Pathway Health Corp.
(formerly Colson Capital Corp.)

Audited Consolidated Financial Statements
December 31, 2021 and 2020

(Expressed in Canadian Dollars)

Independent Auditor's Report

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To the Shareholders of
Pathway Health Corp.

Opinion

We have audited the consolidated financial statements of Pathway Health Corp. ("the Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and December 31, 2020, the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the year ended December 31, 2021 and the 104 day period from the date of incorporation on September 18, 2020 to December 31, 2020, 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 Pathway Health Corp. as at December 31, 2021 and December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2021 and the 104 day period from the date of incorporation on September 18, 2020 to December 31, 2020, in accordance with International Financial Reporting Standards (IFRSs).

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 Company 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 1 in the consolidated financial statements which indicates that the Company incurred a net loss of $8,892,345 and had negative cash from operations of $4,643,074 for the year ended December 31, 2021. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Information Other Than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis but does not include the consolidated financial statements and our auditor's report thereon.

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.

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. 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 International Financial Reporting Standards (IFRSs), 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 Company'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 Company'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 Company 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 Company 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.

The engagement partner on the audit resulting in this independent auditor's report is Grant Cuylle.

Grant Thornton LLP

Toronto, Canada
April 26, 2022

Chartered Professional Accountants
Licensed Public Accountants

Pathway Health Corp. (formerly Colson Capital Corp.)
Consolidated Statements of Financial Position
As at December 31, 2021 and 2020

	Note	December 31, 2021	December 31, 2020
Assets			
Current			
Cash		$ 2,603,429	$ 588
Restricted cash	6	75,000	-
Accounts and other receivables	7	811,587	34,771
Deferred cost	9	54,978	-
Inventory	8	340,340	-
Prepaids		249,579	-
		4,134,913	35,359
Due from related parties	15	117,362	-
Property and equipment	10	2,914,078	-
Intangible assets	11	691,447	-
Goodwill	12	504,901	-
Investment in related company	9	475,824	-
		4,703,612	-
Total assets		$ 8,838,525	$ 35,359
Liabilities and Shareholders' equity (deficiency)			
Current			
Acccounts payable and accrued liabilities	13	$ 1,585,558	$ 379,568
Current portion of lease liability	14	545,515	-
Due to related parties	15	20,459	30,296
		2,151,532	409,864
Lease liability	14	2,292,993	-
Government loan payable	16	67,574	-
		2,360,567	-
Total liabilities		4,512,099	409,864
Shareholders' equity (deficiency)			
Share capital	20	42,630,724	1
Warrants	20	1,866,866	-
Contributed surplus (deficiency)		(30,930,408)	-
Deficit		(9,240,756)	(374,506)
		4,326,426	(374,505)
Total liabilities and shareholders' equity (deficiency)		$ 8,838,525	$ 35,359

The accompanying notes are an integral part of these consolidated financial statements

Approved on behalf of the Board:

signed "Michael Steele"
Chair

signed "Kenneth Howling"
Chair, Audit Committee

Pathway Health Corp. (formerly Colson Capital Corp.)
Consolidated Statements of Loss and Comprehensive Loss
For the year ended December 30, 2021 and the 104 day period from the date of incorporation on September 18, 2020 to December 31, 2020

	Note	For the year ended December 31, 2021	For the 104 days ended December 31, 2020
Revenue	22	$ 10,895,372	$ -
Cost of sales			
Consultants		3,828,453	-
Cost of goods sold		735,951	-
Clinic and medical supplies		448,813	-
Total cost of sales		5,013,217	-
Gross margin		5,882,155	-
Selling, general and administrative expenses	23	11,706,178	374,506
Loss before other items		(5,824,023)	(374,506)
Other expenses (income)			
Reverse takeover transaction cost	5	1,251,608	-
Finance expense	24	601,373	-
Impairment of intangible assets	11	678,347	-
Share-based compensation	20(d)	547,700	-
Amortization of intangible assets	11	140,577	-
Share of loss of equity-accounting investment	9	138,239	-
Loss of control of related company	9	88,757	-
Fair value loss of guarantee	20(b)(xi)	54,762	-
Government grant	16	(25,558)	-
Gain on remeasurement of contingent consideration	13	(152,155)	-
Gain on disposal of intangible assets and goodwill	9	(255,328)	-
		3,068,322	-
Loss before income taxes		(8,892,345)	(374,506)
Income tax expense		-	-
Net loss and comprehensive loss		(8,892,345)	(374,506)
Net loss attributable to:			
Shareholders		(8,866,250)	(374,506)
Non-controlling interest	9	(26,095)	-
		$ (8,892,345)	$ (374,506)
Basic and diluted loss per share	21	$ (0.16)	$ (374,506)
Weighted average shares outstanding			
Basic and diluted	21	55,010,082	1

The accompanying notes are an integral part of these consolidated financial statements

Pathway Health Corp. (formerly Colson Capital Corp.)
Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
For the year ended December 30, 2021 and the 104 day period from the date of incorporation on September 18, 2020 to December 31, 2020

	Note	Share Capital Number	Share Capital Amount	Warrants	Contributed Surplus (Deficiency)	Equity Component of Convertible Debenture	Deficit	Total
Balance, September 18, 2020		-	$ -	$ -	$ -	$ -	$ -	$ -
Shares issued		1	1	$ -	-	-	-	1
Net loss and comprehensive loss		-	-				(374,506)	(374,506)
Balance, December 31, 2020		1	$ 1	$ -	$ -	$ -	$ (374,506)	$ (374,505)
Balance, January 1, 2021		**1**	**$ 1**	**$ -**	**$ -**	**$ -**	**$ (374,506)**	**$ (374,505)**
Business combination under common control	4(a)	**-**	**-**	**-**	**(31,478,108)**	**-**	**-**	**(31,478,108)**
Asset acquisition transaction	4(a)	**51,638,710**	**25,819,355**	**-**	**-**	**-**	**-**	**25,819,355**
Private placement, net of issuance cost	20	**27,750,000**	**10,537,322**	**1,866,866**	**-**	**-**	**-**	**12,404,188**
Equity component of convertible debenture	20	**-**	**-**	**-**	**-**	**66,508**	**-**	**66,508**
Conversion of debt	20	**10,864,108**	**4,692,198**	**-**	**-**	**(66,508)**	**-**	**4,625,690**
Shares issued on reverse takeover	20	**2,856,171**	**1,428,086**	**-**	**-**	**-**	**-**	**1,428,086**
Shares issued in business acquisition	4(b)	**300,000**	**99,000**	**-**	**-**	**-**	**-**	**99,000**
Shares issued to settle fair value guarantee	20	**238,095**	**54,762**	**-**	**-**	**-**	**-**	**54,762**
Share-based compensation	20	**-**	**-**	**-**	**547,700**	**-**	**-**	**547,700**
Net loss and comprehensive loss		**-**	**-**	**-**	**-**	**-**	**(8,866,250)**	**(8,866,250)**
Balance, December 31, 2021		**93,647,085**	**$ 42,630,724**	**$ 1,866,866**	**$ (30,930,408)**	**$ -**	**$ (9,240,756)**	**$ 4,326,426**

The accompanying notes are an integral part of these consolidated financial statements

Pathway Health Corp. (formerly Colson Capital Corp.)
Consolidated Statement of Cash Flows
For the year ended December 30, 2021 and the 104 day period from the date of incorporation on September 18, 2020 to December 31, 2020

	For the year ended December 31, 2021	For the 104 days ended December 31, 2020
Net loss	$ (8,866,250)	$ (374,506)
Operating activities		
Items not affecting cash		
Amortization of intangible assets	140,577	-
Depreciation of property and equipment	741,890	-
Finance expense	601,373	-
Share-based compensation	547,700	-
Government loan payable	(25,558)	-
Gain on remeasurement of contingent consideration	(152,155)	-
Gain on disposal of intangible asset and goodwill	(255,328)	-
Impairment of intangible assets	678,347	-
Loss of control of related company	88,757	-
Fair value of guarantee	54,762	-
Share of loss of equity-accounting investment	138,239	-
Reverse takeover transaction cost	1,251,608	-
	(5,056,038)	(374,506)
Changes in non-cash working capital balances		
Accounts and other receivables	343,754	(34,771)
Prepaids	(110,307)	-
Inventory	(26,771)	-
Accounts payable and accrued liabilities	239,641	379,568
Deferred revenue	(33,353)	-
Net cash used in operating activities	(4,643,074)	(29,709)
Financing activities		
Net repayments to related parties	(5,018,937)	30,296
Repayment of lease liability	(571,495)	-
Repayment of bridge notes	(750,000)	-
Proceeds from government loan	40,000	-
Proceeds from private placement, net of transaction costs	12,404,188	-
Interest paid	(378,434)	-
Proceeds from convertible debentures	645,000	-
Proceeds from bridge notes	750,000	-
Proceeds on issuance of share capital	-	1
Net cash provided by financing activities	7,120,322	30,297
Investing activities		
Cash acquired through business combination under common control	370,948	-
Derecognition of former subsidiary	(781)	-
Cash paid on acquisition of OCC (Note 4(b))	(150,000)	-
Investment in related company	(93,616)	-
Restricted cash	(75,000)	-
Cash from reverse takeover transaction	173,621	-
Purchase of intangible assets	-	-
Purchase of property and equipment	(99,579)	-
Net cash used in investing activities	125,593	-
	2,602,841	588
Cash, beginning of year	588	-
Cash, end of year	2,603,429	588

Non-cash financing and investing activities (Note 27)

The accompanying notes are an integral part of these consolidated financial statements

Note 1 – Nature of operations and going concern

Pathway Health Corp. ("the Company" or "Pathway"), formerly Colson Capital Corp. ("Colson"), is a public company, whose principal business is the operation of medical clinics that offer multidisciplinary therapies to patients that suffer from chronic pain. The clinical services are delivered in inter-disciplinary pain clinics operated by Pathway and through virtual care by physicians and other health care providers, who are trained in managing chronic pain through assessment and multi-modality treatments that include minimally-invasive approaches, intravenous therapies, allied health methods and the prescription of medical cannabis which is supplied to the patient directly by Health Canada approved Licensed Producers.

The Company was incorporated under the *Canada Business Corporations Act* on September 18, 2020 and completed a reverse takeover ("RTO") on May 31, 2021 (the "Closing Date") with Colson which was incorporated on September 4, 2014 under the provisions of the *Business Corporations Act* (Alberta). The Company's registered office is located at 1500, 850 – 2 Street SW, Calgary, AB T2P 0R8.

On June 17, 2021, the Company's shares commenced trading on the TSX-V under the symbol "PHC." The Company's shares are also listed on the Frankfurt exchange under the symbol "KL1."

Going concern

These consolidated financial statements are prepared on a going concern basis, which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of operations as they become due. The Company's ability to generate sufficient cash flows to maintain normal operations, if unsuccessful, will result in it not being able to continue as a going concern.

The Company has incurred significant losses to date. The net loss for the year ended December 31, 2021 totaled $8,892,345 and as at December 31, 2021 the Company had a deficit of $9,240,756 (deficit at December 31, 2020 - $374,506). The Company does have positive working capital of $1,983,381, including cash of $2,603,429 as well as positive shareholders' equity of $4,326,426 as at December 31, 2021. The Company has not yet achieved profitable operations and expects to incur further losses in the development of its businesses, prior to becoming profitable. These balances and the changes period over period indicate that there are material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Historically, management has been able to finance operations through related party financings and private placements and will continue, as appropriate, to seek financing from these and other sources; however, there are no assurances that any such financings can be obtained on favourable terms, if at all. In view of these conditions, the ability of the Company to continue as a going concern is dependent upon its continued ability to obtain financing, generate sufficient cash flows and, ultimately, achieve profitable operations. There can be no assurance that the steps management is taking will be successful.

The consolidated financial statements for the periods presented do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business as a going concern and such adjustments could be material.

Note 2 – Basis of presentation and significant accounting policies

In March 2020 there was a global pandemic outbreak of COVID-19. The actual and threatened spread of the virus globally has had a material adverse effect on the global economy and specifically in regional economies in which the Company operates. As Pathway was incorporated in 2020 and had limited operations, the pandemic had minimal impact, however, the operations of The Clinic Network Canada ("TCNC") acquired with the Asset Acquisition Transaction (Note 4(a)) had been impacted and continue to be impacted by the pandemic. Pathway, through its subsidiaries, received government assistance in the form of loans from the Canadian Emergency Business Account program ("CEBA"). The pandemic could continue to have a negative impact on the stock market and the Company's ability to secure additional capital. These factors among others could have a significant impact on the Company's operations. Management has given consideration as to the impact of COVID on the Company and concluded that the consolidated financial statements reflect and disclose management's best estimate and uncertainty regarding the impact of COVID-19 on the Company's future operations and financial results.

The consolidated financial statements of the Company were authorized for issue by the Board of Directors on April 26, 2022.

a) Statement of compliance

The consolidated financial statements, and the notes hereto have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as at December 31, 2021 and described in the summary of significant accounting policies.

b) New accounting standards issued but not yet effective

As of the date of authorization of these consolidated financial statements, several new, but not yet effective Standards and amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards or amendments to existing Standards have been adopted early by the Company. The Company anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Company's consolidated financial statements.

c) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments which are measured at fair value.

d) Consolidation

These consolidated financial statements of the Company include financial information of the Company and its wholly owned subsidiaries, Pathway Health Services Corp., 2563367 Ontario Ltd. (dba Silver Medical Group Centre for Pain Care), 9393 1681 Quebec Inc. (dba Slawner Ortho Ltee), 1964433 Alberta Ltd., 13199223 Canada Ltd., Pathway Healthcare Technologies Corp., Pathway Wellness Products Corp. and its 51% owned subsidiary, 10030712 Manitoba Ltd. until the loss of control of the entity on April 1, 2021 (Note 9).

Subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. Please see Note 9 for more detail.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company using consistent accounting policies. All transactions and balances between the Company and its subsidiaries are eliminated upon consolidation.

The Company attributes total comprehensive income or loss of subsidiaries between the owners of the Company and the non-controlling interest based on their respective ownership interest. A non-controlling interest is presented as part of equity for the portion of the subsidiary's profit or loss that is not controlled by the Company.

e) Foreign Currency

Functional and presentation currency

Amounts presented in the consolidated financial statements and the notes hereto are in Canadian dollars, which is the functional and presentation of the Company and all of its subsidiaries.

Foreign currency translation

Transactions in currencies other than Canadian dollars are translated at exchange rates prevailing at the time the transactions occurred. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at the reporting date. Exchange gains and losses on foreign currency differences are recognized in the consolidated statement of loss and comprehensive loss in the period incurred.

f) Cash

Cash consists of cash on hand and balances with banks.

g) Restricted cash

Restricted cash refers to funds in a guaranteed investment certificate, which is not available for immediate or general business use and is deposited with its banker as security on its corporate credit cards.

h) Financial instruments

All financial instruments are measured at fair value upon initial recognition of the transaction. Measurement in subsequent periods is dependent on whether the instrument is classified as "amortized cost", "fair value through profit or loss (FVTPL)" or "fair value through other comprehensive income". For financial assets, the classification depends on the Company's business model for managing the financial assets and the cash flows based on the terms of the contract.

The Company derecognizes a financial asset when the contractual right to the cash flows from the asset expires, or it transfers the right to receive the contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial assets and liabilities at amortized cost

The Company has the following financial assets and liabilities recognized at amortized cost:

- Cash and restricted cash is initially recognized at fair value and subsequently measured at amortized cost.

- Accounts and other receivables and due from related parties are financial assets with fixed or determinable payments that are not quoted in an active market and held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Such assets are recognized initially at fair value, adjusted for any directly attributable transaction costs. Any interest income on these assets is recognized using the effective interest rate method. Subsequent to initial recognition, accounts and other receivables are measured at amortized cost using the effective interest method, less any impairment losses.
- The Company's financial liabilities at amortized cost include accounts payable and accrued liabilities, redeemable preferred shares, lease liability, promissory note due to related party, due to related parties, 2020 convertible debentures, government loan payable and bridge notes. Financial liabilities at amortized cost are recognized initially at fair value net of any directly attributable transaction costs. These financial liabilities are subsequently measured at amortized cost using the effective interest method and transaction costs incurred are deferred and amortized using the straight-line method over the term of the loan.

Compound financial instruments are those legal instruments, such as convertible debentures which are convertible into a fixed number of equity instruments, which, in substance, contain more than one instrument. For the convertible debentures that are convertible into a fixed number of equity instruments, the liability component of compound financial instruments is initially recognized as the fair value of a similar liability that does not have any equity conversion option. The equity component is initially recognized as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. Interest related to the financial liability component is recognized in the consolidated statement of loss. On conversion, the financial liability is reclassified to equity and no gain or loss is recognized. See Note 18 for further details on the 2020 convertible debentures.

Financial liabilities at fair value

Debt facilities that can be converted into a variable number of equity instruments are classified entirely as liabilities.

The Company has elected to use the "fair value option" available under IFRS 9 for certain of its convertible debentures where the conversion option is into a variable number of equity instruments. Under this approach, a contract that contains one or more embedded derivatives that would normally be required to be accounted for separately can instead be accounted for in its entirety at fair value through profit or loss ("FVTPL"). As such, the embedded conversion feature is not separated and the embedded derivative and host debt are measured at fair value. The difference between the transaction price and fair value on initial recognition, if any, is amortized over the term of the instrument on a straight-line basis. See Note 18 for further details on the Company's convertible debentures.

The Company also accounts for contingent consideration on business acquisitions using FVTPL.

Transaction costs related to financial liabilities classified as FVTPL are expensed as incurred. Changes in fair value of financial liabilities at FVTPL, including interest, are recognized in profit or loss within finance income or expense in the period in which they arise. The component of fair value changes relating to the Company's own credit risk, if any, is recognized in other comprehensive income (OCI). Amounts recorded in OCI related to credit risk are not subject to recycling in profit or loss, but are transferred to retained earnings when realized.

Debt facilities that are initially accounted for at FVTPL which have provisions that subsequently cause the conversion rates to become fixed so that the instrument can be converted into a fixed number of equity instruments, are accounted for under the fair value option described above until the provisions in the facility are triggered and the conversion rates become fixed. The difference between the fair value at the triggering date and the revalued instrument under the compound instruments policy described above, are recognized in the consolidated statement of loss in the period in which they arise.

Impairment of financial assets

The Company's accounts and other receivables are subject to the expected credit loss model under IFRS 9 'Financial Instruments'. The Company applies the simplified approach to providing for expected credit losses for its trade receivables.

At each reporting date, the Company assesses whether there are indications that financial assets may be impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, that the loss event has an impact of the future cash flows on the asset that can be estimated reliably. Objective evidence that financial assets are impaired can include:

- default or delinquency by a borrower;
- indication that the borrower will enter bankruptcy;
- the disappearance of an active market for a security; or
- other observable data such as adverse changes in the payment status of the borrower.

i) Property and equipment

Property and equipment are stated at cost, less accumulated depreciation and impairment losses. Cost includes any costs directly attributable to bringing the asset to the location and conditions necessary for the property or equipment to be capable of operating in the manner intended by management. Depreciation is calculated using the straight-line method to allocate their cost net of their residual values over their estimated useful lives as follows:

• Computer equipment	3 years
• Furniture and fixtures	5 years
• Medical equipment and machinery	5 years
• Leasehold improvements	Shorter of useful life and term of the lease
• Right-of-use assets	Shorter of useful life and term of the lease

Depreciation commences when the assets is available for use. The assets' residual values, useful lives and method of depreciation are reviewed at each financial year end and adjustments are accounted for prospectively, if appropriate. An item of property and equipment is derecognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of an asset is included in profit or loss in the period the asset is derecognized.

j) Revenue

Revenue arises mainly from providing medical services to patients, collaboration with third parties for educational services and the sale of products.

The Company determines the amount of revenue to be recognized through the application of the following steps:

- Identification of the contract with customer and/or patients;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when or as the Company satisfies the performance obligations.

For revenue from services delivered to patients, the Company recognizes revenue once the services have been rendered, the amount of revenue can be reliably measured and when it is probable that future economic benefits will flow to the Company. The Company's performance obligations are satisfied at a point in time when the services are rendered.

For revenues derived from collaborations with third parties for delivery of educational services to patients, the Company recognizes revenue based on contracted terms with third parties once orders are received by the third parties. Contracted terms do not include the provision of post-service obligations. The Company's performance obligations are satisfied at a point in time when the patient orders are fulfilled by the third parties.

For revenues from the sale of products, which may include fitting and customization, the Company recognizes revenue when the Company transfers control of the products to the customer, the amount of revenue can be reliably measured and when it is probable that future economic benefits will flow to the Company. The Company's performance obligations are satisfied at a point in time when the products are delivered to the customer, most often at the point of sale.

Revenue comprises the fair value of the consideration received or receivable for services or products delivered. The Company does not have any contracts where the period between the provision of the services and/or products to the patients and/or customers and payment by the patients/customers or third-party payer exceeds one year. As such, the Company does not adjust any of the consideration received or receivable for the time value of money. Clients may pay in advance of using the service or receiving the products in which case the amount paid is recorded as contract liability and recognized as revenue when the performance obligation has been satisfied.

k) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred by the Company to obtain control of a subsidiary is measured as a sum of the acquisition-date fair values of assets transferred, liabilities incurred, and the equity interest issued by the Company, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred except for costs related to shares issued in conjunction with the business combination, which are included as a component of equity when the shares are issued.

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognized. In a business combination, when the fair value attributable to the Company's share of the net identifiable assets acquired exceeds the cost of the business combination, the excess is recognized immediately in profit or loss.

Goodwill is carried at cost less accumulated impairment losses.

Business combinations involving entities under common control are accounted for using the predecessor value method. This involves accounting for the assets and liabilities of the acquired business using existing carrying values. Under this method, no goodwill is recognized. The difference between the consideration transferred and the existing carrying values of the assets transferred, liabilities incurred, and equity interest issued is recognized in a separate component of equity. Acquisition costs are expensed as incurred except for costs related to shares issued in conjunction with the business combination, which are included in equity. The Company consolidates the results of the acquiree only from the date of combination.

l) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination are their fair values at the date of acquisition unless it is a business combination under common control in which case they are recorded at the predecessor company's carrying value. Following initial recognition, intangible assets are carried at cost less accumulated amortization and any accumulated impairment losses. The estimated useful lives are as follows:

• Physician and Customer list	3-5 years
• Standard Operating Procedures	5 years
• Software	5 years
• Technology	5 years
• Brand	25 years
• Group billing number	Indefinite useful life

Intangible assets with finite lives are amortized over their estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and method of amortization is reviewed at least annually.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

m) Inventories

Inventories are valued at the lower of cost and net realizable value.

Costs of inventory include costs of purchase, costs of conversion, and any other costs incurred in bringing the inventories to their present location and condition. Costs of conversion include direct costs (materials). Raw materials and finished goods costs are determined on a weighted average cost basis.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

n) Leases

At the inception of a lease contract, the Company assesses whether the contract is or contains a lease. A contract is, or contains, a lease if the contract conveys that right of control of the use of an identified asset for a period of time in exchange for consideration. In assessing whether a contract conveys the right to control the use of an identified asset, the Company assesses whether: (i) the contract involves the use of an identified asset; (ii) the Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period, and/or; (iii) the Company has the right to direct the use of the asset.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The Company presents right-of-use assets in property and equipment. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term plus expected renewal options which are available to the Company. In addition, the right-of-use asset is reduced by impairment losses, if any identified, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that have not been paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability may be compromised of: (i) fixed payments; (ii) variable lease payments that depend on an index rate, initially measured using the index as at the commencement date; (iii) amounts expected to be payable under a residual value guarantee; (iv) the exercise price under purchase option that the Company is reasonably certain to exercise; (v) lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and (vi) penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The Company recognizes a depreciation charge for right-of-use assets and interest expense on lease liabilities in the consolidated statement of loss. Lease payments for short-term leases and for leases of low-value assets that are not included in the measurement of the lease liability are classified as cash flows from operating activities.

o) Cost of sales

Cost of sales includes the cost of physician consultants, medical supplies, products, raw materials, license fees, and shipping.

p) Government assistance

Government assistance is recognized when there is reasonable assurance that the Company will comply with the conditions attached and the Company is reasonably certain that the government assistance will be received. Grants that compensate the Company for expenses incurred are recognized as a reduction to the related expense on a systematic basis in the periods in which the expenses are recognized.

Loans received from government are recognized initially at fair value, with the difference between the fair value of the loan based on prevailing market interest rates and the amount received, being recorded as government grant in the statements of loss and comprehensive loss.

q) Share-based compensation

Share-based payments are accounted for using the fair value method.

The Company issues equity-settled share-based awards to eligible employees, directors, officers, and consultants. The fair value of options granted to employees, officers and directors are determined using a Black-Scholes Option Pricing model at the grant date and expensed over the vesting period with a corresponding increase in contributed surplus. Expected forfeitures are estimated at the date of grant and subsequently adjusted if further information indicates estimated forfeitures will change. Upon the exercise of the stock options, consideration received together with the amount previously recognized in contributed surplus is recorded as an increase to share capital. Contributed surplus related to stock options which expire unexercised is reclassified to deficit and remains within the equity section of the consolidated statement of financial position.

r) Joint arrangements

Under IFRS 11, *Joint Arrangements,* investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Company has a joint arrangement which it has assessed is a joint venture. Interest in joint ventures is accounted for using the equity method, after initially being recognized at cost in the consolidated statements of financial position.

Under the equity method of accounting, the investment is initially recognized at cost and adjusted thereafter to recognize the Company's share of the post-acquisition profits or losses of the investee in profit or loss, and the Company's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognized as a reduction in the carrying amount of the investment.

Where the Company's share of the losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Company and its joint venture are eliminated to the extent of the Company's interest in the entity. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The carrying amount of equity-account investments are tested for impairment in accordance with the impairment of non-financial assets and goodwill policy as described in the Note 2(t).

The Company treats transactions with non-controlling interest that do not result in a loss of control as transactions with equity owners of the Company. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interest to reflect their relative interest in the subsidiary. Any difference between the amount of the adjustment non-controlling interest and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of the Company.

When the Company ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Company had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

If the ownership interest of a joint venture or an associate is reduced but joint or significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

s) Income taxes

Income tax expense is comprised of current and deferred taxes. Current and deferred tax is recognized in net loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income.

<u>Current taxes</u>

Current income taxes for the current period, including any adjustments to the tax payable in respect of previous years, are recognized and measured at the amount expected to be recovered from, or payable to, the taxation authorities based on the tax rates that are enacted or substantively enacted by the end of the reporting period.

<u>Deferred taxes</u>

Deferred tax assets and liabilities are recognized for temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases using the tax rates that are expected to apply in the period in which the deferred tax asset or liability is expected to settle, based on the laws that have been enacted or substantively enacted by the reporting date. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable income nor the accounting income. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probably that taxable income will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and reduced accordingly to the extent that is no longer probable that they can be utilized. Deferred income tax assets and liabilities are presented as non-current and are determined on a non-discounted basis.

t) Impairment of non-financial assets and goodwill

Non-financial assets, including property and equipment and intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For goodwill and intangible assets with an indefinite useful life, the Company tests for impairment at least annually in the fourth quarter of each fiscal year as required under IAS 36. If indicators of impairment exist, the recoverable amount of the asset is estimated. For the purpose of measuring recoverable amounts where the recoverable amount of an asset cannot be determined, the assets are grouped at the lowest levels for which there are separately identifiable cash generating units ("CGUs").

The CGUs are the smallest identifiable group of assets that generate cash inflows independent of cash inflows of other groups of assets. The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration. The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of 1) an asset's fair value less costs of disposal and 2) value in use. Value in use of each CGU is determined using estimated discounted cash flows, which include estimates of future cash flows and determination of the discount rate. The fair value less costs of disposal is based on available data from sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. Impairment loss is recorded in the period when it is determined that the carrying amount of the asset, or its CGU, may not be recoverable. Impairment losses recognized in respect of CGUs are allocated to the carrying amounts of the assets in the unit or group of units on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other non-financial assets, at the end of each reporting period, the Company makes an assessment as to whether there is any indication that previously incurred impairment losses have reversed. If such an indication exists, the Company estimates the asset's, or its CGU's recoverable amount, and compares it to the carrying amount, net of accumulated depreciation and amortization that would have been determined had no impairment loss been recognized. Any reversal is limited to this latter amount.

u) Fair value measurement

The Company classifies its deferred acquisition costs, contingent consideration, convertible note, and certain convertible debentures at FVTPL.

The Company determines the fair value of items held at fair value according to the following hierarchy based on the amount of observable inputs used to value the instrument.

- Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.
- Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

v) Provisions and contingencies

Provisions and contingencies are recognized when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. The timing or amount of the outflow may still be uncertain. Provisions and contingencies are measured at managements' best estimate of the expenditure required to settle the obligation at the end of the reporting period. Each obligation is discounted to present value using the expected future cash flow at a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

w) Loss per share

Basic earnings (loss) per share is calculated by dividing net earnings (loss) by the weighted average number of common and preferred shares outstanding during the year.

Diluted earnings (loss) per share reflects the potential dilution that would occur if there were stock options, warrants, or other convertible securities that were exercised or converted. Diluted earnings (loss) per share is calculated by dividing net earnings (loss) available to common shareholders by the sum of the weighted average number of common and preferred shares outstanding and all additional common and preferred shares that would have been outstanding arising from the exercise or conversion of potentially dilutive stock options, warrants, or other convertible securities outstanding during the year.

The Company uses the treasury method for outstanding options which assumes that the proceeds that could be obtained upon exercise of options are used to purchase the Company's common shares at the fair market value or average market price during the year. Anti-dilutive amounts are not considered in computing diluted earnings (loss) per share.

x) Share capital and contributed surplus

Common shares are classified as equity. Transaction costs that are incremental and directly attributable to the issue of common shares are recognized as a deduction from equity net of any tax effects. The cost of repurchased common shares is recognized as a reduction of share capital. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

For equity offerings of units consisting of a common share and a warrant or participation right, when both instruments are classified as equity, the Company bifurcates the proceeds between the common share and the warrant or participation right. The fair value of warrants or participation rights, as calculated at the date of issue using a Black-Scholes pricing model or other appropriate method, is included in contributed surplus.

Redeemable preferred shares are classified as a liability due to the redemption rights of the shareholders. Dividends are recognized in profit or loss as accrued.

Contributed surplus related to stock options and warrants which expire unexercised is reclassified to deficit and remains with the equity section of the consolidated statements of financial position.

Note 3 – Significant accounting estimates and judgments

Estimates

The following are estimates and their assumptions concerning the sources of estimation uncertainty during the reporting periods that have a significant risk of causing adjustments to the carrying amounts of the assets and liabilities:

a) Business combinations

In a business combination, the Company may acquire assets and assume certain liabilities of an acquired entity. Estimates are made as to the fair value of property and equipment, intangible assets, and goodwill, among other items. In certain circumstances, such as the valuation of property and equipment, intangible assets and goodwill acquired, the Company may rely on independent third-party valuators. The determination of these fair values involves a variety of assumptions, including revenue growth rates, expected operating income, discount rates, and market comparable based multiples.

In certain acquisitions, the Company may include contingent consideration which is subject to the acquired business achieving certain performance targets. At the date of acquisition and at each subsequent reporting period, the Company estimates the future performance of acquired businesses, which are subject to contingent consideration, in order to assess the probability that the acquired business will achieve its performance targets and thus earn its contingent consideration. Any changes in the fair value of the contingent consideration classified as a liability between reporting periods are included in the determination of net income/loss. Changes in fair value arise as a result of various factors, including the estimated probability of the acquired business achieving its earnings targets.

b) Provisions and contingencies

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligations, and a reliable estimate of the obligation can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax ate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognized as a finance cost. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. No liability is recognized if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

c) Accounts and other receivables

The valuation of accounts and other receivables is based on management’s best estimate of the provision for doubtful accounts based on expected credit losses. Management monitors receivables for indicators of impairment on an ongoing basis. The amount recognized as impairment is based on management’s past experience and future expectations related to the financial conditions of customers, the value of the receivables and economic trends impacting the product markets in which the Company participates. The reversal of any impairment of receivables would be recognized in the consolidated statement of loss in the period in which the reversal occurred.

d) Income taxes

The Company makes estimates in respect of deferred tax liabilities and deferred tax assets. Full provision is made for future and current taxation at the rates of tax prevailing at the year end unless future rates have been substantively enacted. These calculations represent the Company's best estimate of the costs that will be incurred and recovered but actual experience may differ from the estimates made and therefore affect future financial results. The effects would be recognized in profit or loss, primarily through taxation.

The Company recognizes the deferred tax benefit related to deferred tax assets to the amount that is probable to be realized. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable profit. In addition, future changes in tax law could limit the ability of the Company to obtain tax deductions from deferred tax assets.

e) Depreciation and amortization

The Company provides for depreciation expense on property and equipment at rates designed to amortize the cost of individual items and their material components over their estimated useful lives as well as provides for amortization expense on intangible assets over the life of the intangible. Management makes estimates of future useful life based on patterns of benefit consumption and impairments based on experience and market conditions. Impairment losses, depreciation and amortization expense are presented in profit or loss of the current period.

f) Convertible debentures

Convertible debentures that can be converted into a fixed number of equity instruments have been separated into liability and equity components for accounting purposes based on the residual value method, whereby the fair value of the liability component is measured first with the residual value being allocated to the conversion feature. The fair value of the liability component is measured using a discount rate for a similar financial instrument without the conversion feature. The liability component is subsequently measured at amortized cost using the effective interest rate method and will accrete up to the principal at maturity.

g) Inventories

Inventory is valued at the lower of cost and net realizable value. Net realizable value for inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Provisions are made in profit or loss of the current period on any difference between book value and net realizable value.

h) Leases

The Company cannot readily determine the interest rate implicit in the lease; therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay 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 asset in a similar economic environment. The Company estimates the IBR based on the lease term, collateral assumptions, and the economic environment in which the lease is denominated.

i) Share-based compensation

The fair value of share-based payments (stock options and warrants) are determined using the Black-Scholes option pricing model based on estimated fair value at the date of grant. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility and expected life of the award. Changes in assumptions can significantly affect the fair value estimate.

j) Identification of cash generating units ("CGU")

A CGU is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. Identifying CGUs is a critical step in the impairment review of assets and can have a significant impact on its results. The identification of CGUs requires judgement and may also change from time to time due to changes in the Company's operations and the way it conducts them.

k) Impairment and reversal of impairment of non-financial assets

Impairment exists when the carrying amount of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. Impairment is reversed when the recoverable amount exceeds the carrying amount.

The fair value less cost of disposal calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset.

Considerable judgment is applied in assessing indicators of impairment or impairment reversal and concluding whether impairment or reversal or impairment would subsequently be recorded. Many of the indicators used in these assessments are outside of management's control and inherently uncertain. As a result, it is reasonably likely that assumptions and estimates could change in future periods that could then have significant impact on the recoverable amount.

l) Fair value measurement

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available). This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case, management uses the best information available. Changes in assumptions could significantly affect the reported fair value of the financial instruments and estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

m) Going concern

The Company regularly reviews and makes an assessment of its ability to continue as a going concern. This assessment relies on significant judgments and assumptions, taking into account all known future information.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimating uncertainty at the statement of financial position date that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below:

a) Impairment of financial assets

All of the Company's financial assets are reviewed for indicators of impairment. At the end of each reporting period, management reviews the individual balances in accounts receivable and assesses their recoverability based on the aging of outstanding balances, historical bad debt experience, and indicators of changes in customer credit worthiness, and changes in customer payment terms, to identify and determine the extent of impairment, if any. The Company has established and applied a provision matrix to the trade accounts receivable balances in order to calculate an allowance for expected credit losses. Actual collectability of customer balances can vary from the Company's estimation.

b) Impairment of non-financial assets

The Company tests property and equipment and intangible assets for impairment if indicators are present. Intangible assets with an indefinite useful life and goodwill are tested for impairment at least annually. An impairment loss is recognized for the amount by which the carrying amount of the CGU, or group of CGUs, to which the property and equipment, intangible asset and goodwill is allocated exceeds its recoverable amount. The recoverable amount of the CGU, or group of CGUs, is the higher of its fair value less cost of disposal and its value in use. Management estimates expected future cash flows from each CGU, or group of CGUs, in determining the value in use. Management makes assumptions about future cash flows which are based in future events and circumstances.

c) Deferred tax assets

Management estimates the probability of future taxable income in which deferred tax assets can be utilized based on the Company forecasts. The Company also takes into consideration non-taxable income and expenses and the various tax rules in effect or expected to be in effect at a future date. If a positive forecast of taxable income indicates the probably use of a deferred tax asset, that deferred tax asset is recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or economic limits or uncertainties is assessed individually by management based on specific circumstances.

d) Joint venture

Management has concluded that the Company has joint control over 10030712 Manitoba Ltd., even though it owns 51% of the outstanding shares of the entity. While the Company is the majority shareholder, the Company and the remaining shareholder each have equal representation on the board of directors. A Unanimous Shareholders Agreement signed April 1, 2021, stipulates that all substantial decisions (i.e. business plans, material expenses, obtaining financing, board members and asset sale or purchase etc.) must be approved by the board of directors and majority of shareholders. The two parties involved transfer the legal ownership of the assets that they contributed to the joint arrangement and only have rights to the net assets of 10030712 Manitoba Ltd. As a result, the Company has accounted for 10030712 Manitoba Ltd. as a joint venture using the equity method (Note 9).

Note 4 – Business combinations

a) The Clinic Network Canada Inc.

On January 18, 2021, Pathway entered into an Asset and Share Purchase Agreement with TCNC, a wholly-owned subsidiary of Cura-Can Health Corp. ("Cura-Can"), for purchase of all or substantially all of the operating assets of TCNC. The consideration payable under the TCNC Asset Acquisition pursuant to the Asset and Share Purchase Agreement consisted of a $4,855,301 non-interest bearing demand promissory note, 10,093,484 Class C preferred shares and 41,545,226 Class D preferred shares as well as the assumption of certain liabilities.

The preferred shares were classified as a liability as they are redeemable at the option of the holder. As part of the RTO transaction these shares were exchanged on a 1:1 basis for common shares of the public company. See Note 5 for more detail.

The combining entities are ultimately controlled by the same parties prior to and subsequent to the business combination, which is considered a transaction under common control. The Company has elected to apply predecessor accounting to the transaction and as such, all assets and liabilities acquired are transferred at the carrying values from the predecessor company. No goodwill is recorded for the difference between the net assets acquired and consideration paid, resulting in an adjustment to equity.

Fair value of consideration transferred		
51,638,710 redeemable preferred shares	$	25,819,355
Promissory note		4,855,301
Cash acquired		(370,948)
		30,303,708
Recognized amounts (predecessor carrying values)		
Assets acquired		
Accounts and other receivables		1,846,314
Due from related parties		56,194
Inventory		313,569
Prepaids		139,272
Property and equipment		655,941
Right-of-use assets		2,840,667
Intangibles		1,438,222
Goodwill		563,129
		7,853,308
Less fair value of liabilities assumed		
Accounts payable and accrued liabilities		1,111,367
Deferred revenue		33,353
Lease liability		3,148,541
Due to related parties		88,000
Government loan		42,978
Convertible debt		4,483,102
		8,907,341
Net identifiable assets acquired and liabilities assumed		(1,054,033)
Total recognized net assets	$	31,357,741

Of the total recognized net assets, $120,367 of net liabilities related to non-controlling interest in 10030712 Manitoba Ltd. See Note 9 regarding the change in control.

Under the predecessor accounting method, the Company has chosen to show TCNC's consolidated results prospectively from January 18, 2021.

b) O Cannabis We Stand on Guard for Thee Corp ("OCC")

Effective September 1, 2021, the Company acquired assets from OCC. Management determined that the assets acquired met the definition of a business under IFRS 3 *Business Combinations* and have accounted for this acquisition as a business combination. The acquisition was completed to give the Company access to approximately 4,000 new active patients and expand its telemedicine footprint in several provinces including British Columbia and the Maritimes.

The total maximum purchase price of $400,000 consisted of the following:

- Cash payment of $150,000
- Issuance of 300,000 common shares at a deemed price of $0.50 per share on closing, unless the 5-day volume weighted average ("VWAP") price of the shares preceding the date that is four months after the closing date of the transaction is less than $0.50, then the Company will either pay: 1) Cash in an amount equivalent to the lesser of $30,000 or the product of the VWAP and 75,000; or 2) issue common shares equivalent to the lesser of 75,000 or the quotient of $30,000 and the VWAP. Management has accrued the full $30,000; and
- A performance bonus up to a maximum aggregate amount of $100,000 payable in either cash or issuance of common shares based on the number of patients on the patient list transferred that renews their annual medical document in the first 12 months after closing. This was assessed to have $nil value.

The following table summarizes the purchase consideration and estimated provisional purchase price allocation for the acquisition, subject to finalization of the valuation of the fair value of the acquired assts at the date of acquisition.

Fair value of consideration transferred		
Cash	$	150,000
300,000 common shares issued		99,000
Fair value guarantee		30,000
	$	279,000
Fair value of identifiable assets acquired		
Assets		
Customer List	$	167,219
Brand		34,776
		201,995
Goodwill		77,005
Net identifiable assets acquired	$	279,000

The goodwill recognized on acquisition represented expected expanded operations and included intangible assets that do not qualify for separate recognition. The goodwill recognized is not deductible for income tax purposes. The total acquisition costs related to this transaction were $58,873 and is included in professional and consulting fees within selling, general and administrative expenses.

Since the date of acquisition, the revenues from OCC were $105,227 and the net income (excluding acquisition costs) was $15,153 which is included in the year ended December 31, 2021. If the assets were acquired January 1, 2021, the consolidated revenues would have totaled $11,092,070 for the year ended December 31, 2021. If the assets were acquired January 1, 2021, the Company estimates that it would have reported consolidated net loss of $7,855,727 for the year ended December 31, 2021.

Note 5 – Share exchange agreement and reverse takeover

On January 29, 2021, Pathway entered into a definitive share exchange agreement with Colson (TSXV:COLSP), a capital pool company whose shares were listed on the NEX board of the TSX Venture Exchange. Under the terms of the agreement, Colson purchased all of the issued and outstanding shares of Pathway in a 1:1 exchange for the issuance of post-consolidation Colson shares. This resulted in the reverse take-over of Colson by Pathway (the "RTO Transaction"). The RTO Transaction together with the Asset Acquisition Transaction (see Note 4(a)) constitutes a Qualifying Transaction pursuant to the policies of the TSX Venture Exchange.

Prior to closing the RTO Transaction, Colson consolidated the 8,400,000 common shares of Colson ("Colson Shares") on the basis of 2.941:1, resulting in an aggregate of approximately 2,856,171 post consolidation Colson shares issued and outstanding. Colson also changed its name from "Colson Capital Corp. to "Pathway Health Corp." Furthermore, 90,252,819 common shares of the Company were issued to former shareholders of Pathway (including 27,600,000 common shares issued as part of subscription receipts from a private placement – Note 20). The RTO transaction was completed on May 31, 2021, with Pathway shares commencing trading on the TSXV under the symbol "PHC" on June 17, 2021.

For accounting purposes, the RTO Transaction was considered to be an asset acquisition and has been treated as a capital transaction under IFRS 2 – Share Based Payments, where Pathway has been treated as the accounting parent company (legal subsidiary) and Colson has been treated as the accounting subsidiary (legal parent). As a result of Colson not meeting the definition of a business under IFRS 3 Business Combinations, transaction costs of $1,251,608 had been recorded as a reverse takeover transaction cost. This reflected the excess of the purchase price over the fair value of the assets and liabilities acquired. Consideration included the 2,856,171 common shares of Pathway valued at $0.50 per common share. The allocated purchase price calculation is as follows:

Fair value of consideration transferred	
2,856,171 common shares	$ 1,428,086
Fair value of identifiable assets acquired and liabilities assumed	
Cash acquired	173,620
Accounts recievable	4,832
Accounts payable	(1,974)
Net assets acquired	176,478
Reverse takeover transaction cost	$ 1,251,608

Note 6 – Restricted cash

The Company has a guaranteed investment certificate outstanding in the amount of $75,000 ($nil at December 31, 2020), which is deposited with its banker as security on its corporate credit cards. The investment earns interest at a rate of 0.55% per annum and matures on December 6, 2022.

Note 7 – Accounts and other receivables

	December 31, 2021	December 31, 2020
Trade receivables	**$ 811,587**	$ -
Sales tax recoverable	**-**	34,771
	$ 811,587	$ 34,771

Note 8 – Inventory

Inventory is comprised of the following:

	December 31, 2021	December 31, 2020
Raw materials	$ 24,821	$ -
Finished goods	315,519	-
	$ 340,340	$ -

Inventories expensed to cost of goods sold during the year ended December 31, 2021 are $735,951 (For the 104 days ended December 31, 2020 - $nil). Inventory mainly consists of orthotics, prosthetics and home healthcare products.

Note 9 – Investment in related company

In December of 2018, TCNC acquired 51 common shares of 10030712 Manitoba Ltd. ("Manitoba") upon incorporation for $0.10 per share for a total of $5. The company was established through an agreement with Chief Peguis Investment Corp. ("Peguis") to provide interdisciplinary healthcare at a clinic in Manitoba, Canada. Manitoba was 51% owned by the Company, which did not arise as a result of a business combination, and 49% owned by Peguis, who acquired 49 common shares in December 2018 for $5. The common shares were transferred from TCNC to Pathway as part of the Asset Acquisition Transaction on January 18, 2021 (Note 4(a)).

Prior to April 1, 2021, the results of Manitoba were consolidated within the Company's results and non-controlling interest recorded for Peguis' share of Manitoba's net loss for the year and proportionate investment in Manitoba through capital contributions. A Unanimous Shareholder Agreement was signed effective April 1, 2021 giving both parties joint control over Manitoba. The Company determined Manitoba was a joint venture and has accounted for it using the equity method. The assets, liabilities and non-controlling interest were de-recognized on the consolidated financial statements resulting in an initial loss recognition of $70,430 and deferred cost of $73,305. The deferred cost will be amortized into loss of control of related company on a straight-line basis over three years. During the year ended December 31, 2021 $18,327 of the deferred cost was amortized and included in loss of control of related company on the consolidated statements of loss.

Balance at September 18 and December 31, 2020	$ -
Loss of control of related company	73,305
Amortization	(18,327)
Balance at December 31, 2021	$ 54,978

TCNC had previously purchased specific assets from Natural Health Services ("NHS"), a subsidiary of its parent Cura-Can. TCNC had also purchased certain clinical operational assets from National Access Canada Corporation ("NACC") and Meta Growth Corporation (the "NHS and NACC Acquired Assets"). These assets were acquired by Pathway as part of the Asset Acquisition Transaction (Note 4(a)). The Company contributed all of its right, title and interest in and to any part of the NHS and NACC Acquired Assets that solely related to the province of Manitoba and will provide a non-exclusive, royalty-free, fully paid up, non-transferable, non sub-licensable license to use the intellectual property in connection with the conduct of the operations of the clinics in Selkirk and Winnipeg, and to allocate revenues attributable to the current and former patients of NHS and NACC in those locations. In exchange for this contribution, Peguis agreed to make a capital contribution of $250,000 per location (for a total of $500,000) to Manitoba which will be offset against the Selkirk Loan and Winnipeg Loan. Subsequent to these contributions, the Company will continue to hold 51 shares, representing 51% of the issued and outstanding shares and 1002241 Manitoba Ltd. will continue to hold 49 shares, representing 49% of the issued and outstanding shares. The purchase price of these intangible assets were deemed to be $260,204 per location (for a total of $520,408) resulting in gain of $255,328 on the Company's consolidated statement of loss and comprehensive loss for the year ended December 31, 2021.

Fair value of consideration transferred		
Selkirk contribution value	$	260,204
Winnipeg contribution value		260,204
		520,408
Net book value of identifiable assets transferred		
Customer List		102,396
Brand value		27,451
Goodwill		135,233
Net assets transferred		265,080
Gain on disposal of intangible assets and goodwill	$	255,328

The following table summarizes the financial information of Manitoba as included in its own financial statements:

		December 31, 2021
Current assets(1)	$	437,176
Non-current assets		2,433,724
Current liabilities		(408,722)
Non-current liabilities		(1,368,221)
Net assets	$	1,093,957

(1) Current assets includes $21,248 due from the Company.

		The year ended December 31, 2021
Revenue	$	259,731
Loss from continuing operations and comprehensive loss		(271,057)
Company's share of comprehensive loss	$	(138,239)

The following table outlines changes in the Company's equity method investment:

		December 31, 2021
Balance, January 1, 2021	$	-
Asset acquisition transaction		299,384
Contribution prior to derecognition		43,900
Derecognition of subsidiary		(343,317)
Transfer of intangible asset and goodwill		520,480
Share of loss of equity		(138,239)
Capital contribution		93,616
Balance December 31, 2021	$	475,824

On April 1, 2021, the Company entered into a set of agreements with Peguis, under which 10030712 Manitoba Ltd. (the "JV") would lease two locations (Selkirk and Winnipeg, Manitoba) with an initial term of five years and an option for two additional renewal terms of five years each. As part of the lease and sublease, Peguis, in the form of loans to the JV, incurred $595,402 (the "Selkirk Loan") and $448,361 (the "Winnipeg Loan") in leasehold improvement costs in these two locations, respectively. Under the lease and sublease, the leasehold improvement loans will be repaid over the initial term plus all renewal terms of the lease and sublease (estimated maturity date of October 1, 2035) and the repayments will be added to the monthly lease payment of each location. Interest will accrue on the outstanding balance of the leasehold improvement loans at a rate of 6% per annum. The lease and sublease have been dated effective October 1, 2020.

In addition, the JV has entered into a management agreement with Pathway under which Pathway would oversee its operations (the "Management Agreement") until such time as Peguis or Pathway give notice and/or become insolvent or windup their business.

Note 10 – Property and equipment

Cost	Leasehold improvements	Computer equipment	Medical equipment and machinery	Furniture and fixtures	Right-of-use assets	Total
Balance at September 18 and December 31, 2020	$ -	$ -	$ -	$ -	$ -	$ -
Acquired through business combination under common control (Note 4)	200,520	92,508	574,284	111,594	3,911,560	**4,890,466**
Loss of control of subsidiary (Note 9)	(48,917)	-	(221,794)	(67,816)	-	**(338,527)**
Additions	65,128	16,454	11,544	6,453	261,462	**361,041**
Balance at December 31, 2021	**$ 216,731**	**$ 108,962**	**$ 364,034**	**$ 50,231**	**$ 4,173,022**	**$ 4,912,980**

Accumulated Depreciation	Leasehold improvement	Computer equipment	Medical equipment and machinery	Furniture and fixtures	Right-of-use assets	Total
Balance at September 18 and December 31, 2020	$ -	$ -	$ -	$ -	$ -	$ -
Acquired through business combination under common control (Note 4)	59,096	42,317	177,275	44,277	1,070,893	**1,393,858**
Loss of control of subsidiary (Note 9)	(6,522)	-	(99,807)	(30,517)	-	**(136,846)**
Depreciation for the year	22,173	23,003	77,741	11,722	607,251	**741,890**
Balance at December 31, 2021	$ 74,747	$ 65,320	$ 155,209	$ 25,482	$ 1,678,144	**$ 1,998,902**
Net Book Value						
Balance at December 31, 2020	$ -	$ -	$ -	$ -	$ -	$ -
Balance at December 31, 2021	**$ 141,984**	**$ 43,642**	**$ 208,825**	**$ 24,749**	**$ 2,494,878**	**$ 2,914,078**

Note 11 – Intangible assets

	Group billing number	Brand	Customer & Physician List	Standard Operating Procedures	Software	Total
Cost						
Balance at September 18 and December 31, 2020	$ -	$ -	$ -	$ -	$ -	**$ -**
Acquired through business combination under common control (Note 4)	180,761	804,632	301,166	200,000	100,000	**1,586,559**
Contribution to joint venture (Note 9)	-	(28,300)	(120,466)	-	-	**(148,766)**
Acquired through business combination (Note 4)	-	34,776	167,220	-	-	**201,996**
Balance at December 31, 2021	$ 180,761	$ 811,108	$ 347,920	$ 200,000	$ 100,000	**$ 1,639,789**
Accumulated Amortization and Impairment						
Balance at September 18 and December 31, 2020	$ -	$ -	$ -	$ -	$ -	**$ -**
Acquired through business combination under common control (Note 4)	-	58,597	32,869	35,161	21,710	**148,337**
Contribution to joint venture (Note 9)	-	(849)	(18,070)	-	-	**(18,919)**
Impairment (Note 12)	180,761	497,586	-	-	-	**678,347**
Amortization for the period	-	32,761	50,559	38,172	19,085	**140,577**
Balance at December 31, 2021	$ 180,761	$ 588,095	$ 65,358	$ 73,333	$ 40,795	**$ 948,342**
Net Book Value						
As at December 31, 2020	$ -	$ -	$ -	$ -	$ -	$ -
As at December 31, 2021	**$ -**	**$ 223,013**	**$ 282,562**	**$ 126,667**	**$ 59,205**	**$ 691,447**

The Company reviews the carrying value of the intangible assets at each reporting period for indicators of impairment. Upon completion of this review for the year ending December 31, 2021, it was determined the impact of the COVID-19 global pandemic resulted in underperforming operating results for the Silver CGU. There were no indicators of impairment for the Virtual clinics, OCC and NMI CGUs.

The Company has recognized total impairment of $678,347 related to the Silver CGU ($180,761 related to the group billing number and $497,586 related to the brand value). Refer to Note 12 for the assumptions included in the impairment analysis.

Note 12 – Goodwill

Balance at January 1, 2021	$ -
Acquired through business combination under common control (Note 4)	563,129
Contribution to joint venture (Note 9)	(135,233)
Acquired through business combination (Note 4)	77,005
Balance at December 31, 2021	**$ 504,901**

Goodwill and indefinite useful life intangibles assets are tested at least annually for impairment by comparing the carrying value of the CGU or group of CGUs to the recoverable amount; where, the recoverable amount is the higher of fair value less cost of disposal (“FVCLD”) and the value in use (“VIU”). Key assumptions used in the calculation of the recoverable amount are those regarding discount rates, growth rates and expected changes in margins.

The Company had identified the following CGUs: Virtual Clinics, Silver, NMI, OCC and Slawner. The carrying amount of the individual CGUs as well as the goodwill, indefinite life intangible assets allocated to each CGU at December 31, 2021 is as follows:

		Amount included in the carrying value of each CGU		
CGU	Carrying Amount of CGU	Goodwill	Indefinite Useful Life Intangible Assets	Intangible Assets
Virtual Clinic	$ 1,568,741	$ 202,850	$ -	$ 291,376
Silver	1,681,950	-	180,761	497,586
OCC	274,539	77,005	-	190,384
NMI	454,992	225,046	-	106,825
Slawner	437,222	-	-	43,656
Total	$ 4,417,444	$ 504,901	$ 180,761	$ 1,129,827

The Company determined the recoverable amount for each CGU using the FVLCD method. The FVLCD for a CGU is determined using the income approach valuation technique which discounts the earnings projections using a five-year forecast, based on estimated growth rates for revenue and financial budgets and forecasts approved by management. The fair value measurement is designated Level 3 on the fair value hierarchy.

The Company used cashflow projections from financial forecasts covering a five-year period.

The company performed sensitivity analysis on these key assumptions:

Virtual Clinics

- Annual revenue growth rates: 2% - 49%
- Based on a decrease of 10% of projected annual revenues, the impairment of goodwill and intangible assets would be $nil;
- Based on an increase of 1% in the discount rate, the impairment of goodwill and intangible assets would be $nil.

OCC Clinics

- Annual revenue growth rates: 1%
- Based on a decrease of 10% of projected annual revenues, the impairment of goodwill and intangible assets would be $nil;
- Based on an increase of 1% in the discount rate, the impairment of goodwill and intangible assets would be $nil.

NMI Clinics

- Annual revenue growth rates: 5%-10%
- Based on a decrease of 10% of projected annual revenues, the impairment of goodwill of $109,717 and intangible assets would be $nil;
- Based on an increase of 1% in the discount rate, the impairment of goodwill and intangible assets would be $nil.

Silver

- Annual revenue growth rates: 2%-12%
- Based on a decrease of 1% of projected annual revenues, the potential excess of the impairment charge would increase by $820,236;
- Based on an increase of 1% in the discount rate, the potential excess of the impairment charge would increase by $150,029;

Note 13 – Accounts payable and accrued liabilities

	December 31, 2021	December 31, 2020
Accounts payable	**$ 286,464**	$ 302,198
Other accrued liabilities	**375,632**	45,314
Contingent consideration	**47,845**	-
Employee liabilities	**875,617**	32,056
	$ 1,585,558	$ 379,568

As part of the Asset Acquisition Transaction (Note 4(a)), Pathway assumed contingent consideration with a fair value of $170,000 related to the TCNC acquisition of certain assets from NACC and its sole shareholder, Meta Growth Corp. ("Meta") in fiscal 2020. The contingent consideration was based on a potential earn-out bonus of up to $300,000. The earn-out bonus is determined based on the number of patients on the patient list transferred that renew their annual medical document in the first 12 months after closing. The earn-out bonus is payable in common shares of the Company, if the Company's shares are listed on a public exchange within 12 months of closing, or cash. On review of the results, management adjusted the fair value of the contingent consideration down to $34,345 based on the Company's calculation of the performance targets achieved. The change in the estimate of fair value of $135,655, is recognized in profit and loss for the year ended December 31, 2021 as a gain on remeasurement of contingent consideration.

The fair value guarantee relates to the consideration paid for the business acquisition of OCC. As part of the consideration paid for the business acquisition of OCC, Pathway issued 300,000 common shares at a deemed price of $0.50 per share on closing. The agreement with OCC included a four month hold on the shares issued, however Pathway would guarantee the value of the shares issued up to a maximum of $30,000 or an additional 75,000 common shares to be issued. Upon initial recognition, $30,000 was initially accrued, which is payable at the Company's option in either shares or cash. At December 31, 2021, the Company determined the amount would be settled with the issuance of 75,000 common shares and adjusted the contingent consideration to $13,500. The change in the estimate of fair value of $16,500, is recognized in profit and loss for the year ended December 31, 2021 as a gain on remeasurement of contingent consideration. On January 19, 2022, the Company issued 75,000 common shares to OCC to satisfy the contingent obligation.

Note 14 – Lease liability

	December 31, 2021	December 31, 2020
Opening balance	**$ -**	$ -
Acquired through business combination under common control (Note 4)	**3,148,541**	-
Addition	**261,462**	-
Repayment of lease liability	**(571,495)**	-
Balance, end of year	**2,838,508**	-
Current lease liability	**545,515**	-
Non-current lease liability	**$ 2,292,993**	$ -

The Company's lease liability is for real estate, including the Company's head office and clinic locations, with lease terms typically ranging from 1 to 15 years. Future undiscounted cash out flows for the lease liability are disclosed as part of total contractual liabilities in Note 25(c).

For the year ended December 31, 2021, the Company recognized depreciation expense of $607,251 (For the 104 days ended December 31, 2020 - $nil) on the right-of-use assets. The total cash outflow for leases for the year ended December 31, 2021 was $571,495 (For the 104 days ended December 31, 2020 - $nil).

Excluded from the calculation of the lease liability is variable lease payments that do not depend on an index or a rate, which will include utilities, common area maintenance costs, property tax or any additional service payments. Also excluded from the lease liability are short-term and low-value assets. The expense related to payments not included in the measurement of lease liability is as follows:

	For the year ended December 31, 2021
Leases of low value assets	$ 12,993
Variable lease payments	274,394
	$ 287,387

Note 15 – Related party transactions

The Company's related parties are its directors and key management personnel, as well as any companies controlled by Cura-Can (a company that holds approximately 56% of Pathway's outstanding shares through one of its subsidiaries). Transactions conducted with related parties took place in the normal course of operations and are measured at the amount of consideration established and agreed to by the related parties.

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Due from/to related parties

Related party balance consists of amounts owing from related parties:

	December 31, 2021	December 31, 2020
Due from TCNC, a subsidiary of Cura-Can	**$ 365,302**	$ -
Due from 10030712 Manitoba Ltd.	**117,362**	-
Allowance for doubtful accounts	**(365,302)**	-
	$ 117,362	$ -

During the year, TCNC filed for receivership. As such, the Company made a provision for the entire intercompany balance owing with the expense included in selling, general and administrative expenses.

Related party balance consists of amounts owing to related parties:

	December 31, 2021	December 31, 2020
Due to TCNC, a subsidiary of Cura-Can	**$ -**	$ 30,296
Due to 10030712 Manitoba Ltd.	**20,459**	-
	$ 20,459	$ 30,296

The balances above are non-interest bearing and due on demand.

On September 23, 2020, Slawner Ortho entered into a demand grid promissory note due to Cura-Can, for gross proceeds of $80,000 and a $8,000 financing fee which was added on to the principal balance. The promissory note bore interest at 12% per annum and is due on demand. The demand grid promissory note was repaid during the year ended December 31, 2021. The repayment included $6,865 of accrued interest and $88,000 of principal.

Other related party transactions

A non-interest demand promissory note totaling $4,855,301 that was issued as part of the Asset Acquisition Transaction (Note 4(a)) to TCNC on January 18, 2021. In addition to the non-interest demand promissory note, TCNC was also issued 10,093,484 Class C preferred shares and 41,545,226 Class D preferred shares. These redeemable preferred shares were exchanged on a 1:1 basis with common shares of the public company and $25,819,355 was recorded in share capital. The demand promissory note was repaid in full on June 1, 2021.

In fiscal 2020, certain members of management participated in the convertible debentures TCNC issued for a total of a $75,000 principal investment. These debentures were assumed by Pathway as part of the Asset Acquisition Transaction (Note 4(a)). These debentures were converted into 208,575 common shares of the Company on May 31, 2021. See Note 18 for details on the terms of the convertible debentures.

Certain members of management participated in the Bridge Notes. See Note 17 for details and terms of the debt.

Members of management also participated in the March 16, 2021 private placement for a total of $190,000. This investment resulted in a total of 380,000 common shares and 190,000 warrants being issued to management. See Note 20(viii) for more details.

Key management compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The remuneration of these individuals for the period are as follows:

	For the year ended December 31, 2021	For the 104 days ended December 31, 2020
Compensation of key management and directors (including benefits)	**$ 1,606,760**	$ 47,698
Share-based compensation	**524,044**	-
	$ 2,130,804	$ 47,698

Note 16 – Government loan payable

Balance, September 18 and December 31, 2020	$ -
Acquired through business combination under common control (Note 4)	43,148
Proceeds	40,000
Fair value adjustment	(25,558)
Accretion expense	9,984
Balance, December 31, 2021	$ 67,574

Silver and Slawner Ortho were approved for and received $60,000 lines of credit under the CEBA program funded by the Government of Canada, for a total amount of $120,000. Of this amount $40,000 was received in the three months ended March 31, 2021 and the remaining $80,000 was assumed as part of the Asset and Share Purchase Agreement on January 18, 2021. The government loan payable had an amortized balance of $43,148 at the time of the Asset and Share Purchase Agreement. The loans are non-interest bearing and due on December 31, 2023. Repayment of the loans before December 31, 2023 will result in loan forgiveness of 33.3% of the loan balance. After January 1, 2024, the loans may be converted into a 2-year term loans at a fixed annual interest rate of 5%.

The $40,000 CEBA loans received in the year ended December 31, 2021 were initially fair valued using a discount rate of 17% and were measured at $14,442 with the difference of $25,558 being recognized as a government grant on the consolidated statement of loss during the year ended December 31, 2021.

The amortized cost of the CEBA loans are $67,574 as at December 31, 2021.

Note 17 – Bridge notes

Balance September 18 and December 31, 2020	$ -
Principal on issuance	825,000
Deferred financing fee	(75,000)
Amortization of deferred financing fee	75,000
Repayment of loan	(825,000)
Balance, December 31, 2021	$ -

On March 23 and 24th, the Company entered into agreements for the issuance of $825,000 ($750,000 net of loan fees) in bridge loan notes ("Bridge Notes"), including $357,500 with related parties.

The Bridge Notes bear coupon interest at a rate of 10% per annum and mature at the earlier of September 22, 2021 and the occurrence of any events which constitute an event of default. The occurrence of an event of default includes but are not limited to, failure to pay the obligation on maturity, defaults in the performance of any material covenant, falsification of any representation or warranty under the Bridge Notes, insolvency, cessation or threat of cessation of business and impairment of ability to pay the obligation. The Bridge Notes are subject to a minimum of three months accrued interest and fees if prepaid prior to the Maturity Date.

The outstanding principal ($825,000) and accrued interest ($20,625) of the Bridge Notes were repaid on June 2, 2021.

Note 18 – Convertible debt

	Convertible debentures 2019	Convertible debentures 2020	Deferred acquisition costs	Convertible note	Hew Note	Total
Balance, September 18 and December 31, 2020	$ -	$ -	$ -	$ -	$ -	$ -
Acquired through business combination under common control (Note 4):						
Principal balance	150,000	2,311,000	250,000	200,000	1,150,000	4,061,000
Accrued interest	20,623	22,065	-	-	146,693	189,381
Fair value adjustment	22,750	311,076	(13,889)	-	144,077	464,014
Deferred financing fees	(7,086)	(224,207)	-	-	-	(231,293)
	186,287	2,419,934	236,111	200,000	1,440,770	4,483,102
Equity component of convertible debenture	-	(66,508)	-	-	-	(66,508)
Accretion expense	7,086	111,187	-	-	-	118,273
Fair value adjustment	41,040	(45,529)	41,667	-	53,645	90,823
Transfer equity compenent to common shares	-	66,508	-	-	-	66,508
Converted to common shares (Note 20)	(234,413)	(2,485,592)	(277,778)	(200,000)	(1,494,415)	(4,692,198)
Balance December 31, 2021	$ -	$ -	$ -	$ -	$ -	$ -

Convertible debentures – day 1 difference

For the Company's convertible debentures issued in 2019 and 2020, the transaction price on initial recognition was determined not be the best evidence of fair value because the fair value of the host debt instrument together with the embedded derivative exceeded the transaction price. The fair value of the host debt together with the embedded derivative was determined by dividing the notional amount of the debt by the estimated conversion price as a percentage of market price and applying a discount for lack of marketability due to the four month hold required after conversion. The difference between the transaction price and fair value on initial recognition of $20,000 and $308,133 for the debentures issued in 2019 and 2020 respectively, is amortized over the expected term of the instrument on an effective interest rate method and included in finance expense. See note below regarding the change in accounting for the 2020 convertible debentures.

The unamortized fair value difference at December 31, 2021 and activity during the period is as follows:

	Convertible debentures 2019	Convertible debentures 2020	Total
Balance, September 18 and December 31, 2020	$ -	$ -	$ -
Acquired through business combination under common control (Note 4)	7,086	224,207	231,293
Recognized in finance expense	(7,086)	(224,207)	(231,293)
Balance December 31, 2021	$ -	$ -	$ -

Convertible debentures 2019

During the year ended December 31, 2019, TCNC issued $50,000 and $100,000 of unsecured convertible debentures, subordinated to senior debt, that mature on August 2021 and October 2021, respectively. These debentures were assumed by the Company as part of the Asset Acquisition Transaction that closed on January 18, 2021 (see Note 4(a)). The debentures were transferred to the Company from TCNC at the net book value on the date of transfer of $186,287.

The debentures bear interest at 10% per annum with interest accrued due at the end of the term. Pursuant to the terms of the debentures, the Company will have the option to satisfy the principal and interest payments through the issuance of common shares.

The debentures are convertible into common shares at an amount equal to 75% of the price or deemed price of the Common Shares on a per share basis, as set forth in the definitive documentation to be signed by the applicable parties in relation to a "Qualified Financing" or "Liquidity Event". A Qualified Financing is the issuance of common shares in a transaction or series of related transactions resulting in aggregate gross proceeds to the Company of at least $10,000,000, excluding conversion of the debentures and any other indebtedness. A Liquidity Event is defined as a transaction directly or indirectly giving rise to a stock exchange listing, the sale or exchange of all or substantially all the shares of the Company, a merger, amalgamation or similar arrangement, the sale of all or substantially all the assets of the Company followed by dividends or distributions or such other transaction as is determined to be a liquidity event by the Board of Directors.

The debentures are redeemable at the option of the Company on or after that date which is 12 months from the closing date and prior to the maturity date at face value plus accrued but unpaid interest upon no more than 60 days' notice and not less than 30 days' notice. As the number of shares issued on conversion will vary depending on the deemed price of the common shares, this feature has been classified as an embedded derivative.

The Company has classified the convertible debentures entirely as liabilities because the number of shares that would be issued on conversion varies. The Company has elected to designate the convertible debentures at fair value through profit and loss ("FVPL") on initial recognition and, as such, the embedded conversion feature is not separated and the embedded derivative and host debt are measured at fair value. The fair value of the host debt together with the embedded derivative is calculated at each reporting period by dividing the notional amount of the debt by the estimated conversion price as a percentage of market price and then applying a 15% discount for lack of marketability due to the four month hold required after conversion.

On May 31, 2021, with the close of the Qualifying Transaction, the debentures were converted into 468,825 common shares based on a $0.50 per common share price with a 25% discount to market on the $150,000 of principal and $25,809 of accrued interest. The fair value amount of the debenture ($234,413) was transferred to share capital.

Convertible debentures 2020

Between November 10, 2020 to January 17, 2021, TCNC issued unsecured convertible debentures of $2,311,000. These debentures were assumed by the Company as part of the Asset Acquisition Transaction that closed on January 18, 2021 (see Note 4(a)). The debenture was transferred to the Company from TCNC at net book value on the date of transfer of $2,419,934.

The unsecured convertible debentures mature 24 months from issuance and bear interest at 10% per annum with interest due at the end of the term. The Company has the option to redeem the debentures beginning 12 months after issuance without premium, bonus or penalty. The outstanding principal and interest accrued thereon is assignable and automatically convertible into Pathway shares on the date which is: (i) the closing date of the Asset Acquisition Transaction; (ii) immediately prior to closing of the RTO Transaction; or (iii) by mutual agreement between the holder and Pathway if the Asset Acquisition Transaction is completed but the RTO Transaction has not been completed by March 31, 2021. The conversion price of the debentures is 75% of the price or deemed price of the Pathway shares as established in the Asset Acquisition Transaction.

Prior to the Asset Acquisition Transaction, the convertible debentures were classified entirely as liabilities because the number of shares that would be issued on conversion varied. The election was made to designate the convertible debentures at FVPL on initial recognition and, as such, the embedded conversion feature is not separated and the embedded derivative and host debt are measured at fair value. The fair value of the host debt together with the embedded derivative is calculated at each reporting period by dividing the notional amount of the debt by the estimated conversion price as a percentage of market price and then applying a 15% discount for lack of marketability due to the four month hold required after conversion.

On the closing of the Asset Acquisition Transaction, the conversion price of the debentures became fixed at 75% of $0.50, which is the price of the Pathway shares established in the Asset Acquisition Transaction. As such, the debenture can subsequently be converted at a fixed rate for a fixed amount of shares (“fixed-for-fixed”). As the fixed-for-fixed criteria has been satisfied, management has elected to reclassify the convertible debenture into debt and equity components. The liability component of the debenture was calculated using the discounted cash flows for the instrument assuming the effective interest rate of 11.32% ($2,266,557). The effective interest rate was based on the estimated rate for a debenture with similar terms but without a conversion feature. The fair value of the equity component (conversion feature - $66,508) was determined as the difference between the face value of the convertible debentures and the fair value of the liability component. The liability component is subsequently measured at amortized cost using the effective interest rate method and will accrete up to the principal balance at maturity. The accretion is presented as a finance cost.

The difference between the fair value of the debentures at the Asset Acquisition Transaction date calculated under the fair value option and the initial recalculated debt and equity portions calculated above resulted in a gain of $86,869, which is recognized in finance expense in the consolidated statement of loss for the year ended December 31, 2021.

On May 31, 2021, with the close of the Qualifying Transaction, the debentures converted into 6,450,898 common shares based on a $0.50 per common share price with a 25% discount to market on the $2,311,000 of principal and $108,086 of accrued interest. On extinguishment, fair value amount of the debentures and the equity component of the convertible debt ($2,419,086 and $66,508 respectively) was transferred to share capital.

Deferred acquisition costs

On August 31, 2020, TCNC acquired the assets of NMI for the purchase price of $400,000, including contingent consideration of $50,000. Consideration transferred included cash of $100,000 and an unsecured non-interest bearing 12-month convertible promissory note for up to $300,000 of which $50,000 is contingent on financial performance. The contingent payment of $50,000 was recorded at its estimated fair value of $nil. The convertible promissory note was assumed by the Company as part of the Asset Acquisition Transaction that closed on January 18, 2021 (see Note 4(a)). The promissory note was transferred to the Company from TCNC at net book value on the date of transfer of $236,111.

The $250,000 convertible promissory note matures at the earliest of: (i) conversion; or (ii) August 31, 2021. The Company may repay the note without notice or penalty. NMI can at its sole discretion and upon 30 days written notice, on or prior to the maturity date, convert into common shares of the Company at a 10% discount from the listed share price. On conversion, the convertible promissory note will have a four month hold period. If the value of the converted shares is less than the value of indebtedness after the hold period, then the Company will either: (i) issue additional common shares to NMI) equal to the indebtedness less the value of the converted shares on the date immediate after the hold period (“hold value”); (ii) pay to NMI an amount equal to the hold value in cash. On September 30, 2020 the value of the converted shares were lower than the value of the indebtedness ($250,000). Based on the trading value of the shares September

30, 2021, the Company accrued $75,000 for the shortfall. Subsequent to the period end, 238,095 common shares were issued to satisfy this liability.

With the conversion features of the convertible promissory note, there is an obligation to issue a variable number of shares, consequently the conversion feature is an embedded derivative and is classified as a liability as it fails the “fixed for fixed” criterion. The Company has classified the convertible promissory note as a financial liability at fair value through profit and loss under IFRS 9 Financial Instruments. The fair value of the host debt together with the embedded derivative is calculated at each reporting period by dividing the notional amount of the debt by the estimated conversion price as a percentage of market price and then applying a 15% discount for lack of marketability due to the four month hold required after conversion.

On May 31, 2021, with the close of the Qualifying Transaction, the facility was converted into 555,556 common shares based on a $0.50 per common share price with a 10% discount to market on the $250,000 of deferred acquisition cost. The fair value amount of the facility ($277,778) was transferred to share capital.

Convertible note

On March 6, 2020, TCNC acquired certain assets from NACM for an aggregate purchase price of $1,200,000, including a convertible note of $200,000 and a maximum earn-out bonus of $1,000,000. The convertible note was assumed by the Company as part of the Asset Acquisition Transaction that closed on January 18, 2021 (see Note 4(a)). The convertible note was transferred to the Company from TCNC at net book value on the date of transfer of $200,000.

The $200,000 convertible note matures September 6, 2021 and may be repaid prior to maturity, at the Company’s option, with no premium or penalty. The note is convertible into common shares upon the occurrence of a liquidity event. The conversion price per share is the lower of $10,856 or the deemed market value. If no liquidity event occurs prior to maturity, the note shall be paid in cash. The conversion terms allow NACM to convert the promissory note into a number of shares equal to the face value of the note at their deemed market value. This fails the “fixed for fixed” criterion because a variable number of shares will be issued to extinguish a fixed liability amount. The conversion feature would typically be classified as a derivative liability, but as the conversion price is set at the conversion date market share price or rather deemed market share price, the derivative liability has no value. As such, the fair value of the debt equals its transaction price of $200,000.

On May 31, 2021, with the close of the Qualifying Transaction, the convertible note was converted into 400,000 common shares based on a $0.50 per common share price on the $200,000 principal. The fair value amount of the convertible note ($200,000) was transferred to share capital.

Hew Note

Cura-Can, entered into a Secured Convertible Promissory Note (“Hew Note”) dated November 5, 2019 for a principal amount of $1,150,000 with interest accruing at a rate of 10% per annum, compounded monthly. On December 31, 2020, TCNC assumed Cura-Can’s obligations under the Hew Note for principal payments of $1,150,000 and $140,687 in accrued interest in exchange for a reduction of TCNC’s amount owing to Cura-Can under a non-interest bearing intercompany payable. The Hew Note was further amended to extend the maturity date to June 30, 2021. The Hew Note was assumed by the Company as part of the Asset Acquisition Transaction that closed on January 18, 2021 (see Note 4(a)). The Hew Note was transferred to the Company from TCNC at net book value on the date of transfer of $1,440,770.

The Hew Note is convertible into Class E preferred shares of the Company at an amount equal to 90% of the market price. The right to convert the principal amount and all accrued but unpaid interest and fees may only be exercised immediately prior to a liquidity event, qualified financing or change of control. The note is secured by a general security agreement over the assets of the Company.

The Company has classified the Hew Note entirely as a liability because the number of shares that would be issued on conversion varies. The Company has elected to designate the convertible debentures at FVPL on initial recognition and, as such, the embedded conversion feature is not separated and the embedded derivative and host debt are measured at fair value. The fair value of the host debt together with the embedded derivative is calculated at each reporting period by dividing the notional amount of the debt by the estimated conversion price as a percentage of market price.

On May 31, 2021, with the close of the Qualifying Transaction, the Hew note was converted into 2,988,829 common shares based on a $0.50 per common share price with a 10% discount to market on the $1,150,000 principal and $194,973 accrued interest. The fair value amount of the Hew note ($1,494,415) was transferred to share capital.

Note 19 – Income taxes

a) Income tax expense (recovery)

	December 31, 2021	December 31, 2020
Current tax expense (recovery)		
Current period	**$ -**	$ -
Deferred tax expense (recovery)		
Origination and reversal of temporary differences	**(2,167,011)**	(99,244)
Change in unrecognized temporary differences	**2,167,011**	99,244
Total income tax (recovery) expense	**-**	-

The actual income tax provision differs from the expected amount calculated by applying the Canadian combined federal and provincial corporate tax rates to income before tax. These differences result from the following:

	December 31, 2021	December 31, 2020
Loss before income taxes	**$ (8,892,345)**	$ (374,506)
Statutory rate	**26.5%**	26.5%
Expected income tax recovery at statutory rate	**(2,356,471)**	(99,244)
Increase/(decrease) resulting from:		
Change in unrecognized deductible temporary differences	**2,167,011**	99,244
Change in tax rates and rate differences	**18,720**	-
Non-taxable items	**170,740**	-
Income tax (recovery) expense	**-**	-

b) Recognized deferred tax assets and liabilities

		December 31, 2021		December 31, 2020
Deferred tax assets are attributable to the following:				
Loss carryforwards	$	58,096	$	-
Lease liability		729,782		-
Deferred tax assets		787,878		-
Set-off of tax		(787,878)		-
Net deferred tax asset	$	-	$	-

Deferred tax liabilities are attributable to the following:		December 31, 2021		December 31, 2020
Intangible assets	$	(73,937)	$	-
Other		(29,943)		-
Property and equipment		(683,999)		-
Deferred tax liabilities		(787,879)		-
Set-off of tax		787,879		-
Net deferred tax liability	$	-	$	-

c) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits. The tax losses expire between 2037 and 2041.

		December 31, 2021		December 31, 2020
Deductible temporary differences	$	15,303,047	$	199,816
Tax losses		6,984,794		174,690
Net deferred tax liability	$	22,287,841	$	374,506

Note 20 – Share Capital

a) Authorized share capital

Unlimited number of voting Common Shares
Unlimited number of non-voting Preferred shares issuable in series

b) Common shares issued

On January 18, 2021 the Company completed an Asset Acquisition Transaction with TCNC. See Note 4(a) for more detail.

Shares issued and outstanding:

		Number of Common Shares #	Number of Warrants #	Share Capital $	Warrants $
Balance, September 18, 2020		-	-	$ -	$ -
Share issued on incorporation		1	-	1	-
Balance, December 31, 2020		1	-	$ 1	$ -
Conversion of Preferred Shares issued in Asset Acquisition Transaction, January 18, 2021 (Note 4)	(i)	51,638,710	-	25,819,355	-
Common shares issued, March 16, 2021	(ii)	150,000	-	75,000	-
Shares issued on May 31, 2021, in settlement of:					
Convertible debentures 2019	(iii)	468,825	-	234,413	-
Convertible debentures 2020	(iv)	6,450,898	-	2,485,592	-
Deferred acquisition costs	(v)	555,556	-	277,778	-
Convertible note	(vi)	400,000	-	200,000	-
Hew Note	(vii)	2,988,829	-	1,494,415	-
Private placement, net of share issuance costs, May 31, 2021	(viii)	27,600,000	15,896,228	10,462,322	1,866,866
RTO Transaction, May 31, 2021	(ix)	2,856,171	-	1,428,086	-
Shares issued in business acquisition, (Note 4)	(x)	300,000	-	99,000	-
Shares issues in settlement of fair value of guarantee	(xi)	238,095	-	54,762	-
Balance, December 31, 2021		93,647,085	15,896,228	$ 42,630,724	$ 1,866,866

(i) On January 18, 2021, Pathway entered into an Asset and Share Purchase Agreement with TCNC, a wholly-owned subsidiary of Cura-Can, for purchase of all or substantially all of the operating assets of TCNC. The consideration payable under the TCNC Asset Acquisition pursuant to the Asset and Share Purchase Agreement consisted of a $4,855,301 non-interest bearing demand promissory note, 10,093,484 Class C preferred shares and 41,545,226 Class D preferred shares as well as the assumption of certain liabilities. The preferred shares were classified as a liability as they are redeemable at the option of the holder. As part of the RTO transaction these shares were exchanged on a 1:1 basis for common shares of the public company.

(ii) As part of the close of a private placement, Pathway issued the 150,000 Class A common shares issued to the Agent's with a value of $75,000 as part of a financing fee. As part of the RTO transaction that closed May 31, 2021, these Class A shares were exchanged for common shares of the public entity.

On May 31, 2021 with the close of the Qualifying Transaction:

(iii) The Convertible Debentures 2019 was converted into 468,825 common shares based on a $0.50 per common share price with a 25% discount to market on the $150,000 of principal and $25,809 of accrued interest. The fair value amount of the facility ($234,413), was transferred from convertible debt to share capital.

(iv) The Convertible Debentures 2020 converted into 6,450,898 common shares based on a $0.50 per common share price with a 25% discount to market on the $2,311,000 of principal and $108,086 of accrued interest. The fair value amount of the facility and the equity component of the convertible debt ($2,485,592) was transferred to share capital.

(v) The Deferred acquisition cost was converted into 555,556 common shares based on a $0.50 per common share price with a 10% discount to market on the $250,000 of deferred acquisition cost. The fair value amount of the facility ($277,778) was transferred to share capital.

(vi) The Convertible note was converted into 400,000 common shares based on a $0.50 per common share price on the $200,000 principal. The fair value amount of the facility ($200,000) was transferred to share capital.

(vii) The Hew note was converted into 2,988,829 common shares based on a $0.50 per common share price with a 10% discount to market on the $1,150,000 principal and $194,973 accrued interest. The fair value amount of the facility ($1,494,415) was transferred to share capital.

(viii) On March 16, 2021, Pathway completed a private placement whereby Pathway issued 27,600,000 Subscription Receipts at a price of $0.50 per Subscription Receipt for aggregate gross proceeds of $13,800,000. The gross proceeds from the private placement, less a portion of the fees and expenses of the Agents were delivered to the transfer agent. The Escrowed Funds were held by the transfer agent (the “Escrowed Funds”) until the waiver and/or satisfaction of certain escrow release conditions, including, but not limited to, the completion, satisfaction or waiver of all conditions precedent to the Qualifying Transaction, the receipt of all shareholder and regulatory approvals required for the Qualifying Transaction and other customary escrow conditions. These conditions were met on May 31, 2021 and the Escrowed Funds were transferred to the Company.

Each Subscription Receipt was automatically exchanged, without payment of any additional consideration, for Units of Pathway, each Unit was comprised of one Class A common share of Pathway and one-half of a Pathway Share purchase warrant. Each Pathway Share and each Pathway Warrant was, in accordance with the Share Exchange Agreement, subsequently exchanged for one common share of the Resulting Issuer and one common share purchase warrant of the Resulting Issuer. Each warrant entitles the holder thereof to purchase one additional common share of the Resulting Issuer at an exercise price of $0.75 at any time up 24 months from issuance.

On closing, the agents were entitled to a cash commission equal to 8% of the aggregate gross proceeds, (excluding proceeds raised from certain subscribers on a list provided by Pathway to the Agents (the "President's List"), for which the Agents were paid 2% of the gross proceeds. In addition, 2,096,228 non-transferable broker warrants (the “Broker Warrants”) equal to 8% of the Subscription Receipts sold (other than proceeds raised from President's List subscribers, for which the Agents were issued Broker Warrants equal to 2% of the gross proceeds). Additionally, $100,000 of gross proceeds under the Subscription Receipt Offering were subscribed for by Non-Arm's Length Parties of Pathway for which no commissions were paid to the Agents. Each Broker Warrant shall be exercisable to acquire one Pathway Share for a period of 24 months from the Escrow Release Date at an exercise price of $0.50 per share. In addition the Agents were paid a corporate finance fee of $150,000, comprised of a $75,000 cash payment and $75,000 in Pathway Common Shares at a deemed price of $0.50 per share (see Note 18(b)(ii)).

The gross proceeds were segregated into their common share and warrant components based on their relative fair values of $12,089,922 and $1,710,078 respectively. The common share and warrant components are shown net of transaction costs of $1,857,818 and $230,218 respectively. The fair value of the warrants was based on a Black-Scholes model. The fair value of the 13,800,000 subscription warrants, $0.12 per warrant was based on a Black-Scholes model using the following variables: an expected life of two years; a risk-free rate of 0.33%; a volatility rate of 68%; and an exercise price of $0.75. The fair value of the 2,096,228 broker warrants, $0.18 per warrant, was based on a Black-Scholes model using the following variables: an expected life of two years; a risk-free rate of 0.33%; a volatility rate of 68%; and an exercise price of $0.50. The volatility rates used were based on historical trading activities of comparative companies trading on a public exchange as Pathway is a newly trading company.

(ix) As per the Share Exchange agreement, in the RTO Transaction, Colson purchased all of the issued and outstanding shares of Pathway in a 1:1 exchange for the issuance of post-consolidation Colson shares.

(x) Effective September 1, 2021, the Company acquired assets from OCC (Note 4(b)). Consideration included the issuance of 300,000 common shares at a deemed price of $0.50 per share on closing, unless the 5-day VWAP price of the shares preceding the date that is four months after the closing date of the transaction is less than $0.50, then the Company will either pay: 1) Cash in an amount equivalent to the lesser of $30,000 or the product of the VWAP and 75,000; or 2) issue common shares equivalent to the lesser of 75,000 or the quotient of $30,000 and the VWAP. On January 17, 2022, the Company issued 75,000 common shares to satisfy this outstanding liability.

(xi) As part of the consideration paid for a business acquisition, TCNC issued Nature Medic Inc. ("NMI") a $250,000 convertible promissory note. The convertible promissory note was converted into 555,556 common shares on May 31, 2021 as part of the Qualifying Transaction (See Note 20(b)(v) above). The agreement with NMI included a four month hold on the shares issued, however Pathway would guarantee the value of the shares issued. If the value of the converted shares immediately after the hold period is less than $250,000, the Company will either issue additional common shares or pay an amount in cash equivalent to the variance from $250,000 to the value of the common shares held by the sellers of NMI on September 30, 2021. On November 3, 2021, 238,095 common shares (market value of $54,762 at the time of issuance) were issued to satisfy this liability. The fair value loss on guarantee was recorded as an expense on the consolidated statement of loss and comprehensive loss.

c) Warrants

				Black-Scholes model variables			
	Number granted	Exercise Price	Life (Years)	Risk-free rate	Expected volatility	Expected divided rate	Fair value of warrants
Private placement, May 31, 2021	13,800,000	$ 0.75	1.4	33%	68%	nil	$ 0.12
Private placement, Broker warrants, May 31, 2021	2,096,228	$ 0.50	1.4	33%	68%	nil	$ 0.18
	15,896,228						

The warrants listed above were issued as part of a private placement (Note 20(b)(viii)). The warrants have a weighted average exercise price of $0.72 and a weighted average remaining life of 1.4 years as at December 31, 2021. The instruments have a net value of $1,866,866 (gross value of $1,710,078 shown net of $230,218 in transaction costs). As at December 31, 2021, 15,896,228 warrants were exercisable.

d) Share based compensation

The Company has adopted an incentive stock option plan which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants to the Company, non-transferable options to purchase Common Shares, provided that the number of Common Shares reserved for issuance will not exceed 10% of the issued and outstanding Common Shares. The Company uses the Black-Sholes option pricing model to price its options, which requires certain assumptions including the stock price volatility for a publicly held corporation.

On March 27, 2019, Cura-Can Health Corp. ("Cura-Can), the parent company of TCNC who is a majority shareholder of Pathway, granted four individuals 1,000,000 options each. Each option allows the holder to acquire one common share in Cura-Can or an eligible subsidiary for $1.00 per share. The options vest over five years and expire on March 27, 2026. The fair value of the options, $0.62 per option was based on a Black-Scholes model using the following variables: an expected life of 7 years; a risk-free rate of 1%; a volatility rate of 76%; and an exercise price of $1.00, an underlying share price of $1.00 and a $nil dividend rate.

On May 30, 2021, in anticipation of the close of the RTO Transaction, the 3,000,000 options were cancelled. On June 9, 2021, the newly listed Pathway, replaced the previously issued options to each of the four individuals (who were one director and three officers of the Company) 1,000,000 options each with the following features: life of five years, exercise price of $0.50 per share, vesting period of three years, with a portion of the grant vesting immediately. This new grant was considered a replacement awarded under the former plan and modification accounting under IFRS 2 Share based payments was applied. When modification accounting is applied, the Company accounts for the incremental fair value in addition to the grant-date fair value of the original award.

In addition to the grant above, the Company issued 200,000 options on June 9, 2021 to two members of its Board of Directors. The options were valued at $0.28 per option based on the Black-Scholes model with the following variables: stock price of $0.50; strike price of $0.50 per options; life of five years; risk-free rate of 0.88%, volatility of 69% and expected $nil dividend. The options vest over three years. The volatility rates used were based on historical trading activities of comparative companies trading on a public exchange as Pathway is a newly trading company.

On December 28, 2021, the Company issued 1,100,000 options to consultants and employees each with the following features: life of five years, exercise price of $0.50 per share, vesting period between 3-4 years, with a portion of the grant vesting immediately. The fair value of the options, $0.08 per option was based on a Black-Scholes model using the following variables: an expected life of 5 years; a risk-free rate of 1%; a volatility rate of 78%; and an exercise price of $0.50, an underlying share price of $0.19 and a nil dividend rate.

On December 28, 2021, the Company issued 200,000 options to a consultant with the following features: life of three years, exercise price of $0.50 per share and all options vesting immediately. The fair value of the options, $0.05 per option was based on a Black-Scholes model using the following variables: an expected life of 5 years; a risk-free rate of 1%; a volatility rate of 80%; and an exercise price of $0.50, an underlying share price of $0.19 and a $nil dividend rate.

A forfeiture rate of nil was used to estimate option expenses during the year. The Company recognized total share based compensation expense of $547,700 for the year ended December 31, 2021. The options outstanding at December 31, 2021 have a remaining life of 4.6 years and a weighted average exercise price of $0.50.

A summary of the status of the Company's stock options outstanding and exercisable are as follows:

	December 31 2021		December 31, 2020	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price $
Outstanding, beginning of year	-	$ -	-	$ -
Acquired through business combination under common control (Note 4)	3,000,000	1.00	-	-
Cancelled	(3,000,000)	1.00	-	-
Granted	5,500,000	0.50	-	-
Outstanding, end of year	5,500,000	$ 0.50	-	$ -
Options exercisable at December 31,	1,657,668	$ 0.50	-	$ -

Note 21 – Loss per share

The following table sets forth the computation of basic and diluted loss per share:

	For the year ended December 31, 2021	For the 104 days ended December 31, 2021
Net loss attributable to shareholder	**$ (8,866,250)**	$ (374,506)
Weighted average number of shares outstanding – basic and diluted	**55,010,082**	1
Basic and diluted loss per share	**$ (0.16)**	$ (374,506)

For the periods presented, the diluted loss per share was the same as basic loss per share as the inclusion of convertible debentures and stock options would have been anti-dilutive. Accordingly, the diluted loss per share for the period was calculated using the basic weighted average number of common shares outstanding.

Note 22 – Revenue

The Company's revenue disaggregated by product type is as follows:

	For the year ended December 31, 2021		For the 104 days ended December 31, 2020	
Provincially insured physician services	$ 5,011,903	46%	$ -	n/a
Products and provincially non-insured physician services	3,022,010	28%	-	n/a
Cannabis education	2,861,459	26%	-	n/a
Total revenue	$ 10,895,372	100%	$ -	n/a

Note 23 – Selling, general and administrative expenses

	For the year ended December 31, 2021	For the 104 days ended December 31, 2020
Wages and benefits	**$ 6,748,203**	$ 59,626
Professional fees	**1,651,079**	314,387
Office and other expenses	**984,499**	493
Depreciation on property and equipment	**741,890**	-
Rent and utilities	**633,554**	-
Public company costs	**374,425**	-
Bad debt expense	**374,152**	-
Marketing	**198,376**	-
	$ 11,706,178	$ 374,506

Note 24 – Finance expense

	For the year ended December 31, 2021	For the 104 days ended December 31, 2020
Interest on lease liability	$ 282,809	$ -
Interest and financing fees	303,662	-
Gain on transition of convertible debentures from FVTPL to amortized cost	(86,869)	-
	$ 499,602	$ -
Financial liabilities at FVTPL		
Accretion expense	7,086	-
Net change in fair value	94,685	-
Total finance expense	$ 601,373	$ -

Note 25 – Financial instruments

The carrying value of cash, accounts and other receivables, accounts payable and accrued liabilities, amounts due to/from related parties and government loan payable approximates fair value due to the short-term nature.

The Company has convertible debts that have been classified entirely as liabilities because the number of shares that would be issued on conversion varies. The Company has elected to designate each of these instruments at FVTPL on initial recognition and, as such, the embedded conversion features are not separated and the embedded derivative and host debt are measured at fair value. All of the instruments were converted as at December 31, 2021, hence not included in the chart below.

December 31, 2021	Financial assets at amortized cost	Assets/(liabilities) at FVTPL	Financial liabilities at amortized cost	Total
Cash	$ 2,603,429	$ -	$ -	$ 2,603,429
Restricted cash	75,000	-	-	75,000
Accounts and other receivables	811,587	-	-	811,587
Due from related parties	117,362	-	-	117,362
Accounts payable and accrued liabilities	-	(47,845)	(1,537,713)	(1,585,558)
Due to related parties	-	-	(20,459)	(20,459)
Government loan payable	-	-	(67,574)	(67,574)
	$ 3,607,378	$ (47,845)	$ (1,625,746)	$ 1,933,787

December 31, 2020	Financial assets at amortized cost	Assets/(liabilities) at FVTPL	Financial liabilities at amortized cost	Total
Cash	$ 588	$ -	$ -	$ 588
Accounts and other receivables	34,771	-	-	34,771
Accounts payable and accrued liabilities	-	-	(379,568)	(379,568)
Due to related parties	-	-	(30,296)	(30,296)
	$ 35,359	$ -	$ (409,864)	$ (374,505)

The Company is exposed to risks as a result of holding financial instruments. These risks include credit risk, liquidity risk and market risk. The nature of the financial risks and the Company's strategy for managing these risks has not changed significantly from the prior period. The Company does not use financial derivatives.

a) Financial liabilities at FVTPL

The Company had convertible debts that have been classified entirely as liabilities because the number of shares that would be issued on conversion varies. The Company has elected to designate each of these instruments at FVTPL on initial recognition and, as such, the embedded conversion feature is not separated and the embedded derivative and host debt are measured at fair value. These convertible facilities were converted on May 31, 2021 as part of the RTO Transaction (Note 20).

b) Credit risk

Credit risk arises from the possibility that the entities to which the Company provides services or related parties to which it has loaned funds may experience financial difficulty and be unable to fulfil their obligations. Financial instruments that potentially subject the Company to credit risk include cash, trade and other receivables and due from related parties. The Company's cash on deposit is held with reputable financial institutions, from which management believes the risk of loss is low. The Company's maximum exposure to credit risk is as indicated by the carrying amount of its cash, accounts and other receivables and due from related parties. The Company has a credit policy and regularly monitors its credit risk exposure and takes steps to mitigate the likelihood of these exposures resulting in actual loss. The Company carries out credit evaluations of its customers who receive credit and carries provisions for possible losses arising from credit risk associated with financial assets.

The Company monitors receivables against an expected credit loss model. Individual invoices within trade receivables are written off when there is no reasonable expectation of collection. Losses from trade accounts receivables have not historically been significant. For the year ended December 31, 2021, the Company recorded write offs of $248 in trade and other receivables ($nil write offs in trade and other receivables for the 104 days ended December 31, 2020).

The Company's maximum exposure to credit risk for trade and other receivables is the carrying value of its accounts and other receivables balance at December 31, 2021 of $850,796 (December 31, 2020 - $34,771). The Company's allowance for doubtful accounts as at December 31, 2021 is $80,938 for accounts and other receivables and $365,302 for related party receivables (December 31, 2020 - $nil) based on specific invoices that were deemed likely to be uncollectable. As at December 31, 2021 the percentages of past due trade accounts receivable were as follows: 20% past due greater than 61 days. It is management's view that these balances have a low risk of not being collected. For the year ended December 31, 2021, there was one customer that comprised of 18% of consolidated sales ($nil revenues for the 104 days ended December 31, 2020). This main customer is considered to have good credit quality and historically has had a high-quality credit rating.

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure expected credit losses, trade receivables are grouped based on shared credit risk characteristics and days past due. The expected loss rates for trade receivables are determined on a combined company-wide basis based upon the Company's historic default rates over the expected life of trade receivables adjusted for forward-looking estimates. The expected credit losses calculated for December 31, 2021 and December 31, 2020 were $nil.

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due or to fund the commitments that the Company has planned. The Company manages liquidity risk through management of its capital structure in conjunction with cash flow forecasting, including anticipated investing and financing activities. The Company will use internally generated cash flows, current cash balances, additional share issuances, and/or shareholder financing to cover its normal operating and capital expenditures for the next fiscal year.

The Company's contractual liabilities and obligations are as follows:

	Due within one year	Due between one and five years	Due after five years	Total
Accounts payable and accrued liabilities	$ 1,585,558	$ -	$ -	$ 1,585,558
Due to related parties	20,459	-	-	20,459
Lease liability	1,038,627	2,295,479	1,947,434	5,281,540
Government loan	-	80,000	-	80,000
	$ 2,644,644	$ 2,375,479	$ 1,947,434	$ 6,967,557

Unless otherwise noted, the above amounts reflect the contractual undiscounted cash flows, which may differ from the carrying values of the liabilities at the reporting date.

d) Foreign currency risk

Foreign currency risk arises from fluctuations in the value of foreign currencies and the degree of volatility of these currencies relative to the Canadian dollar. The Company is not subjected to material foreign currency risk as it does not have significant current assets and liabilities denominated in foreign currencies.

Note 26 – Fair value measurement

As at December 31, 2021 and 2020, the Company did not have any financial assets or liabilities measured at fair value on a recurring basis within Levels 1 or 2. There were no transfers between levels of the fair value hierarchy in either period.

a) Valuation techniques and assumptions

The Company performs valuations of financial items for financial reporting purposes, including Level 3 fair values. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximizing the use of market-based information. Valuation techniques and significant assumptions related to the Company's liabilities measured at fair value on a recurring basis are disclosed below.

The conversion terms of the Company's convertible debentures, deferred acquisition costs and Hew Note are disclosed in Note 18.

The fair value measurements and accruals related to the share value guarantees as part of the NMI and OCC business acquisition are disclosed in Note 13.

Note 27 – Non-cash investing and financing activities

The Company had non-cash investing activities during the year ended December 31, 2021 and 104 days ended December 31, 2020 as follows:

	For the year ended December 31, 2021	For the 104 days ended December 31, 2020
Non-cash investing activities		
Right -of-use asset additions	$ 261,462	$ -
Investment in 10030712 Manitoba Ltd.	520,408	-
Settlement of convertible debt through share issuance	4,625,692	-
Share issuance in business acquisition	153,762	-

Note 28 – Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain a flexible capital structure which optimizes the costs of capital under acceptable risks. In the management of capital, the Company includes the components of shareholder's deficit and short-term and long-term liabilities.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust capital structure, subject to availability different sources of funds, the Company may attempt to: issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents and investments. The Company is not subject to any externally imposed capital requirements. The Company does not payout dividends. There were no changes to management's capital management objectives, practices or policies in the year.

A summary of the Company's capital structure is as follows:

	December 31, 2021	December 31, 2020
Long-term debt	**$ 2,360,567**	$ -
Shareholder's deficiency	**4,326,426**	(374,505)
	$ 6,686,993	$ (374,505)

The long-term debt figure above includes lease liability and government loan payable.

Note 29 – Commitments and contingent liabilities

Legal claim contingencies

In the normal course of business, the Company may be the subject of litigation claims. While management assesses the merits of each lawsuit and defends itself accordingly, they may be required to devote significant resources to defending itself against such litigation.

As at December 31, 2021, management has not accrued for any legal claim or contingencies.

Note 30 – Segmented reporting

Operating segments are identified based on internal reports that are regularly reviewed by the Company's chief operating decision maker, the Chief Executive Officer. The Company has a single reporting segment which is physician services, cannabis education, and product sales and maintenance relating to pain care management.

Information about geographic areas

The Company's non-current assets are located in Canada and all of the Company's revenues from external customers are generated in Canada.