

Pathway Health Corp. Reports Third Quarter 2022 Financial Results

- **Adjusted EBITDA loss improved by 20% from previous quarter to \$1.3 million compared to \$1.7 million in the previous quarter**
- **Entered into a \$3.5 million revolving line of credit to support working capital and expansion requirements**
- **Expanded services to veterans, RCMP and first responders with the acquisition of the operating assets of IRP Health Ltd.**

TORONTO, Nov. 24, 2022 /CNW/ - Pathway Health Corp. (TSXV: PHC) (Frankfurt: KL1) (formerly Colson Capital Corp.) ("Pathway" or the "Company"), a Canadian leader in chronic pain solutions and management services, is pleased to report its financial results for the three and nine-month period ended September 30, 2022. Unless otherwise noted, all amounts are in Canadian dollars and are prepared in accordance with International Financial Reporting Standards ("IFRS").

"We remain committed to our goals to support a patient's journey to wellbeing through a comprehensive suite of services and products from both traditional and alternative sources of medicine. In the third quarter, we have taken another step toward achieving these goals with the acquisition of the operating assets of IRP Health Ltd., a multidisciplinary pain management and physical therapy program that will allow us to better serve at-risk patient groups such as veterans, RCMP and first responders," said Ken Yoon, Pathway's Chief Executive Officer. "We are excited about the Company's path forward, as it looks to continue to expand its service offerings to these patient groups in need throughout Canada and potentially international markets."

Recent Highlights

- Adjusted EBITDA loss improved by 20% from previous quarter to \$1.3 million compared to \$1.7 million in the previous quarter, reflecting management's continued focus on streamlining operations and cash conservation measures.
- The Company expanded its MCMS (Medical Cannabis Management System) program with the addition of Sunshine Drugs family of 15 community pharmacies, bringing its collaborative agreements to over 2,000 pharmacies.
- In the second quarter 2022, Company entered-into a bridge loan with a related party for available proceeds of up to \$1.0 million. This facility was rolled into a larger \$3.5 million revolving line of credit in the third quarter 2022, providing the Company a foundation to support operations and future growth.
- Acquired IRP Health Ltd., expanding services to at risk patient groups, including veterans, RCMP and first responders. This acquisition is a key step forward in the Company's strategy to focus on providing services and products to specialty groups of patients.
- The Company appointed MNP LLP as its new auditors in anticipation of future key changes to the business, including the approval of a non-possession sales license which is currently under review with Health Canada and potential international expansion.

Summary of the Results for the Three Months Ended September 30, 2022 (Q3 2022) compared to the Three Months Ended September 30, 2021 (Q3 2021), unless otherwise noted

Revenues were \$2.4 million and \$2.7 million for the three months ended September 30, 2022, and 2021, respectively. Cannabis education revenues were partially impacted by a reduction in marketing fees previously provided by licensed producers as clinics moved to a telemedicine platform. The

decline in revenue also reflects the continued downward trend in the Canadian medical cannabis market. However, the Company hopes to offset this by focusing on specialty group markets and offering more comprehensive services to these targeted markets.

Gross margins were \$1.2 million and \$1.3 million for the three months ended September 30, 2022, and 2021, which represented 50% and 53% of gross revenues, respectively. The difference is mainly a result of the increase in products and provincially insured and non-insured physician services as a total percentage of overall revenue compared to the same prior year period.

Selling, general and administrative expenses ("SG&A") were \$2.7 million and \$2.8 million for the three months ended September 30, 2022, and 2021, respectively. The combined decrease in wages and benefits, marketing, public company costs and expenses totaled \$0.2 million as a result of continued cost cutting and streamlining measures taken on by management. This was offset by a \$0.04 million increase in professional fees due to additional costs related to the change in auditors and an increase of \$0.03 million in rent and utilities reflecting the physical expansion in 2022.

The Company incurred a net loss of \$1.9 million and had a basic and diluted loss per share of \$0.02 for the three months ended September 30, 2022, compared to a net loss of \$1.6 million and a basic and diluted loss per share of \$0.02 for the same period prior year.

Earnings before interest, tax, depreciation, and amortization ("EBITDA")¹ was a loss of \$1.5 million and adjusted EBITDA¹ was a loss of \$1.3 million for the three months ended September 30, 2022, compared to an EBITDA and adjusted EBITDA loss of \$1.3 million and \$1.4 million respectively in the prior year.

Cash as of September 30, 2022, was \$0.3 million compared with \$2.6 million on December 31, 2021. As of September 30, 2022, the Company had a principal balance of \$1.9 million outstanding from its Credit Facility. As of November 23, 2022, the Company had a principal balance of \$2.8 million outstanding from its Credit Facility.

About Pathway Health

Pathway Health is an integrated healthcare company that provides products and services to patients suffering from chronic pain and related conditions. The Company owns and operates eleven community-based clinics across four provinces where its team of health professionals work together to help patients through a variety of evidence-based approaches and products, including medical cannabis. Pathway Health's patient care programs utilize an interdisciplinary approach that is guided by trained pain specialists, physical and occupational therapists, psychologists, nurses, and other healthcare providers. Pathway is also the leading provider of medical cannabis services in Canada and has established itself as the leading partner with national and regional pharmacy companies for the delivery of medical cannabis services to their customers. The Company is working with several pharmacy companies on the development of Cannabis Health Products (CHPs) for OTC product distribution through retail pharmacy locations across the country following anticipated changes to the Cannabis Act.

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

¹Non-IFRS financial measures

The non-IFRS measures included in this MD&A are not recognized measures under IFRS, and do not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other issuers. When used, these measures are defined in such terms as to allow the reconciliation to the closest IFRS measure. These measures are provided as additional information to complement those IFRS measures by providing further understanding of the Company's results of operations from its perspective. Accordingly, they should not be considered in

isolation nor as a substitute for analysis of the Company's financial information reported under IFRS. Despite the importance of these measures to management in goal setting and performance measurement, these are non-IFRS measures that may be limited in their usefulness to investors.

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

EBITDA and Adjusted EBITDA

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Net (loss) attributable to shareholders	\$ (1,923,469)	\$ (1,597,308)	\$ (6,238,013)	\$ (5,701,717)
Adjustments:				
Amortization of intangible assets	34,378	25,878	105,358	80,514
Depreciation on property and equipment	177,743	189,654	549,254	547,217
Finance expense*	189,411	76,074	338,775	528,542
EBITDA	\$ (1,521,937)	\$ (1,305,702)	\$ (5,244,626)	\$ (4,545,444)
Share-based compensation	181,331	125,856	412,590	386,734
Loss of control of related company	6,108	6,108	18,324	82,647
Related party bad debt expense	-	(25,001)	-	75,000
Impairment of intangible assets	-	-	102,920	-
Impairment of goodwill	-	-	225,046	-
Gain on remeasurement of contingent consideration	-	-	(21,943)	-
Reverse takeover transaction cost	-	-	-	1,251,608
Additional professional fees due to RTO Transaction	-	(143,463)	-	509,252
Additional professional fees due to Asset Acquisition Transaction	-	(12,699)	-	112,891
Adjusted EBITDA	\$ (1,334,498)	\$ (1,354,901)	\$ (4,507,689)	\$ (2,127,312)

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

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This news release includes certain "forward-looking statements" under applicable Canadian securities legislation. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable, are subject to known and unknown risks, uncertainties, and other factors that may cause the actual results and future events to differ materially from those expressed or implied by such forward-looking statements. Such factors

include, but are not limited to: the Company's ability to continue as a going concern, general business, economic, competitive, political, and social uncertainties; delay or failure to receive applicable approvals; and the results of operations. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. Pathway disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Neither the Exchange nor its Regulation Services Provider (as that term is defined in the policies of the Exchange) accepts responsibility for the adequacy or accuracy of this Press Release. The TSX Venture Exchange Inc. has in no way passed upon the merits of the proposed transaction and has neither approved nor disapproved the contents of this press release.

Pathway Health Corp. (formerly Colson Capital Corp.)
Interim Condensed Consolidated Statement of Financial Position
(Unaudited)

	September 30, 2022	December 31, 2021
Assets		
Current		
Cash	\$ 271,995	\$ 2,603,429
Restricted cash	75,000	75,000
Accounts and other receivables	832,149	811,587
Deferred cost	36,654	54,978
Inventory	313,456	340,340
Prepays	206,936	249,579
	<u>1,736,190</u>	<u>4,134,913</u>
Due from related parties	70,827	117,362
Property and equipment	2,428,931	2,914,078
Intangible assets	483,169	691,447
Goodwill	279,855	504,901
Investment in related company	254,059	475,824
	<u>3,516,841</u>	<u>4,703,612</u>
Total assets	\$ 5,253,031	\$ 8,838,525
Liabilities and Shareholders' equity		
Current		
Accounts payable and accrued liabilities	\$ 2,293,994	\$ 1,585,558
Credit facility	1,837,701	-
Current portion of lease liability	582,933	545,515
Due to related parties	44,368	20,459
	<u>4,758,996</u>	<u>2,151,532</u>
Lease liability	1,902,864	2,292,993
Government loan payable	76,668	67,574
	<u>1,979,532</u>	<u>2,360,567</u>
Total liabilities	6,738,528	4,512,099
Shareholders' (deficiency) equity		
Share capital	42,644,224	42,630,724
Warrants	1,866,866	1,866,866
Contributed surplus (deficiency)	(30,517,818)	(30,930,408)
Deficit	(15,478,769)	(9,240,756)
	<u>(1,485,497)</u>	<u>4,326,426</u>
Total liabilities and shareholders' (deficiency) equity	\$ 5,253,031	\$ 8,838,525

Pathway Health Corp. (formerly Colson Capital Corp.)
Interim Condensed Consolidated Statements of Loss and Comprehensive Loss
For the three and nine months ended September 30, 2022
(Unaudited)

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Revenue	\$ 2,418,886	\$ 2,663,249	\$ 7,726,415	\$ 8,225,714

Cost of sales				
Consultants	879,965	942,444	2,981,860	2,954,582
Cost of goods sold	219,339	199,514	618,831	544,050
Clinic and medical supplies	105,174	108,243	376,027	330,183
Total cost of sales	1,204,478	1,250,201	3,976,718	3,828,815
Gross margin	1,214,408	1,413,048	3,749,697	4,396,899
Selling, general and administrative expenses	2,671,919	2,762,453	8,619,188	8,003,119
Loss before other items	(1,457,511)	(1,349,405)	(4,869,491)	(3,606,220)
Other expenses (income)				
Reverse takeover transaction cost	-	-	-	1,251,608
Finance expense	189,411	76,074	338,775	528,542
Impairment of intangible assets	-	-	102,920	-
Impairment of goodwill	-	-	225,046	-
Share-based compensation	181,331	125,856	412,590	386,734
Amortization of intangible assets	34,378	25,878	105,358	80,514
Share of loss of equity-accounting investment	54,730	56,796	187,452	89,775
Loss of control of related company	6,108	6,108	18,324	82,647
Fair value loss of guarantee	-	(25,001)	-	75,000
Government grant	-	-	-	(25,558)
Gain on remeasurement of contingent consideration	-	(17,808)	(21,943)	(92,342)
Gain on disposal of intangible assets and goodwill	-	-	-	(255,328)
	465,958	247,903	1,368,522	2,121,592
Loss before income taxes	(1,923,469)	(1,597,308)	(6,238,013)	(5,727,812)
Income tax expense	-	-	-	-
Net loss and comprehensive loss	(1,923,469)	(1,597,308)	(6,238,013)	(5,727,812)
Net loss attributable to:				
Shareholders	(1,923,469)	(1,597,308)	(6,238,013)	(5,701,717)
Non-controlling interest	-	-	-	(26,095)
	\$ (1,923,469)	\$ (1,597,308)	\$ (6,238,013)	\$ (5,727,812)
Basic and diluted loss per share	\$ (0.02)	\$ (0.02)	\$ (0.07)	\$ (0.14)
Weighted average shares outstanding	93,722,085	93,187,251	93,717,689	42,018,337
Basic and diluted				

SOURCE Pathway Health Corp.

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For further information: Robin Cook, Corporate Development, (416) 809-1738, robin.cook@pathwayhealth.ca

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CNW 08:00e 24-NOV-22