NeuPath Health Inc.

Condensed Consolidated Interim Financial Statements March 31, 2022 and 2023 (unaudited)

NEUPATH HEALTH INC.
CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

(Canadian dollars in thousands)	***Notes***	**As at March 31, 2023 $**	As at December 31, 2022 $
ASSETS			
CURRENT			
Cash and cash equivalents		**632**	1,517
Accounts receivable		**9,098**	8,894
Other assets		**577**	670
		10,307	11,081
Non-current assets classified as held for sale	*15*	**1,035**	-
TOTAL CURRENT ASSETS		**11,342**	11,081
NON-CURRENT			
Property, plant and equipment		**3,934**	5,054
Right-of-use assets		**6,141**	6,487
Other assets		**725**	743
Intangible assets		**939**	1,003
Goodwill		**20,718**	20,718
TOTAL ASSETS		**43,799**	45,086
LIABILITIES AND EQUITY			
CURRENT			
Accounts payable and accrued liabilities		**8,415**	8,800
Current portion of long-term debt	*5*	**2,791**	3,092
Current portion of lease obligations	*4*	**1,494**	1,546
Current income tax liabilities		**387**	432
TOTAL CURRENT LIABILITIES		**13,087**	13,870
NON-CURRENT			
Lease obligations	*4*	**5,530**	5,856
Deferred income tax liabilities		**33**	33
Due to related parties	*12*	**3,674**	3,674
TOTAL LIABILITIES		**22,324**	23,433
EQUITY			
Share capital	*6*	**43,970**	39,923
Warrants	*8*	**835**	4,882
Contributed surplus	*7*	**2,941**	2,894
Deficit		**(26,107)**	(25,915)
Equity attributable to shareholders of NeuPath Health Inc.		**21,639**	21,784
Non-controlling interest		**(164)**	(131)
TOTAL EQUITY		**21,475**	21,653
TOTAL LIABILITIES AND EQUITY		**43,799**	45,086

Note 10, *Commitments*

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

NEUPATH HEALTH INC.
CONSOLIDATED INTERIM STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS (UNAUDITED)

(Canadian dollars in thousands, except per share figures or otherwise noted)	***Notes***	**Three months ended March 31, 2023** **$**	Three months ended March 31, 2022 $
REVENUE			
Medical services	*13*	**16,061**	15,411
Total revenue		**16,061**	15,411
OPERATING EXPENSES			
Cost of medical services		**13,165**	12,761
General and administrative		**1,806**	2,107
Occupancy costs		**422**	436
Depreciation and amortization		**628**	724
Interest cost	*4, 5*	**184**	206
Total operating expenses		**16,205**	16,234
OTHER EXPENSES (INCOME)			
Finance income		**(3)**	(7)
Transaction costs		**31**	43
Net loss before income taxes		**(172)**	(859)
INCOME TAXES			
Current income tax expense		**53**	51
NET LOSS AND COMPREHENSIVE LOSS		**(225)**	(910)
Attributed to:			
Shareholders of NeuPath Health Inc.		**(192)**	(907)
Non-controlling interest		**(33)**	(3)
		(225)	(910)
Net loss per common share			
- basic and diluted		**-**	(0.02)
Weighted average number of common shares outstanding (in thousands)			
- basic and diluted		**52,210**	46,560

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

NEUPATH HEALTH INC.
CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

		Attributable to shareholders of NeuPath Health Inc.							
		Share Capital		Warrants	Contributed Surplus	Deficit	Total	Non-controlling Interest	Total Equity
(Canadian dollars in thousands, except number of shares)	***Notes***	**000s**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Balance, December 31, 2021		46,560	36,830	9,156	1,615	(21,771)	25,830	-	25,830
Stock-based compensation expense	*7*	-	-	-	20	-	20	-	20
Net loss and comprehensive loss		-	-	-	-	(907)	(907)	(3)	(910)
Balance, March 31, 2022		46,560	36,830	9,156	1,635	(22,678)	24,943	(3)	24,940
Stock-based compensation expense	*7*	-	-	-	78	-	78	-	78
Conversion of warrants	*8*	2,890	2,716	(2,716)	-	-	-	-	-
Expiry of warrants	*8*	-	-	(1,558)	1,558	-	-	-	-
Restricted share units, vested and exercised	*7*	843	377	-	(377)	-	-	-	-
Net loss and comprehensive loss		-	-	-	-	(3,237)	(3,237)	(128)	(3,365)
Balance, December 31, 2022		50,293	39,923	4,882	2,894	(25,915)	21,784	(131)	21,653
Stock-based compensation expense	*7*	-	-	-	47	-	47	-	47
Conversion of warrants	*8*	4,305	4,047	(4,047)	-	-	-	-	-
Net loss and comprehensive loss		-	-	-	-	(192)	(192)	(33)	(225)
Balance, March 31, 2023		**54,598**	**43,970**	**835**	**2,941**	**(26,107)**	**21,639**	**(164)**	**21,475**

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

NEUPATH HEALTH INC.
CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS (UNAUDITED)

		Three months ended March 31	
		2023	2022
(Canadian dollars in thousands)	***Notes***	**$**	$
OPERATING ACTIVITIES			
Net loss and comprehensive loss		**(225)**	(910)
Items not involving current cash flows:			
Depreciation and amortization		**628**	724
Accretion of lease obligations	*4*	**148**	168
Accretion of other assets		**(8)**	(13)
Equity-settled stock-based compensation expense	*7*	**47**	20
		590	(11)
Net change in non-cash working capital	*9*	**(578)**	(164)
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		**12**	(175)
INVESTING ACTIVITIES			
Acquisition of intangible assets		**-**	(137)
Acquisition of property, plant and equipment		**(133)**	(440)
CASH USED IN INVESTING ACTIVITIES		**(133)**	(577)
FINANCING ACTIVITIES			
Repayment of long-term debt		**(421)**	(411)
Advances of long-term debt		**120**	-
Receipts from other assets receivable		**63**	63
Repayment of lease obligations	*4*	**(526)**	(509)
CASH USED IN FINANCING ACTIVITIES		**(764)**	(857)
Net change in cash and cash equivalents during the period		**(885)**	(1,609)
Cash and cash equivalents, beginning of period		**1,517**	5,903
CASH AND CASH EQUIVALENTS, END OF PERIOD		**632**	4,294
Supplemental cash flow information			
Interest paid[1]		**45**	43
Income taxes paid		**98**	-

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

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

1. NATURE OF BUSINESS

NeuPath Health Inc. ("NeuPath" or the "Company") operates a network of healthcare clinics and related businesses focused on improved access to care and outcomes for patients by leveraging best-in-class treatments and delivering patient-centred multidisciplinary care, enabling each individual we treat to live their best life.

The Company operates a network of medical clinics in Ontario and Alberta that provide comprehensive assessments and rehabilitation services to clients with chronic pain, musculoskeletal/back injuries, sports related injuries and concussions. NeuPath's healthcare providers cover a broad range of specialties and include: Physiatrists, Neurologists, Anesthesiologists, Orthopedic surgeons, General Practitioners with specialized training in chronic pain, as well as Medication Management Physicians, Athletic Therapists, Psychotherapists, Dieticians, Nurses and other allied health practitioners.

In addition, NeuPath provides workplace health services and independent medical assessments to employers and disability insurers through a national network of healthcare 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.

NeuPath has twelve locations across Ontario and two locations in Alberta with more than 135 healthcare 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, on June 25, 2020, the Company continued to carry on the business of 2576560 Ontario Inc. under the *Business Corporations Act* (Ontario). The Company's common shares are listed on the TSX Venture Exchange under the symbol "NPTH".

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

2. GOING CONCERN ASSUMPTION

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

As at March 31, 2023, the Company had an accumulated deficit of $26,107 [December 31, 2022 - $25,915], including a net loss and comprehensive loss of $225 for the three months ended March 31, 2023 [March 31, 2022 - $910].

Given the start-up nature of the business, the Company's liquidity is dependent on continuation of existing cash in-flows, its ability to generate positive cash flow from operations, 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 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. As there can be no certainty as to the outcome of the above matters, there is material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

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

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

3. BASIS OF PREPARATION

Statement of Compliance

The Company prepares its Condensed Consolidated Interim Financial Statements in accordance with International Accounting Standard 34, *Interim Financial Reporting*. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to these Condensed Consolidated Interim Financial Statements, were the same as those applied to the Company's annual Consolidated Financial Statements as at and for the year ended December 31, 2022.

These Condensed Consolidated Interim Financial Statements do not include all disclosures required for annual financial statements and should be read in conjunction with the annual Consolidated Financial Statements of the Company for the year ended December 31, 2022. Several amendments apply for the first time in 2023, but do not have a material impact on the Condensed Consolidated Interim Financial Statements of the Company. The Company has not early adopted any other standard, interpretation or amendment that has been issued, but is not yet effective.

The policies applied to these Condensed Consolidated Interim Financial Statements are based on International Financial Reporting Standards ("IFRS"), which have been applied consistently to all periods presented. These Condensed Consolidated Interim Financial Statements were issued and effective as at May 24, 2023, the date the Board of Directors approved these Condensed Consolidated Interim Financial Statements.

Use of Estimates and Judgments

The preparation of these Condensed Consolidated Interim Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of these Condensed Consolidated Interim Financial Statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from these estimates and such differences could be material.

Basis of Measurement

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

Basis of Consolidation

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

	% Ownership
5033421 Ontario Inc.	**100%**
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. The Company attributes total comprehensive income or loss of HealthPointe@CAO Services Ltd. between the equity holders of the parent and the non-controlling interests based on their respective ownership interests.

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

4. LEASE OBLIGATIONS

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

	2023	2022
	$	$
Balance, as at January 1	**7,402**	8,000
Payments during the period	**(526)**	(509)
Interest expense during the period	**148**	168
	7,024	7,659
Less: amounts due within one year	**1,494**	1,343
Long-term balance, March 31	**5,530**	6,316

For the three months ended March 31, 2023, lease payments totalled $526 [March 31, 2022 - $509]. The Company expenses payments for short-term leases and low-value leases as incurred. These payments for short-term leases and low-value leases were not material for the three months ended March 31, 2023 and 2022.

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 March 31, 2023:

	$
Less than 1 year	2,007
1 to 2 years	1,472
2 to 3 years	1,068
3 to 4 years	869
4 to 5 years	767
Beyond 5 years	3,036
	9,219

See Note 10, *Commitments* for additional information on estimated additional rent payment obligations related to the Company's leases on its clinical and office locations.

5. LONG-TERM DEBT

	March 31, 2023	December 31, 2022
	$	$
Royal Bank of Canada	**2,791**	3,092
Less: amounts due within one year	**2,791**	3,092
Long-term balance	**-**	-

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 March 31, 2023, of the outstanding long-term debt, $295 bearing interest at RBC Prime+1.95% matured in February 2022 and was renewed for a consecutive period and is scheduled to be fully repaid in June 2023 ("Facility #1"), and $1,182 bearing interest at a rate of 5.23% matures in September 2023 ("Facility #2").

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

On February 7, 2021, the Company assumed long-term debt related to the HealthPointe acquisition. The long-term debt is spread across a number of facilities, which renew annually for consecutive 12-month periods, and bear interest at RBC Prime+0%. As at March 31, 2023, the outstanding balance of this long-term debt was $1,034.

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.

The Company assumed, and has available, a $750 revolving demand facility bearing interest at RBC Prime+0%. As at March 31, 2023, the outstanding balance of the revolving demand facility was $120. In addition, the Company assumed, and has available, another $250 revolving demand facility bearing interest at RBC Prime+3% that was unutilized as at March 31, 2023. Both revolving demand 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, 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 as at March 31, 2023:

	Within 12 Months $	> 1 Year $	Total $
Facility #1	295	-	295
Facility #2	1,182	-	1,182
HealthPointe	1,034	-	1,034
Revolving Demand Facility #1	120	-	120
Canada Emergency Business Account	160	-	160
	2,791	**-**	**2,791**

6. SHARE CAPITAL

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

During the three months ended March 31, 2023, the Company issued 4,305,000 common shares related to the conversion of prepaid warrants to common shares (see Note 8, *Warrants*). The Company did not issue common shares during the three months ended March 31, 2022.

7. 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 Amended and Restated Restricted Share Unit Plan (“RSU Plan”).

Stock Option Plan

During the three months ended March 31, 2023 and 2022, there were no issuances of options under the Stock Option Plan. As at March 31, 2023, the maximum number of common shares available for issuance under the Stock Option Plan was 2,818,040 [December 31, 2022 - 2,368,790].

The following is a schedule of the options outstanding:

	Options 000s	Range of Exercise Price $	Weighted Average Exercise Price $
Balance, December 31, 2022	2,660	0.16 - 1.00	0.44
Expired	(18)	0.87	0.87
Balance, March 31, 2023	**2,642**	**0.16 - 1.00**	**0.44**

The following table summarizes the outstanding and exercisable options held by directors, officers, employees and contractors as at March 31, 2023:

	Outstanding			Exercisable	
Exercise Price Range $	Options 000s	Remaining Contractual Life Years	Weighted Average Exercise Price $	Vested Options 000s	Weighted Average Exercise Price $
1.00	579	1.7 - 2.2	1.00	496	1.00
0.87	138	4.4	0.87	107	0.87
0.45	267	4.2 - 6.2	0.45	-	0.45
0.30	465	6.4	0.30	307	0.30
0.16	1,193	6.7	0.16	63	0.16

Restricted Share Unit Plan

During the three months ended March 31, 2023 and 2022, there were no issuances of restricted share units (“RSUs”) under the RSU Plan. As at March 31, 2023, the maximum number of common shares available for issuance under the RSU Plan was 1,957,630.

The following table summarizes the outstanding RSUs held by directors, officers, employees and contractors as at March 31, 2023:

RSUs 000s	Grant Date	Share Price $	Vesting Period Years	Fair Value per RSU $
18	September 1, 2020	0.87	4	0.87
56	May 31, 2022	0.45	1	0.45
62	November 22, 2022	0.16	4	0.16

Employee Share Purchase Plan

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 expense for the three months ended March 31, 2023 was $47, all of which has been included in general and administrative expenses [$20 for the three months ended March 31, 2022].

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.

8. WARRANTS

As at March 31, 2023, the following warrants were outstanding:

				Fair Value Black-Scholes Model Inputs			
Type	**Exercise Price**	**Warrants Outstanding**	**Weighted Average Remaining Contractual Life**	**Risk-Free Rate**	**Expected Life**	**Volatility**	**Fair Value**
	$	**000s**	**Years**	**%**	**Years**	**%**	**$**
Warrants	0.25	4,480	2.84	0.73	4 - 9	55.00	800
Warrants	1.30	229	0.08	1.52 - 1.69	3	65.95 - 75.14	35
		4,709	**2.70**				**835**

The Company did not issue any additional warrants during the three months ended March 31, 2023 [nil for the three months ended March 31, 2022].

On February 22, 2022, the Company extended the exercise period of a total of 7,195,000 prefunded common share purchase warrants of the Company (the “Prefunded Warrants”), exercisable at $0.0001 per common share, for an additional year from February 23, 2022 to February 23, 2023. All other terms of the Prefunded Warrants have remained unchanged. The extension had no impact to the presentation of shareholders’ equity as the Company’s accounting policy is to not record an adjustment to shareholders’ equity when the warrants continue to be classified as equity under IAS 32, *Financial Instruments: Presentation*.

In February 2023, 4,305,000 prepaid warrants with a fair value of $4,047 and exercise price of $0.0001 were exercised for common shares by a related party of the Company. The Company received nominal cash proceeds upon exercise.

As of the date hereof, there are no prepaid warrants outstanding.

9. NET CHANGE IN NON-CASH WORKING CAPITAL

Net change in non-cash working capital consists of:

	Three months ended March 31, 2023	Three months ended March 31, 2022
	$	$
Accounts receivable	**(204)**	(514)
Other assets	**56**	(9)
Accounts payable and accrued liabilities	**(385)**	308
Income tax liabilities	**(45)**	51
Net change in non-cash working capital	**(578)**	(164)

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

10. 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	506	225	281	-	-
Hamilton	November 30, 2023	43	43	-	-	-
Mississauga	February 28, 2024	176	176	-	-	-
Brampton	July 31, 2025	103	44	59	-	-
Toronto	December 31, 2023	42	42	-	-	-
Scarborough	July 31, 2023	24	24	-	-	-
Oshawa	November 30, 2025	176	66	110	-	-
Ottawa	July 31, 2028	453	85	170	170	28
Edmonton	December 31, 2033	4,138	385	770	770	2,213
Red Deer	July 31, 2032	493	52	106	106	229
		6,154	**1,142**	**1,496**	**1,046**	**2,470**

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

11. FINANCIAL INSTRUMENTS

Classification of Financial Instruments

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

	March 31, 2023	December 31, 2022
	$	$
Financial assets at amortized cost		
Cash and cash equivalents	**632**	1,517
Accounts receivable	**9,098**	8,894
Other assets	**1,302**	1,413
Total financial assets	**11,032**	11,824
Financial liabilities at amortized cost		
Accounts payable and accrued liabilities	**8,415**	8,800
Due to related parties	**3,674**	3,674
Long-term debt	**2,791**	3,092
Lease obligations	**7,024**	7,402
Total financial liabilities	**21,904**	22,968

The Company’s financial instruments are measured at amortized cost and their fair values approximate carrying values.

Financial Instruments

IFRS 13, *Fair Value Measurement,* 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 these Condensed Consolidated Interim 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 three months ended March 31, 2023 and 2022.

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, accounts receivable and other assets. 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 relate 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.

The Company's cash and cash equivalents are held with multiple financial institutions in various bank accounts. These financial institutions include three 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.

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.

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

As at March 31, 2023, 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	**8,415**	8,415	-	-	-
Due to related parties	**3,674**	-	3,674	-	-
Long-term debt	**2,791**	2,791	-	-	-
Lease obligations	**7,024**	1,494	1,838	1,178	2,514
	21,904	**12,700**	**5,512**	**1,178**	**2,514**

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. Four 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 certain long-term debt are at fixed rates of interest. Those financial assets and financial liabilities 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.

12. RELATED PARTY TRANSACTIONS

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

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

	March 31, 2023 **$**	December 31, 2022 $
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, 2024.

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, 2024.

The Company had outstanding Prefunded Warrants held by related parties that were exercised for common shares in February 2023. Please refer to Note 8, *Warrants*, for further information on the Prefunded Warrants.

In April 2023, the Company received a $0.5 million bridge loan, provided by BBCI, which was subsequently repaid from the proceeds of the May 2023 private placement offering. The fees paid to Bloom Burton Securities Inc. for the private placement offering were nominal. Please refer to Note 16, *Subsequent Events*, for further information on the private placement offering.

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

13. DISAGGREGATED REVENUES

The Company's revenues are disaggregated by major category:

	Three months ended March 31, 2023	Three months ended March 31, 2022
	$	$
Clinic revenue	**14,882**	14,468
Non-clinic revenue	**1,179**	943
Total revenue	**16,061**	15,411

Non-clinic revenue is earned from physician staffing allocation services where the Company provides physicians for provincial and federal correctional 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 84% of the Company's total revenue for the three months ended March 31, 2023 [two major customers represented 88% of the Company's total revenue for the three months ended March 31, 2022].

14. CONTINGENCIES

Litigation
From time to time, the Company may become involved in litigation, which arises in the normal course of business. In respect of any ongoing claims relating to litigation, the Company believes it has prepared valid defenses and that its defenses against these claims will be successful. The Company believes that any current ongoing claims are without merit and frivolous in nature and has determined that a loss is not more likely than not to occur. Accordingly, no amounts have been provisioned for such claims in these Condensed Consolidated Interim Financial Statements. Management intends to defend the matters vigorously. 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 Canada Revenue Agency ("CRA"), the CRA has challenged the Company's filing position over its pain-related medical services and has assessed additional HST amounts owing for 2014 and 2015. During 2019, the additional HST amounts assessed were paid through installments and, accordingly, the $1.3 million paid was included in accounts receivable as at March 31, 2023. 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 $50 was paid to the CRA in February 2023. As at March 31, 2023, the CRA has held back the Company's HST refunds in the amount of $0.6 million, increasing the total HST receivable balance to $2.0 million.

In January 2023, the CRA advised that it intended to confirm the assessments in respect of the issue described. In response, the Company submitted new documentation to the CRA appeals branch refuting the CRA's position.

In May 2023, subsequent to the submissions, the Company received a positive response from the CRA confirming that they have allowed a number of our objections. On May 12, 2023, the Company received updated Notices of Reassessment consistent with the positive response and indicating total refunds of approximately $1.9 million, which were subsequently received.

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

15. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

London Medical Clinic Sale

On March 15, 2023, the Company announced it received a binding offer to purchase its corporate-owned medical facility in London, Ontario. While the Company anticipates the transaction will close on August 1, 2023, the clinic that owns the facility is expected to continue operating as the Company has begun construction on the new space that it will move to after the date of the sale, and therefore it is not considered a discontinued operation. This facility is classified as a non-current asset held for sale.

Non-current assets classified as held for sale

	March 31, 2023	December 31, 2022
	$	$
Property, plant and equipment	**1,035**	-
Total	**1,035**	-

16.SUBSEQUENT EVENTS

Private Placement of Debentures

On May 2, 2023, the Company announced the closing of its brokered private placement offering of 10% subordinated and postponed unsecured non-convertible debenture units (the “Units”) of the Company for gross proceeds of $1.5 million (the “Offering”). The Offering was led by Bloom Burton Securities Inc. as lead agent and Hampton Securities Ltd.

Each Unit is comprised of: (i) $1,000 principal amount of subordinated and postponed unsecured non-convertible debentures of the Company (the “Debentures”); and (ii) for no additional consideration, such number of common shares in the capital of the Company (each whole common share, a “Bonus Share”, and collectively, the “Bonus Shares”) as is equal to 10% of the principal amount of the Debentures purchased divided by $0.09, being the closing market price of the common shares of the Company on the TSX Venture Exchange on April 10, 2023. An aggregate of 1,614,444 Bonus Shares were issued in connection with the closing of the Offering. The Company has used a portion of the proceeds from the Offering to repay a $0.5 million bridge loan provided to the Company by BBCI, and will use the balance of the proceeds for corporate and general working capital purposes.

The Debentures will mature on May 2, 2025, and bear interest at a rate of 10% per annum payable quarterly in arrears in cash. The Debentures and the related bonus shares issued pursuant to the Offering, will be subject to a hold period of four months plus one day from May 2, 2023.