NeuPath Health Inc.

Consolidated Financial Statements
December 31, 2022 and 2021
(audited)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of NeuPath Health Inc. (formerly Klinik Health Ventures Corp.)

Opinion

We have audited the consolidated financial statements of NeuPath Health Inc., formerly Klinik Health Ventures Corp. (the Group), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of net loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Group incurred a net loss of $4,275,000, during the year ended December 31, 2022 and, as of that date, the Group had an accumulated deficit of $25,915,000. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matter described below to be the key audit matter to be communicated in our report**.** This matter was addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on this matter. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Annual impairment test of goodwill

Key audit matter	***How our audit addressed the key audit matter***
As at December 31, 2022, the Company's goodwill was $20.7 million. As discussed in notes 5 and 12 of the Company's consolidated financial statements, goodwill is tested for impairment at least annually at the Medical Clinics cash generating unit, using the value in use model. Auditing management's annual goodwill impairment test was complex, given the degree of judgment and subjectivity in evaluating management's estimates and assumptions in determining the recoverable amount of the Medical Clinics cash generating unit as at December 31, 2022. Significant assumptions included discount rate, terminal growth rate, revenue growth and cost of medical services.	To test the recoverable amount of the Medical Clinics cash generating unit, our procedures included the following, among others: • Tested the integrity and mathematical accuracy of the Company's discounted cash flow model and recalculated the recoverable amount; • Assessed the reasonability of management's projections for revenue growth and cost of medical services by comparing the projections to historical operating results and budgeted activity; • Involved our valuation specialists to assess management's valuation methodology, discount rate and terminal growth rate using publicly available market data for comparable entities and other sector data; • Performed sensitivity analysis of the significant assumptions to evaluate changes in the recoverable amount that would result from changes in the underlying inputs; and • Assessed the adequacy of the Company's disclosures included in notes 5 and 12 of the accompanying consolidated financial statements in relation to this matter.

Other information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor’s report is Stephanie Lamont.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

March 29, 2023
Toronto, Canada

NEUPATH HEALTH INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at December 31, 2022	As at December 31, 2021
(Canadian dollars in thousands)	***Notes***	**$**	$
ASSETS			
CURRENT			
Cash and cash equivalents		**1,517**	5,903
Accounts receivable	*8*	**8,894**	8,474
Other assets	*9*	**670**	988
TOTAL CURRENT ASSETS		**11,081**	15,365
NON-CURRENT			
Property, plant and equipment	*10*	**5,054**	4,574
Right-of-use assets	*10*	**6,487**	7,025
Other assets	*9*	**743**	607
Intangible assets	*11*	**1,003**	3,053
Goodwill	*12*	**20,718**	20,718
TOTAL ASSETS		**45,086**	51,342
LIABILITIES AND EQUITY			
CURRENT			
Accounts payable and accrued liabilities	*6*	**8,800**	8,284
Current portion of long-term debt	*14*	**3,092**	3,441
Current portion of lease obligations	*13*	**1,546**	1,372
Current portion of other obligations	*7*	**-**	350
Current income tax liabilities	*21*	**432**	261
TOTAL CURRENT LIABILITIES		**13,870**	13,708
NON-CURRENT			
Long-term debt	*14*	**-**	1,287
Lease obligations	*13*	**5,856**	6,628
Other obligations	*7*	**-**	150
Deferred income tax liabilities	*21*	**33**	65
Due to related parties	*24*	**3,674**	3,674
TOTAL LIABILITIES		**23,433**	25,512
EQUITY			
Share capital	*15*	**39,923**	36,830
Warrants	*17*	**4,882**	9,156
Contributed surplus	*16*	**2,894**	1,615
Deficit		**(25,915)**	(21,771)
Equity attributable to shareholders of NeuPath Health Inc.		**21,784**	25,830
Non-controlling interest		**(131)**	-
TOTAL EQUITY		**21,653**	25,830
TOTAL LIABILITIES AND EQUITY		**45,086**	51,342

Note 22, *Commitments*

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

Approved on behalf of the Board of Directors:

/s/ Daniel Chicoine
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Daniel Chicoine, Director

/s/ Sasha Cucuz
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Sasha Cucuz, Director

NEUPATH HEALTH INC.
CONSOLIDATED STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS

(Canadian dollars in thousands, except per share figures or otherwise noted)	***Notes***	**Year ended December 31, 2022** **$**	Year ended December 31, 2021 $
REVENUE			
Medical services	*26*	**62,653**	60,856
Total revenue		**62,653**	60,856
OPERATING EXPENSES			
Cost of medical services	*19*	**51,834**	49,751
General and administrative expenses	*19*	**7,602**	8,337
Occupancy costs		**1,808**	1,590
Depreciation and amortization	*19*	**2,665**	3,019
Interest cost	*13, 14*	**832**	876
Restructuring	*19, 27*	**519**	-
Total operating expenses		**65,260**	63,573
OTHER EXPENSES (INCOME)			
Finance income		**(22)**	(34)
Impairment	*11*	**1,938**	-
Transaction costs		**58**	564
Gain on derecognition of other obligations	*7*	**(500)**	-
Net loss before income taxes		**(4,081)**	(3,247)
INCOME TAXES			
Current income tax expense	*21*	**226**	255
Deferred income tax recovery	*21*	**(32)**	(272)
Total income tax expense (recovery)		**194**	(17)
NET LOSS AND COMPREHENSIVE LOSS		**(4,275)**	(3,230)
Attributed to:			
Shareholders of NeuPath Health Inc.		**(4,166)**	(3,230)
Non-controlling interest		**(131)**	-
		(4,275)	(3,230)
Net loss per common share			
- basic and diluted		**(0.09)**	(0.07)
Weighted average number of common shares outstanding (in thousands)			
- basic and diluted		**48,477**	45,135

NEUPATH HEALTH INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		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, 2020		41,843	32,825	12,910	430	(18,541)	27,624	-	27,624
Stock-based compensation expense	*16*	-	-	-	517	-	517	-	517
Conversion of warrants	*17*	3,225	3,031	(3,031)	-	-	-	-	-
Expiry of warrants	*17*	-	-	(723)	723	-	-	-	-
Acquisition of KumoCare	*7*	1,429	919	-	-	-	919	-	919
Restricted share units, vested and exercised	*16*	63	55	-	(55)	-	-	-	-
Net loss and comprehensive loss		-	-	-	-	(3,230)	(3,230)	-	(3,230)
Balance, December 31, 2021		46,560	36,830	9,156	1,615	(21,771)	25,830	-	25,830
Stock-based compensation expense	*16*	-	-	-	98	-	98	-	98
Conversion of warrants	*17*	2,890	2,716	(2,716)	-	-	-	-	-
Expiry of warrants	*17*	-	-	(1,558)	1,558	-	-	-	-
Restricted share units, vested and exercised	*16*	843	377	-	(377)	-	-	-	-
Net loss and comprehensive loss		-	-	-	-	(4,144)	(4,144)	(131)	(4,275)
Balance, December 31, 2022		**50,293**	**39,923**	**4,882**	**2,894**	**(25,915)**	**21,784**	**(131)**	**21,653**

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

NEUPATH HEALTH INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Canadian dollars in thousands)	Notes	Year ended December 31, 2022 $	Year ended December 31, 2021 $
OPERATING ACTIVITIES			
Net loss and comprehensive loss		**(4,275)**	(3,230)
Items not involving current cash flows:			
Depreciation and amortization	*19*	**2,665**	3,085
Impairment	*11*	**1,938**	-
Accretion of lease obligations	*13*	**646**	700
Gain on derecognition of other obligations	*7*	**(500)**	-
Accretion of other assets		**(43)**	(56)
Equity-settled stock-based compensation expense	*16*	**98**	517
Deferred income tax recovery		**(32)**	(272)
		497	744
Net change in non-cash working capital	*20*	**241**	1,175
CASH PROVIDED BY OPERATING ACTIVITIES		**738**	1,919
INVESTING ACTIVITIES			
Acquisition of intangible assets	*11*	**(440)**	(336)
Acquisition of HealthPointe Medical Centres Ltd., net of cash acquired	*6*	**-**	(2,752)
Acquisition of property, plant and equipment	*10*	**(1,232)**	(411)
CASH USED IN INVESTING ACTIVITIES		**(1,672)**	(3,499)
FINANCING ACTIVITIES			
Repayment of long-term debt		**(1,636)**	(1,645)
Advances of long-term debt		**-**	40
Receipts from other assets receivable		**251**	238
Repayment of lease obligations	*13*	**(2,067)**	(2,000)
CASH USED IN FINANCING ACTIVITIES		**(3,452)**	(3,367)
Net change in cash and cash equivalents during the year		**(4,386)**	(4,947)
Cash and cash equivalents, beginning of year		**5,903**	10,850
CASH AND CASH EQUIVALENTS, END OF YEAR		**1,517**	5,903
Supplemental cash flow information			
Interest paid[1]		**185**	210
Income taxes paid (received)		**70**	(187)

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

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

1. NATURE OF BUSINESS

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

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

In addition, NeuPath provides workplace health services and independent medical assessments to employers and disability insurers through a national network of healthcare providers, including: Cardiologists, Dentists, Dermatologists, Endocrinologists, Psychiatrists, Gastroenterologists, General Practitioners, Internal Medicine Specialists, Neurologists, Neuropsychiatrists, Neuropsychologists, Occupational Therapists, Ophthalmologists, Orthopedic Surgeons, Physiatrists, Physiotherapists, Psychologists, Respirologists and Rheumatologists.

On February 7, 2021, NeuPath acquired HealthPointe Medical Centres Ltd. ("HealthPointe"), a pain, spine and sport medicine clinic located in Edmonton, Alberta. See Note 6, *Business Combinations*, for additional information.

NeuPath has twelve locations across Ontario and two locations in Alberta with more than 135 healthcare providers.

NeuPath (formerly Klinik Health Ventures Corp.) was incorporated under the laws of the Province of Ontario on April 17, 2019. On June 25, 2020, the Company amended its articles to change its name from Klinik Health Ventures Corp. ("Klinik") to NeuPath Health Inc. As a result of the Klinik reverse takeover transaction, on June 25, 2020, the Company continued to carry on the business of 2576560 Ontario Inc. under the *Business Corporations Act* (Ontario). The Company's common shares are listed on the TSX Venture Exchange under the symbol "NPTH".

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

2. GOING CONCERN ASSUMPTION

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

As at December 31, 2022, the Company had an accumulated deficit of $25,915 [December 31, 2021 - $21,771], including a net loss of $4,275 for the year ended December 31, 2022 [December 31, 2021 - $3,230].

Given the start-up nature of the business, the Company's liquidity is dependent on continuation of existing cash in-flows, its ability to generate positive cash flow from operations, to raise capital by selling additional equity, from the exercise of common share warrants or by obtaining new or amended credit facilities. Unexpected increases in costs and expenses due to operational decisions made by the Company and/or factors beyond the Company's control could cause a material impact on cash resources and the profitability of the Company.

There can be no assurance that the Company will have sufficient capital to fund its ongoing operations. In addition, the Company may not be able to secure adequate debt or equity financing on desirable terms or at all. The credit ratings that the Company might obtain in connection with any debt financing may make securing debt financing prohibitive. As there can be no certainty as to the outcome of the above matters, there is material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

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

3. BASIS OF PREPARATION

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

Basis of Measurement

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

Statement of Compliance

The Company prepares its Consolidated Financial Statements in accordance with International Accounting Financial Accounting Standards ("IFRS") in effect as at and for the year ended December 31, 2022.

The policies applied to these Consolidated Financial Statements are based on IFRS, which have been applied consistently to all periods presented, except as disclosed in Note 4, *Adoption of New Accounting Standards*. These Consolidated Financial Statements were issued and effective as at March 29, 2023, the date the Board of Directors approved these Consolidated Financial Statements.

Basis of Consolidation

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

	% Ownership
5033421 Ontario Inc.	**100%**
Aidly Inc.	**100%**
CompreMed Canada Inc.	**100%**
HealthPointe Medical Centres Ltd.[i]	**100%**
Renaissance Asset Management (London) Inc.	**100%**
Viable Healthworks (Canada) Corp.	**100%**

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

The Company controls its subsidiaries with the power to govern its financial and operating policies. All significant intercompany balances and transactions have been eliminated upon consolidation. The Company attributes total comprehensive income or loss of HealthPointe@CAO Services Ltd. between the equity holders of the parent and the non-controlling interests based on their respective ownership interests.

4. ADOPTION OF NEW ACCOUNTING STANDARDS

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the International Accounting Standards Board ("IASB") or IFRS Interpretations Committee that are mandatory for fiscal periods beginning on or after January 1, 2022. The new standards, interpretations, amendments and improvements to existing standards do not impact the Company.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates and Judgments

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the review affects both current and future periods.

Key areas of judgment and estimation or use of managerial assumptions are as follows:

Business combinations
The Company must assess whether an entity being purchased constitutes a business, which requires an assessment of inputs and processes in place at the acquiree. The fair value of assets acquired and liabilities assumed requires management to make significant estimates. Judgment is required to determine when the Company gains control of a business. This requires an assessment of the relevant activities that significantly affect its returns, including operating and capital expenditure decision-making, financing, key management personnel changes and when decisions in relation to those activities are under the control of the Company or require unanimous consent from the shareholders. Critical estimates and assumptions used in the determination of fair value are discussed in Note 6, *Business Combinations*.

Leases
The Company uses its incremental borrowing rate ("IBR") to measure lease liabilities where the interest rate implicit in the lease cannot readily be determined. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use ("ROU") asset. The IBR requires estimation when no observable rates are available. The Company estimates the IBR using observable inputs such as market interest rates and is required to make certain entity-specific estimates such as the stand-alone credit rating.

Stock-based payments and warrants
The Company uses the Black-Scholes option pricing model to estimate the fair value of stock-based compensation and warrant reserves, which requires the use of several input variables. Measurement date estimates include share price, expected volatility (based on weighted average historical volatility adjusted for changes expected due to publicly available information of a comparable peer group), weighted average expected life of the instruments, expected dividends and the risk-free interest rate (based on government bonds). The inputs to the model are subject to estimate, and changes in these inputs can materially impact the estimated fair value of stock-based payments and warrants.

Deferred taxes
Significant estimates are required in determining the Company's income tax provision. Some estimates are based on interpretations of existing tax laws or regulations. Various internal and external factors may have favourable or unfavourable effects on the Company's future effective tax rate. These include, but are not limited to, changes in tax laws, regulations and/or rates, changing interpretations of existing tax laws or regulations, results of tax audits by tax authorities, changes in estimates of prior years' items and changes in overall levels of pretax earnings.

Impairment of non-financial assets
The Company makes a number of estimates when calculating recoverable amounts using discounted future cash flows or other valuation methods to test for impairment. These estimates include the future cash flows, terminal value growth rates, and the discount rate. The Company estimates value-in-use for impairment tests by discounting estimated future cash flows to their present value. The Company estimates the discounted future cash flows for periods of up to four years and a terminal value. The future cash flows are based on the Company's estimates and expected future operating results of the cash generating unit ("CGU") after considering economic conditions and a general outlook for the industry. Discount rates consider market rates of return, debt-to-equity ratios and certain risk premiums, among other things. The terminal value is the value attributed to the CGU's operations beyond the projected time period of the cash flows using a perpetuity rate based on expected economic conditions and a general outlook for the industry.

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

Accounts Receivable
Accounts receivable are amounts due for services rendered in the ordinary course of business. If collection is expected in twelve months or less, accounts receivable is classified as current assets. If not, accounts receivable is presented as non-current assets. Accounts receivable also include accrued receivables, which are amounts for

services rendered and not yet invoiced or billed. Accounts receivable is initially recognized at fair value and, subsequently, is measured at amortized cost using the effective interest rate method, less lifetime expected credit losses ("ECLs").

Clinical Supplies

Clinical supplies are included in other current assets in the Consolidated Statements of Financial Position. Clinical supplies consist of pharmaceutical products and materials used in the provision of healthcare services and are valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Property, Plant and Equipment

Property, plant and equipment ("PP&E") is recorded at cost, net of government assistance, accumulated depreciation and/or accumulated impairment losses. Assets acquired under finance leases are carried at cost, which is the present value of minimum lease payments after deduction of any executory costs.

The Company allocates the amount initially recognized in respect of an item of PP&E to its significant components and amortizes each such part separately. Residual values, method of depreciation and useful lives of the assets are reviewed annually or more frequently if required, and any changes in these estimates are adjusted prospectively.

Depreciation of PP&E is provided for over the estimated useful lives from the date the assets become available for use. The following estimates were effective for the year ended December 31, 2022:

Leasehold improvements	Shorter of asset life and term of lease	Straight-line
Building	25 years	Straight-line
Furniture and fixtures	5 years	Straight-line
Medical equipment	5 years	Straight-line
Computer equipment and software	3 years	Straight-line

Intangible Assets

Intangible assets acquired in a business combination are recognized separately from goodwill at their fair value at the date of acquisition, which is considered to be cost. Expenditures during the development phase for internally generated intangible assets, such as software and website, are capitalized in accordance with IAS 38, *Intangible Assets*. Separately acquired intangible assets are recorded at the purchase price plus directly attributable acquisition costs.

Following initial recognition, intangible assets are carried at cost, less any accumulated amortization and accumulated impairment losses. Amortization commences when the intangible asset is available for use. The estimated useful lives are as follows:

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

Goodwill and Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at the acquisition date fair value and the amount of any non-controlling interest in the acquiree.

When the Company acquires a business, it assesses the classification and designation of financial assets and liabilities assumed in accordance with the contractual terms, economic circumstances and conditions as at the acquisition date. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. All contingent consideration (unless classified as equity or compensation) is subsequently remeasured to fair value at each reporting period-end, with the changes in fair value recognized in profit or loss.

Goodwill is initially measured at cost over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Company reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in net loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the CGU or group of CGUs that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Impairment of Non-financial Assets
The Company reviews the carrying value of non-financial assets for potential impairment at each reporting date and when events or changes in circumstances indicate that the carrying amount may not be recoverable. CGUs to which goodwill has been allocated are tested for impairment at least annually. Impairment is determined by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows or CGUs. The recoverable amount is the higher of an asset’s fair value less costs to sell and value-in-use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset’s carrying value exceeds its recoverable amount. Goodwill is allocated to the CGU that is expected to benefit from synergies of a related business combination and represents the lowest level within the Company at which management monitors goodwill.

For non-financial assets other than goodwill, a previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset is increased to its recoverable amount, but cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

Leases
The Company assesses whether a contract is, or contains, a lease at inception of the contract.

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets, and recognizes lease liabilities and ROU assets representing the obligation to make lease payments and the right to use the underlying assets.

Leased assets
The Company recognizes ROU assets at the commencement date of the lease. ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred and lease payments made at or before the commencement date less any lease incentives received. ROU assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. ROU assets are also subject to impairment.

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

Lease liabilities
The Company recognizes lease liabilities at the commencement date of the lease, measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate and amounts expected to be paid under residual value guarantees. The lease payments also include payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date as the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in the lease payments.

The Company applies the short-term and low-value lease recognition exemptions to its short-term (i.e. term less than 12 months) and low-value leases of office equipment. Lease payments on short-term leases and leases of low-value assets are expensed on a straight-line basis over the lease term.

Lease modifications are accounted for as a new lease with an effective date of the modification.

Financial Instruments
Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount is reported in the Consolidated Statements of Financial Position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Measurement
At initial recognition, the Company measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss (“FVTPL”), transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets or financial liabilities carried at FVTPL are expensed in profit or loss.

Measurement in subsequent periods depends on the classification of the financial instrument. The Company classifies its financial instruments depending on the purpose for which the instruments were acquired and their characteristics.

Financial Assets
For the subsequent measurement, there are two measurement categories into which the Company classifies its financial assets:

Amortized cost
Financial assets measured at amortized cost are debt financial instruments with contractual cash flows that meet the strictly principal and interest (“SPPI”) test and are managed on a hold to collect basis. These financial assets are recognized initially at fair value plus or minus direct and incremental transaction costs, and are subsequently measured at amortized cost, using the effective interest rate method, net of an allowance for ECLs.

Fair value through profit or loss
Trading financial instruments are mandatorily measured at FVTPL as they are held for trading purposes or are part of a managed portfolio with a pattern of short-term profit taking. Non-trading financial assets are also mandatorily measured at fair value if their contractual cash flow characteristics do not meet the SPPI test or if they are managed together with other financial instruments on a fair value basis. Trading and non-trading financial instruments valued at FVTPL are remeasured at fair value as at the Consolidated Statements of Financial Position date.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

Fair value through other comprehensive income
Debt financial instruments measured at fair value through other comprehensive income ("FVOCI") are non-derivative financial assets with contractual cash flows that meet the SPPI test and are managed on a hold to collect and for sale basis. Subsequent measurement of debt instruments classified at FVOCI under IFRS 9, *Financial Instruments* ("IFRS 9") operate in a similar manner to available for sale debt securities under IAS 39, *Financial Instruments: Recognition and Measurement*, except that the ECL impairment model must be applied to these instruments under IFRS 9. As a result, FVOCI debt instruments are measured initially at fair value, plus direct and incremental transaction costs. Subsequent to initial recognition, FVOCI debt instruments are remeasured at fair value through other comprehensive income ("OCI"), with the exception that both related foreign exchange gains or losses and changes in ECL allowances are recognized in the Consolidated Statements of Net Loss and Comprehensive Loss.

Financial Liabilities
Financial liabilities are subsequently measured at amortized cost using the effective interest rate method. For liabilities measured at amortized cost using the effective interest rate method, gains and losses are recognized in finance expenses (income) in the Consolidated Statements of Net Loss and Comprehensive Loss when the liabilities are derecognized.

The Company has classified its financial instruments as follows:

Financial Instrument	Classification	Measurement	Fair Value Hierarchy
Assets			
Cash and cash equivalents	Amortized cost	Amortized cost	N/A
Accounts receivable	Amortized cost	Amortized cost	N/A
Liabilities			
Accounts payable and accrued liabilities	Amortized cost	Amortized cost	N/A
Due to related parties	Amortized cost	Amortized cost	N/A
Long-term debt	Amortized cost	Amortized cost	N/A
Lease obligations	Amortized cost	Amortized cost	N/A
Other obligations	Amortized cost	Amortized cost	N/A

Impairment
The Company recognizes ECL for accounts receivable based on the simplified approach under IFRS 9. The simplified approach to the recognition of expected losses does not require the Company to track the changes in credit risk; rather, the Company recognizes a loss allowance based on lifetime ECLs at each reporting date from the date of the trade receivable. The Company has established a provision matrix that is based on its history of credit losses, adjusted for prospective factors specific to the economic environment in which it operates and for any financial guarantee related to the receivables.

Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Accounts receivable are reviewed qualitatively on a case-by-case basis to determine whether they need to be written off.

ECLs are calculated based on actual credit loss experience over the past two years and adjusted for forward-looking information. The Company calculates the ECL rates separately for low-risk and high-risk customers and the customer portfolio is segmented based on common credit risk characteristics such as market position and history of arrears and default.

Revenue Recognition
The Company earns revenue from medical services to treat patients. The Company's contracts are associated with the rendering of patient services, research and staffing allocation services.

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

Research contracts
The Company may enter into contracts for the provision of clinical research services to third parties. Such contracts have rates and a budget fixed for each visit based on the stage of the research, which are billed as the work progresses and the revenue is recognized accordingly. The third-party firm pays the Company, which in turn has a separate contract with the physician who conducts the clinical trial.

The terms of the agreements may include provisions for a holdback. The entity estimates if the amount of holdback in an agreement is immaterial and if the receipt of payment is avoidable by the Company providing all the contractual requirements. Therefore, clinical research services payments are normally immediately recognized as revenue when the appointment is completed, which can range from an hour to ten hours.

Staffing allocation services contracts
The Company has contracts with various correctional facilities and hospitals for allocating physicians. As part of its revenue model, the Company provides medical professionals for these institutions and charges them per hour worked. Therefore, staffing allocation service contract revenues are recognized as revenue when the services are provided.

Loss Per Share
Loss per common share represents loss for the period attributable to common shareholders divided by the weighted average number of common shares outstanding during the year. Diluted loss per common share is calculated by dividing the applicable loss for the year by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive common shares had been issued during the year. The calculation of diluted loss per share excludes the effects of various conversions and exercise of options, warrants and convertible instruments that would be anti-dilutive.

The number of fully diluted shares outstanding as at December 31, 2022 was 62,104, which includes stock options (Note 16, *Stock-based Compensation*), restricted share units (Note 16, *Stock-based Compensation*) and warrants and prepaid warrants (Note 17, *Warrants*) [December 31, 2021 - fully diluted shares outstanding were 70,022].

Income Taxes
Income taxes on profit or loss include current and deferred taxes. Income taxes are recognized in profit or loss except to the extent that they relate to business combinations or items recognized directly in equity or in OCI. Current taxes are the expected income taxes payable or recoverable on the taxable income or loss for the period, using tax rates enacted or substantively enacted, at the reporting date and any adjustment to income taxes payable in respect of previous years.

Deferred income taxes are generally recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income taxes are measured at the tax rates that are expected to be applied to temporary differences when they are reversed, based on the tax laws that have been enacted or substantively enacted in the relevant jurisdiction by the reporting date.

Deferred income tax assets and liabilities are recognized, where the carrying amount of an asset or a liability in the Consolidated Statements of Financial Position, differs from its tax base, except for differences arising on:

- The initial recognition of goodwill; and
- The initial recognition of an asset or a liability in a transaction that is not a business combination and at the time of the transaction affects neither accounting or taxable profit.

A deferred income tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent it is probable that future taxable income will be available against which they can be utilized. Deferred income tax assets are reviewed as at each reporting date and are reduced to the extent it is no longer probable the related tax benefit will be realized. Within the scope of IAS 12, *Income Taxes* ("IAS 12"), the Company recognizes its investment tax credits as a reduction against current income tax expense.

Operating Segments
IFRS 8, *Operating Segments* requires operating segments to be determined based on internal reports that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to the segment and to assessing its performance. For the year ended December 31, 2022, the Company continued to operate as one industry segment: medical services.

Provisions
The Company recognizes provisions when it has a present obligation (legal or constructive) as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Government Grants
The Company will recognize government grants when there is reasonable assurance that it will comply with the conditions required to qualify for the grant, and that the grant will be received. The Company recognizes government grants as a reduction to the related expense that the grant is intended to offset.

Accounting Standards Issued But Not Yet Applied
Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRS Interpretations Committee that are mandatory for fiscal periods beginning on or after January 1, 2023. The standards impacted that may be applicable to the Company are as follows:

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

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

(c) Amendments to IAS 1, Classification of Liabilities as Current or Non-Current
In January 2020, the IASB issued *Classification of Liabilities as Current or Non-Current*, amending IAS 1, *Presentation of Financial Statements* to improve the information provided about non-current liabilities with covenants. The proposed amendments address the classification, presentation and disclosure of liabilities for which an entity's right to defer settlement for at least 12 months is subject to compliance with conditions

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after the reporting period and are effective for annual reporting periods beginning on or after January 1, 2023, with earlier adoption permitted. The implementation of this amendment is not expected to have a significant impact on the Company.

(d) *Amendments to IAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
In May 2021, the IASB issued amendments to IAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* ("IAS 12"), so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognized for all deductible and taxable temporary differences associated with leases and decommissioning obligations. The amendments are applied prospectively and are effective for annual periods beginning on or after January 1, 2023, with earlier application permitted. The implementation of this amendment is not expected to have a significant impact on the Company.

6. BUSINESS COMBINATIONS

HealthPointe Acquisition

On February 7, 2021, the Company acquired 100% of the issued and outstanding shares of HealthPointe in accordance with the Company's growth strategy.

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

Fair value of consideration transferred	**$**
Amount settled in cash	3,200
Amount settled by assumption of debt	2,004
Amount due for working capital surplus	93
Total consideration transferred	**5,297**
Recognized amounts of identifiable net assets	
Cash	448
Accounts receivable	1,295
Other current assets	316
Property, plant and equipment	2,077
Right-of-use assets	3,873
Other assets	507
Intangible asset – patient relationships	731
Intangible asset – brand	481
Total identifiable assets acquired	**9,728**
Accounts payable, accrued liabilities and other	(1,967)
Deferred income tax liability	(339)
Lease obligations	(3,873)
Total liabilities assumed	**(6,179)**
Identifiable net assets acquired	**3,549**
Goodwill on acquisition	**1,748**

Consideration Transferred

The Company satisfied the purchase price through the payment of $3,200 from cash on hand, the assumption of $2,004 of long-term debt spread across a number of facilities, which renew annually for consecutive 12-month periods, bearing interest at the Royal Bank of Canada ("RBC") Prime+0% (Note 14, *Long-Term Debt*) and $93 for cash and other working capital adjustments.

Identifiable Intangible Assets

The identifiable patient relationships and brand have been valued using an income approach. Specifically, patient relationships were valued using a multi-period excess earnings method discounted at 12.3%. The brand was valued using a relief from royalty method incorporating a royalty rate of 1.0% and a discount rate of 12.3%.

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

Other Identifiable Net Assets

As part of the HealthPointe acquisition, the Company assumed the ROU asset and related lease obligation associated with the Edmonton facility (Note 13, *Lease Obligations*). The acquisition-date fair value was determined as the present value of the lease payments using the Company's incremental borrowing rate of 7.5%.

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

Goodwill

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

Contribution to the Company's Results in the Year of Acquisition

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

Amounts Recognized Separately from the Business Combination

Acquisition-related costs of $427 were recognized as part of transaction costs for the year ended December 31, 2021 and are not included as part of the consideration transferred.

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

7. ACQUISITION OF KUMOCARE

Acquisition of KumoCare

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

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

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

The acquired assets consist of intellectual property related to the KumoCare telemedicine and home care scheduling mobile application and deferred income tax assets related to tax loss carryforwards. As a result of the transaction, $1,556 was recorded as an addition to intangible assets and deferred income tax assets of $61 were recognized as a reduction in deferred income tax liabilities. The fair value of the intellectual property was determined based on the cost of reproduction method. The intangible asset value includes transaction costs of $200 and is amortized over its useful life of 7 years, with such amortization included in depreciation and amortization expense. As at December 31, 2022, these assets were impaired (See Note 11, *Intangible Assets*).

The contingent consideration payable in the amount of $500 was recorded as a liability in the Consolidated Statements of Financial Position and was expected to be settled within 2022. The Company determined that the operational targets associated with the contingent consideration payable had not been met and recognized a gain of $500 for the year ended December 31, 2022 on derecognition of the contingent consideration payable.

8. ACCOUNTS RECEIVABLE

	December 31, 2022	December 31, 2021
	$	$
Accounts receivable, gross	**7,002**	6,630
HST receivable (Note 28)	**1,912**	1,864
Less: provision for expected credit losses	**(20)**	(20)
	8,894	8,474

9. OTHER ASSETS

	December 31, 2022	December 31, 2021
	$	$
Prepaid expenses	**525**	564
Clinical supplies	**281**	215
Finance lease receivable	**172**	305
Investment in Advantage Sports Medicine	**30**	30
Other receivables	**405**	481
	1,413	1,595
Less: amounts due within one year	**670**	988
Long-term balance	**743**	607

During the year ended December 31, 2022, the Company recognized finance interest income of $22, which is included in finance income in the Consolidated Statements of Net Loss and Comprehensive Loss [December 31, 2021 - $34]. The future finance lease payments to be received by the Company relating to the property that is subleased to third parties are as follows:

	Payments to be Received by Year		
	2023	**2024**	**Total**
	$	**$**	**$**
Finance lease payments to be received	155	26	**181**
Less: unearned finance interest income	(9)	-	**(9)**
Total finance lease receivable	146	26	**172**

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

During the year ended December 31, 2022, the Company recognized interest accretion of $21, which is included as a reduction of interest expense in the Consolidated Statements of Net Loss and Comprehensive Loss [December 31, 2021 - $22]. The future payments to be received by the Company relating to the other receivables are as follows:

	Payments to be Received by Year				
	2023	**2024**	**2025**	**2026+**	**Total**
	$	**$**	**$**	**$**	**$**
Payments to be received	94	94	94	179	**461**
Less: accretion of interest	(18)	(15)	(12)	(11)	**(56)**
Total other receivables	**76**	**79**	**82**	**168**	**405**

10. PROPERTY, PLANT AND EQUIPMENT

PP&E consists of the following:

Cost	**Leasehold Improvements** $	**Furniture & Fixtures** $	**Computer Equipment & Software** $	**Medical Equipment** $	**Building** $	**Land** $	**Total** $
Balance, December 31, 2020	2,161	308	736	183	872	328	4,588
Acquired in HealthPointe acquisition (Note 6)	1,689	235	53	100	-	-	2,077
Additions	232	23	44	112	-	-	411
Balance, December 31, 2021	4,082	566	833	395	872	328	7,076
Additions	754	31	133	314	-	-	1,232
Balance, December 31, 2022	**4,836**	**597**	**966**	**709**	**872**	**328**	**8,308**
Accumulated depreciation							
Balance, December 31, 2020	845	147	527	92	88	-	1,699
Depreciation expense	359	120	224	66	34	-	803
Balance, December 31, 2021	1,204	267	751	158	122	-	2,502
Depreciation expense	421	122	74	101	34	-	752
Balance, December 31, 2022	**1,625**	**389**	**825**	**259**	**156**	**-**	**3,254**
Net book value as at December 31, 2021	2,878	299	82	237	750	328	4,574
Net book value as at December 31, 2022	**3,211**	**208**	**141**	**450**	**716**	**328**	**5,054**

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

ROU assets consist of the following:

Cost	ROU Asset - Computer Equipment $	ROU Asset – Medical Equipment $	ROU Asset - Building $	Total $
Balance, December 31, 2020	331	-	5,677	6,008
Acquired in HealthPointe acquisition (Note 6)	-	-	3,873	3,873
Additions	-	-	755	755
Balance, December 31, 2021	331	-	10,305	10,636
Additions	-	674	149	823
Balance, December 31, 2022	**331**	**674**	**10,454**	**11,459**
Accumulated depreciation				
Balance, December 31, 2020	258	-	2,006	2,264
Depreciation expense	59	-	1,288	1,347
Balance, December 31, 2021	317	-	3,294	3,611
Depreciation expense	10	45	1,306	1,361
Balance, December 31, 2022	**327**	**45**	**4,600**	**4,972**
Net book value as at December 31, 2021	14	-	7,011	7,025
Net book value as at December 31, 2022	**4**	**629**	**5,854**	**6,487**

11. INTANGIBLE ASSETS

Intangible assets consist of the following:

Cost	Website $	Software $	Patient Relationship $	Brand $	Total $
Balance, December 31, 2020	-	63	1,730	1,884	3,677
Additions	68	1,757	731	548	3,104
Balance, December 31, 2021	68	1,820	2,461	2,432	6,781
Additions	16	424	-	-	440
Impairment	-	(2,244)	-	-	(2,244)
Balance, December 31, 2022	**84**	**-**	**2,461**	**2,432**	**4,977**
Accumulated amortization					
Balance, December 31, 2020	-	-	1,190	1,603	2,793
Amortization expense	1	86	528	320	935
Balance, December 31, 2021	1	86	1,718	1,923	3,728
Amortization expense	27	220	203	102	552
Impairment	-	(306)	-	-	(306)
Balance, December 31, 2022	**28**	**-**	**1,921**	**2,025**	**3,974**
Net book value as at December 31, 2021	67	1,734	743	509	3,053
Net book value as at December 31, 2022	**56**	**-**	**540**	**407**	**1,003**

Impairment

Like many other healthcare companies, NeuPath had invested in technologies and tools in support of telemedicine and a remote or virtual working business model. Post-pandemic, with rising costs associated with supporting telemedicine and revenue shits continuing to negatively impact the Company's results, the Company completed a strategic review of its operations, which revealed additional opportunities to streamline its business and focus on core areas of success. As a result, the Company recognized an impairment loss of $1,938 for the year ended December 31, 2022 due to the derecognition of its intangible assets related to the KumoCare telemedicine and home care scheduling mobile application intellectual property and other technology-based intellectual property, which was recognized in the Consolidated Statements of Loss and Comprehensive Loss as impairment. Additionally, the Company determined that the operational targets associated with the contingent consideration payable had not been met and recognized a gain of $500 for the year ended December 31, 2022 on derecognition of the contingent consideration payable described above.

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

The Company acquired intangible assets with a fair value of $1,212 upon the close of the HealthPointe acquisition in 2021 (See Note 6, *Business Combinations*).

The Company acquired software intangible assets with a fair value of $1,556 upon the close of the KumoCare acquisition in 2021 (See Note 7, *Acquisition of KumoCare*).

12. GOODWILL

Cost	**December 31, 2022** $	December 31, 2021 $
Viable acquisition	**8,565**	8,565
InMedic acquisition	**10,405**	10,405
HealthPointe acquisition	**1,748**	1,748
	20,718	20,718

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

The Company performs an impairment test annually on December 31 or whenever there is an indication of impairment. For the purposes of impairment testing, goodwill is allocated to a single group representing all of the Company’s medical clinics’ CGUs: Medical clinics.

Medical clinics
The recoverable amount of the medical clinics’ CGU was determined based on a value-in-use calculation using cash flow projections and approved financial budgets. A pretax discount rate of 14.5% was applied, along with a terminal-growth rate of 2.5%. It was concluded that the carrying value did not exceed the value-in-use. As a result of this analysis, management did not identify an impairment for this CGU as at December 31, 2022.

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

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

13. 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:

	2022 **$**	2021 $
Balance, as at January 1	**8,000**	4,672
Additions during the year	**823**	4,628
Payments during the year	**(2,067)**	(2,000)
Interest expense during the year	**646**	700
	7,402	8,000
Less: amounts due within one year	**1,546**	1,372
Long-term balance, December 31	**5,856**	6,628

The Company acquired lease obligations related to the Hamilton facility of $149 for the year ended December 31, 2022 and $674 related to medical equipment. In 2021, as a result of the HealthPointe acquisition, the Company acquired lease obligations of $3,873 related to the Edmonton facility. The Company also added lease obligations related to facilities located in Kitchener, Ottawa, Hamilton and Red Deer in the amounts of $87, $103, $42 and $523, respectively, resulting in total lease obligation additions of $4,628 for the year ended December 31, 2021. The Company recognizes corresponding ROU assets for any lease obligation additions.

For the year ended December 31, 2022, lease payments totalled $2,067 [$2,000 for the year ended December 31, 2021]. The Company expenses payments for short-term leases and low-value leases as incurred. These payments for short-term leases and low-value leases were not material for the years ended December 31, 2022 and 2021.

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

The following is a maturity analysis for undiscounted lease payments that are reflected in the lease obligations as at December 31, 2022:

	$
Less than 1 year	2,093
1 to 2 years	1,546
2 to 3 years	1,217
3 to 4 years	873
4 to 5 years	806
Beyond 5 years	3,211
	9,746

See Note 22, *Commitments* for additional information on estimated additional rent payment obligations related to the Company's leases on its clinical and office locations.

14. LONG-TERM DEBT

	December 31, 2022 **$**	December 31, 2021 $
Royal Bank of Canada	**3,092**	4,728
Less: amounts due within one year	**3,092**	3,441
Long-term balance	**-**	1,287

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

Bank Term Loan

On February 26, 2018, the Company acquired long-term debt as a result of the business combination with Renaissance Asset Management (London) Inc. As at December 31, 2022, of the outstanding long-term debt, $595 bearing interest at RBC Prime+1.95% matured in February 2022 and was renewed for a consecutive period and will be fully repaid in June 2023 (“Facility #1”), and $1,190 bearing interest at a rate of 5.23% matures in September 2023 (“Facility #2”).

On February 7, 2021, the Company assumed long-term debt related to the HealthPointe acquisition. The term debt is spread across a number of facilities, which renew annually for consecutive 12-month periods, and bear interest at RBC Prime+0%. As at December 31, 2022, the outstanding balance of this long-term debt was $1,147.

The credit facilities include restrictive covenants relating to indebtedness, operations, investments, capital expenditures and other standard operating business covenants. The credit facilities are secured by all of the assets of the Company.

The Company assumed, and has available, a $750 revolving demand facility bearing interest at RBC Prime+0%. As at December 31, 2022, the outstanding balance of the revolving demand facility was $nil [December 31, 2021 - $nil]. In addition, the Company assumed, and has available, another $250 revolving demand facility bearing interest at RBC Prime+3% that was $nil as at December 31, 2022 [December 31, 2021 - $nil]. Both revolving demand facilities include the same restrictive covenants and are secured by all of the assets of the Company.

The Company has long-term debt outstanding with a principal balance of $160, which is interest free and repayable on or before December 31, 2023. These loans were made available to the Company under the Canada Emergency Business Account, a government-backed program designed to assist businesses impacted by COVID-19.

The schedule of repayments of long-term debt, based on maturity, is as follows as at December 31, 2022:

	Within 12 Months $	**1 – 2 Years $**	**Total $**
Facility #1	595	-	595
Facility #2	1,190	-	1,190
HealthPointe	1,147	-	1,147
Canada Emergency Business Account	160	-	160
	3,092	**-**	**3,092**

15. SHARE CAPITAL

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

During the year ended December 31, 2022, the Company issued 3,732,551 common shares related to the vesting of restricted share units (“RSUs”) (Note 16, *Stock-Based Compensation*) and the conversion of warrants to common shares (Note 17, *Warrants*). During the year ended December 31, 2021, the Company issued 4,716,895 common shares related to the acquisition of KumoCare (Note 7, *Acquisition of KumoCare*), the vesting of RSUs and the conversion of warrants to common shares.

16. STOCK-BASED COMPENSATION

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

Stock Option Plan

On May 31, 2022, NeuPath granted 249,996 stock options ("Options") to directors of the Company at an exercise price of $0.45 per share, with an expiry date of May 31, 2029. The Options are subject to time-based vesting. Options granted to directors will fully vest on May 31, 2023.

On May 31, 2022, NeuPath granted 250,000 Options to an Investor Relations Service Provider (as such term is defined under the policies of the TSX Venture Exchange) of the Company and to an external contractor at exercise prices ranging from $0.45 to $0.70 per share, with expiry dates ranging from May 31, 2024 to May 31, 2027. These stock options are subject to time-based vesting.

On August 24, 2022, NeuPath granted 965,000 Options to certain officers of the Company at an exercise price of $0.30 per share, with an expiry date of August 24, 2029. The Options are subject to time-based vesting such that 1/3 of the Options vested immediately, 1/3 of the Options vested on January 22, 2023 and the remaining Options will vest on July 21, 2023.

The terms of the Options granted are in accordance with the Company's Stock Option Plan approved by shareholders at the Annual General and Special Meeting of Shareholders held on June 22, 2022 (the "2022 AGM").

On November 22, 2022, NeuPath granted 422,500 Options to certain employees and an officer of the Company and 770,000 Options to physician partners at an exercise price of $0.16 per share, with an expiry date of November 22, 2029. The Options are subject to time-based vesting such that 62,500 Options vested immediately and 1/4 of the remaining Options vest annually starting on November 22, 2023.

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

As at December 31, 2022, the maximum number of common shares available for issuance under the Stock Option Plan was 2,368,790 [December 31, 2021 - 3,402,924].

The following is a schedule of the Options outstanding:

	Options	Range of Exercise Price	Weighted Average Exercise Price
	000s	$	$
Balance, December 31, 2020	1,921	0.87 - 1.00	0.97
Expired	(322)	1.00	1.00
Forfeited	(346)	0.87 - 1.00	0.95
Balance, December 31, 2021	1,253	0.87 - 1.00	0.97
Granted	2,657	0.16 - 0.70	0.28
Expired	(431)	0.30 - 1.00	0.72
Forfeited	(819)	0.30 - 1.00	0.59
Balance, December 31, 2022	**2,660**	**0.30 - 1.00**	**0.44**

The fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Options model inputs for Option grants outstanding as at December 31, 2022 were as follows:

Options	Grant Date	Share Price	Exercise Price	Risk-free Interest Rate	Expected Life	Volatility Factor	Fair Value per Option
000s		$	$	%	years	%	$
515	November 30, 2019	0.93	1.00	1.59	5 - 6	36.1 - 38.2	0.29 - 0.34
46	June 25, 2020	1.00	1.00	1.48	4.4	41.45	0.51
18	June 25, 2020	1.00	1.00	1.48	4.8	41.53	0.53
157	September 1, 2020	0.87	0.87	1.52	7	40.51	0.38
167	May 31, 2022	0.45	0.45	2.72	5	50.81	0.21
100	May 31, 2022	0.45	0.45	2.72	5	50.81	0.21
465	August 24, 2022	0.30	0.30	3.09	7	48.80	0.16
1,192	November 22, 2022	0.16	0.16	3.03	7	53.03	0.09

The following table summarizes the outstanding and exercisable Options held by directors, officers, employees and contractors as at December 31, 2022:

	Outstanding			Exercisable	
Exercise Price Range	**Options**	**Remaining Contractual Life**	**Weighted Average Exercise Price**	**Vested Options**	**Weighted Average Exercise Price**
$	**000s**	**Years**	**$**	**000s**	**$**
1.00	579	1.9 - 2.4	1.00	465	1.00
0.87	157	4.7	0.87	125	0.87
0.45	267	4.4 - 6.4	0.45	-	0.45
0.30	465	6.7	0.30	153	0.30
0.16	1,192	6.9	0.16	63	0.16

Restricted Share Unit Plan

On February 7, 2021, in accordance with IFRS, the Company was deemed to have granted 1,785,714 RSUs with a total fair value of $1.5 million to the physician vendors of HealthPointe who remain contracted with the Company (Note 6, *Business Combinations*). These RSUs will vest if certain non-market performance conditions are met. Upon vesting, these RSUs will be settled for a variable number of common shares of the Company based on the quoted share price on the vesting date.

The fair values of the RSUs granted were determined indirectly by reference to the fair value of the equity instruments. Non-market performance conditions are included in assumptions about the number of RSUs that are expected to vest. Estimates are subsequently revised if there is any indication that the number of RSUs expected to vest differs from previous estimates. Any adjustment resulting from a revision is recognized in the current year's earnings. For the period of service between February 7, 2021 and December 31, 2021, $375 has been recognized in the Consolidated Statements of Net Loss and Comprehensive Loss as COMS, with a corresponding credit to contributed surplus. During the same period, 446,429 RSUs with a fair value of $375 expired unvested as certain performance conditions were not met. On May 31, 2022, upon meeting certain non-market performance conditions, $375 RSUs vested and were converted into 833,333 common shares. As of December 31, 2022, the remaining deemed RSU grant of 892,857 units expired unvested as the performance conditions were not met.

On May 31, 2022, the Company granted 83,334 RSUs to directors of the Company. These RSUs are subject to time-based vesting and will fully vest on May 31, 2023.

On September 1, 2022, 9,218 RSUs with a fair value of $2 vested and were converted to common shares.

On November 22, 2022, the Company granted 62,500 RSUs to an officer of the Company. These RSUs are subject to time-based vesting such that 1/4 of the RSUs vest annually starting on November 22, 2023.

During the year ended December 31, 2022, 77,597 RSUs were forfeited. During the year ended December 31, 2021, 63,324 RSUs with a fair value of $55 vested and were converted to common shares and 57,375 RSUs were forfeited.

The terms of the RSUs are in accordance with the Company's RSU Plan, which was approved by shareholders at the 2022 AGM. The Company amended its RSU Plan to increase the maximum number of common shares issuable under this plan from 2,000,000 to 3,000,000. As at December 31, 2022, assuming all performance conditions were achieved, the maximum number of common shares available for issuance under the RSU Plan was 1,957,630.

RSU grants outstanding as at December 31, 2022 were as follows:

	RSUs 000s	Weighted Average Fair Value per RSU $
Balance, December 31, 2020	198	0.87
RSUs granted	1,786	0.84
Expired and unvested	(446)	0.84
Vested and converted to common shares	(63)	0.87
Forfeited	(58)	0.87
Balance, December 31, 2021	1,417	0.84
RSUs granted	146	0.32
Expired and unvested	(893)	0.84
Vested and converted to common shares	(456)	0.46
Forfeited	(78)	0.72
Balance, December 31, 2022	**136**	**0.37**

The following table summarizes the outstanding RSUs held by directors, officers, employees and contractors as at December 31, 2022:

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

Employee Share Purchase Plan
The maximum number of common shares that can be issued under the ESPP is 500,000. No common shares have been issued under this plan.

Summary of Stock-based Compensation
Stock-based compensation expense for the year ended December 31, 2022 was $98, all of which has been included in general and administrative ("G&A") expenses [$517 for the year ended December 31, 2021, of which $375 has been included in COMS and the balance included in G&A expenses].

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

17. WARRANTS

As at December 31, 2022, the following warrants were outstanding:

				Fair Value Black-Scholes Model Inputs			
Type	Exercise Price(i) (ii) $	Warrants Outstanding(i) (ii) 000s	Weighted Average Remaining Contractual Life Years	Risk-Free Rate %	Expected Life(i) Years	Volatility %	Fair Value(i) $
Warrants	0.25	4,480	3.08	0.73	4 – 9	55.00	800
Warrants(i)	1.30	229	0.32	1.52 - 1.69	3	65.95 - 75.14	35
Prepaid warrants(ii)	0.0001	4,305	0.15	1.89	3	43.18	4,047
		9,014	**1.61**				**4,882**

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

(i) 1,000,000 warrants with a fair value of $37, life of two years and exercise price of $2.00, 652,500 warrants with a fair value of $186, life of three years and exercise price of $1.30, 1,092,000 warrants with a fair value of $136, life of three years and exercise price of $1.30, 6,670,000 warrants with a fair value of $983, life of two years and exercise price of $1.25 and 800,400 warrants with a fair value of $216, life of two years and exercise price of $0.90 expired during the year ended December 31, 2022.

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

The Company did not issue any additional warrants during the year ended December 31, 2022 [nil for the year ended December 31, 2021].

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

On July 4, 2022, 2,890,000 prepaid warrants with a fair value of $2,716 and exercise price of $0.0001 were exercised for common shares. The Company received nominal cash proceeds upon exercise.

18. MANAGEMENT OF CAPITAL

The Company's capital management objectives are to safeguard its ability to continue as a going concern and to preserve its capital through adapting its strategic efforts and working to optimize revenues from its pain management business. The Company also attempts to raise additional funds through the issuance of debt or equity.

In the management of capital, the Company's definition of capital includes shareholders' deficiency and long-term debt, net of cash, which as at December 31, 2022 totalled $23,206 [December 31, 2021 - $24,655].

There were no changes to the Company's capital management policy during the year ended December 31, 2022.

19. EXPENSES BY NATURE

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

(a) Employee costs:

	Year ended December 31, 2022	Year ended December 31, 2021
	$	$
Salaries, bonuses and benefits	**9,146**	8,713
Share-based payments	**98**	142
Termination benefits	**423**	-
Total employee costs	**9,667**	8,855
Included in:		
Cost of medical services	**4,672**	3,815
General and administrative expenses	**4,572**	5,040
Restructuring	**423**	-
Total employee costs	**9,667**	8,855

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

(b) Depreciation and amortization:

	Year ended December 31, 2022	Year ended December 31, 2021
	$	$
Amortization of intangible assets	**552**	935
Depreciation of right-of-use assets	**1,361**	1,347
Cost of medical services	**-**	66
Amortization of property, plant and equipment	**752**	737
Total depreciation and amortization	**2,665**	3,085

The Company received government grants during the year ended December 31, 2021 in the amount of $72 related to Canada Emergency Wage Subsidies (“CEWS”). The Company’s CEWS eligibility is determined based on a revenue decline test prescribed by the Canada Revenue Agency (“CRA”). Amounts have been included as an offset to salary and wages, with $47 offset to COMS and $25 offset to G&A expenses during the year ended December 31, 2021.

The Company did not receive government grants during the year ended December 31, 2022.

20. NET CHANGE IN NON-CASH WORKING CAPITAL

Net change in non-cash working capital consists of:

	December 31, 2022	December 31, 2021
	$	$
Accounts receivable	**(420)**	493
Other assets	**(26)**	(4)
Accounts payable and accrued liabilities	**516**	403
Income tax liabilities	**171**	433
Provisions	**-**	(150)
Net change in non-cash working capital	**241**	1,175

21. INCOME TAXES

Income Tax Expense (Recovery)

Income tax expense (recovery) attributable to loss before income taxes differs from the amounts computed by applying the combined federal and provincial tax rate of 26.5% [December 31, 2021 - 26.5%] to pretax loss, as a result of the following:

	December 31, 2022	**December 31, 2022**	December 31, 2021	December 31, 2021
	$	**%**	$	%
Net loss before income taxes	**(4,081)**		(3,247)	-
Income tax at statutory rate of 26.5%	**(1,081)**	**26.5**	(860)	26.5
Other	**63**	**(1.6)**	41	(1.3)
Permanent differences	**309**	**(7.6)**	297	(9.1)
Change in unrecognized deferred income tax assets	**903**	**(22.1)**	505	(15.6)
Income tax expense (recovery)	**194**	**(4.8)**	(17)	0.5
Current income tax expense	**226**	-	255	-
Deferred income tax recovery	**(32)**	-	(272)	-

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

Deferred Income Tax Assets and Liabilities

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

	December 31, 2022	December 31, 2021
	$	$
Deferred income tax asset:		
Non-capital loss carryforwards	**386**	449
Deferred income tax liability:		
Excess carrying value of property, plant and equipment and intangible assets over tax basis	**(419)**	(514)
Net deferred income tax liability	**(33)**	(65)

A deferred income tax asset has not been recognized for certain temporary differences that may be available to reduce income subject to tax in a taxation period subsequent to the year covered by these Consolidated Financial Statements. The temporary differences that have not been recognized in the Consolidated Statements of Financial Position or Consolidated Statements of Net Loss and Comprehensive Loss are identified below:

	December 31, 2022	December 31, 2021
	$	$
Non-capital loss carryforwards	**35,335**	31,322
Net lease obligations	**915**	979
Property, plant and equipment	**836**	406
Share issuance costs	**1,113**	1,664
Unpaid provisions	**-**	450

The Company has non-capital losses of $36,964 for Canadian federal and Ontario provincial purposes that are available to offset future taxable income. These non-capital losses expire as follows:

Year of Expiry	**Amount**
	$
2025	496
2026	324
2027	161
2028	76
2029	236
2030	320
2031	64
2032	2,164
2033	5,498
2034	5,988
2035	3,135
2036	2,537
2037	1,213
2038	2,726
2039	2,140
2040	2,514
2041	2,646
2042	4,726
	36,964

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

22. COMMITMENTS

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

	Expiry	Additional Rent Payments	1 Year	2 to 3 Years	4 to 5 Years	> 5 Years
Clinic Location		$	$	$	$	$
London	June 30, 2025	563	225	338	-	-
Hamilton	November 30, 2023	59	59	-	-	-
Mississauga	February 28, 2024	224	192	32	-	-
Brampton	July 31, 2025	114	44	70	-	-
Toronto	December 31, 2023	56	56	-	-	-
Scarborough	July 31, 2023	40	40	-	-	-
Oshawa	November 30, 2025	193	66	127	-	-
Ottawa	July 31, 2028	603	108	216	216	63
Edmonton	December 31, 2033	4,366	397	794	794	2,381
Red Deer	July 31, 2032	507	53	106	106	242
		6,725	**1,240**	**1,683**	**1,116**	**2,686**

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

23. FINANCIAL INSTRUMENTS

Classification of Financial Instruments

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

	December 31, 2022	December 31, 2021
	$	$
Financial assets at amortized cost		
Cash and cash equivalents	**1,517**	5,903
Accounts receivable	**8,894**	8,474
Other assets	**1,413**	1,595
Total financial assets	**11,824**	15,972
Financial liabilities at amortized cost		
Accounts payable and accrued liabilities	**8,800**	8,284
Due to related parties	**3,674**	3,674
Long-term debt	**3,092**	4,728
Lease obligations	**7,402**	8,000
Other obligations	**-**	500
Total financial liabilities	**22,968**	25,186

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 the Consolidated Financial Statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.
- Level 2 – Observable inputs other than quoted prices in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 – Significant unobservable inputs that are supported by little or no market activity.

The Company reviews the fair value hierarchy classification on a quarterly basis. Changes to the ability to observe valuation inputs may result in a reclassification of levels for certain securities within the fair value hierarchy. The Company did not have any transfer of assets or liabilities between Level 1, Level 2 and Level 3 of the fair value hierarchy during the years ended December 31, 2022 and 2021.

Credit Risk

The Company, in the normal course of business, is exposed to credit risk from its customers. Credit risk is the risk of an unexpected loss if a counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk on its cash and cash equivalents, accounts receivable and other assets. The Company's objective with regards to credit risk in its operating activities is to reduce its exposure to losses. As the Company does not utilize credit derivatives or similar instruments, the maximum exposure to credit risk is the full amount of the carrying value of its cash and cash equivalents and accounts receivable.

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

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.

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

Risk Factors

The following is a discussion of liquidity risk and interest rate risk and related mitigation strategies that have been identified. This is not an exhaustive list of all risks nor will the mitigation strategies eliminate all risks listed.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting its financial liability obligations as they become due. The Company's objective is to provide for expected cash requirements and accommodate for changes in liquidity needs. The Company manages this risk by managing its capital structure through continuous monitoring of its actual and projected cash flows.

As a result of COVID-19, the Company has reviewed the working capital requirements needed for medical supplies and the additional safety protocols that were implemented to comply with guidelines from the Ontario government (see Note 2, *Going Concern Assumption*).

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

As at December 31, 2022, 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	**8,800**	8,800	-	-	-
Due to related parties	**3,674**	-	3,674	-	-
Long-term debt	**3,092**	3,092	-	-	-
Lease obligations	**7,402**	1,546	2,016	1,197	2,643
	22,968	**13,438**	**5,690**	**1,197**	**2,643**

Interest Rate Risk
Financial instruments that potentially subject the Company to cash flow interest rate risk are those assets and liabilities with a variable interest rate. Four of the Company's loan facilities, included in long-term debt, have a variable interest rate. Accordingly, with respect to the carrying and fair values of interest-bearing liabilities, an assumed 25-basis point increase or decrease in interest rates would not have a significant impact on net loss and comprehensive loss.

Financial assets and financial liabilities that bear interest at fixed rates are subject to fair value interest rate risk. The Company's lease obligations and certain long-term debt are at fixed rates of interest. Those financial assets and financial liabilities that are non-interest bearing are carried at amortized cost and calculated using discount rates appropriate to the related debt.

The Company's policy is to minimize interest rate cash flow risk exposures on its long-term financing.

24. RELATED PARTY TRANSACTIONS

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

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

	December 31, 2022	December 31, 2021
	$	$
Due to Bloom Burton & Co. Inc.	**3,631**	3,631
Due to Bloom Burton Development Corp.	**43**	43
	3,674	3,674

The amount due to Bloom Burton & Co. Inc. ("BBCI"), a shareholder of the Company, is non-interest bearing, unsecured and due on demand. BBCI has agreed not to call the loan prior to December 31, 2024.

The amount due to Bloom Burton Development Corp. ("BBDC"), a shareholder of the Company, is non-interest bearing, unsecured and due on demand. BBDC has agreed not to call the loan prior to December 31, 2024.

The Company has outstanding Prefunded Warrants that are held by related parties of the Company. Please refer to Note 17, *Warrants,* for further information on the Prefunded Warrants.

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

25. KEY MANAGEMENT COMPENSATION

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including directors. Key management includes two executive officers and non-employee directors. Compensation for the Company's key management personnel was as follows:

	Year ended December 31, 2022	Year ended December 31, 2021
	$	$
Salaries, bonuses and benefits	**967**	996
Share-based payments	**64**	134
Total key management compensation	**1,031**	1,130
Included in:		
General and administrative expenses	**1,031**	1,130
Total key management compensation	**1,031**	1,130

26. DISAGGREGATED REVENUES

The Company's revenues are disaggregated by major category:

	Year ended December 31, 2022	Year ended December 31, 2021
	$	$
Clinic revenue	**58,702**	57,838
Non-clinic revenue	**3,951**	3,018
Total revenue	**62,653**	60,856

Non-clinic revenue is earned from physician staffing allocation services where the Company provides physicians for institutions and hospital health departments across Canada, and from contract research services provided to pharmaceutical companies and clinical research organizations.

The Company has two major customers that accounted for 87% of the Company's total revenue for the year ended December 31, 2022 [two major customers represented 90% of the Company's total revenue for the year ended December 31, 2021].

27. RESTRUCTURING

In the third quarter of 2022, the Company initiated a restructuring plan that impacted its corporate office workforce. As a result, during the year ended December 31, 2022, the Company recognized restructuring expenses of $519, primarily related to severance and other termination benefits.

28. CONTINGENCIES

Litigation

From time to time, the Company may become involved in litigation, which arises in the normal course of business. In respect of any ongoing claims relating to litigation, the Company believes it has prepared valid defenses and that its defenses against these claims will be successful. The Company believes that any current ongoing claims are without merit and frivolous in nature and has determined that a loss is not more likely than not to occur. Accordingly, no amounts have been provisioned for such claims in these Consolidated Financial Statements. Management intends to defend the matters vigorously. The Company believes that no material exposure exists on the eventual settlement of such litigation.

Harmonized Sales Tax

From time to time, the Company may be subject to review and audit of its tax filing positions, which arises in the normal course of business. As a result of a Harmonized Sales Tax ("HST") audit being carried out by the CRA, the CRA has challenged the Company's filing position over its pain-related medical services and has assessed additional HST amounts owing for 2014 and 2015. During 2019, the additional HST amounts assessed were paid through installments, which the Company expects to recover once the objection has been resolved in the Company's favour and, accordingly, the $1.3 million paid was included in accounts receivable as at December 31, 2022. During 2019, following the installment payments, the CRA extended the period under the HST audit to include 2016, 2017, 2018 and a portion of 2019. The result of this assessment was that further amounts were owing for the intervening years totalling $1.6 million (before interest), of which no amounts have been paid to the CRA, representing a total potential loss contingency of $2.9 million. As at December 31, 2022, the CRA has held back the Company's HST refunds in the amount of $0.6 million, increasing the total HST receivable balance to $1.9 million. If the Company's objection is not successful, an amount of $1.4 million, including interest, would be due to the CRA as at December 31, 2022, which has not been accrued.

The Company believes it has prepared valid defenses and that its filing position is well supported by industry practice and the regulations governing and defining tax-exempt medical services. Accordingly, the Company has filed a Notice of Objection to the CRA assessment and believes its defense against these assessments will be successful. In January 2023, the CRA advised that it intends to confirm the assessments in respect of the issue described. In response, the Company has submitted new documentation to the CRA appeals branch refuting the CRA's position. If the CRA's assessment is confirmed, the Company will appeal the matter to the Tax Court of Canada. The Company has not provisioned any incremental amounts for additional HST liabilities as a result of this exposure. If the Company is not able to defend its position with the CRA and an adverse outcome is rendered, the resulting liabilities would have a material effect on the Company's Consolidated Financial Statements.

29. SUBSEQUENT EVENTS

Exercise of Prepaid Warrants

On February 18, 2023, 353,333 prepaid warrants with a fair value of $332 and exercise price of $0.0001 were exercised for common shares. The Company received nominal cash proceeds upon exercise.

On February 19, 2023, 2,666,667 prepaid warrants with a fair value of $2,507 and exercise price of $0.0001 were exercised for common shares. The Company received nominal cash proceeds upon exercise.

On February 19, 2023, 1,285,000 prepaid warrants with a fair value of $1,208 and exercise price of $0.0001 were exercised for common shares. The Company received nominal cash proceeds upon exercise.

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

London Medical Clinic Sale

On March 15, 2023, the Company announced that it received a binding offer to purchase its corporate-owned medical facility in London, Ontario. The Company anticipates the transaction will close on August 1, 2023.