NeuPath Health Inc.

Consolidated Financial Statements
December 31, 2021 and 2020
(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 Group), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of net loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years 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 Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years 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 Group 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.

Material uncertainty related to going concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Group incurred a net loss of $3,230,000, during the year ended December 31, 2021 and, as of that date, the Group had an accumulated deficit of $21,771,000. 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 Group'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 the information included in Management's Discussion and Analysis.

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.

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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group'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 Group'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 Group'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 Group 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 Group 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.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
March 17, 2022

NEUPATH HEALTH INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Canadian dollars in thousands)	***Notes***	**As at December 31, 2021 $**	As at December 31, 2020 $
ASSETS			
CURRENT			
Cash and cash equivalents		**5,903**	10,850
Accounts receivable	*9*	**8,474**	7,672
Other assets	*10*	**988**	634
Current income tax recoverable	*24*	**-**	172
TOTAL CURRENT ASSETS		**15,365**	19,328
NON-CURRENT			
Property, plant and equipment	*11*	**4,574**	2,889
Right-of-use assets	*11*	**7,025**	3,744
Other assets	*10*	**607**	305
Intangible assets	*12*	**3,053**	884
Goodwill	*13*	**20,718**	18,970
TOTAL ASSETS		**51,342**	46,120
LIABILITIES AND EQUITY			
CURRENT			
Accounts payable and accrued liabilities		**8,284**	5,612
Provisions	*14*	**-**	150
Current portion of long-term debt	*16*	**3,441**	3,091
Current portion of lease obligations	*15*	**1,372**	1,127
Current portion of other obligations	*8*	**350**	-
Current income tax liabilities	*24*	**261**	-
TOTAL CURRENT LIABILITIES		**13,708**	9,980
NON-CURRENT			
Long-term debt	*16*	**1,287**	1,238
Lease obligations	*15*	**6,628**	3,545
Other obligations	*8*	**150**	-
Deferred income tax liabilities	*24*	**65**	59
Due to related parties	*27*	**3,674**	3,674
TOTAL LIABILITIES		**25,512**	18,496
EQUITY			
Share capital	*18*	**36,830**	32,825
Warrants	*6, 20*	**9,156**	12,910
Contributed surplus	*19*	**1,615**	430
Deficit		**(21,771)**	(18,541)
TOTAL EQUITY		**25,830**	27,624
TOTAL LIABILITIES AND EQUITY		**51,342**	46,120

Note 25, *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.
CONSOLIDATED STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS

(Canadian dollars in thousands, except per share figures or otherwise noted)	***Notes***	**Year ended December 31, 2021** **$**	Year ended December 31, 2020 $
REVENUE			
Medical services	*7, 29*	**60,856**	47,639
Total revenue		**60,856**	47,639
OPERATING EXPENSES			
Cost of medical services	*22*	**49,751**	37,920
General and administrative expenses	*22*	**8,337**	6,731
Occupancy costs		**1,590**	1,309
Depreciation and amortization	*22*	**3,019**	2,499
Interest cost	*15, 16, 17*	**876**	1,468
Total operating expenses		**63,573**	49,927
OTHER EXPENSES (INCOME)			
Fair value adjustments		**-**	405
Finance income		**(34)**	(46)
Listing expense and transaction costs	*6*	**564**	2,258
Other income		**-**	(45)
Net loss before income taxes		**(3,247)**	(4,860)
INCOME TAXES			
Current income tax expense	*24*	**255**	235
Deferred income tax recovery	*24*	**(272)**	(37)
Total income tax expense (recovery)		**(17)**	198
NET LOSS AND COMPREHENSIVE LOSS		**(3,230)**	(5,058)
Net loss per common share			
- basic and diluted		**(0.07)**	(0.21)
Weighted average number of common shares outstanding (in thousands)			
- basic and diluted		**45,135**	24,498

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

NEUPATH HEALTH INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Share Capital		Warrants	Contributed Surplus	Deficit	Total
(Canadian dollars in thousands, except number of shares)	***Notes***	**000s**	**$**	**$**	**$**	**$**	**$**
Balance, December 31, 2019		16,557	11,527	11,653	74	(13,483)	9,771
Stock-based compensation expense	*19*	-	-	-	221	-	221
Reverse takeover of Klinik Health Ventures Corp.	*6*	3,870	3,870	74	119	-	4,063
Conversion of long-term debt	*16*	6,724	6,724	-	-	-	6,724
Conversion of preferred shares	*17*	1,352	1,352	-	-	-	1,352
Expiry of warrants	*20*	-	-	(16)	16	-	-
Issuance of warrants	*20*	-	-	1,199	-	-	1,199
Issuance of common shares, net of issue costs	*18*	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
Stock-based compensation expense	*19*	-	-	-	517	-	517
Conversion of warrants	*20*	3,225	3,031	(3,031)	-	-	-
Expiry of warrants	*20*	-	-	(723)	723	-	-
Acquisition of KumoCare	*8*	1,429	919	-	-	-	919
Restricted share units, vested and exercised	*19*	63	55	-	(55)	-	-
Net loss and comprehensive loss		-	-	-	-	(3,230)	(3,230)
Balance, December 31, 2021		**46,560**	**36,830**	**9,156**	**1,615**	**(21,771)**	**25,830**

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

NEUPATH HEALTH INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Canadian dollars in thousands)	***Notes***	**Year ended December 31, 2021 $**	Year ended December 31, 2020 $
OPERATING ACTIVITIES			
Net loss and comprehensive loss		**(3,230)**	(5,058)
Items not involving current cash flows:			
Depreciation and amortization	*22*	**3,085**	2,529
Accretion of lease obligations	*15*	**700**	541
Accretion of long-term debt and preferred shares liability	*16, 17*	**-**	666
Accretion of promissory note		**-**	15
Accretion of other assets		**(56)**	(45)
Gain on modification of long-term debt and preferred shares	*16, 17*	**-**	(204)
Fair value adjustment of derivative financial liabilities	*16*	**-**	507
Fair value adjustment of conversion feature on preferred shares	*17*	**-**	102
Listing expense and transaction expense	*6*	**-**	1,373
Equity-settled stock-based compensation expense	*19*	**517**	221
Deferred income tax recovery	*24*	**(272)**	(37)
		744	610
Net change in non-cash working capital	*23*	**1,175**	(1,256)
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		**1,919**	(646)
INVESTING ACTIVITIES			
Acquisition of intangible assets, net	*12*	**(336)**	(63)
Acquisition of HealthPointe Medical Centres Ltd., net of cash acquired	*7*	**(2,752)**	-
Cash acquired on reverse takeover of Klinik Health Ventures Corp.	*6*	**-**	2,784
Acquisition of property, plant and equipment, net of disposals	*11*	**(411)**	(38)
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		**(3,499)**	2,683
FINANCING ACTIVITIES			
Proceeds on issuance of common shares, net of issue costs	*18*	**-**	10,551
Repayment of long-term debt		**(1,645)**	(729)
Advances of long-term debt		**40**	80
Advances from related parties		**-**	55
Receipts from other assets receivable		**238**	155
Repayment of promissory note	*27*	**-**	(622)
Repayment of lease obligations	*15*	**(2,000)**	(1,560)
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		**(3,367)**	7,930
Net change in cash and cash equivalents during the year		**(4,947)**	9,967
Cash and cash equivalents, beginning of year		**10,850**	883
CASH AND CASH EQUIVALENTS, END OF YEAR		**5,903**	10,850
Supplemental cash flow information			
Interest paid[1]		**210**	315
Income taxes paid (received)		**(187)**	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 utilizes research, data-driven insights, technology, and interdisciplinary care to help restore function for patients impacted by acute and chronic musculoskeletal conditions, including chronic pain, spinal injuries, sport-related injuries, and concussions.

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: Physiatrists, 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, Physiatrists, Physiotherapists, Psychologists, Respirologists and Rheumatologists.

On February 7, 2021, NeuPath acquired HealthPointe Medical Centres Ltd. ("HealthPointe"), a pain, spine and sport medicine clinic located in Edmonton, Alberta. See Note 7, *Business Combinations*, for additional information.

On August 16, 2021, NeuPath acquired Aidly Inc., owner of KumoCare ("KumoCare"), a virtual care platform to facilitate virtual care and telemedicine offerings. See Note 8, *Acquisition of KumoCare*, for additional information.

NeuPath has 13 locations across Ontario and 2 locations in Alberta with more than 130 health care providers.

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. ("Klinik") to NeuPath Health Inc. As a result of the Klinik reverse takeover transaction ("RTO"), 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, 2021, the Company had an accumulated deficit of $21,771 [December 31, 2020 - $18,541], including a net loss of $3,230 for the year ended December 31, 2021 [December 31, 2020 - $5,058].

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

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

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, 2021.

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 17, 2022, 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%**
Aidly Inc.	**100%**
CompreMed Canada Inc.	**100%**
HealthPointe Medical Centres Ltd.[(i)]	**100%**
Renaissance Asset Management (London) Inc.	**100%**
Viable Healthworks (Canada) Corp.	**100%**

[(i)] includes a 50% ownership in HealthPointe@CAO Services Ltd., a subsidiary of HealthPointe Medical Centres Ltd.

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, 2021. The new standards, interpretations, amendments and improvements to existing standards do not impact the Company and therefore have not been adopted in 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.

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.

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 by 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. 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.

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 16*, Long-term Debt* and Note 17, *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 and Cash Equivalents
Cash and cash equivalents include cash on hand and current balances with banks and similar institutions, including money market mutual funds, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in fair value.

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 is 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 is initially recognized at fair value and, subsequently, is measured at amortized cost using the effective interest rate 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 health care 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, 2021:

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. Expenditures during the development phase for internally generated intangible assets, such as software and website, are capitalized in accordance with IAS 38, *Intangible Assets*. Separately acquired intangible assets are recorded at the purchase price plus directly attributable acquisition costs.

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:

Software	7 years	Straight-line
Brand	4 - 7 years	Straight-line
Patient relationship	4 - 7 years	Straight-line
Website	3 years	Straight-line

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 includes 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.

Leased assets – the Company as lessor
As a lessor, the Company classifies its leases as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset and classified as an operating lease if it does not.

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 Statements 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 Statements 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”) operate 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 Consolidated Statements of Net Loss and Comprehensive Loss.

Financial Liabilities
Financial liabilities are subsequently measured at amortized cost using the effective interest rate 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 Net Loss and Comprehensive Loss when the liabilities are derecognized. 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 and cash equivalents	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
Lease obligations	Amortized cost	Amortized cost	N/A
Other obligations	Amortized cost	Amortized cost	N/A

Impairment
The Company recognizes ECL for accounts receivable 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 receivable 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 rate 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") and the Alberta Health Care Insurance Plan ("AHCIP"), which are regulated by the provincial health authorities. The Company has registrations in these provinces which provides assurance that the Company will be paid to provide medical services to patients holding provincial insurance cards. Revenue is recognized when medical services have been provided to the patient. The provincial health authority outlines a fixed-unit price per service provided, types of services and professional work paid to registered entities for the insured services.

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 charges them per hour worked. Therefore, staffing allocation service contract revenues are recognized as revenue when 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, 2021 was 70,022, which includes the conversion of convertible debentures (Note 16, *Long-term Debt*), preferred shares (Note 17, *Preferred Shares Liability*), stock options (Note 19, *Stock-based Compensation*), restricted share units (Note 19, *Stock-based Compensation*), and warrants and prepaid warrants (Note 20, *Warrants*) [December 31, 2020 - fully diluted shares outstanding was 72,823].

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 income 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 income 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 income 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, 2021, 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 rate 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, 2022. 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.

(b) Amendments to IAS 8, Definition of Accounting Estimates
In February 2021, the IASB issued amendments to IAS 8 to help entities distinguish between accounting policies and accounting estimates. The amendments focus on clarifying the definition of accounting estimates and are effective for annual reporting periods beginning on or after January 1, 2023 and changes in accounting policies and estimates that occur on or after the start of that period, with earlier application permitted. The amendments are not expected to have a material impact on the Company.

(c) Amendments to IAS 1, Disclosure of Accounting Policies
In February 2021, the IASB issued amendments to *IAS 1, Disclosure of Accounting Policies* and *IFRS Practice Statement 2, Making Materiality Judgments*, to help entities in deciding which accounting policies to disclose in their financial statements. The amendments require the disclosure of material accounting policies rather than significant accounting policies. To support this change, the IASB developed guidance on the application of the four-step materiality process to accounting policy disclosures. The amendments are applied prospectively and are effective for annual periods beginning on or after January 1, 2023, with earlier application permitted.

(d) Amendments to IAS 1, Classification of Liabilities as Current or Non-Current
In January 2020, the IASB issued *Classification of Liabilities as Current or Non-Current*, amending *IAS 1, Presentation of Financial Statements* to improve the information provided about non-current liabilities with covenants. The proposed amendments address the classification, presentation and disclosure of liabilities for which an entity’s right to defer settlement for at least 12 months is subject to compliance with conditions after the reporting period and are effective for annual reporting periods beginning on or after January 1, 2023, with earlier adoption permitted. 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.

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

6. REVERSE TAKEOVER TRANSACTION

On April 24, 2020, 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. Upon completion of the 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, was considered the acquiring company for accounting purposes. Since Klinik did not meet the definition of a business under IFRS 3*, Business Combinations* ("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* ("IFRS 2"), at the fair value of the equity of NeuPath retained by the shareholders of Klinik.

Pursuant to the Definitive Agreement, immediately before the RTO, the Company's Class A Preferred Shares ("Preferred Shares") (See Note 17, *Preferred Shares Liability*) and convertible debentures (See Note 16, *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 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 19)	119
Estimated fair value of warrants issued (Note 20)	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**

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

7. BUSINESS COMBINATIONS

HealthPointe Acquisition
On February 7, 2021, the Company acquired 100% of the issued and outstanding shares of HealthPointe in accordance with the Company's growth strategy. HealthPointe is a leading pain, spine and sport medicine clinic located in Edmonton, Alberta.

The Company finalized its measurement of the assets acquired and liabilities assumed, as a result of the HealthPointe acquisition, on June 24, 2021. The consideration for the acquisition and measurement of the assets acquired and liabilities assumed, in accordance with IFRS 3 is as follows:

Fair value of consideration transferred	**$**
Amount settled in cash	3,200
Amount settled by assumption of debt	2,004
Amount due for working capital surplus	93
Total consideration transferred	**5,297**

Recognized amounts of identifiable net assets	
Cash	448
Accounts receivable	1,295
Other current assets	316
Property, plant and equipment	2,077
Right-of-use assets	3,873
Other assets	507
Intangible asset – patient relationships	731
Intangible asset – brand	481
Total identifiable assets acquired	**9,728**
Accounts payable, accrued liabilities and other	(1,967)
Deferred income tax liability	(339)
Lease obligations	(3,873)
Total liabilities assumed	**(6,179)**
Identifiable net assets acquired	**3,549**
Goodwill on acquisition	**1,748**

Consideration Transferred
The Company satisfied the purchase price through the payment of $3,200 from cash on hand, the assumption of $2,004 of long-term debt spread across a number of facilities which renew annually for consecutive 12-month periods, bearing interest at the Royal Bank of Canada ("RBC") Prime+0% (Note 16, *Long-Term Debt*) and $93 for cash and other working capital adjustments.

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 12.3%. The brand was valued using a relief from royalty method incorporating a royalty rate of 1.0% and a discount rate of 12.3%.

Patient relationships and the brand are considered finite-lived intangible assets and will be amortized on a straight-line basis over their estimated useful lives of 7 years, with amortization commencing on the acquisition date.

Other Identifiable Net Assets
As part of the HealthPointe acquisition, the Company assumed the ROU asset and related lease obligation associated with the Edmonton facility (Note 15, *Lease Obligations*). The acquisition-date fair value was determined as the present value of the lease payments using the Company's incremental borrowing rate of 7.5%.

The fair value of accounts receivable acquired as part of the business acquisition amounted to $1,295. The fair value of other current assets and other assets includes prepaid expenses, which approximate fair value and other receivables, which have been discounted to reflect their acquisition-date fair values. As of the acquisition date, the Company expects to collect the contractual cash flows in full.

Goodwill
Goodwill is primarily related to growth expectations, particularly for entry into the Alberta market, expected future profitability and the skill and expertise of HealthPointe's workforce, including the vendor physicians and expected cost synergies. Goodwill has been allocated to the medical clinics' CGU and will not be deductible for income tax purposes.

Contribution to the Company's Results
For the year ended December 31, 2021, HealthPointe accounted for $10,662 in revenues and $302 in net income, since the February 7, 2021 acquisition date. If the acquisition had been completed on January 1, 2021, the Company estimates it would have recorded $62,330 in pro-forma revenues and $3,600 in pro-forma net loss for the year ended December 31, 2021.

Amounts Recognized Separately from the Business Combination
Acquisition related costs amounting to $427 were recognized as part of transaction costs for the year ended December 31, 2021 and are not included as part of the consideration transferred.

The purchase and sale agreement includes additional payments to the vendors of up to $1,500 if the vendor physicians generate at least $3,150 of annual gross billings in each of the twelve months ending February 2022 and February 2023. The Company expects to pay $250 in February 2022 and the remaining $1,250 in February 2023, in accordance with the terms of the purchase and sale agreement. The Company has determined that the additional payments are linked to services to be provided by the vendors, and as such, the amounts are accounted for as remuneration rather than consideration transferred. The Company has recognized $750 of remuneration expense in cost of medical services for the year ended December 31, 2021, with a related accrual for the same amount in accounts payable and accrued liabilities.

8. ACQUISITION OF KUMOCARE

Acquisition of KumoCare
On August 16, 2021, the Company acquired 100% of the issued and outstanding shares of Aidly Inc. ("KumoCare") for $1,428 (excluding transaction costs of $200). Consideration transferred in the acquisition consisted of the issuance of $919 in common shares of the Company and contingent consideration of $500, payable in cash.

The Company has determined that this acquisition is outside of the scope of IFRS 3. Therefore, the transaction was accounted for as an acquisition of the underlying asset of KumoCare, with the related common share issuance accounted for in accordance with IFRS 2, guidance for equity-settled share-based payment transactions. As such, the common shares issued to affect the transaction have been measured at the fair value of the assets acquired, less the value of the contingent consideration to be payable in cash.

The acquired assets consist of intellectual property related to the KumoCare telemedicine and home care scheduling mobile application and deferred income tax assets related to tax loss carryforwards. As a result of the transaction, $1,556 has been recorded as an addition to intangible assets and deferred income tax assets of $61 have been recognized as a reduction in deferred income tax liabilities. The fair value of the intellectual property was determined based on the cost of reproduction method. The intangible asset value includes transaction costs of $200 and is amortized over its useful live of 7 years, with such amortization included within depreciation and amortization expense.

The contingent consideration payable in the amount of $500 has been recorded as a liability in the Consolidated Statements of Financial Position.

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

9. ACCOUNTS RECEIVABLE

	December 31, 2021	December 31, 2020
	$	$
Accounts receivable, gross	**6,630**	5,884
HST receivable (Note 30)	**1,864**	1,808
Less: provision for expected credit losses	**(20)**	(20)
	8,474	7,672

During the year ended December 31, 2021, accounts receivable in the amount of $nil were written off [December 31, 2020 - $98] and there were no reversals of prior year write-downs during the years ended December 31, 2021 and 2020.

10. OTHER ASSETS

	December 31, 2021	December 31, 2020
	$	$
Prepaid expenses	**564**	339
Clinical supplies	**215**	174
Finance lease receivable	**305**	426
Investment in Advantage Sports Medicine	**30**	-
Other receivables	**481**	-
	1,595	939
Less: amounts due within one year	**988**	634
Long-term balance	**607**	305

During the year ended December 31, 2021, the Company recognized finance interest income of $34, which is included in finance income on the Consolidated Statements of Net Loss and Comprehensive Loss [December 31, 2020 - $46]. 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			
	2022	**2023**	**2024**	**Total**
	$	**$**	**$**	**$**
Finance lease payments to be received	155	155	26	**336**
Less: unearned finance interest income	(22)	(9)	-	**(31)**
Total finance lease receivable	133	146	26	**305**

During the year ended December 31, 2021, the Company recognized interest accretion of $22, which is included as a reduction of interest expense on the Consolidated Statements of Net Loss and Comprehensive Loss [December 31, 2020 - $nil]. The future payments to be received by the Company relating to the other receivables are as follows:

	Payments to be Received by Year				
	2022	**2023**	**2024**	**2025+**	**Total**
	$	**$**	**$**	**$**	**$**
Payments to be received	94	94	94	275	**557**
Less: accretion of interest	(21)	(18)	(15)	(22)	**(76)**
Total other receivables	73	76	79	253	**481**

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

11. PROPERTY, PLANT AND EQUIPMENT

PP&E consists of the following:

Cost	Leasehold Improvements $	Furniture & Fixtures $	Computer Equipment & Software $	Medical Equipment $	Building $	Land $	Total $
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
Acquired in HealthPointe acquisition (Note 7)	1,689	235	53	100	-	-	2,077
Additions	232	23	44	112	-	-	411
Balance, December 31, 2021	**4,082**	**566**	**833**	**395**	**872**	**328**	**7,076**
Accumulated depreciation							
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
Depreciation expense	359	120	224	66	34	-	803
Balance, December 31, 2021	**1,204**	**267**	**751**	**158**	**122**	**-**	**2,502**
Net book value as at December 31, 2020	1,316	161	209	91	784	328	2,889
Net book value as at December 31, 2021	**2,878**	**299**	**82**	**237**	**750**	**328**	**4,574**

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
Acquired in HealthPointe acquisition (Note 7)	-	3,873	3,873
Additions	-	755	755
Balance, December 31, 2021	**331**	**10,305**	**10,636**
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
Depreciation expense	59	1,288	1,347
Balance, December 31, 2021	**317**	**3,294**	**3,611**
Net book value as at December 31, 2020	73	3,671	3,744
Net book value as at December 31, 2021	**14**	**7,011**	**7,025**

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

12. INTANGIBLE ASSETS

Intangible assets consist of the following:

Cost	Website $	Software $	Patient Relationship $	Brand $	Total $
Balance, December 31, 2019	-	-	1,730	1,884	3,614
Additions	-	63	-	-	63
Balance, December 31, 2020	-	63	1,730	1,884	3,677
Additions	68	1,757	731	548	3,104
Balance, December 31, 2021	**68**	**1,820**	**2,461**	**2,432**	**6,781**
Accumulated amortization					
Balance, December 31, 2019	-	-	757	1,128	1,885
Amortization expense	-	-	433	475	908
Balance, December 31, 2020	-	-	1,190	1,603	2,793
Amortization expense	1	86	528	320	935
Balance, December 31, 2021	**1**	**86**	**1,718**	**1,923**	**3,728**
Net book value as at December 31, 2020	-	63	540	281	884
Net book value as at December 31, 2021	**67**	**1,734**	**743**	**509**	**3,053**

The Company acquired intangible assets with a fair value of $1,212 upon the close of the HealthPointe acquisition in 2021 (See Note 7, *Business Combinations*).

The Company acquired software intangible assets with a fair value of $1,556 upon the close of the KumoCare acquisition in 2021 (See Note 8, *Acquisition of KumoCare*).

13. GOODWILL

Cost	**December 31, 2021** **$**	December 31, 2020 $
Viable acquisition	**8,565**	8,565
InMedic acquisition	**10,405**	10,405
HealthPointe acquisition	**1,748**	-
	20,718	18,970

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

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 for impairment testing purposes, with goodwill being allocated to a single group representing all of the Company's medical clinics' CGUs: Medical clinics. This allocation reflects the level at which management monitors goodwill for internal purposes and at which benefits are realized through centralization of decision-making, management and oversight.

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, 2021.

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

Sensitivity analysis
The Company's goodwill impairment test on the medical clinics' CGU has limited sensitivity to changes in assumptions that would materially impact the outcome. An increase of 2% to the discount rates used by the Company for its goodwill impairment test, assuming all other variables remain constant, would not have resulted in a material change to the value of the Company's medical clinics' CGU, and therefore, would not result in an impairment loss.

14. PROVISIONS

	Legal and Other Restructuring Expenses	Severance	Lease Termination Settlements	Total
	$	$	$	$
Balance, December 31, 2019	287	550	55	892
Repayments	(287)	(400)	(55)	(742)
Balance, December 31, 2020	-	150	-	150
Repayments	-	(150)	-	(150)
Balance, December 31, 2021	**-**	**-**	**-**	**-**

The above provisions were fully settled during the year ended December 31, 2021.

15. LEASE OBLIGATIONS

The Company leases computer equipment and real property for its clinical and office locations in Canada. Lease obligations consist of the following:

	2021	2020
	$	$
Balance, as at January 1	**4,672**	5,691
Additions during the year	**4,628**	-
Payments during the year	**(2,000)**	(1,560)
Interest expense during the year	**700**	541
	8,000	4,672
Less: amounts due within one year	**1,372**	1,127
Long-term balance, December 31	**6,628**	3,545

As a result of the HealthPointe acquisition, the Company acquired lease obligations of $3,873 related to the Edmonton facility. The Company also added lease obligations related to leased facilities located in Kitchener, Ottawa, Hamilton and Red Deer of $87, $103, $42 and $523, respectively, resulting in total lease obligation additions of $4,628 during the year ended December 31, 2021 [December 31, 2020 - $nil]. As a result of these additions, ROU assets were recognized and increased by the same amounts.

For the year ended December 31, 2021, lease payments totalled $2,000 [$1,560 for the year ended December 31, 2020]. 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, 2021 and 2020.

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

The Company's future cash outflows may change due to variable lease payments, renewal options, termination options, residual value guarantees and leases that have not yet commenced, which the Company is committed 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, 2021:

	$
Less than 1 year	2,002
1 to 2 years	1,792
2 to 3 years	1,386
3 to 4 years	1,057
4 to 5 years	713
Beyond 5 years	3,910
	10,860

See Note 25, *Commitments* for additional information on estimated additional rent payment obligations related to the Company's leases on its clinical and office locations.

16. LONG-TERM DEBT

	December 31, 2021 **$**	December 31, 2020 $
Royal Bank of Canada	**4,728**	4,329
Less: amounts due within one year	**3,441**	3,091
Long-term balance	**1,287**	1,238

Convertible Debentures

The Company issued $4,165 of convertible debt with a stated interest rate of 8% during 2017 and 2018.

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 and is included in fair value adjustments on the Consolidated Statements of Net 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 Net Loss and Comprehensive Loss.

On June 25, 2020, the Company completed the Klinik RTO as described in Note 6, *Reverse Takeover Transaction*. 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 and 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 Net Loss and Comprehensive Loss for the year ended December 31, 2020.

Bank Term Loan

On February 26, 2018, the Company acquired long-term debt as a result of the business combination with Renaissance Asset Management (London) Inc. As at December 31, 2021, of the outstanding long-term debt, $1,795 bears interest at RBC Prime+1.95%, matured in February 2021 and was renewed for a consecutive 12-month period ("Facility #1") and $1,223 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 respect to the long-term debt pursuant to which, among other things, the Company amended certain operating and financial restrictions to reflect the

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

Company's current business operations and structure. 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 February 7, 2021, the Company assumed approximately $2.0 million of long-term debt related to the HealthPointe acquisition. The term debt is spread across a number of facilities, which renew annually for consecutive 12-month periods, and bear interest at RBC Prime+0%. In addition, the Company assumed, and has available, a $750 revolving demand facility bearing interest at RBC Prime+0% that was unutilized as at December 31, 2021. These credit facilities include the same restrictive covenants and are secured by all of the assets of the Company.

The Company has long-term debt outstanding with a principal balance of $160, which is interest free and repayable on or before December 31, 2023. These loans were made available to the Company under the Canada Emergency Business Account ("CEBA"), 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:

	Within 12 Months $	**1 – 2 Years $**	**2 - 5 Years $**	**Total $**
Facility #1	1,795	-	-	1,795
Facility #2	96	96	1,031	1,223
HealthPointe	1,550	-	-	1,550
Canada Emergency Business Account	-	160	-	160
	3,441	**256**	**1,031**	**4,728**

17. 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 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 were to 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 and the gain is included in fair value adjustments on the Consolidated Statements of Net 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 and a fair value loss of $102 was included in fair value adjustments on the Consolidated Statements of Net Loss and Comprehensive Loss.

On June 25, 2020, the Company completed the Klinik RTO as described in Note 6, *Reverse Takeover Transaction*. 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, and 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 Net Loss and Comprehensive Loss for the year ended December 31, 2020.

18. SHARE CAPITAL

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

During the year ended December 31, 2021, the Company issued 4,716,895 common shares related to the acquisition of KumoCare (Note 8, *Acquisition of KumoCare),* shares issued on vesting of restricted share units ("RSUs") (Note 19, *Stock-Based Compensation)* and conversion of warrants to common shares (Note 20, *Warrants*).

On June 24, 2020, the Company issued 11,945,987 common shares related to the conversion of preferred shares and convertible debentures to common shares 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 20, *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.

19. 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 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, 2021, the maximum number of common shares available for issuance under the Stock Option Plan was 3,402,924 [December 31, 2020 - 2,263,315].

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	**Range of Exercise Price**	**Weighted Average Exercise Price**
	000s	**$**	**$**
Balance, December 31, 2019	1,075	1.00	1.00
Klinik RTO options	387	1.00	1.00
Options granted	459	0.87	0.87
Balance, December 31, 2020	1,921	0.87 - 1.00	0.97
Expired	(322)	1.00	1.00
Forfeited	(346)	0.87 - 1.00	0.95
Balance, December 31, 2021	**1,253**	**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, 2021 were as follows:

Options	Grant Date	Share Price	Exercise Price	Risk-free Interest Rate	Expected Life	Volatility Factor	Fair Value per Option
000s		$	$	%	years	%	$
865	November 30, 2019	0.93	1.00	1.59	5 - 6	36.1 - 38.2	0.29 - 0.34
46	June 25, 2020	1.00	1.00	1.48	4.4	41.45	0.51
18	June 25, 2020	1.00	1.00	1.48	4.8	41.53	0.53
324	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, 2021:

	Outstanding			Exercisable	
Exercise Price Range	Options	Remaining Contractual Life	Weighted Average Exercise Price	Vested Options	Weighted Average Exercise Price
$	000s	years	$	000s	$
1.00	929	2.9 - 3.6	1.00	495	1.00
0.87	324	5.7	0.87	165	0.87

During the year ended December 31, 2021, there was no issuance of options under the Stock Option Plan.

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.

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.

On February 7, 2021, in accordance with IFRS, the Company was deemed to have granted 1,785,714 RSUs with a total fair value of $1.5 million to the physician vendors of HealthPointe who remain contracted with the Company (Note 7, *Business Combinations*). These RSUs will vest if certain non-market performance conditions are met. Upon vesting, these RSUs will be settled for a variable number of common shares of the Company based on the quoted share price on the vesting date.

The fair value of the RSUs granted were determined indirectly by reference to the fair value of the equity instruments. Non-market performance conditions are included in assumptions about the number of RSUs that are expected to vest. Estimates are subsequently revised if there is any indication that the number of RSUs expected to vest differs from previous estimates. Any adjustment resulting from a revision is recognized in the current period earnings. For the period of service between February 7, 2021 and December 31, 2021, $375 has been recognized in the Consolidated Statements of Net Loss and Comprehensive Loss as a cost of medical services, with a corresponding credit to contributed surplus [December 31, 2020 - $nil]. During the same period, 446,429 RSUs with a fair value of $375 expired unvested as certain performance conditions were not met [December 31, 2020 - $nil].

As at December 31, 2021, assuming all performance conditions are achieved, the maximum number of common shares available for issuance under the RSU Plan was 583,238.

During the year ended December 31, 2021, 63,324 RSUs with a fair value of $55 vested and were converted to common shares and 57,375 RSUs were forfeited [nil for the year ended December 31, 2021].

RSU grants outstanding as at December 31, 2021 were as follows:

	RSUs	Weighted Average Fair Value per RSU
	000s	$
Balance, December 31, 2019	-	-
RSUs granted	198	0.87
Balance, December 31, 2020	198	0.87
RSUs granted	1,786	0.84
Expired and unvested	(446)	0.84
Vested and converted to common shares	(63)	0.87
Forfeited	(58)	0.87
Balance, December 31, 2021	**1,417**	**0.84**

RSUs	Grant Date	Share Price	Vesting Period	Fair Value per RSU
000s		$	Years	$
77	September 1, 2020	0.87	4	0.87
447	February 7, 2021	0.84	1	0.84
893	February 7, 2021	0.84	2	0.84

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.

Summary of Stock-based Compensation
Stock-based compensation for the year ended December 31, 2021 was $517 [$221 for the year ended December 31, 2020], of which $375 has been included in cost of medical services and the balance included in general and administrative expenses [December 31, 2020 - all included in general and administrative expenses].

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

20. 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 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. These instruments subsequently expired in December 2021.

On November 13, 2020, as part of the short-form prospectus offering described in Note 18, *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.

On February 23, 2021, 3,225,000 prepaid warrants with a fair value of $3,031 and exercise price of $0.0001 were exercised for common shares. The Company received nominal cash proceeds upon exercise.

As at December 31, 2021, the following warrants were outstanding:

				Fair Value Black-Scholes Model Inputs			
Type	Exercise Price(i)	Warrants Outstanding(i)	Weighted Average Remaining Contractual Life	Risk Free Rate	Expected Life(i)	Volatility	Fair Value(i)
	$	000s	years	%	years	%	$
Warrants	0.25	4,480	4.08	0.73	4 - 9	55.00	800
Warrants	1.30	1,975	0.67	1.47 - 2.29	2 - 3	60.95 - 75.14	357
Warrants	2.00	1,000	0.40	0.97	2	39.10	37
Prepaid warrants	0.0001	7,195	0.15	1.89	3	43.18	6,763
Bought deal warrants	1.25	6,670	0.87	1.19	2	59.03	983
Bought deal finder warrants	0.90	800	0.87	1.19	2	59.03	216
		22,120	**0.78**				**9,156**

(i) 3,503,750 warrants with a fair value of $723, life of three years and exercise price of $1.00 and 10,820 warrants with a fair value of $4, life of two years and exercise price of $1.30 expired during the year ended December 31, 2021.

The Company did not issue any additional warrants during the year ended December 31, 2021 [$74 during the year ended December 31, 2020].

21. 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, 2021 totalled $24,655 [December 31, 2020 - $21,103].

There were no changes to the Company's capital management policy during the year ended December 31, 2021.

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

22. EXPENSES BY NATURE

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

(a) Employee costs:

	December 31, 2021	December 31, 2020
	$	$
Salaries, bonuses and benefits	**8,713**	5,609
Share-based payments	**142**	221
Total employee costs	**8,855**	5,830
Included in:		
Cost of medical services	**3,815**	2,171
General and administrative expenses	**5,040**	3,659
Total employee costs	**8,855**	5,830

(b) Depreciation and amortization:

	December 31, 2021	December 31, 2020
	$	$
Amortization of intangible assets	**935**	908
Depreciation of right-of-use assets	**1,347**	1,113
Cost of medical services	**66**	30
Amortization of property, plant and equipment	**737**	478
Total depreciation and amortization	**3,085**	2,529

The Company received government grants during the year ended December 31, 2021 in the amount of $72 [December 31, 2020 - $789] 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 $47 offset to cost of medical services and $25, offset to general and administrative expenses during the year ended December 31, 2021 [December 31, 2020 - $451 and $338, respectively].

23. NET CHANGE IN NON-CASH WORKING CAPITAL

Net change in non-cash working capital consists of:

	December 31, 2021	December 31, 2020
	$	$
Accounts receivable	**493**	(521)
Other assets	**(4)**	(8)
Accounts payable and accrued liabilities	**403**	356
Income tax liabilities	**433**	(341)
Provisions	**(150)**	(742)
Net change in non-cash working capital	**1,175**	(1,256)

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

24. INCOME TAXES

Income Tax Expense (Recovery)

Income tax expense (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, 2020 - 26.5%] to pretax loss, as a result of the following:

	December 31, 2021	**December 31, 2021**	December 31, 2020	December 31, 2020
	$	**%**	$	%
Net loss before income taxes	**(3,247)**	**-**	(4,860)	-
Income tax at statutory rate of 26.5%	**(860)**	**26.5**	(1,288)	26.5
Other	**41**	**(1.3)**	-	-
Permanent differences	**297**	**(9.1)**	(10)	0.2
Change in unrecognized deferred income tax assets	**505**	**(15.6)**	1,496	(30.8)
Income tax expense (recovery)	**(17)**	**0.5**	198	(4.1)
Current income tax expense	**255**	**-**	235	-
Deferred income tax recovery	**(272)**	**-**	(37)	-

Deferred Income Tax Assets and Liabilities

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

	December 31, 2021	December 31, 2020
	$	$
Deferred income tax asset:		
Non-capital loss carryforwards	**449**	320
Deferred income tax liability:		
Excess carrying value of property, plant and equipment and intangible assets over tax basis	**(514)**	(379)
Net deferred income tax liability	**(65)**	(59)

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 Net Loss and Comprehensive Loss are identified below:

	December 31, 2021	December 31, 2020
	$	$
Non-capital loss carryforwards	**31,322**	29,246
Net lease obligations	**979**	928
Property, plant and equipment	**406**	119
Share issuance costs	**1,664**	3,259
Unpaid provisions	**450**	615

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

The Company has non-capital losses of $33,164 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 $
2025	496
2026	324
2027	161
2028	76
2029	236
2030	1,125
2031	297
2032	2,192
2033	5,498
2034	5,988
2035	3,135
2036	2,653
2037	1,213
2038	2,758
2039	2,148
2040	2,514
2041	2,349
	33,163

25. COMMITMENTS

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

	Expiry	Additional Rent Payments	1 Year	2 to 3 Years	4 to 5 Years	> 5 Years
Clinic Location		$	$	$	$	$
London	June 30, 2025	788	225	450	113	-
Hamilton	November 30, 2022	59	59	-	-	-
Mississauga	February 28, 2024	405	187	218	-	-
Oakville	July 31, 2022	28	28	-	-	-
Brampton	July 31, 2025	143	40	80	23	-
Toronto	December 31, 2023	110	55	55	-	-
Scarborough	July 31, 2023	106	67	39	-	-
Oshawa	November 30, 2025	247	63	126	58	-
Ottawa	July 31, 2028	711	108	216	216	171
Edmonton	December 31, 2033	4,763	397	794	794	2,778
Red Deer	July 31, 2032	465	34	90	90	251
		7,825	**1,263**	**2,068**	**1,294**	**3,200**

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

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

26. 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, 2021	December 31, 2020
	$	$
Financial assets at amortized cost		
Cash and cash equivalents	**5,903**	10,850
Accounts receivable	**8,474**	7,672
Total financial assets	**14,377**	18,522
Financial liabilities at amortized cost		
Accounts payable and accrued liabilities	**8,284**	5,612
Provisions	**-**	150
Due to related parties	**3,674**	3,674
Long-term debt	**4,728**	4,329
Lease obligations	**8,000**	4,672
Other obligations	**500**	-
Total financial liabilities	**25,186**	18,437

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 or liabilities between Level 1, Level 2 and Level 3 of the fair value hierarchy during the years ended December 31, 2021 and 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 cash equivalents 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 cash equivalents and accounts receivable.

The Company's accounts receivable relates to revenue earned from its customers. Credit risk is low as the Company's major customers are government organizations. Non-government customers include private health plans and employers, and do not significantly impact the Company's credit risk.

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

The Company's cash and cash equivalents are held with multiple financial institutions in various bank accounts. These financial institutions include four major banks in Canada, which the Company believes lessens the degree of credit risk. Cash and cash equivalents include cash on hand and current balances with banks and similar institutions, including money market mutual funds, which are readily convertible into known amounts of cash and have an insignificant risk of changes in value.

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

Risk Factors
The following is a discussion of liquidity risk and interest rate 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, 2021, the Company's financial liabilities had contractual maturities as summarized below:

		Current	**Non-current**		
	Total $	**Within 12 Months** $	**1 to 2 Years** $	**3 to 5 Years** $	**> 5 Years** $
Accounts payable and accrued liabilities	**8,284**	8,284	-	-	-
Due to related parties	**3,674**	-	3,674	-	-
Long-term debt	**4,728**	3,441	256	1,031	-
Lease obligations	**8,000**	1,372	2,278	1,223	3,127
Other obligations	**500**	350	150	-	-
	25,186	**13,447**	**6,358**	**2,254**	**3,127**

The Company believes that its current working capital 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 two of the Company's loan facilities included in long-term debt have 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.

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

27. RELATED PARTY TRANSACTIONS

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

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

	December 31, 2021	December 31, 2020
	$	$
Due to Bloom Burton & Co. Inc.	**3,631**	3,631
Due to Bloom Burton Development Corp.	**43**	43
	3,674	3,674

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, 2023.

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, 2023.

On February 26, 2018, as part of the acquisition of Renaissance Asset Management (London) Inc., 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.

28. KEY MANAGEMENT COMPENSATION

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. Compensation for the Company's key management personnel was as follows:

	December 31, 2021	December 31, 2020
	$	$
Salaries, bonuses and benefits [i]	**996**	1,071
Share-based payments	**134**	172
Total key management compensation	**1,130**	1,243
Included in:		
General and administrative expenses	**1,130**	1,243
Total key management compensation	**1,130**	1,243

[i] Included in 2020 are bonuses of $233 that were awarded in 2020 that related to performance in 2019.

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

29. DISAGGREGATED REVENUES

The Company's revenues are disaggregated by major category:

	Year ended December 31, 2021	Year ended December 31, 2020
	$	$
Clinic revenue	**57,838**	44,921
Non-clinic revenue	**3,018**	2,718
Total revenue	**60,856**	47,639

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 two major customers that accounted for 90% of the Company's total revenue for the year ended December, 2021 [one major customer represented 93% of the Company's total revenue for the year ended December 31, 2020].

30. 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.

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 was included in accounts receivable as at December 31, 2021. 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 this 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, increasing the total HST receivable balance as at December 31, 2021 to $1.8 million. The amount outstanding to the CRA as at December 31, 2021, including interest, was $1.4 million, which has not been accrued.

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.

31. SUBSEQUENT EVENT

Extension of Prepaid Warrants

On February 22, 2022, the Company announced that it had received the approval of the TSX Venture Exchange for the extension of the exercise period of a total of 7,195,000 prefunded common share purchase warrants of the Company (the “Prefunded Warrants”), all of which are exercisable at $0.0001 per common share. The Company has extended the expiry dates of the Prefunded Warrants for an additional year from February 23, 2022 to February 23, 2023. All other terms of the Prefunded Warrants will remain unchanged.

The extension of the term of the Prefunded Warrants to February 23, 2023 constitutes a “related party transaction” under Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions (“MI 61- 101”) and Exchange Policy 5.9 - Protection of Minority Shareholders in Special Transactions, as a portion of the Prefunded Warrants are held by parties who are considered a “related party” (as defined in MI 61-101) of the Company.