loss		-	-	-	-	(5,058)	(5,058)
Balance, December 31, 2020		41,843	32,825	12,910	430	(18,541)	27,624

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

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

	Year ended December 31, 2020	Year ended December 31, 2019
<i>(Canadian dollars in thousands)</i>	Notes	\$
OPERATING ACTIVITIES		
Net loss and comprehensive loss		(5,058)
Items not involving current cash flows:		(5,310)
Depreciation and amortization	21	2,529
Impairment	12	-
Accretion of lease obligations	14	541
Accretion of long-term debt	15	389
Accretion of preferred shares liability	16	277
Accretion on promissory note		15
Gain on modification of long-term debt	15	(143)
Gain on modification of preferred shares	16	(61)
Fair value adjustment of derivative financial liabilities	15	507
Fair value adjustment of conversion feature on preferred shares	16	102
Accretion of finance lease receivable		(45)
Listing expense	6	1,373
Equity-settled stock option compensation expense	18	221
Deferred tax recovery	23	(37)
		610
Net change in non-cash working capital	22	(1,256)
CASH USED IN OPERATING ACTIVITIES		(646)
INVESTING ACTIVITIES		
Acquisition of CompreMed, net of cash acquired	7	-
Acquisition of property, plant and equipment, net of disposals	10	(38)
Acquisition of intangible assets	11	(63)
Cash acquired on reverse takeover of Klinik Health Ventures Corp.	6	2,784
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		2,683
FINANCING ACTIVITIES		
Proceeds on issuance of common shares, net of issue costs	17	10,551
Repayment of long-term debt		(729)
Advances of long-term debt		80
Advances from related parties		55
Receipts from finance lease receivable		155
Repayment of promissory note	26	(622)
Repayment of lease obligations	14	(1,560)
CASH PROVIDED BY FINANCING ACTIVITIES		7,930
Net change in cash during the year		9,967
Cash, beginning of year		883
CASH, END OF YEAR		10,850
Supplemental cash flow information		
<i>Interest paid¹</i>		315
<i>Income taxes paid</i>		570

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

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

1. NATURE OF BUSINESS

NeuPath Health Inc. (“NeuPath” or the “Company”) operates an end-to-end, integrated network of health care businesses focused on transforming the hope of a better life into the reality of a life more fully lived. NeuPath endeavors to achieve this goal by working with patients to return functionality lost due to chronic pain, spinal injuries, sports related injuries, and concussions. NeuPath’s end-to-end solution is built on a base of research, with technology layered in, with a goal of better outcomes from assessments and treatments.

The Company operates an interdisciplinary network of medical clinics in Ontario and Alberta, in addition to an independent medical assessment business with a national network of health care providers. The Company’s medical clinics provide comprehensive assessments and rehabilitation services to clients with chronic pain, musculoskeletal/back injuries, sports related injuries and concussions. The Company’s health care providers cover a broad range of specialties and include: Psychiatrists, Neurologists, Anesthesiologists, General Practitioners with specialized training in chronic pain, as well as Medication Management Physicians, Athletic Therapists and Nurses.

In addition, NeuPath provides workplace health services and independent medical assessments to employers and disability insurers through a national network of health care providers, including: Cardiologists; Dentists; Dermatologists, Endocrinologists, Psychiatrists, Gastroenterologists, General Practitioners, Internal Medicine Specialists, Neurologists, Neuropsychiatrists, Neuropsychologists, Occupational Therapists, Ophthalmologists, Orthopedic Surgeons, Psychiatrists, Physiotherapists, Psychologists, Respiriologists, and Rheumatologists.

NeuPath has 12 locations across Ontario and 1 location in Alberta with more than 100 health care providers.

Subsequent to year-end, NeuPath announced the acquisition of HealthPointe Medical Centres Ltd. (“HealthPointe”), a pain, spine and sport medicine clinic located in Edmonton, Alberta. See Note 29, *Subsequent Events*, for additional information.

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 6, *Reverse Takeover 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 Consolidated 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 December 31, 2020, the Company had an accumulated deficit of \$18,541, including a net loss of \$5,058 for the year ended December 31, 2020.

Given the start-up nature of the business, the Company’s liquidity requirements are dependent on its ability to raise additional capital by selling additional equity, from the exercise of common share warrants or by obtaining credit facilities. 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 Consolidated 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

Basis of Measurement

These Consolidated 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 Consolidated Financial Statements are presented in Canadian dollars, which is the Company's functional currency.

Statement of Compliance

These Consolidated Financial Statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") in effect as at December 31, 2020.

The policies applied to these Consolidated Financial Statements are based on IFRS, which have been applied consistently to all periods presented except as disclosed in Note 4, *Adoption of New Accounting Standards*. These Consolidated Financial Statements were issued and effective as at March 25, 2021, the date the Board of Directors approved these Consolidated Financial Statements.

Basis of Consolidation

These Consolidated 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.

4. 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 Consolidated 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 Consolidated Financial Statements.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 Consolidated 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 year ended December 31, 2020, the Company revised its disaggregation categories of revenues in Note 27, *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.

Key areas of judgment and estimation or use of managerial assumptions are as follows:

Impact of COVID-19

The Company’s critical accounting estimates are affected as a result of the various ongoing economic and social impacts of the COVID-19 global pandemic. There continues to be significant uncertainty as to the likely effects of this outbreak, which may, among other things, impact the Company’s employees, suppliers, and customers. It is not possible to predict the impact COVID-19 will have on the Company, its consolidated financial position, and the consolidated results of operations in the future. The Company is monitoring the future impact of the pandemic on all aspects of its business. Each quarter-end, management carries out this assessment for indications that goodwill and other long-lived assets may be impaired. As part of this assessment, management performed an analysis on its cash-generating units (“CGUs”) and determined there were no adverse impacts that would lead to indicators of impairment. As required, management will continue to assess these assumptions as the evolving COVID-19 situation changes.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the review affects both current and future periods.

Business combinations

The Company must assess whether an entity being purchased constitutes a business, which requires an assessment of inputs and processes in place at the acquiree. The fair value of assets acquired and liabilities assumed requires management to make significant estimates. Judgment is required to determine when the Company gains control of a business. This requires an assessment of the relevant activities that significantly affect its returns, including operating and capital expenditure decision-making, financing, key management personnel changes and when decisions in relation to those activities are under the control of the Company or require unanimous consent from the investors. Critical estimates and assumptions used in the determination of fair value are discussed in Note 7, *Business Combinations*.

Convertible debt and preferred shares liability

The identification of convertible debt and preferred shares liability are based on the interpretations of the substance of the contractual arrangement, and therefore require judgment from management. The separation of the components affects the initial recognition at issuance and the subsequent recognition of interest on the liability component.

Derivative financial liabilities and conversion feature on preferred shares

The Company uses the fair-value method of accounting for derivative liabilities and such liabilities are remeasured at each reporting date with changes in fair value recorded in the period incurred. Critical estimates and assumptions used in the model are discussed in Note 15, *Long-term Debt* and Note 16, *Preferred Shares Liability*.

Leases

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use ("ROU") asset. The IBR, therefore, requires estimation when no observable rates are available. The Company estimates the IBR using observable inputs such as market interest rates and is required to make certain entity-specific estimates such as the stand-alone credit rating.

Stock-based payments and warrants

The Company uses the Black-Scholes option pricing model to estimate the fair value of stock-based compensation and warrant reserves, which require the use of several input variables. Measurement date estimates include share price, expected volatility (based on weighted average historical volatility adjusted for changes expected due to publicly available information of a comparable peer group), weighted average expected life of the instruments, expected dividends, and the risk-free interest rate (based on government bonds). The inputs to the model are subject to estimate and changes in these inputs can materially impact the estimated fair value of stock-based payments and warrants.

Deferred taxes

Significant estimates are required in determining the Company's income tax provision. Some estimates are based on interpretations of existing tax laws or regulations. Various internal and external factors may have favourable or unfavourable effects on the Company's future effective tax rate. These include, but are not limited to, changes in tax laws, regulations and/or rates, changing interpretations of existing tax laws or regulations, results of tax audits by tax authorities, changes in estimates of prior years' items and changes in overall levels of pretax earnings.

Impairment of non-financial assets

The Company makes a number of estimates when calculating recoverable amounts using discounted future cash flows or other valuation methods to test for impairment. These estimates include the future cash flows, terminal value growth rates, and the discount rate. The Company estimates value in use for impairment tests by discounting estimated future cash flows to their present value. The Company estimates the discounted future cash flows for periods of up to four years and a terminal value. The future cash flows are based on the Company's estimates and expected future operating results of the CGU after considering economic conditions and a general outlook for the industry. Discount rates consider market rates of return, debt-to-equity ratios, and certain risk premiums, among other things. The terminal value is the value attributed to the CGU's operations beyond the projected time period of the cash flows using a perpetuity rate based on expected economic conditions and a general outlook for the industry.

Expected credit losses

Significant judgments, estimates and assumptions are required when calculating the expected credit losses ("ECLs") of financial assets. Management makes assumptions and estimates about the impact that future events may have on the historical data used to measure ECLs.

In estimating ECLs, the Company develops a number of assumptions as follows:

- The probability-weighted outcome, including identification of scenarios that specify the amount and timing of the cash flows for particular outcomes and the estimated probability of those outcomes;
- Expected cash shortfalls including, recoveries, costs to recover and the effects of any collateral or other credit enhancements; and
- Estimates of effective interest rates used in incorporating the time value of money.

The above assumptions are based on historical information and adjusted for current conditions and forecasts of future economic conditions.

Cash

Cash includes cash on hand and current balances with banks.

Accounts Receivable

Accounts receivable are amounts due for services rendered in the ordinary course of business. If collection is expected in twelve months or less, accounts receivable is classified as current assets. If not, accounts receivable are presented as non-current assets. Accounts receivable also include accrued receivables, which are amounts for services rendered and not yet invoiced or billed. Accounts receivable are initially recognized at fair value and, subsequently, are measured at amortized cost using the effective interest method, less lifetime ECLs.

Clinical Supplies

Clinical supplies are included in other current assets in the Consolidated Statements of Financial Position. Clinical supplies consist of pharmaceutical products and materials used in the provision of healthcare services and are valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Property, Plant and Equipment

Property, plant and equipment ("PP&E") is recorded at cost, net of government assistance, accumulated depreciation and/or accumulated impairment losses. Assets acquired under finance leases are carried at cost, which is the present value of minimum lease payments after deduction of any executory costs.

The Company allocates the amount initially recognized in respect of an item of PP&E to its significant components and amortizes each such part separately. Residual values, method of depreciation and useful lives of the assets are reviewed annually or more frequently if required, and any changes in these estimates are adjusted prospectively.

Depreciation of PP&E is provided for over the estimated useful lives from the date the assets become available for use. The following estimates were effective for the year ended December 31, 2020:

Leasehold improvements	Shorter of asset life and term of lease	Straight-line
Building	25 years	Straight-line
Furniture and fixtures	5 years	Straight-line
Medical equipment	5 years	Straight-line
Computer equipment and software	3 years	Straight-line

Intangible Assets

Intangible assets acquired in a business combination are recognized separately from goodwill at their fair value at the date of acquisition, which is considered to be cost. Following initial recognition, intangible assets are carried at cost, less any accumulated amortization and accumulated impairment losses. Amortization commences when the intangible asset is available for use. The estimated useful lives are as follows:

Brand	4 years	Straight-line
Patient relationship	4 years	Straight-line

Intangible assets, include internally generated intangibles, such as developed software assets, which are initially recognized at cost and carried at cost less any accumulated amortisation and accumulated impairment losses.

Goodwill and Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at the acquisition date fair value and the amount of any non-controlling interest in the acquiree.

When the Company acquires a business, it assesses the classification and designation of financial assets and liabilities assumed in accordance with the contractual terms, economic circumstances and conditions as at the acquisition date. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at

the acquisition date. All contingent consideration (unless classified as equity) is subsequently remeasured to fair value at each reporting period-end, with the changes in fair value recognized in profit or loss.

Goodwill is initially measured at cost over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Company reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in net loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the CGU or group of CGUs that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Impairment of Non-financial Assets

The Company reviews the carrying value of non-financial assets for potential impairment at each reporting date and when events or changes in circumstances indicate that the carrying amount may not be recoverable. CGUs to which goodwill has been allocated are tested for impairment at least annually. Impairment is determined by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows or CGUs. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset's carrying value exceeds its recoverable amount. Goodwill is allocated to the CGU that is expected to benefit from synergies of a related business combination and represents the lowest level within the Company at which management monitors goodwill.

For non-financial assets other than goodwill, a previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset is increased to its recoverable amount, but cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

Leases

The Company assesses whether a contract is, or contains, a lease at inception of the contract.

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets, and recognizes lease liabilities and ROU assets representing the obligation to make lease payments and the right to use the underlying assets.

Leased assets

The Company recognizes ROU assets at the commencement date of the lease. ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets include the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. ROU assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. ROU assets are also subject to impairment.

Lease liabilities

The Company recognizes lease liabilities at the commencement date of the lease, measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not

depend on an index or a rate are recognized as expenses in the period in which the event that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date as the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in the lease payments.

The Company applies the short-term and low-value lease recognition exemptions to its short-term (i.e. term less than 12 months) and low-value leases of office equipment. Lease payments on short-term leases and leases of low-value assets are expensed on a straight-line basis over the lease term.

Lease modifications are accounted for as a new lease with an effective date of the modification.

Financial Instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Measurement

At initial recognition, the Company measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets or financial liabilities carried at FVTPL are expensed in profit or loss.

Measurement in subsequent periods depends on the classification of the financial instrument. The Company classifies its financial instruments depending on the purpose for which the instruments were acquired and their characteristics.

Financial Assets

For the subsequent measurement, there are two measurement categories into which the Company classifies its financial assets:

Amortized cost

Financial assets measured at amortized cost are debt financial instruments with contractual cash flows that meet the strictly principal and interest ("SPPI") test and are managed on a hold to collect basis. These financial assets are recognized initially at fair value plus or minus direct and incremental transaction costs, and are subsequently measured at amortized cost, using the effective interest-rate method, net of an allowance for ECLs.

Fair value through profit or loss

Trading financial instruments are mandatorily measured at FVTPL as they are held for trading purposes or are part of a managed portfolio with a pattern of short-term profit taking. Non-trading financial assets are also mandatorily measured at fair value if their contractual cash flow characteristics do not meet the SPPI test or if they are managed together with other financial instruments on a fair value basis. Trading and non-trading financial instruments valued at FVTPL are remeasured at fair value as at the consolidated statement of financial position date.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

Fair value through other comprehensive income

Debt financial instruments measured at fair value through other comprehensive income ("FVOCI") are non-derivative financial assets with contractual cash flows that meet the SPPI test and are managed on a hold to collect

and for sale basis. Subsequent measurement of debt instruments classified at FVOCI under IFRS 9, *Financial Instruments* (“IFRS 9”) operates in a similar manner to available for sale debt securities under IAS 39, *Financial Instruments: Recognition and Measurement*, except that the ECL impairment model must be applied to these instruments under IFRS 9. As a result, FVOCI debt instruments are measured initially at fair value, plus direct and incremental transaction costs. Subsequent to initial recognition, FVOCI debt instruments are remeasured at fair value through other comprehensive income (“OCI”), with the exception that both related foreign exchange gains or losses and changes in ECL allowances are recognized in the statement of net earnings and comprehensive income.

Financial Liabilities

Financial liabilities are subsequently measured at amortized cost using the effective interest method, except for financial liabilities at FVTPL (irrevocable election at the time of recognition). Such liabilities, including derivatives that are liabilities, shall be subsequently measured at fair value.

For liabilities measured at amortized cost using the effective interest-rate method, gains and losses are recognized in financial expenses (income) in the Consolidated Statements of Loss and Comprehensive Loss when the liabilities are de-recognized. For financial liabilities measured at FVTPL, changes in fair value due to credit risk are recorded in other comprehensive income.

The Company has classified its financial instruments as follows:

Financial instrument	Classification	Measurement	Fair Value Hierarchy
Assets			
Cash	Amortized cost	Amortized cost	N/A
Accounts receivable	Amortized cost	Amortized cost	N/A
Liabilities			
Accounts payable and accrued liabilities	Amortized cost	Amortized cost	N/A
Provisions	Amortized cost	Amortized cost	N/A
Derivative financial liabilities	FVTPL	Fair value	Level 3
Conversion feature on preferred shares	Amortized cost	Amortized cost	N/A
Preferred shares liability	Amortized cost	Amortized cost	N/A
Due to related parties	Amortized cost	Amortized cost	N/A
Long-term debt	Amortized cost	Amortized cost	N/A
Convertible debt	Amortized cost	Amortized cost	N/A

Impairment

The Company recognizes ECL for accounts receivables based on the simplified approach under IFRS 9. The simplified approach to the recognition of expected losses does not require the Company to track the changes in credit risk; rather, the Company recognizes a loss allowance based on lifetime ECLs at each reporting date from the date of the trade receivable. The Company has established a provision matrix that is based on its history of credit losses, adjusted for prospective factors specific to the economic environment in which it operates and for any financial guarantee related to the receivables.

Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Accounts receivables are reviewed qualitatively on a case-by-case basis to determine whether they need to be written off.

ECLs are calculated based on actual credit loss experience over the past two years and adjusted for forward-looking information. The Company calculates the ECL rates separately for low-risk and high-risk customers and the customer portfolio is segmented based on common credit risk characteristics such as market position and history of arrears and default.

Compound Financial Instruments

The component parts of compound instruments issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability is measured separately using an estimated market rate for a similar liability without an equity component and the residual is allocated to the conversion option.

The liability component is subsequently recognized on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is recognized and included in equity and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to share capital. Transaction costs are divided between the liability and equity components in proportion to their values.

Revenue Recognition

The Company provides professional management services related to health and medical activities. The Company's contracts are associated with the rendering of patient services, research and staffing allocation services.

Rendering of patient services

The rendering of patient services is through the Ontario Health Insurance Plan ("OHIP"), which is regulated under the *Health Insurance Act*. The Company has registrations with the Ministry of Health and Ministry of Long-Term Care, which provides assurance that the Company will be paid to provide medical services to patients holding the OHIP insurance card. Revenue is recognized when medical services have been provided to the patient. The *Health Insurance Act* outlines a fixed-unit price per service provided, types of services, and professional work paid to registered entities by OHIP.

Research contracts

The Company may enter into contracts for the provision of clinical research services to third parties. Such contracts have rates and a budget fixed for each visit based on the stage of the research, which are billed as the work progresses and the revenue recognized accordingly. The third-party firm pays the Company, which in turn has a separate contract with the physician who conducts the clinical trial.

The terms of the agreements may include provisions for a holdback. The entity estimates the amount of holdback not paid is immaterial and usually avoidable by the Company providing all the contractual requirements. Therefore, clinical research services payments are normally immediately recognized as revenue when the appointment is completed, which can range from an hour to 10 hours.

Staffing allocation services contracts

The Company has contracts with various correctional facilities and hospitals for allocating physicians. As part of its revenue model, the Company provides medical professionals for these institutions and charge them per hour worked. Therefore, staffing allocation service contract revenues are recognized as revenue as the services are provided.

Loss Per Share

Loss per common share represents loss for the period attributable to common shareholders divided by the weighted average number of common shares outstanding during the year. Diluted loss per common share is calculated by dividing the applicable loss for the year by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive common shares had been issued during the year. The calculation of diluted loss per share excludes the effects of various conversions and exercise of options, warrants and convertible instruments that would be anti-dilutive.

The number of fully diluted shares outstanding as at December 31, 2020 was 72,823 which includes the conversion of convertible debentures (Note 15, *Long-term Debt*), preferred shares (Note 16, *Preferred Shares Liability*), stock options (Note 18, *Stock-based Compensation*), restricted share units (Note 18, *Stock-based Compensation*), and warrants and prepaid warrants (Note 19, *Warrants*) [December 31, 2019 - fully diluted shares outstanding was 44,630].

Income Taxes

Income taxes on profit or loss include current and deferred taxes. Income taxes are recognized in profit or loss except to the extent that they relate to business combinations or items recognized directly in equity or in OCI. Current taxes are the expected income taxes payable or recoverable on the taxable income or loss for the period, using tax rates enacted or substantively enacted, at the reporting date and any adjustment to income taxes payable in respect of previous years.

Deferred income taxes are generally recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income taxes are measured at the tax rates that are expected to be applied to temporary differences when they are reversed, based on the tax laws that have been enacted or substantively enacted in the relevant jurisdiction by the reporting date.

Deferred tax assets and liabilities are recognized, where the carrying amount of an asset or a liability in the Consolidated Statements of Financial Position differs from its tax base, except for differences arising on:

- The initial recognition of goodwill; and
- The initial recognition of an asset or a liability in a transaction that is not a business combination and at the time of the transaction affects neither accounting or taxable profit.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent it is probable that future taxable income will be available against which they can be utilized. Deferred tax assets are reviewed as at each reporting date and are reduced to the extent it is no longer probable the related tax benefit will be realized. Within the scope of IAS 12 - *Income Taxes*, the Company recognizes its investment tax credits as a reduction against current income tax expense.

Operating Segments

IFRS 8, *Operating Segments* requires operating segments to be determined based on internal reports that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to the segment and to assessing its performance. For the year ended December 31, 2020, the Company continued to operate as one industry segment: medical services.

Provisions

The Company recognizes provisions when it has a present obligation (legal or constructive) as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Convertible Debt

The component parts of compound instruments issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the Company determines if the conversion feature is equity or liability based on the conversion terms. If the conversion feature is determined to be equity, the fair value of the liability is measured separately using an estimated market rate for a similar liability without an equity component and the residual is allocated to the conversion option. The liability component is subsequently recognized on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is recognized and included in equity and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to share capital. If the conversion feature is determined to be a liability, the fair value of the conversion is measured separately at fair value on issuance date. The residual amount is then allocated to the debt host liability and the conversion feature liability is subsequently measured at FVTPL. Upon conversion, the carrying amount of the host debt liability along with the fair value of the conversion feature will be transferred to share capital. Transaction costs are divided between the various components in proportion to their values recorded at issuance. The portion of transaction costs allocated to the derivative liability is expensed immediately in net loss.

Government Grants

The Company will recognize government grants when there is reasonable assurance that it will comply with the conditions required to qualify for the grant, and that the grant will be received. The Company recognizes government grants as a reduction to the related expense that the grant is intended to offset.

Accounting Standards Issued But Not Yet Applied

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRS Interpretations Committee that are mandatory for fiscal periods beginning on or after January 1, 2021. The standards impacted that may be applicable to the Company are as follows:

(a) *Amendments to IFRS 9: Financial Instruments, Fees in the '10 per cent' Test for Derecognition of Financial Liabilities*

As part of its 2018-2020 annual improvements to the IFRS standards process, the IASB issued an amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022, with earlier adoption permitted. The Company will apply the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The implementation of this amendment is not expected to have a significant impact on the Company.

Other accounting standards or amendments to existing accounting standards that have been issued, but have future effective dates, are either not applicable or are not expected to have a significant impact on the Company's annual Consolidated Financial Statements.

6. REVERSE TAKEOVER 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 Klinik'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 Payments*, 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") (See Note 16, *Preferred Shares Liability*) and convertible debentures (See Note 15, *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").

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 18)	119
Estimated fair value of warrants issued (Note 19)	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

7. 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 was 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.

For the year ended December 31, 2019, CompreMed accounted for \$575 in revenues and \$39 in net loss since the March 31, 2019 acquisition date. If the acquisition had been completed on January 1, 2019, the Company estimates it would have recorded \$49,773 in pro forma revenues and \$3,744 in pro forma net loss for the year ended December 31, 2019.

8. ACCOUNTS RECEIVABLE

	December 31, 2020	December 31, 2019
	\$	\$
Accounts receivable, gross	5,884	5,859
HST receivable (Note 28)	1,808	1,342
Less: Provision for expected credit losses	(20)	(50)
	7,672	7,151

During the year ended December 31, 2020, accounts receivable in the amount of \$98 were written off [December 31, 2019 - \$nil] and there were no reversals of prior year write-downs during the years ended December 31, 2020 and 2019.

9. OTHER ASSETS

	December 31, 2020	December 31, 2019
	\$	\$
Prepaid expenses	339	334
Clinical supplies	174	170
Finance lease receivable	426	537
	939	1,041
Less amounts due within one year	634	614
Long-term balance	305	427

During the year ended December 31, 2020, the Company recognized finance interest income of \$46, which is included in finance income on the Consolidated Statements of Loss and Comprehensive Loss [December 31, 2019 - \$55]. The future finance lease payments to be received by the Company relating to the property that is subleased to third parties are as follows:

	Payments to be Received by Year				
	2021	2022	2023	2024	Total
	\$	\$	\$	\$	\$
Finance lease payments to be received	155	155	155	27	492
Less: unearned finance interest income	(34)	(22)	(9)	-	(65)
Total finance lease receivable	121	133	146	27	427

10. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following:

Cost	Leasehold Improvements \$	Furniture & Fixtures \$	Computer Equipment & Software \$	Medical Equipment \$	Building \$	Land \$	Total \$
Balance, December 31, 2018	2,065	294	896	176	872	328	4,631
Transfers upon adoption of IFRS 16	-	-	(212)	-	-	-	(212)
Additions	81	14	29	7	-	-	131
Balance, December 31, 2019	2,146	308	713	183	872	328	4,550
Additions	15	-	23	-	-	-	38
Balance, December 31, 2020	2,161	308	736	183	872	328	4,588
Accumulated depreciation							
Balance, December 31, 2018	352	40	312	27	20	-	751
Transfers upon adoption of IFRS 16	-	-	(70)	-	-	-	(70)
Depreciation expense	247	54	140	35	34	-	510
Balance, December 31, 2019	599	94	382	62	54	-	1,191
Depreciation expense	246	53	145	30	34	-	508
Balance, December 31, 2020	845	147	527	92	88	-	1,699
Net book value as at December 31, 2019	1,547	214	331	121	818	328	3,359
Net book value as at December 31, 2020	1,316	161	209	91	784	328	2,889

ROU assets consist of the following:

Cost	ROU Asset - Computer Equipment \$	ROU Asset - Building \$	Total \$
Balance, December 31, 2019	331	5,677	6,008
Balance, December 31, 2020	331	5,677	6,008
Accumulated depreciation			
Balance, December 31, 2019	148	1,003	1,151
Depreciation expense	110	1,003	1,113
Balance, December 31, 2020	258	2,006	2,264
Net book value as at December 31, 2019	183	4,674	4,857
Net book value as at December 31, 2020	73	3,671	3,744

The Company recognized \$5,677 of ROU assets related to buildings and \$212 of computer equipment on transition to IFRS 16, Leases ("IFRS 16") on January 1, 2019.

11. INTANGIBLE ASSETS

Intangible assets consist of the following:

Cost	Developed Software	Patient Relationship	Brand	Total
	\$	\$	\$	\$
Balance, December 31, 2018	-	1,600	1,864	3,464
Acquired in CompreMed acquisition (Note 7)	-	130	20	150
Balance, December 31, 2019	-	1,730	1,884	3,614
Additions	63	-	-	63
Balance, December 31, 2020	63	1,730	1,884	3,677
Accumulated amortization				
Balance, December 31, 2018	-	333	658	991
Amortization expense	-	424	470	894
Balance, December 31, 2019	-	757	1,128	1,885
Amortization expense	-	433	475	908
Balance, December 31, 2020	-	1,190	1,603	2,793
Net book value as at December 31, 2019	-	973	756	1,729
Net book value as at December 31, 2020	63	540	281	884

The Company acquired intangible assets with a fair value of \$150 upon the close of the CompreMed acquisition in 2019 (See Note 7, *Business Combinations*).

12. GOODWILL

Cost	December 31, 2020	December 31, 2019
	\$	\$
Viable acquisition	8,565	8,565
InMedic acquisition	10,405	10,405
	18,970	18,970

Goodwill is recognized on the acquisition date when total consideration exceeds the net identifiable assets acquired.

During the year ended December 31, 2020, the Company recognized a change in its grouping of CGUs and the related allocation of goodwill. This change triggered a goodwill impairment test, which was conducted, at that time, using the original goodwill allocation to the two CGUs: Viable and InMedic.

Viable CGU

The recoverable amount of the Viable CGU was determined based on a value-in-use calculation using cash flow projections and approved financial budgets. A pretax discount rate of 13% was applied along with a terminal-growth rate of 3%. It was concluded that the carrying value did not exceed the value-in-use. As a result of this analysis, management did not identify an impairment for this CGU when this interim impairment test was conducted [December 31, 2019 - \$1,564]. Having written down the Viable CGU to its recoverable amount as at December 31, 2019, the goodwill impairment test is sensitive to changes in the discount rate and an increase of 50 basis points, assuming all other variables remain constant, would have resulted in a material change to the value of the Viable CGU and an impairment loss.

InMedic CGU

The recoverable amount of the InMedic CGU was determined based on a value-in-use calculation using cash flow projections and approved financial budgets. A pretax discount rate of 13% was applied, along with a terminal-growth

rate of 2.5%. It was concluded that the carrying value did not exceed the value-in-use. As a result of this analysis, management did not identify an impairment for this CGU when this interim impairment test was conducted.

The Company performs an impairment test annually on December 31 or whenever there is an indication of impairment. During the year ended December 31, 2020, the Company recognized a change in its grouping of CGUs and the related allocation of goodwill. Goodwill has been reallocated to a single group representing the twelve medical clinics CGU: Medical clinics. The reallocation reflects the level at which management monitors goodwill for internal management purposes and coincided with centralization activities benefitting the medical clinics CGU.

Medical clinics

The recoverable amount of the medical clinics CGU was determined based on a value-in-use calculation using cash flow projections and approved financial budgets. A pretax discount rate of 13% was applied, along with a terminal-growth rate of 2.5%. It was concluded that the carrying value did not exceed the value-in-use. As a result of this analysis, management did not identify an impairment for this CGU as at December 31, 2020.

Sensitivity analysis

The Company's goodwill impairment tests on the InMedic CGU and medical clinics CGU have limited sensitivity to changes in assumptions that would materially impact the outcome. An increase of 50 basis points to the discount rates used by the Company, assuming all other variables remain constant, for its goodwill impairment tests would not have resulted in a material change to the value of the Company's InMedic CGU and medical clinics CGU, and therefore, would not result in an impairment loss.

13. PROVISIONS

	Legal and Other Restructuring Expenses	Severance	Lease Termination Settlements	Total
	\$	\$	\$	\$
Balance, December 31, 2018	307	49	744	1,100
Additions	-	550	-	550
Repayments	(20)	(49)	(689)	(758)
Balance, December 31, 2019	287	550	55	892
Repayments	(287)	(400)	(55)	(742)
Balance, December 31, 2020	-	150	-	150

The Company is making payments of \$25 per month towards the severance provision. The Company expects to settle the above provisions within the next year.

14. 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 and consist of the following:

	2020	2019
	\$	\$
Balance, as at January 1	5,691	-
Transition to IFRS 16	-	6,486
Additions during the year	-	151
Payments during the year	(1,560)	(1,589)
Interest expense during the year	541	643
	4,672	5,691
Less amounts due within one year	1,127	1,019
Long-term balance, December 31	3,545	4,672

For the year ended December 31, 2020, lease payments totalled \$1,560 [December 31, 2019 – \$1,589]. 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 years ended December 31, 2020 and 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 to, 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 December 31, 2020:

	\$
Less than 1 year	1,558
1 to 2 years	1,436
2 to 3 years	1,202
3 to 4 years	799
4 to 5 years	481
Beyond 5 years	356
	5,832

See Note 24, *Commitments*, for additional information on estimated additional rent payment obligations related to the Company's leases on its clinical and office locations.

15. LONG-TERM DEBT

	December 31, 2020 \$	December 31, 2019 \$
Convertible debentures	-	4,797
Royal Bank of Canada	4,329	4,978
Long-term debt	4,329	9,775
Less amounts due within one year	3,091	8,588
Long-term balance	1,238	1,187

Convertible Debentures

The Company issued \$4,165 of convertible debt with a stated interest rate of 8% during 2017 and 2018. 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 [December 31, 2019 - \$159]. The gain is included in fair value adjustments on the Consolidated Statements of Loss and Comprehensive Loss.

The derivative liability conversion feature was fair valued immediately before the Klinik RTO. For the year ended December 31, 2020, a fair value loss of \$507 is included in fair value adjustments on the Consolidated Statements of Loss and Comprehensive Loss [December 31, 2019 - fair value loss of \$747]. 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:

	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 6, *Reverse Takeover 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 \$389 was recorded and is included in interest cost on the Consolidated Statements of Loss and Comprehensive Loss for the year ended December 31, 2020 [December 31, 2019 - \$713].

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 ("RBC") as at December 31, 2020, \$2,995 bears interest at RBC Prime+1.95% and matured in February 2020 and was renewed for a consecutive 12-month period (Facility #1), and \$1,254 bears interest at a rate of 5.23% and matures in September 2023 (Facility #2).

On August 19, 2020, the Company entered into amendment agreements with RBC with respect to the long-term debt pursuant to which, among other things, the Company and RBC agreed to amend certain operating and financial restrictions to reflect the Company's current business operations and structure. As part of the amendment, Facility #1 requires payments no later than 120 days after each year end as, and by way of, a prepayment of a portion of principal amount outstanding equal to an amount to 25% of the Free Cash Flow of the Company for such fiscal year. The credit facilities include restrictive covenants relating to indebtedness, operations, investments, capital expenditures and other standard operating business covenants. The credit facilities are secured by all of the assets of the Company.

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, 2022. On September 10, 2020, the Company entered into a second long-term debt agreement under the same terms and with the same maturity. These loans were 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 \$	Total \$
Royal Bank of Canada	2,995	-	-	2,995
Royal Bank of Canada	96	96	1,062	1,254
Royal Bank of Canada	-	80	-	80
	3,091	176	1,062	4,329

16. 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 a Liquidity Event (See Note 15, *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 [December 31, 2019 - \$nil]. The gain is included in fair value adjustments on the Consolidated Statements of Loss and Comprehensive Loss.

The conversion feature on Preferred Shares was fair valued immediately before the Klinik RTO and for the year ended December 31, 2020, a fair value loss of \$102 is included in fair value adjustments on the Consolidated Statements of Loss and Comprehensive Loss [December 31, 2019 - \$150]. 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 6, *Reverse Takeover 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 \$277 was recorded and is included in interest cost on the Consolidated Statements of Loss and Comprehensive Loss for the year ended December 31, 2020 [December 31, 2019 - \$139].

17. 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.

On June 24, 2020, the Company issued 11,945,987 common shares related to the conversion of preferred shares (see Note 16, *Preferred Shares Liability*) and convertible debentures to common shares (see Note 15, *Long-term Debt*) and shares issued as consideration for the Klinik RTO (see Note 6, *Reverse Takeover Transaction*).

On November 13, 2020, the Company closed a short-form prospectus offering, on a bought deal basis, and issued a total of 13,340,000 units at a price of \$0.90 per unit for aggregate gross proceeds of \$12,006 (\$10,551 net of cash transaction costs). Each unit consisted of one common share of the company and one-half of one warrant (see Note 19, *Warrants*), with each whole warrant entitling the holder to acquire one common share at a price of \$1.25 per common share until the date that is 24 months from the closing of the bought deal financing. All issuance costs were offset against share capital and common share warrants in proportion to the allocation of proceeds.

During the year ended December 31, 2019, the Company issued 2,659,316 common shares for aggregate net proceeds of \$2,478.

18. 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 December 31, 2020, the number of common shares available for issuance under the Stock Option Plan was 2,263,315 [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 seven years or less. In general, options have vested either immediately upon grant or over a period of one to five years.

The following is a schedule of the options outstanding:

	Options 000s	Range of Exercise Price \$	Weighted Average Exercise Price \$
Balance, December 31, 2019	1,075	1.00	1.00
Klinik RTO options	387	1.00	1.00
Options granted	459	0.87	0.87
Balance, December 31, 2020	1,921	0.87 - 1.00	0.97

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 December 31, 2020 were as follows:

Options 000s	Grant Date	Share Price \$	Exercise Price \$	Risk-free Interest Rate %	Expected Life Years	Volatility Factor %	Fair Value per Option \$
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
459	September 1, 2020	0.87	0.87	1.52	7	40.51	0.38

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

Exercise Price Range \$	Options 000s	Outstanding		Exercisable	
		Remaining Contractual Life years	Weighted Average Exercise Price \$	Vested Options 000s	Weighted Average Exercise Price \$
1.00	1,462	3.9 - 4.6	1.00	555	1.00
0.87	459	6.7	0.87	-	-

During the year ended December 31, 2020, the Company issued 459,080 options with a total fair value of \$176. Each option is exercisable at the option of the holder for one common share of the Company at an exercise price of \$0.87 per share.

On June 25, 2020, as part of the Klinik RTO described in Note 6, *Reverse Takeover 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.

During the year ended December 31, 2020, the Company issued 198,175 RSUs with a total fair value of \$172. Each RSU entitles the holder to one common share of the Company upon vesting. The RSUs vest over a period of one to four years.

RSU grants outstanding as at December 31, 2020 were as follows:

	RSUs 000s	Vested RSUs 000s	Fair Value per RSU \$
Balance, December 31, 2019	-	-	-
RSUs granted	198	-	0.87
Balance, December 31, 2020	198	-	0.87

RSUs 000s	Grant Date	Share Price \$	Vesting Period years	Fair Value per RSU \$
161	September 1, 2020	0.87	4	0.87
37	September 1, 2020	0.87	1	0.87

Summary of Stock-based Compensation

Stock-based compensation for the year ended December 31, 2020 was \$221 [December 31, 2019 - \$74] and has been included in general and administrative ("G&A") 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.

19. 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 6, *Reverse Takeover 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.

On November 13, 2020, as part of the short-form prospectus offering described in Note 17, *Share Capital*, the Company issued 13,340,000 half warrants (6,670,000 whole warrants) entitling each holder to acquire one common share at a price of \$1.25 per common share in exchange for each whole warrant held until the date that is 24 months from the closing of the bought deal financing. In connection with the offering, the Company also issued 800,400 finders warrants, representing 6% of the total units sold under the offering, entitling each holder to acquire one common share at a price of \$0.90 per common share in exchange for each warrant until the date that is 24 months from the closing of the bought deal financing. The finder's warrants have been included as a component of transaction costs.

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

Type	Exercise Price \$	Warrants Outstanding 000s	Weighted Average Remaining Contractual Life years	Fair Value Black-Scholes Model Inputs			
				Risk Free Rate %	Expected Life years	Volatility %	Fair Value \$
Warrants	0.25	4,480	5.08	0.73	4 – 9	55.00	800
Warrants ⁽ⁱ⁾	1.00	1,954	0.15	1.89	3	43.18	532
Warrants	1.30	1,986	1.97	1.47 - 2.29	2 - 3	60.95 - 75.14	357
Warrants	2.00	1,000	1.40	0.97	2	39.10	37
Prepaid warrants	0.0001	10,420	1.15	1.89	3	43.18	9,794
Warrants issued as a component of convertible debentures and Preferred Shares	1.00	1,250	1.34	-	-	-	117
Klinik RTO warrants	1.00	300	0.92	1.52	1.44	50.48	74
Bought deal warrants	1.25	6,670	1.87	1.19	2	59.03	983
Bought deal finder warrants	0.90	800	1.87	1.19	2	59.03	216
		28,860	1.75				12,910

⁽ⁱ⁾ 46,000 warrants with a fair value of \$16, life of two years and exercise price of \$1.00 expired during the year ended December 31, 2020.

Except for the warrants issued in connection with the Klinik RTO and the bought deal financing, the Company did not issue any additional warrants during the year ended December 31, 2020.

20. 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 December 31, 2020, totalled \$21,103 [December 31, 2019 - \$19,461].

There were no changes to the Company's capital management policy during the year ended December 31, 2020.

21. EXPENSES BY NATURE

The Consolidated Statements of Loss and Comprehensive Loss include the following expenses by nature:

(a) Employee costs:

	December 31, 2020	December 31, 2019
	\$	\$
Salaries, bonuses and benefits	5,609	6,013
Share-based payments	221	74
Termination benefits	-	550
Total employee costs	5,830	6,637
Included in:		
Cost of medical services	2,171	2,724
General and administrative expenses	3,659	3,363
Restructuring	-	550
Total employee costs	5,830	6,637

(b) Depreciation and amortization:

	December 31, 2020	December 31, 2019
	\$	\$
Amortization of intangibles	908	894
Depreciation of right-of-use assets	1,113	1,081
Cost of medical services	30	34
Amortization of property, plant and equipment	478	476
Total depreciation and amortization	2,529	2,485

The Company received government grants during the year ended December 31, 2020 in the amount of \$789 [December 31, 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 \$451 offset to cost of medical services and \$338 offset to G&A expenses during the year ended December 31, 2020.

22. NET CHANGE IN NON-CASH WORKING CAPITAL

Net change in non-cash working capital consists of:

	December 31, 2020	December 31, 2019
	\$	\$
Accounts receivable	(521)	(1,933)
Other assets	(8)	(208)
Accounts payable and accrued liabilities	356	856
Income tax liabilities	(341)	9
Provisions	(742)	(208)
Net change in non-cash working capital	(1,256)	(1,484)

23. INCOME TAXES**Income Tax Expense**

Income tax recovery attributable to loss before income taxes differs from the amounts computed by applying the combined federal and provincial tax rate of 26.5% [December 31, 2019 - 26.5%] to pretax loss, as a result of the following:

	December 31, 2020 \$	December 31, 2020 %	December 31, 2019 \$	December 31, 2019 %
Net loss before income taxes	(4,860)	-	(5,395)	-
Income tax at statutory rate of 26.5%	(1,288)	26.5	(1,430)	26.5
Permanent differences	(10)	0.2	662	(12.3)
Change in unrecognized deferred tax assets	1,496	(30.8)	683	(12.6)
Income tax expense (recovery)	198	(4.1)	(85)	1.6
Current tax	235	-	497	-
Deferred tax	(37)	-	(582)	-

Deferred Tax Assets and Liabilities

The Company's deferred tax liability is a result of the origination and reversal of temporary differences. Net deferred tax liability consists of the following:

	December 31, 2020 \$	December 31, 2019 \$
Deferred tax asset:		
Non-capital loss carryforwards	320	684
Deferred tax liability:		
Excess carrying value of property, plant and equipment and intangible assets over tax basis	(379)	(780)
Net deferred tax liability	(59)	(96)

A deferred income tax asset has not been recognized for certain temporary differences that may be available to reduce income subject to tax in a taxation period subsequent to the year covered by these Consolidated Financial Statements. The temporary differences that have not been recognized in the Consolidated Statements of Financial Position or Consolidated Statements of Loss and Comprehensive Loss are identified below:

	December 31, 2020 \$	December 31, 2019 \$
Non-capital loss carryforwards	29,246	27,998
Net lease obligations	928	280
Long-term debt	-	610
Property, plant and equipment	119	70
Share issuance costs	3,259	12
Unpaid provisions	615	550

The Company has non-capital losses of \$30,454 for Canadian federal and Ontario provincial purposes that are available to offset future taxable income. These non-capital losses expire as follows:

Year of Expiry	Amount \$
2026	503
2027	379
2028	123
2029	125
2030	236
2031	1,337
2032	297
2033	2,192
2034	5,498
2035	5,988
2036	3,561
2037	2,692
2038	1,738
2039	2,958
2040	2,827
	30,454

24. 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:

Clinic Location	Expiry	Additional Rent Payments \$	1 year \$	2-3 years \$	4-5 years \$	More than 5 years \$
London	June 30, 2025	1,013	225	450	338	-
Hamilton	November 30, 2022	123	64	59	-	-
Mississauga	February 28, 2024	592	187	374	31	-
Oakville	July 31, 2022	75	47	28	-	-
Brampton	July 31, 2025	183	40	80	63	-
Toronto	December 31, 2023	156	52	104	-	-
Scarborough	July 31, 2022	106	67	39	-	-
Oshawa	November 30, 2025	300	61	122	117	-
Ottawa	July 31, 2028	697	92	184	184	237
		3,245	835	1,440	733	237

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

25. 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:

	December 31, 2020	December 31, 2019
	\$	\$
Financial assets at amortized cost		
Cash	10,850	883
Accounts receivable	7,672	7,151
Total financial assets	18,522	8,034
Financial liabilities at amortized cost		
Accounts payable and accrued liabilities	5,612	5,161
Provisions	150	892
Due to related parties	3,674	4,226
Preferred shares liability	-	798
Long-term debt	4,329	9,775
	13,765	20,852
Financial liabilities at fair value		
Derivative financial liabilities	-	1,175
Conversion feature on preferred shares	-	236
	-	1,411
Total financial liabilities	13,765	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 years ended December 31, 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.

	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	507	102	609
Conversion on Liquidity Event	(1,682)	(338)	(2,020)
Balance, December 31, 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 regards 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 (See Note 2, *Going Concern Assumption*).

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

	Total \$	Current	Non-current		
		Within 12 Months \$	1 to 2 Years \$	3 to 5 Years \$	> 5 years \$
Accounts payable and accrued liabilities	5,612	5,612	-	-	-
Provisions	150	150	-	-	-
Due to related parties	3,674	-	3,674	-	-
Long-term debt	4,329	3,091	1,238	-	-
Lease obligations	4,672	1,127	2,121	1,114	310
	18,437	9,980	7,033	1,114	310

The Company believes that its current working capital and the net proceeds from financing (See Note 17, *Share Capital* for additional information relating to the Company's financing) will be sufficient to satisfy its current debt obligations; however, the Company's ability to satisfy its non-current 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 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.

26. RELATED PARTY TRANSACTIONS

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

Transactions with Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including directors. Key management includes two executive officers and non-employee directors. In 2019, key management included only two executive officers. Compensation for the Company's key management personnel was as follows:

	December 31, 2020	December 31, 2019
	\$	\$
Salaries, bonuses and benefits ⁽ⁱ⁾	1,071	412
Share-based payments	172	43
Total employee costs	1,243	455
Included in:		
General and administrative expenses	1,243	455
Total employee costs	1,243	455

⁽ⁱ⁾ Included in 2020 are bonuses of \$233 that were awarded in 2020 that related to performance in 2019.

On December 31, 2019, the Company issued 14,450 common shares to the Chief Executive Officer in payment for a car allowance that was not paid during the year. Compensation expense in the amount of \$14 were included in G&A expenses for the year ended December 31, 2019.

Loans from Related Parties

The following related party balances were outstanding as at:

	December 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

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.

27. DISAGGREGATED REVENUES

The Company’s revenues are disaggregated by major category:

	Year ended December 31, 2020	Year ended December 31, 2019
	\$	\$
Clinic revenue	44,921	46,594
Non-clinic revenue	2,718	3,044
Total revenue	47,639	49,638

Non-clinic revenue is earned from physician staffing allocation services where NeuPath provides physicians for institutions and hospital health departments across Canada, and from contract research services provided to pharmaceutical companies and clinical research organizations.

The Company has one major customer that accounted for 93% of the Company’s total revenue for the year ended December 31, 2020 [December 31, 2019 - 92%].

28. 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 Consolidated 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 Consolidated 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, accordingly, the \$1.3 million paid is included in accounts receivable as at December 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 \$1.6 million (before interest), of which no amounts have been paid to the CRA, representing a total potential loss contingency of \$2.9 million. The CRA has held back the Company’s HST refunds in the amount of \$0.5 million, which is included in accounts receivable as at December 31, 2020, and therefore, the amount outstanding to the CRA as at December 31, 2020, including interest, was \$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 its position with the CRA and an adverse outcome is rendered, the resulting liabilities would have a material effect on the Company's financial statements.

29. SUBSEQUENT EVENTS

Acquisition of HealthPointe Medical Centres

On February 8, 2021, the Company announced the acquisition of HealthPointe, a leading pain, spine, and sport medicine clinic located in Edmonton, Alberta. Under the terms of the share purchase agreement, in consideration for the purchase of 100% of the issued and outstanding shares of HealthPointe, NeuPath agreed to pay total cash consideration of up to \$4.7 million, payable as follows: (i) \$3.2 million upfront cash payment (subject to a working capital adjustment); and (ii) additional cash consideration of up to \$1.5 million, based on the achievement of certain financial results over a two-year measurement period. The transaction includes the assumption of approximately \$2.0 million of term debt spread across a number of facilities, with maturities ranging from one to ten years and bearing interest at RBC Prime+0%.

Royal Bank of Canada Debt

In February 2021, the Company's long-term debt held with the Royal Bank of Canada was renewed for 12 months under terms as disclosed in Note 15, *Long-term Debt*.