NeuPath Health Inc.

Condensed Consolidated Interim Financial Statements September 30, 2024 and 2023 (unaudited)

NOTICE TO READER

The accompanying Condensed Consolidated Interim Financial Statements of NeuPath Health Inc. (the ”Company”) have been prepared by and are the responsibility of the Company’s management.

The Company’s independent external auditors, Ernst & Young LLP, have not performed a review or an audit of these Condensed Consolidated Interim Financial Statements in accordance with Canadian generally accepted standards for a review of interim financial statements by an entity’s auditor.

These Condensed Consolidated Interim Financial Statements include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these Condensed Consolidated Interim Financial Statements in accordance with International Financial Reporting Standards (“IFRS”). Management has determined such amounts on a reasonable basis in order to ensure that these Condensed Consolidated Interim Financial Statements are presented fairly in all material respects.

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

		As at September 30, 2024	As at December 31, 2023
(Canadian dollars in thousands)	***Notes***	**$**	$
ASSETS			
CURRENT			
Cash and cash equivalents		**3,141**	3,177
Accounts receivable		**7,443**	6,874
Other assets		**596**	606
TOTAL CURRENT ASSETS		**11,180**	10,657
NON-CURRENT			
Property, plant and equipment		**3,444**	3,339
Right-of-use assets		**5,203**	5,733
Other assets		**485**	619
Intangible assets		**676**	707
Goodwill		**20,752**	20,718
Deferred income tax assets		**8**	8
TOTAL ASSETS		**41,748**	41,781
LIABILITIES AND EQUITY			
CURRENT			
Accounts payable and accrued liabilities		**8,301**	7,537
Current portion of long-term debt	*6*	**2,066**	195
Current portion of lease obligations	*5*	**1,116**	1,132
Current income tax liabilities		**174**	285
TOTAL CURRENT LIABILITIES		**11,657**	9,149
NON-CURRENT			
Long-term debt	*6*	**-**	1,770
Lease obligations	*5*	**4,802**	5,349
Due to related parties	*14*	**3,674**	3,674
TOTAL LIABILITIES		**20,133**	19,942
EQUITY			
Share capital	*7*	**44,148**	44,127
Warrants	*9*	**849**	849
Contributed surplus	*8*	**3,160**	3,100
Deficit		**(26,505)**	(26,022)
Equity attributable to shareholders of NeuPath Health Inc.		**21,652**	22,054
Non-controlling interest		**(37)**	(215)
TOTAL EQUITY		**21,615**	21,839
TOTAL LIABILITIES AND EQUITY		**41,748**	41,781

Note 12, *Commitments*

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

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

		Three months ended September 30		Nine months ended September 30	
		2024	2023	**2024**	2023
(Canadian dollars in thousands, except per share figures or otherwise noted)	***Notes***	**$**	$	**$**	$
REVENUE					
Medical services	*15*	**17,552**	16,085	**53,918**	49,294
Total revenue		**17,552**	16,085	**53,918**	49,294
OPERATING EXPENSES					
Cost of medical services		**14,338**	13,145	**43,687**	40,230
General and administrative expenses		**2,035**	1,851	**5,960**	5,442
Occupancy costs		**458**	456	**1,442**	1,334
Depreciation and amortization		**575**	627	**1,709**	1,865
Total operating expenses		**17,406**	16,079	**52,798**	48,871
OTHER EXPENSES (INCOME)					
Interest cost	*5, 6*	**242**	235	**721**	661
Transaction costs		**175**	40	**529**	92
Finance income		**-**	(2)	**-**	(8)
Gain on sale of building		**-**	(758)	**-**	(758)
Net income (loss) before income taxes		**(271)**	491	**(130)**	436
INCOME TAXES					
Current income tax expense		**52**	135	**175**	259
NET AND COMPREHENSIVE INCOME (LOSS)		**(323)**	356	**(305)**	177
Attributed to:					
Shareholders of NeuPath Health Inc.		**(401)**	377	**(483)**	262
Non-controlling interest		**78**	(21)	**178**	(85)
		(323)	356	**(305)**	177
Net income (loss) per common share					
- basic		**(0.01)**	0.01	**(0.01)**	-
- diluted		**(0.01)**	0.01	**(0.01)**	-
Weighted average number of common shares outstanding (in thousands)					
- basic		**56,393**	56,268	**56,332**	54,728
- diluted		**56,598**	56,491	**56,537**	54,951

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, 2022		50,293	39,923	4,882	2,894	(25,915)	21,784	(131)	21,653
Stock-based compensation expense	*8*	-	-	-	139	-	139	-	139
Conversion of warrants	*9*	4,305	4,047	(4,047)	-	-	-	-	-
Expiry of warrants	*9*	-	-	(35)	35	-	-	-	-
Restricted share units, vested and exercised	*8*	56	8	-	(8)	-	-	-	-
Issuance of debenture units, net of issue costs	*6, 7, 9*	1,614	145	49	-	-	194	-	194
Net and comprehensive income (loss)		-	-	-	-	262	262	(85)	177
Balance, September 30, 2023		56,268	44,123	849	3,060	(25,653)	22,379	(216)	22,163
Stock-based compensation expense	*8*	-	-	-	44	-	44	-	44
Restricted share units, vested and exercised	*8*	25	4	-	(4)	-	-	-	-
Net and comprehensive income (loss)		-	-	-	-	(369)	(369)	1	(368)
Balance, December 31, 2023		56,293	44,127	849	3,100	(26,022)	22,054	(215)	21,839
Stock-based compensation expense	*8*	-	-	-	81	-	81	-	81
Restricted share units, vested and exercised	*8*	108	21	-	(21)	-	-	-	-
Net and comprehensive income (loss)		-	-	-	-	(483)	(483)	178	(305)
Balance, September 30, 2024		**56,401**	**44,148**	**849**	**3,160**	**(26,505)**	**21,652**	**(37)**	**21,615**

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

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

		Nine months ended September 30	
		2024	2023
(Canadian dollars in thousands)	***Notes***	**$**	$
OPERATING ACTIVITIES			
Net and comprehensive income (loss)		**(305)**	177
Items not involving current cash flows:			
Depreciation and amortization		**1,709**	1,865
Accretion of lease obligations	*5*	**365**	427
Accretion of other assets		**(11)**	(21)
Accretion of debenture offering	*6*	**222**	88
Equity-settled stock-based compensation expense	*8*	**81**	139
Gain on sale of building		**-**	(758)
		2,061	1,917
Net change in non-cash working capital	*11*	**130**	345
CASH PROVIDED BY OPERATING ACTIVITIES		**2,191**	2,262
INVESTING ACTIVITIES			
Acquisition of London Spine Centre	*4*	**(175)**	-
Acquisition of property, plant and equipment		**(679)**	(233)
Proceeds from sale of building		**-**	1,943
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		**(854)**	1,710
FINANCING ACTIVITIES			
Repayment of long-term debt	*6*	**(146)**	(2,096)
Advances of long-term debt	*6*	**25**	-
Receipts from other assets receivable		**98**	188
Proceeds from Debenture Offering, net of costs	*6*	**-**	1,052
Repayment of lease obligations	*5*	**(1,350)**	(1,590)
CASH USED IN FINANCING ACTIVITIES		**(1,373)**	(2,446)
Net change in cash and cash equivalents during the period		**(36)**	1,526
Cash and cash equivalents, beginning of period		**3,177**	1,517
CASH AND CASH EQUIVALENTS, END OF PERIOD		**3,141**	3,043
Supplemental cash flow information			
Interest paid[1]		**169**	221
Income taxes paid		**287**	314

1. Amounts received for interest were reflected as operating cash flows in the 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 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, Dietitians, 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 10 locations across Ontario and two locations in Alberta staffed with more than 165 healthcare providers.

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 September 30, 2024, the Company had an accumulated deficit of $26,505 [December 31, 2023 - $26,022], including net loss of $305 for the nine months ended September 30, 2024 [September 30, 2023 - net income of $177].

Given the start-up nature of the business, the Company's liquidity is dependent on the continuation of existing cash in-flows, its ability to generate positive cash flows 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.

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, 2023.

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

These Condensed Consolidated Interim Financial Statements should be read in conjunction, and reflect consistent accounting policies, with the annual Consolidated Financial Statements for the year ended December 31, 2023, except for the adoption of new standards effective as of January 1, 2024. Several amendments apply for the first time in 2024, but do not have a material impact on the Company's Condensed Consolidated Interim Financial Statements. The Company has not early adopted any other standard, interpretation or amendment that has been issued, but is not yet effective.

These unaudited Condensed Consolidated Interim Financial Statements were issued and effective as at November 13, 2024, 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. ("HealthPointe").

The Company controls its subsidiaries with the power to govern their financial and operating policies. All significant intercompany balances and transactions have been eliminated upon consolidation. The Company attributes the 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. BUSINESS COMBINATIONS

Acquisition of London Spine Centre

On January 12, 2024, the Company acquired control 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.

This transaction included all existing tangible assets of the London Spine Centre, intellectual property, patient relationships, and the assumption of a facility lease and existing physician and staff contracts. The Company continues to operate the existing medical clinic where the current roster of physicians and staff continue to serve patients. The transaction has been accounted for as a business combination within the scope of IFRS 3, *Business Combinations* ("IFRS 3"), as the acquired assets meet the definition of a business. The acquisition aligns with the Company's growth strategy of expanding its clinic network through acquisitions.

The consideration transferred and fair values of identifiable assets and liabilities of the London Spine Centre as at the date of acquisition were:

Consideration transferred	**$**
Amount settled in cash	175
Fair value of contingent consideration	-
Total consideration transferred	**175**
Recognized amounts of identifiable net assets	
Other current assets	2
Property, plant and equipment	31
Right-of-use assets	155
Intangible asset - patient relationships	110
Total identifiable assets acquired	**298**
Accounts payable and accrued liabilities	(2)
Lease obligations	(155)
Total liabilities assumed	**(157)**
Total identifiable net assets acquired	**141**
Goodwill on acquisition	**34**

Management will finalize the accounting for the acquisition no later than one year from the acquisition date and will reflect any adjustments retrospectively, as required under IFRS 3.

Consideration Transferred

The acquisition of the London Spine Centre was settled using $0.2 million from cash on hand. The purchase and sale agreement includes additional contingent consideration payable to the vendor as amounts equal to five times the Normalized EBITDA, as defined in the agreement of purchase and sale of the clinic, in each of the three months ended March 31, 2024, June 30, 2024 and September 30, 2024. The Company has assessed the fair value of the initially recognized contingent consideration to be $nil, which represents the present value of the Company's probability-weighted estimate of cash outflow and management's estimate if certain targets will be achieved.

No amounts were payable relating to additional contingent consideration for each of the three months ended March 31, 2024, June 30, 2024 and September 30, 2024.

Identifiable Intangible Assets

The identifiable patient relationships have been valued using an income approach. Specifically, patient relationships were valued using a multi-period excess earnings method, applying a discount rate of 15%.

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

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

Other Identifiable Net Assets
As part of the acquisition, the Company assumed the underlying lease of the existing clinic space in London, Ontario. The Company assessed the related right-of-use ("ROU") asset and related lease obligation associated with the clinic in accordance with IFRS 16, *Leases* (see Note 5, *Lease Obligations*). The acquisition-date fair value was determined as the present value of the lease payments using the Company's incremental borrowing rate of 7.2%.

Goodwill
Goodwill of $34 is primarily related to growth expectations and future profitability from expected cost synergies. Goodwill has been allocated to the medical clinic's cash-generating-unit and will not be deductible for income tax purposes.

Contribution to the Company's Results
For the three and nine months ended September 30, 2024, the acquisition accounted for $0.3 million and $0.8 million in revenue and $18 and $90 in net loss, respectively, since the January 12, 2024 acquisition date. If the acquisition had been completed on January 1, 2024, the Company estimates it would have recorded $17.6 million and $53.9 million in pro-forma revenues and $0.3 million in pro-forma net loss for the three and nine months ended September 30, 2024.

Amounts Recognized Separately from the Business Combination
Acquisition-related costs of $38 and $43 were recognized as part of transaction costs for the year ended December 31, 2023 and for the three months ended March 31, 2024, respectively. These costs are not included as part of the consideration transferred.

5. 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:

	2024	2023
	$	$
Balance, as at January 1	**6,481**	7,402
Additions during the period	**422**	122
Payments during the period	**(1,350)**	(1,590)
Interest expense during the period	**365**	427
	5,918	6,361
Less: amounts due within one year	**1,116**	1,302
Long-term balance, September 30	**4,802**	5,059

The Company acquired new lease obligations as part of the acquisition of the London Spine Centre (see Note 4, *Business Combinations*) amounting to $0.2 million. Additionally, the Company entered into a new lease agreement for its corporate office space and a new sublease agreement for its Hamilton facility during the nine months ended September 30, 2024, resulting in additional lease obligations of $38 and $0.2 million, respectively. The Company also extended its printer leases of $41, resulting in total lease obligation additions of $0.4 million [$0.1 million for the three and nine months ended September 30, 2023]. The Company recognizes corresponding ROU assets for any lease obligation additions.

For the three and nine months ended September 30, 2024, lease payments totalled $0.4 million and $1.4 million [$0.5 million and $1.6 million for the three and nine months ended September 30, 2023]. 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 and nine months ended September 30, 2024 and 2023.

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.

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

The following is a maturity analysis for undiscounted lease payments that are reflected in the lease obligations as at September 30, 2024:

	$
Less than 1 year	1,520
1 to 2 years	1,080
2 to 3 years	1,013
3 to 4 years	826
4 to 5 years	671
Beyond 5 years	2,529
	7,639

See Note 12, *Commitments* for additional information on estimated additional rent payment obligations related to the Company's leases on its clinical and office locations.

6. LONG-TERM DEBT

	September 30, 2024 **$**	December 31, 2023 $
Royal Bank of Canada	**837**	958
Debenture Offering	**1,229**	1,007
Less: amounts due within one year	**2,066**	195
Long-term balance	**-**	1,770

Private Placement Debenture Offering

On May 2, 2023, the Company closed 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.

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; 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 Bonus Shares of 1,614,444 were issued in connection with the Units at a price of $0.09, resulting in an increase in capital stock of $0.1 million, net of issuance costs of $65. Broker Warrants of the Company of 836,111 were issued in connection with the Debentures, resulting in an increase in warrants of $49.

The Debentures will mature on May 2, 2025 ("Maturity Date") 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 has allocated $0.4 million to debt issuance cost and $65 to share issuance cost. Net proceeds of the Debenture Offering were $1.1 million.

The Company may redeem the Debentures at any time prior to the Maturity Date in part or in full subject to an early repayment premium equal to: (i) 6% of the principal amount of the Debentures being redeemed if the redemption occurs prior to six months following May 2, 2023 (the "Closing Date"); (ii) 5% of such principal amount if redemption occurs following the date that is six months following the Closing Date, but prior to the first anniversary of the Closing Date; (iii) 4% of such principal amount if redemption occurs following the first anniversary of the Closing Date prior to 18 months following the Closing Date; or (iv) 3% of such principal amount if redemption occurs following 18 months from the Closing Date, but prior to the Maturity Date. The early prepayment option gives rise to an embedded derivative that is closely related to the Debentures, the host debt instrument, since on each potential exercise date, the option's exercise price is approximately equal to the debt instrument's amortized cost. As a result, the embedded derivative has not been accounted for separately.

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

Debentures consist of the following:

	September 30, 2024	December 31, 2023
	$	$
Debentures	**1,453**	1,453
Less: discount due to Bonus Shares	**(210)**	(210)
Less: transaction costs	**(385)**	(385)
	858	858
Add: accrued interest	**109**	97
Less: cash interest paid to debenture holders	**(109)**	(97)
Add: accretion of Debenture Offering	**371**	149
Debenture Offering	**1,229**	1,007
Less: current portion	**1,229**	-
Long-term Debenture Offering	**-**	1,007

Cash interest of $37 and $0.1 million was paid on the Debentures during the three and nine months ended September 30, 2024 [$60 for the three and nine months ended September 30, 2023]. Accretion of the Debenture Offering was $82 and $0.2 million during the three and nine months ended September 30, 2024 [$55 and $0.1 million for the three and nine months ended September 30, 2023].

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 ("Revolving Facility"), a $0.5 million lease facility ("Lease Facility") and refinancing of existing term debt up to $1.0 million ("Term Loan").

The Revolving Facility permits the Company to draw amounts at any time for working capital and general corporate purposes and is capped by a borrowing base linked to eligible accounts receivable. Amounts borrowed under the Revolving Facility are revolving in nature and bear interest at RBC Prime+1.75%. As at September 30, 2024, the outstanding balance of the Revolving Facility was $25 [December 31, 2023 - $nil].

The Lease Facility allows the Company to finance new or recently purchased equipment at prevailing market interest rates determined at the time of drawdown over a five-year amortization period. The Term Loan will refinance the remaining long-term debt, assumed as part of the HealthPointe acquisition in February 2021, over a five-year amortization period and renews April 30, 2025, bearing interest at RBC Prime+1.80%. The Lease Facility and Term Loan are jointly capped at $1.5 million of borrowings.

Under the terms of the Credit Facility, the lenders continue to have security over substantially all the assets of the Company, along with postponement of claims and subordination from all borrowers, including related parties. The terms of the Credit Facility require the Company to meet certain financial tests and to satisfy various affirmative and negative covenants that limit, among other things, the Company's ability to incur additional indebtedness outside of permitted amounts. The Credit Facility also includes customary events of default, including payment and covenant breaches, bankruptcy events and the occurrence of change of control. Fees incurred in connection with the closing and continued maintenance of the Credit Facility are nominal.

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

The schedule of repayments of long-term debt, based on maturity, is as follows as at September 30, 2024:

	Within 12 Months $	1-2 Years $	Total $
HealthPointe	812	-	**812**
Revolving Facility	25	-	**25**
Private Placement Debenture Offering	1,229	-	**1,229**
	2,066	**-**	**2,066**

7. 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 and nine months ended September 30, 2024, the Company issued 108,158 common shares related to the vesting of restricted share units ("RSUs") (see Note 8, *Stock-Based Compensation*). During the three and nine months ended September 30, 2023, the Company issued 4,305,000 common shares related to the conversion of prepaid warrants to common shares (see Note 9, *Warrants*), 55,556 common shares related to the vesting of RSUs, and issued Bonus Shares of 1,614,444 in connection with the closing of the Debenture Offering (see Note 6, *Long-Term Debt).*

8. STOCK-BASED COMPENSATION

The Company has three stock-based compensation plans: the Amended and Restated Stock Option Plan ("Stock Option Plan"), the Amended and Restated Restricted Share Unit Plan ("RSU Plan") and the Employee Share Purchase Plan ("ESPP").

Stock Option Plan

On September 24, 2024, the Company granted 120,000 options ("Options") under the Stock Option Plan to employees of the Company at an exercise price of $0.18 per share, with an expiry date of September 24, 2031. The Options are subject to time-based vesting and fully vest on September 24, 2028.

On May 30, 2023, the Company granted 1,557,837 Options to officers and employees of the Company at an exercise price of $0.14 per share, with an expiry date of May 30, 2030. The Options are subject to time-based vesting such that 414,459 Options vest on the first anniversary date and 381,126 Options vest annually on each of the second, third and fourth anniversary dates.

On June 15, 2023, the Company granted 296,805 Options to non-executive directors of the Company at an exercise price of $0.16 per share, with an expiry date of June 15, 2030. The Options were subject to time-based vesting and fully vested on June 15, 2024.

As at September 30, 2024, the maximum number of common shares available for issuance under the Stock Option Plan was 1,430,418 [December 31, 2023 - 1,132,883].

The following is a schedule of the Options outstanding:

	Options	Range of Exercise Price	Weighted Average Exercise Price
	000s	$	$
Balance, December 31, 2023	4,496	0.14 - 1.00	0.31
Granted	120	0.18	0.18
Expired	(271)	0.16 - 1.00	0.94
Forfeited	(135)	0.16 - 0.87	0.16
Balance, September 30, 2024	**4,210**	**0.14 - 1.00**	**0.28**

The following table summarizes the outstanding and exercisable Options held by directors, officers, employees and contractors as at September 30, 2024:

	Outstanding			Exercisable	
Exercise Price Range	Options	Remaining Contractual Life	Weighted Average Exercise Price	Vested Options	Weighted Average Exercise Price
$	000s	Years	$	000s	$
1.00	329	0.2 - 0.6	1.00	329	1.00
0.87	136	2.9	0.87	136	0.87
0.45	267	2.7 - 4.7	0.45	217	0.45
0.30	465	4.9	0.30	465	0.30
0.18	120	7.0	0.18	-	0.18
0.16	1,335	5.1 - 5.7	0.16	622	0.16
0.14	1,558	5.7	0.14	415	0.14

Restricted Share Unit Plan

During the three and nine months ended September 30, 2024, there were no issuances of RSUs under the RSU Plan.

On June 15, 2023, the Company granted 98,937 RSUs to non-executive directors of the Company. The RSUs were subject to time-based vesting in accordance with the policies of the TSX Venture Exchange, and fully vested on June 15, 2024, with a fair value of $19, and were converted to common shares.

On September 1, 2024, 9,221 RSUs with a fair value of $2 vested and were converted to common shares.

As at September 30, 2024, the maximum number of common shares available for issuance under the RSU Plan was 1,858,693.

The following is a schedule of RSUs outstanding:

	RSUs	Range of Exercise Price	Weighted Average Exercise Price
	000s	$	$
Balance, December 31, 2023	155	0.16 - 0.87	0.20
Vested and converted to common shares	(108)	0.16 - 0.87	0.22
Balance, September 30, 2024	**47**	**0.16**	**0.16**

The following table summarizes the outstanding RSUs held by directors, officers, employees and contractors as at September 30, 2024:

RSUs	Grant Date	Share Price	Vesting Period	Fair Value per RSU
000s		$	Years	$
47	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. As at September 30, 2024, the ESPP has not yet been implemented and no common shares have been issued under this plan.

Summary of Stock-based Compensation
Stock-based compensation expense for the three and nine months ended September 30, 2024 was $17 and $81, which has been included in general and administrative expenses [$47 and $139 for the three and nine months ended September 30, 2023].

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.

9. WARRANTS

As at September 30, 2024, 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	1.33	0.73	3.7 - 8.7	55.00	800
Broker Warrants	0.15	836	0.59	2.37	2	91.08	49
		5,316					**849**

The Company did not issue any additional warrants during the three and nine months ended September 30, 2024 [nil for the three and nine months ended September 30, 2023].

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.

On May 2, 2023, the Company issued 836,111 Broker Warrants in connection with the Debenture Offering (see Note 6, *Long-term Debt*), exercisable for one common share of the Company at an exercise price of $0.15 per common share until May 2, 2025.

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

10. NET INCOME (LOSS) PER COMMON SHARE

Net income (loss) per common share is computed as follows:

	Three Months ended September 30		Nine Months ended September 30	
	2024	2023	**2024**	2023
(Canadian dollars in thousands, except per share figures or otherwise noted)	**$**	$	**$**	$
Net income (loss)	**(323)**	356	**(305)**	177
Average number of shares outstanding during the period	**56,393**	56,268	**56,332**	54,728
Basic income (loss) per share	**(0.01)**	0.01	**(0.01)**	-
Net income (loss)	**(323)**	356	**(305)**	177
Dilutive effect of:				
Vested stock options	**-**	-	**-**	-
Unvested RSUs	**-**	-	**-**	-
Warrants	**-**	-	**-**	-
Net income (loss), assuming dilution	**(323)**	356	**(305)**	177
Average number of shares outstanding during the period	**56,393**	56,268	**56,332**	54,728
Dilutive effect of:				
Vested stock options	**82**	-	**82**	-
Unvested RSUs	**47**	171	**47**	171
Warrants	**76**	52	**76**	52
Weighted average common shares outstanding, assuming dilution	**56,598**	56,491	**56,537**	54,951
Diluted income (loss) per share	**(0.01)**	0.01	**(0.01)**	-

The following table presents the maximum number of shares that would be outstanding if all dilutive and potentially dilutive instruments were exercised or converted as at:

	September 30, 2024		September 30, 2023	
	Weighted Average Exercise Price	**Units Outstanding**	Weighted Average Exercise Price	Units Outstanding
	$	**000s**	$	000s
Common shares issued and outstanding	**-**	**56,332**	-	54,728
Options outstanding (Note 8)	**0.28**	**4,210**	0.44	4,496
RSUs outstanding (Note 8)	**-**	**47**	-	171
Warrants (Note 9)	**0.23**	**5,316**	0.23	5,316
		65,905		64,711

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

11. NET CHANGE IN NON-CASH WORKING CAPITAL

Net change in non-cash working capital consists of:

	Nine months ended September 30, 2024	Nine months ended September 30, 2023
	$	$
Accounts receivable	**(569)**	1,915
Other assets	**48**	(53)
Accounts payable and accrued liabilities	**762**	(1,442)
Income tax liabilities	**(111)**	(75)
Net change in non-cash working capital	**130**	345

12. COMMITMENTS

The Company leases real property for its clinical and office locations in Canada. The Company is committed, for 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		**$**	**$**	**$**	**$**	**$**
Windsor	March 31, 2025	9	9	-	-	-
London	June 30, 2025	169	169	-	-	-
Brampton	July 31, 2025	43	43	-	-	-
Scarborough	July 31, 2025	62	62	-	-	-
Oshawa	November 30, 2025	85	74	11	-	-
Hamilton	November 30, 2025	46	39	7	-	-
Kitchener	December 31, 2025	17	14	3	-	-
Mississauga	January 31, 2026	59	44	15	-	-
Ottawa	July 31, 2028	452	118	236	98	-
London West	July 31, 2028	146	38	76	32	-
Red Deer	July 31, 2032	402	51	102	102	147
Edmonton	December 31, 2033	3,741	404	808	808	1,721
Mississauga	February 28, 2034	632	41	136	142	313
		5,863	**1,106**	**1,394**	**1,182**	**2,181**

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

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

13. 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:

	September 30, 2024	December 31, 2023
	$	$
Financial assets at amortized cost		
Cash and cash equivalents	**3,141**	3,177
Accounts receivable	**7,443**	6,874
Other assets	**1,081**	1,225
Total financial assets	**11,665**	11,276
Financial liabilities at amortized cost		
Accounts payable and accrued liabilities	**8,301**	7,537
Due to related parties	**3,674**	3,674
Long-term debt	**2,066**	1,965
Lease obligations	**5,918**	6,481
Total financial liabilities	**19,959**	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 and nine months ended September 30, 2024 and 2023.

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.

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

The Company's cash and cash equivalents are held with multiple financial institutions in various bank accounts. These financial institutions include 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 September 30, 2024, 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	**8,301**	8,301	-	-	-
Due to related parties	**3,674**	-	3,674	-	-
Long-term debt	**2,066**	2,066	-	-	-
Lease obligations	**5,918**	1,116	1,498	1,111	2,193
	19,959	**11,483**	**5,172**	**1,111**	**2,193**

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 income (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.

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

14. 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:

	September 30, 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*, 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 Debenture Offering (see Note 6, *Long-term Debt*). 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*).

Joseph Walewicz, Chief Executive Officer and a Director of the Company and Daniel Chicoine, the Chair of the Board of 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*).

15. DISAGGREGATED REVENUES

The Company's revenues are disaggregated by major category:

	Three months ended September 30		Nine months ended September 30	
	2024	2023	**2024**	2023
	$	$	**$**	$
Clinic revenue	**16,335**	14,856	**49,769**	45,715
Non-clinic revenue	**1,217**	1,229	**4,149**	3,579
Total revenue	**17,552**	16,085	**53,918**	49,294

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.

The Company has two major customers that accounted for 86% and 88% of the Company's total revenue for the three and nine months ended September 30, 2024 [two major customers represented 86% of the Company's total revenue for the three and nine months ended September 30, 2023].

16. CONTINGENCIES

Litigation

The Company is engaged in various legal proceedings that have arisen in the normal course of business. 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 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 carried out by the Canada Revenue Agency (“CRA”), the CRA challenged the Company’s filing position over its pain-related medical services and 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. 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 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 May 2023, the Company received a positive response from the CRA confirming that they allowed a number of its objections. On May 12, 2023, the Company received updated Notices of Reassessment consistent with the positive response, indicating a total refund amount of approximately $1.9 million would be repaid to the Company. During the second quarter of 2023, the Company received the full amount of $1.9 million.

In August 2023, the Company filed a Notice of Objection with the CRA pertaining to the HST audit decision with claims amounting to approximately $0.2 million for the 2015 and 2016 filing periods. The Company believes it has prepared valid objections against the CRA decision and believes the objection will be successful.

17. SUBSEQUENT EVENTS

Effective October 27, 2024, the Company terminated its facility lease agreement associated with the London Spine Centre acquisition, by transferring its rights and obligations under the facility lease agreement back to the landlord. The Company incurred nominal costs related to this transfer and subsequently exited the facility as of the effective date.