



NeuPath Health Inc.

**Condensed Consolidated
Interim Financial Statements
September 30, 2021 and 2020
(unaudited)**

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

<i>(Canadian dollars in thousands)</i>	<i>Notes</i>	As at September 30, 2021 \$	As at December 31, 2020 \$
ASSETS			
CURRENT			
Cash and cash equivalents		6,006	10,850
Accounts receivable	4	9,308	7,672
Other assets	4	988	634
Current income tax recoverable		-	172
TOTAL CURRENT ASSETS		16,302	19,328
NON-CURRENT			
Property, plant and equipment	4	4,521	2,889
Right-of-use assets	4	6,815	3,744
Other assets	4	673	305
Intangible assets	4, 5	3,235	884
Goodwill	4	20,718	18,970
TOTAL ASSETS		52,264	46,120
LIABILITIES AND EQUITY			
CURRENT			
Accounts payable and accrued liabilities	4	7,983	5,612
Provisions		-	150
Current portion of long-term debt	4, 7	3,945	3,091
Current portion of lease obligations	4, 6	1,370	1,127
Current portion of other obligations	5	350	-
Current income tax liabilities		67	-
TOTAL CURRENT LIABILITIES		13,715	9,980
NON-CURRENT			
Long-term debt	4, 7	1,298	1,238
Lease obligations	4, 6	6,396	3,545
Other obligations	5	150	-
Deferred income tax liabilities	4, 5	337	59
Due to related parties	14	3,674	3,674
TOTAL LIABILITIES		25,570	18,496
EQUITY			
Share capital	8	36,830	32,825
Warrants	10	9,345	12,910
Contributed surplus	9	1,570	430
Deficit		(21,051)	(18,541)
TOTAL EQUITY		26,694	27,624
TOTAL LIABILITIES AND EQUITY		52,264	46,120

Note 12, *Commitments*

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

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

	Notes	Three months ended September 30		Nine months ended September 30	
		2021	2020	2021	2020
<i>(Canadian dollars in thousands, except per share figures)</i>					
		\$	\$	\$	\$
REVENUE					
Medical services	15	15,155	12,005	45,275	34,829
Total revenue		15,155	12,005	45,275	34,829
OPERATING EXPENSES					
Cost of medical services	4	12,651	9,424	36,964	27,628
General and administrative expenses		1,905	1,572	6,046	4,480
Occupancy costs		420	345	1,174	1,011
Depreciation and amortization		683	622	2,196	1,867
Interest cost	6, 7	214	153	659	1,289
Total operating expenses		15,873	12,116	47,039	36,275
OTHER EXPENSES (INCOME)					
Fair value adjustments		-	-	-	405
Finance income		(8)	(11)	(26)	(35)
Listing expense and transaction costs	4	(50)	-	490	2,258
Net loss before income taxes		(660)	(100)	(2,228)	(4,074)
INCOME TAXES					
Current tax expense		-	190	282	397
NET LOSS AND COMPREHENSIVE LOSS		(660)	(290)	(2,510)	(4,471)
Net loss per common share					
- basic and diluted		(0.01)	(0.01)	(0.06)	(0.21)
Weighted average number of common shares outstanding (in thousands)					
- basic and diluted		45,766	28,503	44,666	20,816

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

NEUPATH HEALTH INC.
CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

	Notes	Share Capital		Warrants	Contributed Surplus	Deficit	Total
		000s	\$	\$	\$	\$	\$
<i>(Canadian dollars in thousands, except number of shares)</i>							
Balance, December 31, 2019		16,557	11,527	11,653	74	(13,483)	9,771
Stock-based compensation expense		-	-	-	124	-	124
Reverse takeover of Klinik Health Ventures Corp.		3,870	3,870	74	119	-	4,063
Conversion of long-term debt		6,724	6,724	-	-	-	6,724
Conversion of preferred shares		1,352	1,352	-	-	-	1,352
Net loss and comprehensive loss		-	-	-	-	(4,471)	(4,471)
Balance, September 30, 2020		28,503	23,473	11,727	317	(17,954)	17,563
Stock-based compensation expense		-	-	-	97	-	97
Expiry of warrants		-	-	(16)	16	-	-
Issuance of warrants		-	-	1,199	-	-	1,199
Issuance of common shares, net of issue costs		13,340	9,352	-	-	-	9,352
Net loss and comprehensive loss		-	-	-	-	(587)	(587)
Balance, December 31, 2020		41,843	32,825	12,910	430	(18,541)	27,624
Stock-based compensation expense	9	-	-	-	661	-	661
Conversion of warrants	10	3,225	3,031	(3,031)	-	-	-
Expiry of warrants	10	-	-	(534)	534	-	-
Acquisition of KumoCare	5	1,386	919	-	-	-	919
Restricted share units, vested and exercised	9	63	55	-	(55)	-	-
Net loss and comprehensive loss		-	-	-	-	(2,510)	(2,510)
Balance, September 30, 2021		46,517	36,830	9,345	1,570	(21,051)	26,694

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

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

		Nine months ended September 30	
		2021	2020
<i>(Canadian dollars in thousands)</i>	Notes	\$	\$
OPERATING ACTIVITIES			
Net loss and comprehensive loss		(2,510)	(4,471)
Items not involving current cash flows:			
Depreciation and amortization		2,243	1,892
Accretion of lease obligations	6	519	415
Accretion of long-term debt and preferred shares liability		-	666
Accretion of promissory note		-	15
Accretion of other assets		(21)	(35)
Gain on modification of long-term debt and preferred shares		-	(204)
Fair value adjustment of derivative financial liabilities		-	507
Fair value adjustment of conversion feature on preferred shares		-	102
Listing expense and transaction expense		-	1,373
Equity-settled stock-based compensation expense	9	661	124
		892	384
Net change in non-cash working capital	11	(192)	284
CASH PROVIDED BY OPERATING ACTIVITIES		700	668
INVESTING ACTIVITIES			
Acquisition of intangible assets, net		(251)	-
Acquisition of HealthPointe Medical Centres Ltd., net of cash acquired	4	(2,752)	-
Cash acquired on reverse takeover of Klinik Health Ventures Corp.		-	2,784
Acquisition of property, plant and equipment, net of disposals		(138)	(37)
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		(3,141)	2,747
FINANCING ACTIVITIES			
Repayment of long-term debt		(1,130)	(421)
Advances of long-term debt		40	80
Advances from related parties		-	55
Receipts from other assets receivable		175	116
Repayment of promissory note		-	(622)
Repayment of lease obligations	6	(1,488)	(1,168)
CASH USED IN FINANCING ACTIVITIES		(2,403)	(1,960)
Net change in cash and cash equivalents during the period		(4,844)	1,455
Cash and cash equivalents, beginning of period		10,850	883
CASH AND CASH EQUIVALENTS, END OF PERIOD		6,006	2,338
Supplemental cash flow information			
<i>Interest paid¹</i>		149	266
<i>Income taxes paid</i>		34	-

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

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

NEUPATH HEALTH INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2021 and 2020

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

1. NATURE OF BUSINESS

NeuPath Health Inc. (“NeuPath” or the “Company”) operates an end-to-end, integrated network of health care businesses focused on transforming the hope of a better life into the reality of a life more fully lived. NeuPath endeavours to achieve this goal by working with patients to return functionality lost due to chronic pain, spinal injuries, sports related injuries and concussions. NeuPath’s end-to-end solution is built on a base of research, with technology layered in, with a goal of better outcomes from assessments and treatments.

The Company operates an interdisciplinary network of medical clinics in Ontario and Alberta, in addition to an independent medical assessment business with a national network of health care providers. The Company’s medical clinics provide comprehensive assessments and rehabilitation services to clients with chronic pain, musculoskeletal/back injuries, sports related injuries and concussions. The Company’s health care providers cover a broad range of specialties and include: Psychiatrists, Neurologists, Anesthesiologists, General Practitioners with specialized training in chronic pain, as well as Medication Management Physicians, Athletic Therapists and Nurses.

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

On February 7, 2021, NeuPath acquired HealthPointe Medical Centres Ltd. (“HealthPointe”), a pain, spine and sport medicine clinic located in Edmonton, Alberta. See Note 4, *Business Combinations*, for additional information.

On August 16, 2021, NeuPath acquired Aidly Inc., owner of KumoCare (“KumoCare”), a virtual care platform to facilitate virtual care and telemedicine offerings. See Note 5, *Acquisition of KumoCare*, for additional information.

NeuPath has 12 locations across Ontario and 1 location in Alberta with more than 120 health care providers.

NeuPath (formerly Klink 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 (“RTO”), 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 Condensed Consolidated Interim Financial Statements have been prepared on a going concern basis, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations for the foreseeable future.

As at September 30, 2021, the Company had an accumulated deficit of \$21,051 [December 31, 2020 - \$18,541], including a net loss of \$2,510 for the nine months ended September 30, 2021 [September 30, 2020 - \$4,471].

Given the start-up nature of the business, the Company’s liquidity requirements are dependent on its ability 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, such as foregone revenues and increased expenses as a result of the impact of COVID-19, 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. There can be no assurance that additional financing will be available on acceptable terms or at all.

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Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2021 and 2020

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

As there can be no certainty as to the outcome of the above matters, there is material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

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

3. BASIS OF PREPARATION

Statement of Compliance

The Company prepares its Condensed Consolidated Interim Financial Statements in accordance with International Accounting Standard 34, *Interim Financial Reporting*. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to these Condensed Consolidated Interim Financial Statements, were the same as those applied to the Company's annual Consolidated Financial Statements as at and for the year ended December 31, 2020, with the following exceptions:

Leased assets – the Company as lessor

The Company assumed a sublease as part of a business combination on February 7, 2021 (Note 4, *Business Combinations*). 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. The Company's sublease is classified as an operating lease.

Separately acquired intangible assets

Separately acquired intangible assets are recorded at the purchase price plus directly attributable acquisition costs. On August 16, 2021, the Company acquired a technology asset (Note 5, *Acquisition of KumoCare*) that is amortized straight-line over its estimated useful life of 7 years.

These Condensed Consolidated Interim Financial Statements do not include all disclosures required for annual financial statements and should be read in conjunction with the annual Consolidated Financial Statements of the Company for the year ended December 31, 2020.

The policies applied to these Condensed Consolidated Interim Financial Statements are based on International Financial Reporting Standards ("IFRS"), which have been applied consistently to all periods presented. These Condensed Consolidated Interim Financial Statements were issued and effective as at November 11, 2021, the date the Board of Directors approved these Condensed Consolidated Interim Financial Statements.

Use of Estimates and Judgments

The preparation of these Condensed Consolidated Interim Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities 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.

Impact of COVID-19

The Company's critical accounting estimates are affected by the various ongoing economic and social impacts of the COVID-19 global pandemic. There continues to be significant uncertainty as to the likely effects of this outbreak, which may, among other things, impact the Company's employees, suppliers and customers. The Company is monitoring the future impact of the pandemic on all aspects of its business. Each quarter-end, management carries out this assessment for indications that goodwill and other long-lived assets may be impaired. As part of this assessment, management performed an analysis on its cash-generating units ("CGUs") and determined there were no adverse impacts that would lead to indicators of impairment. As required, management will continue to assess these assumptions as the evolving COVID-19 situation changes.

Basis of Measurement

These Condensed Consolidated Interim Financial Statements have been prepared under the historical cost convention, except for the revaluation of certain financial liabilities to fair value. Items included in the financial

NEUPATH HEALTH INC.**Notes to the Condensed Consolidated Interim Financial Statements****For the three and nine months ended September 30, 2021 and 2020***Unless noted otherwise, all amounts shown are in thousands, except share and per share amounts.*

statements of each consolidated entity in the Company are measured using the currency of the primary economic environment in which the entity operates (the functional currency). These Condensed Consolidated Interim Financial Statements are presented in Canadian dollars, which is the Company's functional currency.

Basis of Consolidation

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

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

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.

4. 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. HealthPointe is a leading pain, spine and sport medicine clinic located in Edmonton, Alberta.

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*, is 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 tax liability	(339)
Lease obligations	(3,873)
Total liabilities assumed	(6,179)
Identifiable net assets acquired	3,549
Goodwill on acquisition	1,748

NEUPATH HEALTH INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2021 and 2020

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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 rate + 0% (Note 7, *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 right-of-use asset and related lease obligation associated with the Edmonton facility (Note 6, *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, the skill and expertise of HealthPointe's workforce, including the vendor physicians and expected cost synergies. Goodwill has been allocated to the medical clinics' CGU and will not be deductible for income tax purposes.

Contribution to the Company's results

For the three and nine months ended September 30, 2021, HealthPointe accounted for \$2,878 and \$7,793 in revenues and \$5 in net loss and \$410 in net income, respectively, since the February 7, 2021 acquisition date. If the acquisition had been completed on January 1, 2021, the Company estimates it would have recorded \$15,155 and \$46,749 in pro-forma revenues and \$660 and \$2,505 in pro-forma net loss for the three and nine months ended September 30, 2021.

Amounts recognized separately from the business combination

Acquisition related costs amounting to \$4 and \$427 were recognized as part of transaction costs for the three and nine months ended September 30, 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. The Company expects to pay \$250 in February 2022 and the remaining \$1,250 in February 2023, in accordance with the terms of the purchase and sale agreement. 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 \$188 and \$562 of remuneration expense in cost of medical services for the three and nine months ended September 30, 2021, with a related accrual for the same amount in accounts payable and accrued liabilities.

5. 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 has determined that this acquisition is outside of the scope of IFRS 3, *Business Combinations*. 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 Payments*, guidance for equity-settled share-based payment transactions. As such, the common shares issued to affect 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.

The acquired assets consist of intellectual property related to the KumoCare telemedicine and home care scheduling mobile application and deferred tax assets related to tax loss carryforwards. As a result of the transaction, \$1,556 has been recorded as an addition to intangible assets and deferred income tax assets of \$61 have been 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 within depreciation and amortization expense.

The contingent consideration payable in the amount of \$500 has been recorded as a liability in the Consolidated Interim Statements of Financial Position.

6. LEASE OBLIGATIONS

The Company leases computer equipment and real property for its clinical and office locations in Canada. Lease obligations consist of the following:

	2021 \$	2020 \$
Balance, as at January 1	4,672	5,691
Additions during the period	4,063	-
Payments during the period	(1,488)	(1,168)
Interest expense during the period	519	415
	7,766	4,938
Less amounts due within one year	1,370	1,100
Long-term balance, September 30	6,396	3,838

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 the InMedic facility lease and the Ottawa facility lease of \$87 and \$103, respectively, resulting in total lease obligation additions of \$4,063 during the nine months ended September 30, 2021 [September 30, 2020 - \$nil]. As a result of these additions, right-of-use assets were recognized and increased by the same amounts.

For the three and nine months ended September 30, 2021, lease payments totalled \$509 and \$1,488 [\$387 and \$1,168 for the three and nine months ended September 30, 2020]. The Company expenses payments for short-term leases and low-value leases as incurred. These payments for short-term leases and low-value leases were not material for the three and nine months ended September 30, 2021 and 2020.

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 September 30, 2021:

NEUPATH HEALTH INC.**Notes to the Condensed Consolidated Interim Financial Statements****For the three and nine months ended September 30, 2021 and 2020***Unless noted otherwise, all amounts shown are in thousands, except share and per share amounts.*

	\$
Less than 1 year	1,991
1 to 2 years	1,727
2 to 3 years	1,419
3 to 4 years	1,113
4 to 5 years	656
Beyond 5 years	3,640
	10,546

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

7. LONG-TERM DEBT

	September 30, 2021	December 31, 2020
	\$	\$
Royal Bank of Canada	5,243	4,329
Less amounts due within one year	3,945	3,091
Long-term balance	1,298	1,238

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 September 30, 2021, of the outstanding long-term debt, \$2,195 bears interest at RBC Prime+1.95%, matured in February 2021 and was renewed for a consecutive 12-month period ("Facility #1") and \$1,234 bears interest at a rate of 5.23% and matures in September 2023 ("Facility #2").

On August 19, 2020, the Company entered into amendment agreements with respect to the long-term debt pursuant to which, among other things, the Company amended certain operating and financial restrictions to reflect the Company's current business operations and structure. As part of the amendment, Facility #1 requires payments no later than 120 days after each year end as, and by way of, a prepayment of a portion of the principal amount outstanding equal to an amount up to 25% of the free cash flow of the Company for such fiscal year. 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.

On February 7, 2021, the Company assumed approximately \$2.0 million of 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%. In addition, the Company assumed, and has available, a \$750 revolving demand facility bearing interest at RBC Prime+0% that was unutilized as at September 30, 2021. These credit 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, 2022. These loans were made available to the Company under the Canada Emergency Business Account ("CEBA"), a government-backed program designed to assist businesses impacted by COVID-19.

NEUPATH HEALTH INC.**Notes to the Condensed Consolidated Interim Financial Statements****For the three and nine months ended September 30, 2021 and 2020***Unless noted otherwise, all amounts shown are in thousands, except share and per share amounts.*

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

	< 1 year	1 year	2 years	Total
	\$	\$	\$	\$
Facility #1	2,195	-	-	2,195
Facility #2	96	96	1,042	1,234
HealthPointe	1,654	-	-	1,654
CEBA	-	160	-	160
	3,945	256	1,042	5,243

8. 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 carry a right to a dividend when declared by the Board of Directors.

During the three and nine months ended September 30, 2021, the Company issued 1,449,038 and 4,674,038 common shares related to the acquisition of KumoCare (Note 5, *Acquisition of KumoCare*), shares issued on vesting of restricted share units ("RSUs") (Note 9, *Stock-Based Compensation*) and conversion of warrants to common shares (Note 10, *Warrants*). During the three and nine months ended September 30, 2020, the Company issued nil and 11,945,987 common shares related to the conversion of preferred shares and convertible debentures to common shares, and shares issued as consideration for the Klinik RTO.

9. 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 RSU Plan.

Stock Option Plan

During the three and nine months ended September 30, 2021 and 2020, there were no issuances of options under the Stock Option Plan. As at September 30, 2021, the maximum number of common shares available for issuance under the Stock Option Plan was 3,398,638 [December 31, 2020 - 2,263,315].

The following is a schedule of the options outstanding:

	Options	Range of	Weighted Average
	000s	Exercise Price	Exercise Price
		\$	\$
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, September 30, 2021	1,253	0.87 - 1.00	0.97

The following table summarizes the outstanding and exercisable options held by directors, officers, employees and consultants as at September 30, 2021:

Exercise Price Range	Options	Outstanding		Exercisable	
		Remaining Contractual Life	Weighted Average Exercise Price	Vested Options	Weighted Average Exercise Price
\$	000s	years	\$	000s	\$
1.00	929	3.2 - 3.8	1.00	421	1.00
0.87	324	5.9	0.87	165	0.87

NEUPATH HEALTH INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2021 and 2020

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

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 4, *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 value 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 period earnings. For the period of service between February 7, 2021 and September 30, 2021, \$545 has been recognized in the Consolidated Interim Statements of Net Loss and Comprehensive Loss as a cost of medical services, with a corresponding credit to contributed surplus [September 30, 2020 - \$nil].

As at September 30, 2021, assuming all performance conditions are achieved, the maximum number of common shares available for issuance under the RSU Plan was 136,810.

During the three and nine months ended September 30, 2021, 63,324 RSUs with a fair value of \$55 vested and were converted to common shares and 57,375 RSUs were forfeited [nil for the three and nine months ended September 30, 2020].

The following table summarizes the outstanding RSUs held by directors, officers, employees and consultants as at September 30, 2021:

RSUs 000s	Grant Date	Share Price \$	Vesting Period years	Vested RSUs 000s	Fair Value per RSU \$
77	September 1, 2020	0.87	4	26	0.87
893	February 7, 2021	0.84	1	-	0.84
893	February 7, 2021	0.84	2	-	0.84

Employee Share Purchase Plan

The maximum number of common shares available for issuance under the ESPP is 500,000. No common shares have been issued under this plan.

Summary of Stock-based Compensation

Stock-based compensation for the three and nine months ended September 30, 2021 was \$169 and \$661 [\$61 and \$124 for the three and nine months ended September 30, 2020], of which \$545 has been included in cost of medical services and the balance included in general and administrative expenses [September 30, 2020 - all included in general and administrative 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.

NEUPATH HEALTH INC.**Notes to the Condensed Consolidated Interim Financial Statements****For the three and nine months ended September 30, 2021 and 2020***Unless noted otherwise, all amounts shown are in thousands, except share and per share amounts.***10. WARRANTS**

As at September 30, 2021, the following warrants were outstanding:

Type	Exercise Price ⁽ⁱ⁾ \$	Warrants Outstanding ⁽ⁱ⁾ 000s	Weighted Average Remaining Contractual Life years	Fair Value Black-Scholes Model Inputs				Fair Value ⁽ⁱ⁾ \$
				Risk Free Rate %	Expected Life ⁽ⁱ⁾ years	Volatility %		
Warrants	0.25	4,480	4.33	0.73	4 - 9	55.00	800	
Warrants	1.30	1,986	1.22	1.47 - 2.29	2 - 3	60.95 - 75.14	357	
Warrants	2.00	1,000	0.65	0.97	2	39.10	37	
Prepaid warrants	0.0001	7,195	0.40	1.89	3	43.18	6,763	
Warrants issued as a component of convertible debentures and preferred shares	1.00	1,225	0.12	-	-	-	115	
Klinik RTO warrants	1.00	300	0.17	1.52	1.44	50.48	74	
Bought deal warrants	1.25	6,670	1.12	1.19	2	59.03	983	
Bought deal finder warrants	0.90	800	1.12	1.19	2	59.03	216	
		23,656	1.01				9,345	

⁽ⁱ⁾ 1,953,750 warrants with a fair value of \$532, life of three years and exercise price of \$1.00 expired during the three months ended March 31, 2021. 25,000 warrants with a fair value of \$2, life of three years and exercise price of \$1.00 expired during the three months ended September 30, 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.

The Company did not issue any additional warrants during the three and nine months ended September 30, 2021 [\$74 for the three and nine months ended September 30, 2020].

11. NET CHANGE IN NON-CASH WORKING CAPITAL

Net change in non-cash working capital consists of:

	Nine months ended September 30	
	2021	2020
	\$	\$
Accounts receivable	(341)	272
Other assets	(42)	24
Accounts payable and accrued liabilities	102	259
Income tax liabilities	239	396
Provisions	(150)	(667)
Net change in non-cash working capital	(192)	284

NEUPATH HEALTH INC.**Notes to the Condensed Consolidated Interim Financial Statements****For the three and nine months ended September 30, 2021 and 2020***Unless noted otherwise, all amounts shown are in thousands, except share and per share amounts.***12. 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	2-3 years	4-5 years	More than 5 years
<i>Clinic Location</i>		\$	\$	\$	\$	\$
London	June 30, 2025	844	225	450	169	-
Hamilton	November 30, 2022	75	64	11	-	-
Mississauga	February 28, 2024	452	187	265	-	-
Oakville	July 31, 2022	40	40	-	-	-
Brampton	July 31, 2025	153	40	80	33	-
Toronto	December 31, 2023	117	52	65	-	-
Scarborough	July 31, 2022	56	56	-	-	-
Oshawa	November 30, 2025	263	63	126	74	-
Ottawa	July 31, 2028	733	102	216	216	199
Edmonton	December 31, 2033	4,862	397	794	794	2,877
		7,595	1,226	2,007	1,286	3,076

These additional rent payments are variable, and therefore have not been included in the right-of-use asset or lease obligations.

13. FINANCIAL INSTRUMENTS**Classification of Financial Instruments**

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

	September 30, 2021	December 31, 2020
	\$	\$
Financial assets at amortized cost		
Cash and cash equivalents	6,006	10,850
Accounts receivable	9,308	7,672
Total financial assets	15,314	18,522
Financial liabilities at amortized cost		
Accounts payable and accrued liabilities	7,983	5,612
Provisions	-	150
Due to related parties	3,674	3,674
Long-term debt	5,243	4,329
Lease obligations	7,766	4,672
Other obligations	500	-
Total financial liabilities	25,166	18,437

The Company's financial instruments are measured at amortized cost and their fair values approximate carrying values.

Financial Instruments

IFRS 13, *Fair Value Measurements* 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

NEUPATH HEALTH INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2021 and 2020

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disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

The Company reviews the fair value hierarchy classification on a quarterly basis. Changes to the ability to observe valuation inputs may result in a reclassification of levels for certain securities within the fair value hierarchy. The Company did not have any transfer of assets or liabilities between Level 1, Level 2 and Level 3 of the fair value hierarchy during the three and nine months ended September 30, 2021 and 2020.

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 and accounts receivable. 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 medical services 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 four 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.

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

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*).

NEUPATH HEALTH INC.**Notes to the Condensed Consolidated Interim Financial Statements****For the three and nine months ended September 30, 2021 and 2020***Unless noted otherwise, all amounts shown are in thousands, except share and per share amounts.*

As at September 30, 2021, the Company's financial liabilities had contractual maturities as summarized below:

	Total \$	Current	Non-current		
		Within 12 Months \$	1 to 2 Years \$	3 to 5 Years \$	> 5 years \$
Accounts payable and accrued liabilities	7,983	7,983	-	-	-
Due to related parties	3,674	-	3,674	-	-
Long-term debt	5,243	3,945	256	1,042	-
Lease obligations	7,766	1,370	2,259	1,259	2,878
Other obligations	500	350	150	-	-
	25,166	13,648	6,339	2,301	2,878

The Company believes that its current working capital will be sufficient to satisfy its current debt obligations; however, the Company's ability to satisfy its non-current debt obligations will depend principally upon its future operating performance. The Company's inability to generate sufficient cash flow to satisfy its debt service obligations or to refinance its obligations on commercially reasonable terms could materially adversely impact the Company's business, financial condition or operating results.

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. Only two 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 long-term debt are at fixed rates of interest. Those 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.

14. RELATED PARTY TRANSACTIONS

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

Loans from Related Parties

The following related party balances were outstanding as at:

	September 30, 2021 \$	December 31, 2020 \$
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, 2022.

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, 2022.

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Notes to the Condensed Consolidated Interim Financial Statements

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15. DISAGGREGATED REVENUES

The Company's revenues are disaggregated by major category:

	Three months ended September 30		Nine months ended September 30	
	2021	2020	2021	2020
	\$	\$	\$	\$
Clinic revenue	14,389	11,434	43,142	32,678
Non-clinic revenue	766	571	2,133	2,151
Total revenue	15,155	12,005	45,275	34,829

Non-clinic revenue is earned from physician staffing allocation services where NeuPath 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 91% and 90% of the Company's total revenue for the three and nine months ended September 30, 2021 [one major customer represented 94% and 93% of the Company's total revenue for the three and nine months ended September 30, 2020].

16. CONTINGENCIES

Litigation

From time to time, the Company may become involved in litigation, which arises in the normal course of business. In respect of claims relating to litigation, the Company believes it has prepared valid defenses, which it continues to adamantly defend and has made adequate provision for the outcomes of such claims in these Condensed Consolidated Interim Financial Statements. 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 Canada Revenue Agency ("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 September 30, 2021. 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 their 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. The CRA has held back the Company's HST refunds in the amount of \$0.5 million, increasing the total HST receivable balance as at September 30, 2021 to \$1.8 million. The amount outstanding to the CRA as at September 30, 2021, including interest, was \$1.4 million, 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. 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 financial statements.