

Pathway Reports Fiscal 2021 Second Quarter Financial Results and Operational Highlights

- Completed private placement for aggregate gross proceeds of \$13.8 million, securing a strong balance sheet and providing funding to execute on operational and expansion plans
- Commenced trading on the TSX-V under the symbol "PHC" on June 17, 2021
- Announced strategic partnership with Geocann to bring VESIsorb[®] formulated Cannabis Health Products ("**CHPs**") to the Canadian market
- Signed collaboration agreements with PharmaChoice Canada and Sobeys for the implementation of Pathway's Medical Cannabis Management System ("**MCMS**[®]") in pharmacies across Canada

TORONTO, Aug. 26, 2021 /CNW/ - Pathway Health Corp. ("**Pathway**" or the "**Company**") (TSXV: PHC) today reported its financial results and operational highlights for the three and six-month period ended June 30, 2021. Unless otherwise noted, all amounts are in Canadian dollars and are prepared in accordance with International Financial Reporting Standards ("**IFRS**").

"With the anticipated next round of Health Canada changes to the *Cannabis Act* and the introduction of CHPs, Pathway is assembling the necessary resources, and establishing partnerships to capitalize on the CHP opportunity, including: 1) development of proprietary, national distribution channels; 2) access to proprietary formulation technology; and 3) the addition of Dr. Jordan Silver, Senior Director of Product Development to the Pathway team. We believe Pathway is uniquely positioned to benefit from these changes and we are excited about the opportunities that lay ahead." said Ken Yoon, Chief Executive Officer of Pathway. "In addition, we were able to achieve stable results despite the continued impact of the global COVID-19 pandemic. These results reflect the continued commitment and hard work of our employees. During this time, we laid the foundation to be well positioned to execute our strategic initiatives and capitalize on future opportunities for this year and beyond. We remain focused on growth, both organically and through accretive acquisitions. We intend on adding new, complementary services and products to those we currently offer so we can provide a more holistic approach to care for our patients. We believe this is the best path for providing best-in-class patient care and greater profitability for the Company."

Summary of the Q2 2021 Financial Results

Total revenue for the three and six months ended June 30, 2021 was \$2.9 million and \$5.6 million, respectively. The revenue results are impacted by two items: 1) Pathway acquired revenue generating assets in a transaction that closed on January 18, 2021; and 2) a subsidiary jointly owned with Chief Peguis Investment Corp. ("**Peguis**") is no longer being consolidated, but accounted for as an investment. If the operating assets were acquired January 1, 2021, and the Company continued to consolidate the results of the jointly owned subsidiary, revenue for the three and six months ended June 30, 2021, would have totaled \$3.0 million and \$6.2 million, respectively.

Gross margins were \$1.5 million and \$3.0 million for the three and six months ended June 30, 2021, respectively, showing consistent positive results in Q1 and Q2 2021.

Selling, general and administrative expenses were \$2.9 million and \$5.2 million for the three and six months ended June 30, 2021, respectively. The main expenses relate to wages and benefits as the Company continues to grow and professional fees related to the recent TSX-V listing.

The Company incurred a net loss of \$3.1 million and \$4.1 million for the three and six months ended

June 30, 2021, respectively, and had a basic and diluted loss per share of \$0.05 and \$0.13 for the same periods.

Earnings before interest, tax, depreciation, and amortization ("**EBITDA**")¹ was a loss of \$2.5 million and \$3.2 million for the three and six months ended June 30, 2021, respectively. Adjusted EBITDA¹ was a loss of \$0.5 million and \$0.8 million for the same three and six month periods.

Cash as of June 30, 2021 was \$6.4 million compared to \$0.001 million as of December 31, 2020. The increase in cash is mainly a result of the \$13.8 million gross proceeds from a private placement (\$12.4 million net of transaction costs), offset by \$1.5 million used in operations and payment of \$4.9 million to a related party for the asset acquisition closed on January 18, 2021.

Outlook

"For the remainder of 2021 and for 2022, we will remain focused on three key initiatives to grow the business", said Mr. Yoon. "The first is to continue expanding our business through acquisition or partnership in Canada and explore opportunities in the U.S. In Canada, we are primarily targeting pain clinics and patients as we continue to look to expand our national foot-print but we also see opportunities for Pathway in the US. The second initiative involves our pharmacy partnerships. We anticipate continuing to sign-up additional partnership agreements with select national and regional pharmacy companies for the implementation of MCMS[®] in their pharmacies. We are also involved in early-stage discussions with several national pharmacy companies regarding the development, branding, and distribution of CHPs through their retail pharmacy stores following the anticipated changes to the *Cannabis Act*. Our goal is to work directly with our pharmacy partners to help them develop and grow this new consumer packaged goods category. And finally, our third initiative involves adding new products and services to our existing clinics to not only expand the circle of care we are creating for our patients, but also to create new revenue opportunities. We remain excited about the growth opportunities for Pathway and look forward to sharing our progress over the coming months ahead."

About Pathway Health Corp.

Pathway is one of the largest providers of out-of-hospital pain management services in Canada. The Company owns and operates nine community-based clinics across four provinces where its team of health professionals work together to help patients through a variety of evidence-based approaches. Pathway's patient care programs utilize an interdisciplinary approach that is guided by trained pain specialists, physical and occupational therapists, psychologists, nurses, and other healthcare providers. Pathway has also developed an expertise in harm reduction where medicinal cannabis is being used as an alternative to traditional opioids.

For more information, visit Pathway's website: www.pathwayhealth.ca.

Notice Regarding Forward-Looking Statements

Certain statements in this news release are forward-looking statements and are prospective in nature. Forward-looking statements are not based on historical facts, but rather on current expectations and projections about future events and are therefore subject to risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements. These statements generally can be identified by the use of forward-looking words such as "may", "should", "could", "would", "intend", "estimate", "plan", "anticipate", "expect", "believe", "working on" or "continue", or the negative thereof or similar variations. There are numerous risks and uncertainties that could cause actual results and Pathway's plans and objectives to differ materially from those expressed in the forward-looking information, including: business disruption risks relating to COVID-19; regulatory risks, including those related to healthcare, privacy, and data security; and integration risks relating to newly acquired businesses. Actual results and

future events could differ materially from those anticipated in such information. These and all subsequent written and oral forward-looking information are based on estimates and opinions of management on the dates they are made and are expressly qualified in their entirety by this notice. Except as required by law, the Company does not intend to update these forward-looking statements.

¹Non-IFRS Financial Measures

The non-IFRS measures included in this press release are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other issuers. When used, these measures are defined in such terms as to allow the reconciliation to the closest IFRS measure. These measures are provided as additional information to complement those IFRS measures by providing further understanding of the Company's results of operations from its perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of the Company's financial information reported under IFRS. Despite the importance of these measures to management in goal setting and performance measurement, these are non-IFRS measures that may be limited in their usefulness to investors.

Management uses non-IFRS measures, such as EBITDA and Adjusted EBITDA to provide investors with a supplemental measure of the Company's operating performance and thus highlight trends in the Company's core business that may not otherwise be apparent when relying solely on IFRS financial measures. Management also believes that securities analysts, investors and other interested parties frequently use non-IFRS measures in the valuation of issuers. Management also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, prepare annual operating budgets, and to assess the Company's ability to meet its future debt service, capital expenditure and working capital requirements. The definition and reconciliation of EBITDA and Adjusted EBITDA used and presented by the Company to the most directly comparable IFRS measures follows below:

EBITDA and Adjusted EBITDA

EBITDA is defined as net (loss)/income adjusted for income tax, depreciation of property and equipment, amortization of intangible assets, interest on long-term debt and other financing costs, interest income, and changes in fair values of derivative financial instruments. Management uses EBITDA to assess the Company's operating performance. Adjusted EBITDA is defined as EBITDA adjusted for, as applicable, share-based compensation, loss of control of related company, fair value of guarantee, gain on disposal of intangible assets and goodwill, reverse takeover transaction costs, additional professional fees due to the reverse takeover transaction and asset acquisition transaction completed in 2021. We use Adjusted EBITDA as a key metric in assessing our business performance when we compare results to budgets, forecasts, and prior years. Management believes Adjusted EBITDA is a good alternative measure of cash flow generation from operations as it removes cash flow fluctuations caused by non-cash expenses, or extraordinary and non-recurring items, including changes in working capital. A reconciliation of net (loss)/income to EBITDA (and Adjusted EBITDA) is set out below:

	For the three months ended June 30, 2021	For the six months ended June 30, 2021
Net (loss) attributable to shareholders	\$ (3,076,636)	\$ (4,104,409)
Adjustments:		
Amortization of intangible assets	22,976	54,636
Depreciation	192,834	357,563
Finance expense*	360,143	452,468
EBITDA	\$ (2,500,683)	\$ (3,239,742)
Share-based compensation	164,099	260,878
Loss of control of related company	76,539	76,539
Fair value of guarantee	100,001	100,001
Reverse takeover transaction cost	1,251,608	1,251,608

Additional professional fees due to RTO Transaction	365,770	652,715
Additional professional fees due to Asset Acquisition Transaction	3,285	125,591
Adjusted EBITDA	\$ (539,381)	\$ (772,410)

*this figure includes interest expense, financing expense, fair value of financing facilities and accretion expense.

For further details on the results, please refer to Pathway's Management's Discussion and Analysis and Condensed Consolidated Interim Financial Statements for the three and six months ended June 30, 2021, which are available under the Company's profile on SEDAR (www.sedar.com).

NEITHER TSX VENTURE EXCHANGE NOR ITS REGULATION SERVICES PROVIDER (AS THAT TERM IS DEFINED IN THE POLICIES OF THE TSX VENTURE EXCHANGE) ACCEPTS THE RESPONSIBILITY FOR THE ADEQUACY OR ACCURACY OF THIS RELEASE.

SOURCE Pathway Health Corp.

 View original content to download multimedia:

<http://www.newswire.ca/en/releases/archive/August2021/26/c8532.html>

%SEDAR: 00042501E

For further information: Wayne Cockburn, President, Pathway Health Corp., (905) 505-0770, wayne.cockburn@pathwayhealth.ca; Dave Burwell, Vice President, The Howard Group, (403) 410-7907, dave@howardgroupinc.com

CO: Pathway Health Corp.

CNW 07:00e 26-AUG-21