

NEUPATH HEALTH DELIVERS RECORD QUARTERLY REVENUES AND OPENS NEW FLUOROSCOPY SUITE TO PATIENTS

- **Delivered record fourth quarter revenues of \$16.1 million**
- **Adjusted EBITDA⁽¹⁾ of \$0.8 million, our 16th consecutive quarter of positive adjusted EBITDA**
- **Recent clinic openings and expanded service offering to drive further momentum, continued focus on operational improvements to better serve our patients**

TORONTO, ONTARIO, March 30, 2023 – NeuPath Health Inc. (TSXV:NPTH), (“NeuPath” or the “Company”), owner and operator of a network of clinics delivering category-leading chronic pain treatment, today announced its financial and operating results for the three months and year ended December 31, 2022. All figures are in Canadian dollars, unless otherwise noted.

Financial and Operational Highlights

- Delivered record quarterly total revenue of \$16.1 million for the three months ended December 31, 2022 compared to \$15.6 million for the comparative three-month period;
- For the year ended December 31, 2022, revenue increased to a record \$62.7 million compared to \$60.9 million for the year ended December 31, 2021;
- Adjusted EBITDA was \$0.8 million and \$2.3 million for the three months and year ended December 31, 2022 compared to \$0.1 million and \$2.5 million for the comparative three months and year ended December 31, 2021;
- The Company continued to expand its image-guided capabilities with a new fluoroscopy suite in Ottawa. The Company now has 6 fluoroscopy suites, enabling the Company to better serve our patients and expand our service offerings;
- The Company continues to focus on improved operations to support its accelerated growth strategy, including a restructuring of the Company’s corporate office in order to improve free cash flow;
- Joseph Walewicz was appointed Chief Executive Officer of the Company on March 9, 2023; and
- Subsequent to year end, the Company announced that it received a binding offer to purchase the London medical facility, the transaction is expected to close on August 1, 2023. The Company expects to receive net proceeds over and above the mortgage obligation of approximately \$0.5 million.

“We are very pleased that the investments made in 2022 are beginning to bear fruit, and that the restructuring and continued operating improvements are helping the top and bottom line,” stated Joseph Walewicz, NeuPath’s CEO. “We expect continued operational improvements in 2023, which will improve our ability to execute on enhanced patient care and new growth opportunities.”

Q4 2022 Financial Results

Total revenue is comprised of clinic revenue and non-clinic revenue. Total revenue was \$16.1 million for the three months ended December 31, 2022 compared to \$15.6 million for the three months ended December 31, 2021. Total revenue was \$62.7 million for the year ended December 31, 2022 compared to \$60.9 million for the year ended December 31, 2021.

Clinic revenue is generated through the provision of medical services to patients. Clinic revenue was \$15.0 million for the three months ended December 31, 2022 compared to \$14.7 million for the comparative three-month period. Clinic revenue was \$58.7 million for the year ended December 31, 2022 compared to \$57.8 million for the year ended December 31, 2021. The increase in clinic revenue for the year ended December 31, 2022 was primarily due to the inclusion of HealthPointe Medical Centres Ltd.’s (“HealthPointe”) revenue for the full year, as HealthPointe was acquired in February 2021.

Non-clinic revenue is earned from physician staffing where NeuPath provides physicians for provincial and federal correctional institutions and hospital health departments across Canada, and from contract research services

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

provided to pharmaceutical companies and clinical research organizations. This revenue fluctuates depending on the need for physicians in certain institutions and the timing and enrolment of clinical studies that the Company is working on. Non-clinic revenue was \$1.1 million and \$4.0 million for the three months and year ended December 31, 2022 compared to \$0.9 million and \$3.0 million for the three months and year ended December 31, 2021.

Gross margin %⁽¹⁾ was 17.5% for the three months ended December 31, 2022 compared to 17.9% for the three months ended December 31, 2021. Gross margin % was 17.3% for the year ended December 31, 2022 compared to 18.2% for the year ended December 31, 2021. The decrease in gross margin % for the current year was primarily driven by increased clinic staff and nurse wages and physician costs as a percentage of revenue. Gross margin for both the current and comparative year was impacted by remuneration payment accruals due to the HealthPointe acquisition and inflation impacting the Company's supplies and materials costs. Additionally, gross margin for the comparative year was impacted by Restricted Share Unit ("RSU") award accruals related to the HealthPointe physician vendors and Canada Emergency Wage Subsidy ("CEWS"). Excluding the transaction-related accruals and CEWS, gross margin % would have been 18.7% and 18.5% for the three months and year ended December 31, 2022, as compared to 18.0% and 20.0% for the three months and year ended December 31, 2021. (See *Non-IFRS Financial Measures - Gross Margin* below).

Adjusted EBITDA was \$0.8 million and \$2.3 million for the three months and year ended December 31, 2022 compared to \$0.2 million and \$2.5 million for the three months and year ended December 31, 2021.

Non-IFRS Financial and Other Measures

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

EBITDA and Adjusted EBITDA

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

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

	Three Months ended		Year ended	
	December 31		December 31	
	2022	2021	2022	2021
	\$	\$	\$	\$
Net loss and comprehensive loss	(1,860)	(720)	(4,275)	(3,230)
Add back:				
Depreciation and amortization	669	842	2,665	3,085
Net interest expense	214	217	832	876
Income tax expense (recovery)	29	(299)	194	(17)
EBITDA	(948)	40	(584)	714
Add back:				
Stock-based compensation	53	(144)	98	517
Transaction costs ⁽¹⁾	202	260	808	1,314
Finance income	(4)	(8)	(22)	(34)
Restructuring	67	-	519	-
Gain on derecognition of other obligations	(500)	-	(500)	-
Impairment	1,938	-	1,938	-
Adjusted EBITDA	808	148	2,257	2,511
Attributed to:				
Shareholders of NeuPath Health Inc.	829	148	2,350	2,511
Non-controlling interest	(21)	-	(93)	-
	808	148	2,257	2,511

⁽¹⁾ For the year ended December 31, 2022, \$750 of accrued contingent consideration that under IFRS 3, *Business Combinations* ("IFRS 3") was not permitted to be included in the acquisition cost has been accounted for as remuneration rather than consideration transferred [December 31, 2021 - \$750]. Transaction costs for the year ended December 31, 2021, also included professional fees related to the acquisition of HealthPointe Medical Centres Ltd.

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

Management believes gross margin, gross margin %, adjusted gross margin and adjusted gross margin % are important supplemental non-GAAP measures for evaluating operating performance and to allow for operating performance comparability from period-to-period. Gross margin is calculated as total revenue minus cost of medical services ("COMS"). Gross margin % is calculated as gross margin divided by total revenue. Adjusted gross margin is calculated as gross margin, plus remuneration payment accruals related to the HealthPointe Medical Centres Ltd. ("HealthPointe") acquisition, RSU award accruals related to the HealthPointe physician vendors, and CEWS payroll subsidies available under the COVID-19 Economic Response Plan that were included in COMS. Adjusted gross margin % is calculated as adjusted gross margin divided by total revenue.

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

	Year ended	Year ended
	December 31, 2022	December 31, 2021
	\$	\$
Clinic revenue	58,702	57,838
Non-clinic revenue	3,951	3,018
Total revenue	62,653	60,856
Cost of medical services	51,834	49,751
Gross margin⁽¹⁾	10,819	11,105
Gross margin %⁽¹⁾	17.3%	18.2%
Add back:		
HealthPointe RSU award accruals ⁽²⁾	-	375
HealthPointe remuneration payment accruals ⁽²⁾	750	750
CEWS payroll subsidies ⁽³⁾	-	(47)
Adjusted gross margin⁽¹⁾	11,569	12,183
Adjusted gross margin %⁽¹⁾	18.5%	20.0%

- (1) Gross margin, gross margin %, adjusted gross margin and adjusted gross margin % are non-IFRS measures. Please refer to *Non-IFRS Financial Measures* above.
- (2) Includes accrued contingent consideration that under IFRS 3 was not permitted to be included in the acquisition cost and has been accounted for as remuneration rather than consideration transferred, and RSU equity award accruals also related to the HealthPointe acquisition.
- (3) CEWS payroll subsidies available under the COVID-19 Economic Response Plan that were included in COMS.

For further details on the results, please refer to NeuPath's Management, Discussion and Analysis and Consolidated Financial Statements for the three months and year ended December 31, 2022, which are available on the Company's website (www.neupath.com) and under the Company's profile on SEDAR (www.sedar.com).

About NeuPath

NeuPath operates a network of healthcare clinics and related businesses focused on improved access to care and outcomes for patients by leveraging best-in-class treatments and delivering patient-centered multidisciplinary care. We operate a network of medical clinics in Ontario and Alberta that provide comprehensive assessments and rehabilitation services to clients with chronic pain, musculoskeletal/back injuries, sports related injuries and concussions. In addition, NeuPath provides workplace health services and independent medical assessments to employers and disability insurers through a national network of healthcare providers, as well as contract research services to pharmaceutical and biotechnology companies. NeuPath is focused on enabling each individual we treat to live their best life.

Forward-Looking Statements

This news release contains forward-looking statements. All statements, other than statements of historical fact, that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future including, without limitation, the execution of the Company's expansion strategy in 2023, are forward-looking statements. These forward-looking statements reflect the current expectations or beliefs of the Company based on information currently available to the Company. Forward-looking statements are subject to a number of risks and uncertainties that may cause the actual results of the Company to differ materially from those discussed in the forward-looking statements, and even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on, the Company. Factors that could cause actual results or events to differ materially from current expectations included in this news release include, among other things, the direct and indirect impacts that the COVID-19 pandemic may continue to have on the Company's operations, adverse market conditions, risks associated with obtaining and maintaining the necessary governmental permits and licenses related to the business of the Company, increasing competition in the market and other risks generally inherent in the chronic pain, sports medicine, concussion and workplace health services markets. A comprehensive discussion of these and other risks and uncertainties can be found in the Company's annual information form dated March 29, 2023 filed on SEDAR under the Company's profile at www.sedar.com.

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

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