

Management's Discussion and Analysis

May 15, 2024 / This Management's Discussion and Analysis of the Financial Position and Results of Operations ("MD&A") is the responsibility of management and has been reviewed and approved by the Board of Directors. This MD&A has been prepared in accordance with the requirements of the Canadian Securities Administrators.

Throughout this document, NeuPath Health Inc. is referred to as "NeuPath", "we", "our" or "the Company". This MD&A provides information management believes is relevant to an assessment and understanding of the consolidated results of operations, cash flows and financial condition of the Company. The following information should be read in conjunction with the Condensed Consolidated Interim Financial Statements and the notes thereto for the three months ended March 31, 2024, the annual Consolidated Financial Statements and the notes thereto and the annual MD&A for the year ended December 31, 2023. The Condensed Consolidated Interim Financial Statements reported herein have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. NeuPath's accounting policies are in accordance with International Financial Reporting Standards ("IFRS").

Unless otherwise noted, all dollar amounts in this MD&A are expressed in thousands of Canadian dollars except per share, unit and warrant figures, unless otherwise noted.

The Company uses non-IFRS financial measures in this MD&A. For a detailed reconciliation of the non-IFRS measures used in this MD&A, please see the discussion under "*Non-IFRS Financial Measures*".

Materiality of Disclosures

This MD&A includes information we believe is material to investors. We consider something to be material if it results in, or would reasonably be expected to result in, a significant change in the market price or value of our shares, or if it is likely that a reasonable investor would consider the information important in making an investment decision.

Forward-looking Statements

Certain statements in this MD&A are forward looking statements which may include, but are not limited to, statements with respect to the future financial or operating performance of NeuPath and its projects, the market conditions, business strategy, corporate plans, objectives and goals, and the timing and possible outcome of regulatory matters. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or variations (including negative variations) of such words and phrases, or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, performance or achievements of NeuPath to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, but are not limited to, the factors discussed in the section entitled "Risk Factors" in this MD&A and in the section entitled "Risk Factors" in the Company's Annual Information Form for the year ended December 31, 2023 dated March 14, 2024 ("AIF"). Although NeuPath has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as of the date of this MD&A and, other than as required by law, NeuPath disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

This MD&A also includes market data and forecasts with respect to the chronic pain, sports medicine, concussion, and workplace health services markets. Although the Company is responsible for all of the disclosure contained in this MD&A, in some cases, the Company relies on and refers to market data and certain industry forecasts that were obtained from third-party surveys, market research, consultant surveys, publicly available information and

industry publications and surveys that it believes to be reliable. Unless otherwise indicated, all market and industry data and other statistical information and forecasts contained in this MD&A are based on independent industry publications, reports by market research firms or other published independent sources and other externally obtained data that the Company believes to be reliable. Any such market data, information or forecast may prove to be inaccurate because of the method by which it was obtained or because it cannot always be verified with complete certainty given the limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties, including those discussed in the AIF under the heading “Risk Factors”. As a result, although the Company believes that these sources are reliable, it has not independently verified the information.

Non-IFRS Financial Measures

This MD&A makes reference to certain financial measures, including non-IFRS financial measures that are historical and non-GAAP or non-GAAP ratios. Management uses these financial measures for purposes of comparison to prior periods and development of future projections and earnings growth prospects. This information is also used by management to measure the profitability of ongoing operations and in analyzing business performance and trends. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and, are therefore, unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of the Company’s results of operations from management’s perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of financial information reported under IFRS. The Company uses the following non-GAAP financial measures: EBITDA, adjusted EBITDA, gross margin and income or loss from operations, and the following non-GAAP ratios: gross margin %, to provide supplemental measures of operating performance and thus highlight trends in the core business that may not otherwise be apparent when relying solely on IFRS financial measures. Management also uses non-IFRS financial measures in order to prepare annual operating budgets and to determine management compensation. Below is an explanation of the composition of each such measure, as applicable, including a quantitative reconciliation of EBITDA and adjusted EBITDA to its most directly comparable financial measure disclosed in our financial statements to which the measure relates. See *Selected Financial Information and Results of Operations* for a quantitative reconciliation of gross margin and income from operations to its most directly comparable financial measure disclosed in the Condensed Consolidated Interim Financial Statements for the three months ended March 31, 2024 to which the measure relates.

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, gain on sale of building, government loans forgiveness 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 loss to EBITDA and adjusted EBITDA:

	Three months ended March 31, 2024	Three months ended March 31, 2023
	\$	\$
Net and comprehensive loss	(344)	(225)
Add back:		
Depreciation and amortization	581	628
Interest cost	239	184
Income tax expense	57	53
EBITDA	533	640
Add back:		
Stock-based compensation	34	47
Transaction costs	284	31
Finance income	-	(3)
Adjusted EBITDA	851	715
Attributed to:		
Shareholders of NeuPath Health Inc.	797	727
Non-controlling interest	54	(12)
	851	715

Gross Margin and Gross Margin %

Management believes gross margin and 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 cost of medical services ("COMS"). Gross margin % is calculated as gross margin divided by total revenue.

Income (loss) From Operations

Management believes income (loss) from operations is an important supplemental non-GAAP measure for evaluating operating performance and to allow for operating performance comparability from period-to-period. Income (loss) from operations is calculated as total revenue, minus COMS, general and administrative ("G&A") expenses, occupancy costs, depreciation and amortization and restructuring costs.

Overview

NeuPath's mission is to improve access to care and outcomes for patients by leveraging best-in-class treatments and delivering patient-centred multidisciplinary care, enabling each individual to live their best life.

The Company's vision is to build the leading national network of clinics, recognized for their best-in-class quality of care, empathy-driven efficient service and leading-edge techniques to treat patients with chronic medical conditions.

Multidisciplinary Care

NeuPath 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: Psychiatrists, 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.

NeuPath also 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, Psychiatrists, Physiotherapists, Psychologists, Respiriologists and Rheumatologists.

NeuPath generates revenue by providing both insured and uninsured services to patients. Insured services include treatments or procedures covered by provincial health plans and third-party health insurance plans. In most cases, the insurer is billed directly by NeuPath. Uninsured services include medical assessments, workplace health services and treatments and procedures that are not covered by provincial health plans or third-party health insurance plans and are billed directly to patients.

Research

Through a wholly owned subsidiary, NeuPath provides contract research services to pharmaceutical companies. More importantly, these clinical research capabilities allow the Company to evaluate the efficacy of new and existing services and treatments. On April 11, 2023, the findings of a 562-patient study focused on chronic pain and the impact of NeuPath's treatments on patients' lives was published in the online journal *Cureus*⁽¹⁾. The study participants, who previously reported low levels of functioning across several daily life activities, experienced significant improvements in all measured daily life activities after undergoing NeuPath's interdisciplinary treatment. The results of this study present an exciting opportunity for NeuPath to improve the quality of life for patients by applying cutting-edge and research-driven best practices.

Markets

The Company competes in the chronic pain, sports medicine, concussion and workplace health services markets in Canada. Conditions often coexist amongst these distinct markets, for example, chronic pain is one of the known consequences of a traumatic brain injury. NeuPath believes that having the ability to treat these often-coexisting conditions and building collaborative, interdisciplinary teams of healthcare providers are distinct competitive advantages and are important foundations for improving patient care.

Chronic Pain

According to the Global Burden of Disease Study, chronic pain is the 4th most burdensome disease or condition⁽²⁾ impacting approximately 1 in 5 adults worldwide⁽³⁾. Despite chronic pain's prevalence and impact, it has only recently started to attract increased attention. In May 2019, the World Health Organization, for the first time, added chronic pain to its International Classification of Diseases. The International Classification of Diseases is used worldwide as a diagnostic tool to classify causes of injury or death and the addition of chronic pain will allow for better tracking of the impact and prevalence of chronic pain. In addition, the Canadian federal government formed the Canadian Pain Task Force in March 2019 to assess how chronic pain is currently managed and make recommendations for improvement. Both of these initiatives have increased attention on chronic pain.

A recent study found that chronic pain costs between \$38-\$40 billion in Canada in 2019, of which \$15-\$17 billion represents direct healthcare costs⁽⁴⁾.

Sports Medicine

According to a 2015 report by Parachute, injuries in sports and physical activity cost the Canadian healthcare system nearly \$1.5 billion annually⁽⁵⁾.

Concussions

Recently, concussions or traumatic brain injuries have gained prominence mainly due to research and improved understanding around chronic traumatic encephalopathy and its connection to head trauma. *The Cost of Injury in Canada*⁽⁵⁾ study, released in 2015, estimated the cost of head injuries in sports and recreation at \$1.0 billion per year in Canada.

⁽¹⁾ Jovey R D, Balon J, Mabee J, et al. (April 11, 2023) Patients Response to Interventional Care for Chronic Pain Study (PRICS): A Cross-Sectional Survey of Community-Based Pain Clinics in Ontario, Canada. *Cureus* 15(4): e37440. doi:10.7759/cureus.37440. Retrieved from <https://www.cureus.com/articles/145490-patients-response-to-interventional-care-for-chronic-pain-study-prics-a-cross-sectional-survey-of-community-based-pain-clinics-in-ontario-canada#!>.

⁽²⁾ Kassebaum NJ, Smith AGC, Bernabé E, Fleming TD, Reynolds AE, Vos T, Murray CJL, Marcenes W; GBD 2015 Oral Health Collaborators. Global, Regional, and National Prevalence, Incidence, and Disability-Adjusted Life Years for Oral Conditions for 195 Countries, 1990-2015: A Systematic Analysis for the Global Burden of Diseases, Injuries, and Risk Factors. *J Dent Res*. 2017 Apr;96(4):380-387. doi: 10.1177/0022034517693566. PMID: 28792274; PMCID: PMC5912207.

⁽³⁾ BU School of Public Health. (2017). Chronic Pain and the Health of Populations. Retrieved from <https://www.bu.edu/sph/news/articles/2017/chronic-pain-and-the-health-of-populations/>.

⁽⁴⁾ The Canadian Pain Task Force. (2020). Working Together to Better Understand, Prevent, and Manage Chronic Pain: What We Heard. Cat.: H134-17/2020E-PDF. Retrieved from <https://www.canada.ca/content/dam/hc-sc/documents/corporate/about-health-canada/public-engagement/external-advisory-bodies/canadian-pain-task-force/report-2020-rapport/report-2020.pdf>.

⁽⁵⁾ Parachute. (2015). *The Cost of Injury in Canada*. Parachute: Toronto, ON. Retrieved from https://www.parachute.ca/wp-content/uploads/2019/06/Cost_of_Injury-2015.pdf.

Workplace Health Services

Spending on employee benefit group life and health plans in Canada was estimated to be \$46.1 billion in 2019, with \$21.9 billion spent on medical benefits⁽⁶⁾. A significant portion of this cost is allocated to traditional benefits like medical, dental and life/AD&D. According to a recent report by the Conference Board of Canada, healthcare costs in Canada are expected to increase substantially over the next decade due to an aging population, combined with population growth and the impact of COVID-19⁽⁷⁾. Without substantial increases in public funding, Canadians could experience a reduction in access to care and employers could see a corresponding increase in lost productivity.

A study completed by Deloitte in 2019 found that employers are increasingly aware that conditions like mental illness are costly for employers⁽⁸⁾. As a result, some employers are investing in workplace mental health initiatives and, more importantly, are generating a positive return on investment. Based on early experiences with workplace mental health initiatives, employers may look to implement other workplace health initiatives to address conditions like pain that impact absenteeism, presenteeism and reduce short-term and/or long-term disability.

Significant Transactions

Acquisition of London Spine Centre

On January 12, 2024, the Company completed the acquisition of the assets of SIBI Medical Inc., operating as the London Spine Centre in London, Ontario. The London Spine Centre has an interdisciplinary group of healthcare providers that use evidence-based care to help treat back, neck and other spinal conditions. Under the terms of the agreement, the Company acquired the assets of the London Spine Centre. The purchase price of \$0.2 million was paid from the Company's existing cash on hand, and additional contingent consideration will be paid in accordance with pre-established performance criteria for the acquired clinic. This acquisition is not expected to have a material impact on the Company's fiscal 2024 financial results.

Debt Financing

On November 10, 2023, the Company closed a new secured credit agreement ("Credit Facility") with the Royal Bank of Canada ("RBC") providing new revolving loan facilities and refinancing the existing term debt. The Credit Facility provides the Company with up to \$5.0 million of borrowing capacity, structured as a \$3.5 million revolving operating line, a \$0.5 million lease facility and refinancing of existing term debt up to \$1.0 million. The Credit Facility replaces the existing bank loan facilities available to the Company through RBC.

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, and subsequently classified the facility as a non-current asset held for sale. The Company completed the sale of the facility on August 31, 2023 for gross proceeds of \$2.1 million, and used a portion of the net proceeds from the sale to fully discharge the \$1.2 million mortgage secured by this facility. The gain on sale of the facility amounted to \$0.8 million after accounting for a net book value of \$1.2 million and related closing costs.

Private Placement Debenture Offering

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

⁽⁶⁾ The Canadian Pain Task Force. (2020). Working Together to Better Understand, Prevent, and Manage Chronic Pain: What We Heard. Cat.: H134-17/2020E-PDF. Retrieved from <https://www.canada.ca/content/dam/hc-sc/documents/corporate/about-health-canada/public-engagement/external-advisory-bodies/canadian-pain-task-force/report-2020-rapport/report-2020.pdf>.

⁽⁷⁾ Parachute. (2015). The Cost of Injury in Canada. Parachute: Toronto, ON. Retrieved from https://www.parachute.ca/wp-content/uploads/2019/06/Cost_of_Injury-2015.pdf.

⁽⁸⁾ Fraser Group. (2020). Group Universe Report. Retrieved from <https://frasergroup.com/assets/files/GUR/GUR%20Public%20Release%20Canada.pdf>

Each Unit is comprised of: (i) \$1,000 principal amount of subordinated and postponed unsecured non-convertible debentures of the Company (the “Debentures”); (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, totalling 1,614,444 Bonus Shares; and (iii) 836,111 Private Placement Broker Warrants (“Broker Warrants”) of the Company exercisable for one common share of the Company at an exercise price equal to \$0.15 per common share until May 2, 2025.

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 total cost of the Debenture Offering was \$0.5 million. The Company allocated \$0.4 million to debt issuance cost and \$65 to share issuance cost. Net proceeds of the Debenture Offering were \$1.1 million.

Growth Strategy

The Company’s growth strategy is focused on three key pillars:

- *Increased capacity utilization* - The Company’s focus is to generate revenue growth by improving capacity utilization at its existing medical clinics. To achieve this objective, the Company intends to continue adding complementary services and healthcare provider hours, with a focus on improving patient throughput. For the three months ended March 31, 2024 capacity utilization was 72% compared to 65% for the three months ended March 31, 2023.
- *Expanding the network* - The Company intends to build out a pan-Canadian network through acquisitions and new clinic startups. The market for medical clinics is highly fragmented in Canada and the Company acquired HealthPointe in Edmonton in February 2021 as the first step in its expansion into Western Canada. On September 22, 2021, the Company entered into a partnership with Central Alberta Orthopedics Inc. (“CAO”) to open an interdisciplinary pain institute in Red Deer, Alberta. The clinic opened to patients in July 2022 and ownership of the newly formed corporation is split 50/50 between HealthPointe and CAO. On January 12, 2024, the Company acquired the assets of SIBI Medical Inc., operating as the London Spine Centre in London, Ontario and continues to serve patients from the existing location, with no changes in operations for patients, physicians and staff.
- *Expanding into adjacent markets* - Orthopedics and other specialties have patients with high overlap to the Company’s core chronic pain business, and the Company is actively evaluating new opportunities in these areas. The Company’s facilities may also be utilized, with modest investment, to provide other services such as out-of-hospital surgery.

While executing on the growth strategy, NeuPath is focused on improved operating margins and has made changes to its corporate functions and its clinic footprint and will continue to evaluate opportunities for improving margins across the network.

Selected Financial Information

	Three months ended March 31, 2024	Three months ended March 31, 2023
	\$	\$
Operations		
Clinic revenue	16,168	14,882
Non-clinic revenue	1,318	1,179
Total revenue	17,486	16,061
Cost of medical services	14,253	13,165
Gross margin⁽¹⁾	3,233	2,896
General and administrative expenses	1,947	1,806
Occupancy costs	469	422
Depreciation and amortization	581	628
Income from operations⁽¹⁾	236	40
Interest cost	239	184
Transaction costs	284	31
Finance income	-	(3)
Net loss before income taxes	(287)	(172)
Income tax expense	57	53
Net and comprehensive loss	(344)	(225)
Attributed to:		
Shareholders of NeuPath Health Inc.	(378)	(192)
Non-controlling interest	34	(33)
	(344)	(225)
Adjusted EBITDA⁽¹⁾	851	715
Net loss per common share		
- basic	(0.01)	-
- diluted	(0.01)	-
Weighted average number of common shares outstanding (in thousands)		
- basic	56,293	52,210
- diluted	56,534	52,346
	As at March 31, 2024	As at December 31, 2023
Financial Position		
	\$	\$
Cash and cash equivalents	2,550	3,177
Total assets	41,632	41,781
Total liabilities	20,103	19,942
Total equity	21,529	21,839

⁽¹⁾ Gross margin, income from operations and adjusted EBITDA are non-IFRS measures. Please refer to *Non-IFRS Financial Measures* above.

Results of Operations

	Three months ended March 31, 2024	Three months ended March 31, 2023
	\$	\$
Clinic revenue	16,168	14,882
Non-clinic revenue	1,318	1,179
Total revenue	17,486	16,061
Cost of medical services	14,253	13,165
Gross margin⁽¹⁾	3,233	2,896
Gross margin %⁽¹⁾	18.5%	18.0%

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

Total Revenue

Total revenue is comprised of clinic revenue and non-clinic revenue. Total revenue was \$17.5 million for the three months ended March 31, 2024 compared to \$16.1 million for the three months ended March 31, 2023.

Clinic Revenue

Clinic revenue is generated through the provision of medical services to patients. Clinic revenue was \$16.2 million for the three months ended March 31, 2024 compared to \$14.9 million for the three months ended March 31, 2023. The increase in clinic revenue for the three months ended March 31, 2024 was primarily due to stronger revenues from fluoroscopy and existing medical clinics. Capacity utilization was 72% for the three months ended March 31, 2024, compared to 65% for the three months ended March 31, 2023. The improvement in capacity utilization was primarily driven by stronger revenues and continued optimization of clinic space.

Non-clinic Revenue

Non-clinic revenue was \$1.3 million for the three months ended March 31, 2024 compared to \$1.2 million for the three months ended March 31, 2023. Non-clinic revenue is earned from physician staffing allocation services where the Company provides physicians for provincial and federal correctional institutions 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.

Significant Customers

Under IFRS 8, *Operating Segments* ("IFRS 8"), major customers are those that account for greater than 10% of the Company's consolidated revenues. The Company has two major customers that accounted for 86% of the Company's total revenue for the three months ended March 31, 2024 [two major customers represented 84% of the Company's total revenue for the three months ended March 31, 2023]. The Company's credit risk is low as its major customers are government organizations.

Operating Expenses

	Three months ended March 31, 2024	Three months ended March 31, 2023
	\$	\$
Cost of medical services	14,253	13,165
General and administrative expenses	1,947	1,806
Occupancy costs	469	422
Depreciation and amortization	581	628
Total operating expenses	17,250	16,021

Total operating expenses were \$17.3 million for the three months ended March 31, 2024 compared to \$16.0 million for the three months ended March 31, 2023.

Cost of Medical Services

COMS was \$14.3 million for the three months ended March 31, 2024 compared to \$13.2 million for the three months ended March 31, 2023. The increase in COMS was primarily attributable to increased total revenue compared to the comparative quarter. The COMS as a percentage of total revenue was 81.5% for the three months ended March 31, 2024 compared to 82.0% for the three months ended March 31, 2023.

Gross margin % was 18.5% for the three months ended March 31, 2024 compared to 18.0% for the three months ended March 31, 2023. The increase in gross margin was primarily driven by higher revenues from fluoroscopy compared to the comparative quarter.

General and Administrative Expenses

G&A expenses were \$1.9 million for the three months ended March 31, 2024 compared to \$1.8 million for the three months ended March 31, 2023. The increase in G&A expenses was due to higher salaries and benefits, partially offset by lower professional and consulting fees.

Occupancy Costs

Occupancy costs were \$0.5 million for the three months ended March 31, 2024 compared to \$0.4 million for the three months ended March 31, 2023. Occupancy costs represent the costs related to leased facilities. The increase in occupancy costs is primarily driven by higher lease costs for existing medical clinics. As at March 31, 2024, the Company leased 13 facilities.

Depreciation and Amortization

Depreciation and amortization expenses were \$0.6 million for the three months ended March 31, 2024 and 2023. Depreciation and amortization expenses relate to amortization of intangible assets, depreciation of right-of-use assets and amortization of property, plant & equipment, and remained consistent compared to the prior period.

Income from Operations

Income from operations was \$0.2 million for the three months ended March 31, 2024 compared to \$40 for the three months ended March 31, 2023. The increase in income from operations in the current period was primarily due to an increase in revenue and gross margin, partially offset by higher G&A expenses.

Other Expenses

	Three months ended March 31, 2024	Three months ended March 31, 2023
	\$	\$
Interest cost	239	184
Transaction costs	284	31
Finance income	-	(3)
Total other expenses	523	212

Interest Cost

Interest costs were \$0.2 million for the three months ended March 31, 2024 and 2023. Interest costs relate to the outstanding debt and interest charges due to accretion of interest on loans and leases.

Transaction Costs

Transaction costs were \$0.3 million for the three months ended March 31, 2024 compared to \$31 for the three months ended March 31, 2023. Transaction costs relate to one-time transactional costs and potential acquisitions that the Company is evaluating.

Finance Income

Finance income was \$nil for the three months ended March 31, 2024 compared to \$3 for the three months ended March 31, 2023. Finance income relates to accretion on finance lease receivables from subleases at the Company's clinical and office locations in Canada.

Net and Comprehensive Loss

	Three months ended March 31, 2024	Three months ended March 31, 2023
	\$	\$
Net loss before income taxes	(287)	(172)
Income tax expense	57	53
Net and comprehensive loss	(344)	(225)

Income Tax Expense

Income tax expense was \$57 for the three months ended March 31, 2024 compared to \$53 for the three months ended March 31, 2023. The Company's income tax expense relates to current income taxes generated from one of its wholly owned subsidiaries. The Company has available tax losses within its consolidated operations and is assessing its tax structure.

Net and Comprehensive Loss

Net and comprehensive loss was \$0.3 million for the three months ended March 31, 2024 compared to \$0.2 million for the three months ended March 31, 2023. The change in net and comprehensive loss for the current quarter was primarily attributable to an increase in G&A expenses and transaction costs, partially offset by improved revenue and gross margin.

Segments

IFRS 8 requires operating segments to be determined based on internal reports that are regularly reviewed by the chief operating decision makers for the purpose of allocating resources to the segment and assessing its performance. The Company has one operating segment: medical services.

Liquidity and Capital Resources

	Three months ended March 31, 2024	Three months ended March 31, 2023
	\$	\$
Net and comprehensive loss	(344)	(225)
Items not involving current cash flows	805	815
Cash provided by operations	461	590
Net change in non-cash working capital	(373)	(578)
Cash provided by operating activities	88	12
Cash used in investing activities	(222)	(133)
Cash used in financing activities	(493)	(764)
Net change in cash and cash equivalents during the period	(627)	(885)
Cash and cash equivalents, beginning of period	3,177	1,517
Cash and cash equivalents, end of period	2,550	632

Cash and Cash Equivalents

As at March 31, 2024, cash and cash equivalents were \$2.6 million compared to \$3.2 million as at December 31, 2023.

Operating Activities

Cash provided by operating activities was \$88 for the three months ended March 31, 2024 compared to \$12 for the three months ended March 31, 2023. The increase in cash provided by operating activities was primarily due to improvements in revenue and net and comprehensive loss, along with a \$0.2 million improvement in recovery of non-cash working capital compared to the comparative three-month period.

Investing Activities

Cash used in investing activities was \$0.2 million for the three months ended March 31, 2024 compared to \$0.1 million for the three months ended March 31, 2023. Cash used in investing activities for the current quarter primarily related to the acquisition of the London Spine Centre and equipment for medical clinics.

Financing Activities

Cash used in financing activities was \$0.5 million for the three months ended March 31, 2024 compared to \$0.8 million for the three months ended March 31, 2023. The decrease in cash used in financing activities was primarily due to lower repayments of long-term debt as the mortgage associated with the Company's corporate-owned facility was discharged using proceeds from the sale of the facility in August 2023.

Working Capital

The Company defines working capital as current assets, less accounts payable and accrued liabilities, provisions and current income tax liabilities. The Company anticipates that its current working capital and the revenue it expects to generate from its continuing operations will be sufficient to satisfy its current debt obligations and working capital requirements for the next 12 months. The Company's ability to satisfy its non-current debt obligations will depend principally upon its future operating performance.

Capital Structure

The Company's strategy includes organic growth through improved capacity utilization, opening new clinics and growth through strategic acquisitions. To execute this strategy, the Company may need to access additional resources under existing loan arrangements or seek alternate sources of financing, including equity issuances.

The Company expects to continue to be able to meet all obligations as they become due using some or all of the following sources of liquidity: cash flow generated from operations, existing cash and cash equivalents on hand, net proceeds from the sale of the London medical facility and additional borrowing capacity under the revolving demand facilities. In addition, subject to market conditions, the Company may raise additional funding through equity financing. The Company believes that its capital structure will provide financial flexibility to pursue future growth strategies. However, the Company's ability to fund operating expenses and debt service requirements will depend

on, among other things, future operating performance, which will be affected by general economic, industry, financial and other factors beyond the Company's control (see *Risk Factors* below).

Selected Quarterly Information

The following is selected quarterly financial information for the Company over the last eight quarterly reporting periods:

	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022
	\$	\$	\$	\$	\$	\$	\$	\$
Clinic revenue	16,168	15,273	14,856	15,977	14,882	15,025	14,267	14,942
Non-clinic revenue	1,318	1,535	1,229	1,171	1,179	1,052	962	994
Total revenue	17,486	16,808	16,085	17,148	16,061	16,077	15,229	15,936
Total operating expenses	17,250	16,789	16,079	16,771	16,021	16,245	16,125	16,030
Net and comprehensive income (loss) ⁽¹⁾	(344)	(368)	356	46	(225)	(1,860)	(1,139)	(367)
Adjusted EBITDA ⁽²⁾	851	761	680	1,032	715	808	378	756
Net income (loss) per common share								
- basic	(0.01)	(0.01)	0.01	-	-	(0.04)	(0.02)	(0.01)
- diluted	(0.01)	(0.01)	0.01	-	-	(0.03)	(0.02)	(0.01)

⁽¹⁾ Net and comprehensive income (loss) includes non-controlling interests.

⁽²⁾ Adjusted EBITDA is a non-IFRS measure. Please refer to *Non-IFRS Financial Measures* above.

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, 2024	December 31, 2023
	\$	\$
Financial assets at amortized cost		
Cash and cash equivalents	2,550	3,177
Accounts receivable	7,576	6,874
Other assets	1,167	1,225
Total financial assets	11,293	11,276
Financial liabilities at amortized cost		
Accounts payable and accrued liabilities	8,082	7,537
Due to related parties	3,674	3,674
Long-term debt	1,983	1,965
Lease obligations	6,307	6,481
Total financial liabilities	20,046	19,657

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, 2024 and 2023.

FINANCIAL RISK MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors mitigates these risks by assessing, monitoring and approving the Company's risk management process. This is not an exhaustive list of all risks nor will the mitigation strategies eliminate all risks listed.

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 respect 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.

As at March 31, 2024, the Company's financial liabilities had contractual maturities as summarized below:

	Total \$	Current	Non-current		
		Within 12 Months \$	1 to 2 Years \$	3 to 5 Years \$	> 5 Years \$
Accounts payable and accrued liabilities	8,082	8,082	-	-	-
Due to related parties	3,674	-	3,674	-	-
Long-term debt	1,983	195	1,788	-	-
Lease obligations	6,307	1,141	1,628	1,126	2,412
	20,046	9,418	7,090	1,126	2,412

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. Three 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 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.

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 defences and that its defences 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 the 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.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

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, 2024 \$	December 31, 2023 \$
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, 2025.

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, 2025.

The Company had outstanding Prefunded Warrants held by related parties that were exercised for common shares in February 2023 (see Note 9, *Warrants* in the Company’s Condensed Consolidated Interim Financial Statements for the three months ended March 31, 2024).

In April 2023, the Company received a \$0.5 million bridge loan from BBCI, which was subsequently repaid from the proceeds of the Debenture Offering (see Note 6, *Long-term Debt* in the Company’s Condensed Consolidated Interim Financial Statements for the three months ended March 31, 2024). The fees paid to Bloom Burton Securities Inc. (“BBSI”) for the Debenture Offering were nominal. BBSI also received 76,390 Broker Warrants issued in connection with the Debenture Offering, with a fair value of \$3 (see Note 9, *Warrants* in the Company’s Condensed Consolidated Interim Financial Statements for the three months ended March 31, 2024).

Joseph Walewicz, Chief Executive Officer and a Director of the Company and Daniel Chicoine, the Chair of the Board of the Directors of the Company, participated in the Debenture Offering. Their participation accounted for 11% of the gross proceeds from the Debenture Offering and they received a proportionate share of the Bonus Shares issued based on their participation rate (see Note 6, *Long-term Debt* in the Company’s Condensed Consolidated Interim Financial Statements for the three months ended March 31, 2024).

Outstanding Share Data

As at March 31, 2024, the Company had (i) 56,292,735 common shares, (ii) 5,316,111 common share purchase warrants (with strike prices ranging from \$0.15 to \$0.25 per common share), (iii) 155,033 RSUs and (iv) 4,419,671 stock options (with strike prices ranging from \$0.14 to \$1.00 per common share, of which 1,697,686 have vested), issued and outstanding.

The fully diluted number of common shares outstanding at the date hereof is 66,183,550.

Critical Accounting Policies and Estimates

The preparation of the Consolidated Financial Statements in conformity with IFRS requires management to make estimates and assumptions at the date of the Consolidated Financial Statements that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses during the reporting periods. Management has identified accounting estimates that it believes are most critical to understanding the Consolidated Financial Statements and those that require the application of management’s most subjective judgments, often requiring estimates about the effect of matters that are inherently uncertain and may change in subsequent periods. The Company’s actual results could differ from these estimates and such differences could be material. All material accounting policies are disclosed in Note 4, *Adoption of New Accounting Standards* and Note 5, *Summary of Material Accounting Policies* of the Company’s annual Consolidated Financial Statements for the year ended December 31, 2023.

Risk Factors

The Company is exposed to a variety of known and unknown risks in the pursuit of its strategic objectives. The impact of any risk may adversely affect, among other things, the Company’s business, reputation, financial condition, results of operations and cash flows, which may affect the market price of its securities. The Company attempts to mitigate its strategic risks to an acceptable level through a variety of policies, systems and processes.

An investment in the common shares is speculative and involves a high degree of risk due to the nature of the Company’s business. It is recommended that investors consult with their own professional advisors before investing in the common shares.

An investor should carefully consider the information contained in this MD&A, in addition to the risk factors discussed in the Company's AIF under the heading "Risk Factors", which section is hereby incorporated herein by reference. The AIF is available under the Company's profile on SEDAR+ at www.sedarplus.ca. The disclosures in this MD&A are subject to the risk factors outlined in the AIF. Additional risks and uncertainties not presently known to the Company or that the Company believes to be immaterial may also adversely affect the Company's business. If any one or more of the risks occur as outlined in the AIF, the Company's business, financial condition and results of operations could be seriously harmed. Further, if the Company fails to meet the expectations of the public market in any given period, the market price of the Company's common shares could decline. Before making an investment decision, each prospective investor should carefully consider the risk factors included in the AIF and other public documents.