

NEUPATH HEALTH DELIVERS RECORD QUARTERLY REVENUES

- Delivered record second quarter total revenue of \$17.1 million
- Adjusted EBITDA⁽¹⁾ of \$1.0 million, our 18th consecutive quarter of positive adjusted EBITDA, which improved significantly year-over-year
- Net profitable quarter with positive cash flow
- Substantially improved balance sheet to support our accelerated growth strategy

TORONTO, ONTARIO, August 17, 2023 – NeuPath Health Inc. (TSXV:NPTH), (“NeuPath” or the “Company”), owner and operator of a network of clinics delivering category-leading chronic pain treatment, today announced its financial and operating results for the three and six months ended June 30, 2023. All figures are in Canadian dollars, unless otherwise noted.

Financial and Operational Highlights

- NeuPath delivered a net profitable quarter with positive contributions to cash flow from operations;
- Record quarterly revenue of \$17.1 million for the three months ended June 30, 2023 up 8% year-over-year and for the six months ended June 30, 2023, revenue of \$33.2 million was up 6% year-over-year;
- Adjusted EBITDA was \$1.0 million and \$1.7 million for the three and six months ended June 30, 2023, a 37% increase over the comparable quarter and a 63% increase over the comparable six-month period;
- 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 of the Company for gross proceeds of \$1.5 million;
- On May 15, 2023, the Company announced that it had received Notices of Reassessment confirming a positive resolution of the outstanding Canada Revenue Agency (“CRA”) matter, with cash refunds of approximately \$1.9 million; and
- The Company continues to focus on improved operations to support its accelerated growth strategy.

⁽¹⁾ *Non-International Financial Reporting Standard (“IFRS”) and Other Financial Measures defined by the Company below.*

“Increased physician hours, new facilities and new contracts all contributed to top-line growth in the quarter,” said Joe Walewicz, NeuPath’s CEO. “The private placement and positive resolution of the CRA matter significantly improved our balance sheet. With continued operational improvements expected in the second half of 2023, we are excited about our ability to continue to improve margins and to execute on enhanced patient care and new growth opportunities.”

Q2 2023 Financial Results

Total revenue is comprised of clinic revenue and non-clinic revenue. Total revenue was \$17.1 million and \$33.2 million for the three and six months ended June 30, 2023 compared to \$15.9 million and \$31.3 million for the three and six months ended June 30, 2022.

Clinic revenue is generated through the provision of medical services to patients. Clinic revenue was \$16.0 million and \$30.9 million for the three and six months ended June 30, 2023 compared to \$14.9 million and \$29.4 million for the three and six months ended June 30, 2022. The increase was primarily driven by continued growth from new clinic openings in 2022 and stronger revenue from existing clinics. Overall, capacity utilization was 65% and 63% in the three and six months ended June 30, 2023 compared to 64% and 63% for the three and six months ended June 30, 2022, despite the addition of new capacity in the second half of 2022.

Non-clinic revenue was \$1.2 million and \$2.4 million for the three and six months ended June 30, 2023 compared to \$1.0 million and \$1.9 million for the three and six months ended June 30, 2022. Non-clinic revenue is earned from physician staffing where NeuPath 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. This revenue fluctuates depending on the need for physicians in certain institutions and the timing and enrolment of clinical studies that the Company is working on.

Gross margin % was 18.8% and 18.4% for the three and six months ended June 30, 2023 compared to 17.9% and 17.6% for the three and six months ended June 30, 2022. Gross margin for the comparative three and six-month periods was impacted by remuneration payment accruals due to the HealthPointe acquisition resulting in increased cost of medical services (“COMS”) of \$0.2 million and \$0.4 million, respectively. Excluding these transaction-related accruals, gross margin % would have been 19.1% and 18.8% for the three and six months ended June 30, 2022. (See *Non-IFRS Financial Measures - Gross Margin, Gross Margin %, Adjusted Gross Margin and Adjusted Gross Margin %*).

Adjusted EBITDA was \$1.0 million and \$1.7 million for the three and six months ended June 30, 2023 compared to \$0.8 million and \$1.1 million for the three and six months ended June 30, 2022.

Non-IFRS Financial and Other Measures

The Company discloses non-IFRS measures (such as EBITDA, adjusted EBITDA, gross margin and adjusted gross margin) and non-IFRS ratios (such as gross margin % and adjusted gross margin %) that do not have standardized meanings prescribed by International Financial Reporting Standards (“IFRS”). The Company believes that shareholders, investment analysts and other readers find such measures helpful in understanding the Company’s financial performance. Non-IFRS financial measures and other measures do not have any standardized meaning prescribed by IFRS and may not have been calculated in the same way as similarly named financial measures presented by other reporting issuers and therefore unlikely to be comparable to similar measures presented by other companies. Furthermore, these non-IFRS measures and other measures should not be considered in isolation or as a substitute for measures of performance or cash flows as prepared in accordance with IFRS. These measures should be considered as supplemental in nature and not as a substitute for related financial information prepared in accordance with IFRS.

EBITDA and Adjusted EBITDA

EBITDA refers to net income (loss) determined in accordance with IFRS, before depreciation and amortization, net interest expense (income) and income tax expense (recovery). The Company defines adjusted EBITDA, as EBITDA, excluding stock-based compensation expense, restructuring costs, gain on derecognition of other obligations, fair value adjustments, transaction costs, impairment charges, and finance income. Management believes EBITDA and adjusted EBITDA are useful supplemental non-GAAP measures to determine the Company’s ability to generate cash available for operations, working capital, capital expenditures, debt repayments, interest expense and income taxes.

The following table provides a reconciliation of net and comprehensive income (loss) to EBITDA and adjusted EBITDA:

	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
	\$	\$	\$	\$
Net and comprehensive income (loss)	46	(367)	(179)	(1,276)
Add back:				
Depreciation and amortization	610	633	1,238	1,357
Interest cost	242	213	426	419
Income tax expense	71	66	124	116
EBITDA	969	545	1,609	616
Add back:				
Stock-based compensation	45	29	92	49
Transaction costs ⁽¹⁾	21	188	52	419
Finance income	(3)	(6)	(6)	(13)
Adjusted EBITDA	1,032	756	1,747	1,071
Attributed to:				
Shareholders of NeuPath Health Inc.	1,043	784	1,770	1,102
Non-controlling interest	(11)	(28)	(23)	(31)
	1,032	756	1,747	1,071

⁽¹⁾ For the three and six months ended June 30, 2022, \$188 and \$376 of accrued contingent consideration that under IFRS 3, *Business Combinations* ("IFRS 3") was not permitted to be included in the acquisition cost, has been accounted for as remuneration rather than consideration transferred.

Gross Margin, Gross Margin %, Adjusted Gross Margin and Adjusted Gross Margin %

Management believes gross margin, gross margin %, adjusted gross margin and adjusted gross margin % are important supplemental non-GAAP measures for evaluating operating performance and to allow for operating performance comparability from period-to-period. Gross margin is calculated as total revenue minus COMS. Gross margin % is calculated as gross margin divided by total revenue. Adjusted gross margin is calculated as gross margin, plus remuneration payment accruals related to the HealthPointe acquisition. Adjusted gross margin % is calculated as adjusted gross margin divided by total revenue.

The following table provides a reconciliation of total revenue to gross margin and adjusted gross margin:

	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
	\$	\$	\$	\$
Clinic revenue	15,977	14,942	30,859	29,410
Non-clinic revenue	1,171	994	2,350	1,937
Total revenue	17,148	15,936	33,209	31,347
Cost of medical services	13,920	13,079	27,085	25,840
Gross margin⁽¹⁾	3,228	2,857	6,124	5,507
Gross margin %⁽¹⁾	18.8%	17.9%	18.4%	17.6%
Add back:				
HealthPointe remuneration payment accruals ⁽²⁾	-	188	-	376
Adjusted gross margin⁽¹⁾	3,228	3,045	6,124	5,883
Adjusted gross margin %⁽¹⁾	18.8%	19.1%	18.4%	18.8%

⁽¹⁾ Gross margin, gross margin %, adjusted gross margin and adjusted gross margin % are non-IFRS measures. Please refer to *Non-IFRS Financial Measures* above.

⁽²⁾ Includes accrued contingent consideration that under IFRS 3 was not permitted to be included in the acquisition cost and has been accounted for as remuneration rather than consideration transferred.

For further details on the results, please refer to NeuPath's Management, Discussion and Analysis and Condensed Consolidated Interim Financial Statements for the three and six months ended June 30, 2023, which are available on the Company's website (www.neupath.com) and under the Company's profile on SEDAR (www.sedar.com).

About NeuPath

NeuPath 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-centered multidisciplinary care. We operate 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. In addition, NeuPath provides workplace health services and independent medical assessments to employers and disability insurers through a national network of healthcare providers, as well as contract research services to pharmaceutical and biotechnology companies. NeuPath is focused on enabling each individual we treat to live their best life.

Forward-Looking Statements

This news release contains forward-looking statements. All statements, other than statements of historical fact, that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future including, without limitation, the Company's expectation of continued operational improvements in the second half of 2023 and the execution of the Company's growth opportunities are forward-looking statements. These forward-looking statements reflect the current expectations or beliefs of the Company based on information currently available to the Company. Forward-looking statements are subject to a number of risks and uncertainties that may cause the actual results of the Company to differ materially from those discussed in the forward-looking statements, and even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on, the Company. Factors that could cause actual results or events to differ materially from current expectations included in this news release include, among other things, adverse market conditions, risks associated with obtaining and maintaining the necessary governmental permits and licenses related to the business of the Company, increasing competition in the market and other risks generally inherent in the chronic pain, sports medicine, concussion and workplace health services markets. A comprehensive discussion of these and other risks and uncertainties can be found in the Company's annual information form dated March 29, 2023 filed on SEDAR under the Company's profile at www.sedar.com.

Any forward-looking statement speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking statement, whether as a result of new information, future events or results or otherwise. Although the Company believes that the assumptions underlying the forward-looking statements are reasonable, forward-looking statements are not guarantees of future performance and accordingly undue reliance should not be put on such statements due to their inherent uncertainty.

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