

**ASSURE HOLDINGS CORP.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Three Months Ended March 31, 2018**

This Management's Discussion and Analysis ("MD&A") explains the variations in the consolidated operating results and financial position and cash flows of Assure Holdings Corp. ("Assure" or the "Company") as at and for the three months ended March 31, 2018 and 2017. This analysis should be read in conjunction with Assure's condensed interim consolidated financial statements for the three months ended March 31, 2018 and 2017 and related notes (the "condensed interim consolidated financial statements"). The condensed interim consolidated financial statements of Assure, and extracts of those condensed interim consolidated financial statements provided in this MD&A, were prepared in United States dollars and in accordance with International Financial Reporting Standards ("IFRS"). Readers are cautioned that this MD&A contains certain forward-looking information. Please see the "Forward Looking Statements" section below for a discussion of the use of such information in this MD&A.

The condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries Assure Holdings, Inc.; Assure Neuromonitoring, LLC; Assure Neuromonitoring Louisiana, LLC; Assure Neuromonitoring Texas, LLC; Assure Neuromonitoring Utah, LLC and Assure Networks, LLC ("Networks"). All inter-company balances and transactions have been eliminated on consolidation.

The information in this report is dated as of August 17, 2018.

**CAUTION REGARDING FORWARD-LOOKING STATEMENTS**

Our MD&A includes "forward-looking statements" that are subject to risks and uncertainties that may result in actual results differing from the statements we make. Certain information included or incorporated by reference in this report may contain forward-looking statements. This information may involve known and unknown risks, uncertainties, and other factors which may cause our actual results, performance, or achievements to be materially different from the future results, performance, or achievements expressed or implied by any forward-looking statements. Forward-looking statements, which involve assumptions and describe our future plans, strategies, and expectations, are generally identifiable by use of the words "may," "will," "should," "expect," "anticipate," "estimate," "believe," "plan," "intend" or "project" or the negative of these words or other variations on these words or comparable terminology. Certain risks underlying our assumptions are highlighted below; if risks materialize, or if assumptions prove otherwise to be untrue, our results will differ from those suggested by our forward-looking statements and our results and operations may be negatively affected.

Forward-looking statements in this report include statements regarding profitability, additional acquisitions, increasing revenue and adjusted EBITDA, continued growth of our business in line with historical growth rates, trends in our industry, financing plans, our anticipated needs for working capital and leveraging our capabilities. Actual events or results may differ materially from those discussed in forward-looking statements. There can be no assurance that the forward-looking statements currently contained in this report will in fact occur. The Company bases its forward-looking statements on

information currently available to it. The Company disclaims any intent or obligations to update or revise publicly any forward-looking statements whether as a result of new information, estimates or options, future events or results or otherwise, unless required to do so by law. Forward-looking information reflects current expectations of management regarding future events and operating performance as of the date of this document. Such information involves significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved.

A number of factors could cause actual results to differ materially from the results discussed in forward-looking information, including, without limitation: our need for additional financing and our estimates regarding our capital requirements, future revenues and profitability; if our patient volume or cases do not grow as expected, or decreases, this could impact revenue and profitability; if we are unable to complete transactions with new physician practices, this could impact our future revenue growth and profitability; unfavorable economic conditions could have an adverse effect on our business; risks related to increased leverage resulting from incurring additional debt; the policies of health insurance carriers may affect the amount of revenue the Company receives; our ability to successfully market and sell our products and services; we may be subject to competition and technological risk which may impact the price and amount of services we can sell and the nature of services we can provide; regulatory changes that are unfavorable in the states where our operations are conducted or concentrated; our ability to comply and the cost of compliance with extensive existing regulation and any changes or amendments thereto; changes within the medical industry and third-party reimbursement policies and our estimates of associated timing and costs with the same; risks related to the Company's reliance on third-party billing and collection companies to appropriately bill healthcare payers and to maximize reimbursement during the collections process; risks related to the Affordable Care Act (the "ACA") or any replacement legislation in terms of patient volume and reimbursement and the corresponding effect on our business; changes in key United States federal or state laws, rules, and regulations; our ability to establish, maintain and defend intellectual property rights; risks related to United States antitrust regulations; risks related to record keeping and confidentiality by our affiliated physicians; our ability to recruit and retain qualified personnel and other resources to provide our services; risks related to any affiliated physicians leaving our affiliated Provider Network Entities ("PNEs"); our ability to enforce non-competition and other restrictive covenants in our agreements; contracts with PNEs, or other customers may be terminated, or may not be renewed, by the counterparty; risks related to corporate practice of medicine and our ability to renew and maintain agreements our contractors; our ability to adequately forecast expansion and the Company's management of anticipated growth; risks related to our dependence on complex information systems; our senior management has been key to our growth and we may be adversely affected if we are unable to retain them, conflicts of interest develop or we lose any key member of our senior management team; risks associated our dependence on third-party suppliers; changes in the industry and the economy may affect the Company's business; risks related to the competitive nature of the medical industry; evolving practices and regulation of corporate governance and public disclosure may result in additional corporate expenses; adverse events relating to our product or services could result in risks relating to product liability, medical malpractice, other legal claims, insurance and other liabilities; various risks associated with legal, regulatory or investigative proceedings; risks associated with governmental or other investigations or inquiries into marketing and other business practices; we are subject to health and safety risks within our industry; our ability to successfully identify and complete future transactions and

integrate our acquisitions; anti-takeover provisions create risks related to lost opportunities; we may not continue to attract PNEs and other licensed providers to provide our services resulting in slower than expected growth; risks associated with the trading of our common shares on a public marketplace which could result in changes to stock prices unrelated to our performance; risks related to the reduction in the reimbursement of our service procedure codes; changes in our effective income tax rates; risks related to our ability to retain and manage third-party service providers; risks related to the failure of our employees and third-party contractors to appropriately record or document services that they provide; risks that while the primary market for the Company's common stock is the TSX Venture Exchange and the Company is a "reporting issuer" in Canada, the Company is a Nevada corporation and its principal business is located in the United States, subject to United States federal and state securities laws, there may be uncertainty regarding the application of the federal and state securities laws to the shares of common stock issued in connection with the qualifying transaction with Assure Holdings, Inc. on May 26, 2017; and risks related to criminal or civil sanctions in connection with failure to comply with privacy regulations regarding the use and disclosure of personal identifiable or other patient information.

## **OVERVIEW**

Assure is a North American company focused on providing physicians with a comprehensive suite of services for Intraoperative Neuromonitoring ("IONM"). IONM is a service that has been well established as a standard of care for over 20 years as a risk mitigation tool during invasive surgeries such as spine, ear, nose, and throat, cardiovascular, and many others. The Company's operations consist of a single reportable segment. In 2015, Assure Neuromonitoring, LLC was established to provide technical IONM services during such surgeries; however, this entity did not begin formal operations until March of 2016. This entity employs a technical staff that is on site in the operating room during each procedure and covers the case using industry standard, company-owned diagnostic machinery. On an ongoing basis since 2015, Assure has addressed the Professional IONM segment through a catalog of Provider Network Entities ("PNEs"). These PNEs are contracted with offsite neurologists/readers to provide IONM coverage from a remote location as a level of redundancy and risk mitigation in addition to the onsite technical services of the technical company. Collectively, the technical and professional IONM services offered and rendered provide a turnkey platform to help make surgeries safer. The Company's goal is to establish Assure as the premier provider of IONM services by offering a value-added platform that handles every component from scheduling to coverage, to billing and collections. The Company's strategy focuses on utilizing best of breed staff and partners to deliver outcomes that are beneficial to all stakeholders including patients, physicians, and shareholders. Assure in fiscal year 2018 has provided services primarily in the state of Colorado where it employs its own technicians and deploys its own machinery in invasive surgeries on a daily basis.

In September 2017, the Company announced that it had expanded into the vascular surgery market. Historically, the Company had primarily been engaged in the neuromonitoring of spine and neurosurgeries. The expansion into additional surgical verticals is part of Assure's growth strategy. By applying its neuromonitoring platform to additional surgical verticals such as vascular, ear nose and throat, and several others, the addressable market for Assure's service is greatly expanded.

In November of 2017, the Company announced that it monitored its first case in the state of Texas. This Texas event marked the first case the Company has covered outside the state of Colorado. More importantly, this was the first successful step in the Company's geographic expansion initiatives. The Company in calendar year 2018 also expanded operations to Louisiana and Utah.

The Company believes that the geographic expansion initiatives coupled with the surgical vertical expansion efforts will combine to generate substantial growth opportunities going forward.

The Company has financed its cash requirements primarily from revenues generated from its services, utilized a bank credit line and from the sale of common stock. The Company's ability to maintain the carrying value of its assets is dependent on successfully marketing its services and maintaining future profitable operations, the outcome of which cannot be predicted at this time. The Company has also stated its intention to grow its operations by developing additional PNE relationships and directly contracting with hospitals and surgery centers for services. In the future, it may be necessary for the Company to raise additional funds for the continuing development of its business plan. For further information about Assure, please visit [www.sedar.com](http://www.sedar.com).

## **RESULTS OF OPERATIONS**

### ***Financial and operating highlights for the three months ended March 31, 2018 and to the date of this report***

The following table provides selected financial information from the condensed interim consolidated statements of income for the three months ended March 31, 2018 and 2017 (unaudited):

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017 (revised)
<b>Revenue</b>		
Out-of-Network fees	\$ 5,588,841	\$ 2,988,506
Contract fees	112,310	78,065
Total revenue	5,701,151	3,066,571
Cost of revenues	(938,878)	(562,634)
Gross margin	4,762,273	2,503,937
<b>Operating expenses</b>		
General and administrative	1,354,149	534,627
Depreciation and amortization	86,929	45,558
Sales and marketing	295,155	64,833
Total operating expenses	1,736,233	645,018
Income from operations	3,026,040	1,858,919
<b>Other income/(expenses)</b>		
Earnings from equity method investments	896,301	429,629
Provision for broker warrant fair value	68,311	-
Provision for stock option fair value	111,100	-
Interest, net	(25,735)	(16,216)
Total other income/(expenses)	1,049,977	413,413
Income before income taxes	4,076,017	2,272,332
Income tax expense	1,111,186	-
Net income	\$ 2,964,831	\$ 2,272,332
Basic income per common share	\$ 0.08	\$ 0.09
Fully diluted income per common share	\$ 0.07	\$ 0.08

Except where otherwise indicated, all financial information discussed below is 100% of the consolidated results of the Company.

#### **NON-IFRS FINANCIAL MEASURES (unaudited)**

The following are non-IFRS measures. Investors are cautioned not to place undue reliance on them and are urged to read all IFRS accounting disclosures present in the condensed interim consolidated financial statements and accompanying notes to the condensed interim consolidated financial statements for the three months ended March 31, 2018 and 2017. In addition to results reported in accordance with IFRS, the Company uses certain non-IFRS financial measures as supplemental indicators of its financial and operating performance. These non-IFRS financial measures include Adjusted EBITDA and Adjusted Operating Expenses. The Company believes these supplementary financial measures reflect the Company's ongoing business in a manner that allows for meaningful period-to-period comparisons and analysis of trends in its business. The Company defines Adjusted EBITDA as net income before interest, taxes, depreciation, stock-based compensation, and related expenses. The Company discloses Adjusted EBITDA to capture the profitability of its business before the impact of items not considered in

management's evaluation of performance. The Company defines Adjusted Operating Expenses as operating expenses before equity compensation, depreciation and fair value adjustments. The Company discloses Adjusted Operating Expenses to capture the non-operational expenses of the business before the impact of items not considered by management to impact operating decisions. Adjusted EBITDA and Adjusted Operating Expenses do not have any standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other companies. The Company cautions readers to consider these non-IFRS financial measures in addition to, and not as an alternative for, measures calculated in accordance with IFRS.

The non-IFRS measures for the three months ended March 31, 2018 and 2017 are reconciled to reported IFRS figures in the tables below:

### Adjusted EBITDA

	<b>Three Months Ended March 31, 2018</b>	<b>Three Months Ended March 31, 2017 (revised)</b>
Reported net income	\$ 2,964,831	\$ 2,272,332
Interest	25,735	16,216
Depreciation and amortization	86,929	45,558
Share based compensation	200,564	-
Income tax expense	1,111,186	-
Provision for broker warrant fair value	(68,311)	-
Provision for stock option fair value	(111,100)	-
	<u>\$ 4,209,834</u>	<u>\$ 2,334,106</u>

### Adjusted Operating Expenses:

	<b>Three Months Ended March 31, 2018</b>	<b>Three Months Ended March 31, 2017 (revised)</b>
Reported operating expenses	\$ 1,736,233	\$ 645,018
Share based compensation	(200,564)	-
Depreciation and amortization	(86,929)	(45,558)
	<u>\$ 1,448,740</u>	<u>\$ 599,460</u>

### Revenue

Revenues for the three months ended March 31, 2018 increased 86% to \$5,701,151 compared to \$3,066,571 (revised) for the same period in 2017. The increase in revenue is attributed to continued commercial acceptance of Assure's neuromonitoring platform that has led to an increasing number of relationships in the state of Colorado and expansion into Louisiana. The Company also experienced an additional increase in revenue as a result of referrals.

For the three months ended March 31, 2018 there were no material changes in reimbursement rates for any of the payors related to our services provided. The payor mix includes a combination of hospitals and surgery centers with which Assure contracts in addition to a significant mix of private pay insurers.

Revenues are generated from rendering Technical IONM services under which Assure is entitled to 100% of earned revenue. Professional IONM services are generated through the Assure's PNE (Provider Network Entities) under which Assure receives its Pro-Rata share of net income generated by Professional Network Entities. Contract fees are billings to hospital and surgery center customers at contracted rates for cases in which private pay insurers are not involved. Technical billings are recorded as operating revenue, while the contribution from the PNEs are recorded as earnings from equity method investments, except for one PNE entity which is wholly owned by Assure Networks and utilized for cases when contractual relationships do not exist. Revenue from the single wholly owned PNE entity is consolidated and recorded as operating revenue.

For the three months ended March 31, 2018 and 2017, out-of-network fees represent approximately 98% and 97%, respectively, of the Company's revenue. The Company continues to analyze payor rate data with regard to cash collection experience. These data impact the Company's calculation of appropriate net realized revenue, valuing accounts receivable and reporting of revenue.

For the three months ended March 31, 2018, Assure generated 82% of its revenue from the Colorado market while generating 18% from markets outside of Colorado. In the same period in 2017, all revenues were generated from the Colorado market. For the three months ended March 31, 2018, Assure managed 565 cases compared to 325 cases in the same period in the prior year, a 74% increase in case volume. Not all cases are billable, which is determined through payer verification. Assure focuses primarily on billing out-of-network fees for private insurance cases and certain commercial payer managed government cases, while other government cases are typically billed to hospitals or surgery centers at contracted fees. Assure provides significant discounts for uninsured or self-pay patient cases.

In the future, the Company expects revenue to continue to increase, as it has month over month, as it expands its physician network and increases physician adoption, expands into other verticals, and expands into other states or regions. The Company began exploring commercial expansion efforts into multiple new states and adjunct surgical verticals in the second quarter of 2017. The Company began to generate material amounts of earnings from these initiatives during the three months ending March 31, 2018, especially from its Louisiana expansion.

### **Total Operating Expenses**

For the three months ended March 31, 2018, total operating expenses were \$1,736,233, compared to \$645,018 (revised) for the three months ended March 31, 2017. Operating expenses primarily include professional fees, general and administrative, sales and marketing, and other related expenses. Operating expenses increase over the prior year due to staffing additions to support the growth of the business, commission expenses for the expansion achieved in the first quarter of 2018, costs of being a public company, and outside advisory fees to support continued expansion into new states.

In the future, the Company expects operating expenses to increase as the Company continues to invest in activities designed to increase demand, expand its footprint, and increase commercial acceptance of its turnkey IONM platform. Additionally, as a public company, Assure expects to have increased expenses related to being an ongoing reporting issuer. The Company incurred one-time legal and other expenses related to the subsequent items addressed in this MD&A, which will be reflected in the three months ending in June 30, 2018 and September 30, 2018.

The Company expects sales and marketing expenses to increase in aggregate as this is the primary source of business development. During fiscal year 2017, Company did not rely on any forms of marketing such as trade shows, publications, or event sponsorship, but rather leveraged existing relationships and catered to prospective professional partners. In addition, there is an ongoing component of the sales and marketing expense that is devoted to retention of these key partnerships. To date, there have not been any clients of Assure that have left the partnerships aside from one physician who moved her practice to another state in which Assure does not currently operate and one physician who stopped practicing. Management attributes this to a high level of service and a high degree of overall value and satisfaction generated by the Assure platform.

### **Income from Operations and Income Before Tax**

Income from operations for the three months ended March 31, 2018 was \$3,026,040 compared to income from operations for the three months ended March 31, 2017 of \$1,858,919 (revised). The increase is attributable to volume growth of neuromonitoring services rendered compared to the prior year.

Income before tax for the three months ended March 31, 2018 was \$4,076,017 compared to income before tax of \$2,272,332 (revised) for the three months ended March 31, 2017, largely resulting from the variance in income from operations as discussed above.

### **Adjusted EBITDA**

Adjusted EBITDA of the Company for the three months ended March 31, 2018 was \$4,209,834 compared to \$2,334,106 (revised) for the same period in 2017. The Adjusted EBITDA is net income before other income and expenses, such as earnings from equity method investments, depreciation, provision for broker warrant fair value, equity-based compensation expense, deemed share costs related to the reverse takeover (“RTO”), taxes and interest expenses. The 98% increase in Adjusted EBITDA from March 31, 2017 to March 31, 2018 was attributed to continued commercial acceptance of Assure’s neuromonitoring platform that has led to an increasing number of relationships in the state of Colorado and expansion into other states, such as Louisiana. The Company also experienced an additional increase in revenue as a result of referrals. The growth in the Company benefitted the consolidated revenue and earnings of the Company as well as the earnings from equity method of investment from the PNEs, which increased \$839,992 in the three months ended March 31, 2018 over the same prior year period.



## Income Tax Expense

For the three months ended March 31, 2018, the Company recorded an income tax expense of \$1,111,186 compared to income tax expense of \$nil (revised) for the three months ended March 31, 2017. The Company's estimated annual tax rate is impacted primarily by the amount of taxable income associated with each jurisdiction the Company is subject to income tax and permanent differences between financial statement carrying amounts and the tax basis. In general, we do not anticipate that our effective tax rate will differ from statutory rates to any material degree.

## Net Income and Earnings Per Common Share

For the three months ended March 31, 2018, the Company recorded net income attributable to shareholders of the Company of \$2,964,831 or \$0.08 per share, compared net income of \$2,272,332 or \$0.09 per share (revised) for the same period in 2017. The Company's share count increased as of March 31, 2018 from same period in the prior year as a result of the May 26, 2017 RTO transaction in conjunction with the private placement and the exercise of certain broker warrants. The net income in the same period in 2017 benefitted from no applied tax expense in the revised numbers, due to the year-end change in the tax provision methodology to cash basis rather than the accrual basis, which was utilized in for the interim periods in 2017. The three months ended March 31, 2017 was revised as part of the 2016 Restatement disclosed in the Company's Consolidated Financial Statements for the year ended December 31, 2017.

## Summary of Quarterly Results (revised)

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>	<u>June 30, 2017</u>
Revenue	\$ 5,701,151	\$ 4,710,581	\$ 3,899,668	4,119,000
Net Income/(loss)	2,964,831	(9,242,770)	951,854	517,427
Basic earnings/(loss) per common share	0.08	(0.26)	0.03	0.02
	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>September 30, 2016</u>	<u>June 30, 2016</u>
Revenue	\$ 3,066,574	\$ 3,490,935	\$ 2,025,680	\$ 834,521
Net Income/(loss)	2,272,332	1,027,782	1,602,680	802,823
Basic earnings/(loss) per common share	0.09	0.04	0.07	0.03

## LIQUIDITY AND CAPITAL RESOURCE

For the three months ended March 31, 2018, the Company's cash position increased \$103,560 from December 31, 2017 to \$318,886. The increase in cash is primarily a reflection of increased accounts receivable collections from business growth in fiscal year 2017 and \$500,000 of cash from the Company's credit line to fund business growth in the three months ended March 31, 2018. Accounts receivable is treated as current assets, therefore it is part of working capital. Net working capital, excluding cash, increased \$2,279,606 to \$18,581,008 at March 31, 2018 compared to \$16,301,402 at December 31, 2017, largely on the basis of an increase of approximately of \$4,089,881 in net accounts receivables. The Company relies on payments from multiple private insurers and hospital systems that have various collection lifecycles. The Company is dependent on its third-party contractor for billing and collections. The Company believes that using a third-party billing and collection vendor benefits the

Company with a lower cost to collect than developing an in-house billing and collection function. The extended cash cycle is mitigated by low corporate overhead, modest expenses related to generating revenue, and minimal capital expenditures. For the three months ended March 31, 2018, the Company collected \$1,388,876 of cash from its accounts receivable balance compared to collecting \$1,103,756 in the same prior year period. The Company had \$298,068 of cash distributions from its PNE entities in the three months ended March 31, 2018 compared to \$27,157 the same prior year period. The Company believes that it is adequately capitalized and has sufficient liquidity to execute upon its business plan and to support modest multi-state expansion initiatives. An accelerated multi-state expansion initiative may require the Company to obtain additional capital.

The Company expects to meet its short-term obligations, through cash earned through operating activities and utilizing its bank credit line. The Company has financed its operations primarily from revenues generated from services rendered and through equity and debt financings.

Cash used in operating activities for the three months ended March 31, 2018 was \$652,176 compared to cash provided by operating activities of \$256,119 for the same period in the preceding year. For the three months ended March 31, 2018, cash was used to fund working capital increases primarily in accounts receivable related to the growth of the Company.

Cash provided by financing activities for the three months ended March 31, 2018 was \$461,098 is primarily due to the \$500,000 draw on the Company's line of credit. Cash used in financing activities of \$105,012 for the three months ended March 31, 2017 related to pre-RTO distributions, partially offset by an increase in lease obligations related to the purchase of medical equipment.

The Company's near-term cash requirements relate primarily to payroll expenses, trade payables, capital lease payments, and general corporate obligations. Based on the current business plan, the Company believes cash from operations and its bank line of credit will be sufficient to fund the Company's operating, debt repayment and capital requirements for the next 12 months. The Company updates its forecasts on a regular basis and will consider additional financing sources as appropriate. The following table summarizes the relative maturities of the financial liabilities of the Company:

<b>March 31, 2018</b>					
	<u>Total</u>	<u>Less than 1 year</u>	<u>1 - 3 years</u>	<u>4 - 5 years</u>	<u>Over 5 years</u>
Trade and other payables	\$ 2,447,065	\$ 2,447,065	\$ -	\$ -	\$ -
Line of credit	500,000	500,000	-	-	-
Finance leases	617,375	230,969	386,406	-	-
	\$ 3,564,440	\$ 3,178,034	\$ 386,406	\$ -	\$ -

<b>December 31, 2017</b>					
	<u>Total</u>	<u>Less than 1 year</u>	<u>1 - 3 years</u>	<u>4 - 5 years</u>	<u>Over 5 years</u>
Trade and other payables	\$ 2,504,519	\$ 2,504,519	\$ -	\$ -	\$ -
Finance leases	660,228	181,787	478,441	-	-
	\$ 3,164,747	\$ 2,686,306	\$ 478,441	\$ -	\$ -

As of March 31, 2018, the Company has no material cash contractual obligations, other than those obligations relating to its debt agreements as described above. The Company has a month-to-month lease arrangement with a related party.

## **OUTSTANDING SHARE CAPITAL**

As of March 31, 2018, there were 35,555,105 (December 31, 2017: 35,505,105) common shares issued and outstanding. The Company has 3,510,000 options and 56,000 broker warrants outstanding under terms described in Note 11 to the condensed interim consolidated financial statements for the three months ended March 31, 2018.

Performance share compensation - The Company entered into stock grant agreements with two executives (Messrs. Preston Parsons and Matthew Willer respectively) on November 8, 2016, each of which *inter alia* defines a bonus share threshold as follows: should the Company meet or exceed a 2017 fiscal year EBITDA threshold of \$7,500,000 CAD, the Company would issue 6,000,000 Common Shares of the surviving issuer at the trailing 30-day average closing price. The performance share grant was structured as part of the reverse takeover merger transaction to provide additional equity to management conditioned upon performance achievements. Mr. Parsons has agreed to modify his stock grant agreement to change the threshold to add an additional metric the Company must achieve to grant the performance shares. The new metric will modify the threshold from EBITDA to cash received to achieve the equivalent EBITDA threshold. Additionally, Mr. Parsons has voluntarily decided, once the performance shares are issued, to distribute a meaningful portion of the shares to other members of the management team and key personnel. The Company is engaged in discussions with Mr. Willer regarding his stock grant agreement and other matters. As the Company achieved the EBITDA threshold for the year ended December 31, 2017, the Company has recorded a liability equivalent to the value of the shares to be issued while the agreements are modified and the cash collected threshold is achieved, which the Company deems probable.

On May 26, 2017, the Company announced the closing of its qualifying transaction with Assure Holdings, Inc., a private Colorado corporation (“Assure Colorado”), and the commencement of trading of our common stock on the TSX-V. The Company engaged United States and Canadian legal counsel to advise us on the qualifying transaction and related transactions. The Company relied upon exemptions from the registration requirements of Section 5 of the Securities Act and Rule 415 thereunder, including Section 4(a)(2), Rule 506(b) and Rule 903 of Regulation S. The issuance of certain securities may not have been exempt from the registration requirements under federal or state securities laws and may have been subject to a private right of action for rescission or damages. The statute of limitation for rescission expired on May 26, 2018, one year from the date of the violation. While the Company believes that the likelihood of a claim is remote and has determined that for the purpose of our financial reporting this matter is not material, there can be no assurance that a liability will not arise in the future in connection with this matter.

## OFF BALANCE SHEET ARRANGEMENTS

The Company has no material undisclosed off-balance sheet arrangements that have or are reasonably likely to have, a current or future effect on our results of operations or financial condition.

## PROPOSED TRANSACTIONS

The Company has no material undisclosed transactions in process.

## TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its wholly owned and controlled subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of the transactions between the Company and other related parties are disclosed below:

	<u>March 31, 2018</u>	<u>December 31, 2017</u>
Due from PNEs(a)	\$ 155,836	\$ 331,046
Due from management (b)	1,927,039	1,915,095
Other	-	9,976
Due from related parties	<u>\$ 2,082,875</u>	<u>\$ 2,256,117</u>

- (a) Amount due from or to a “Provider Network Entity” or “PNE” is interest-free and subject to repayment within one year.

Compensation to family members of the Company’s Founder and former Executive Chairman/CEO include business development services and patient advocate services rendered during the three months ended March 31, 2018 and 2017 totaled \$49,915 and \$50,708, respectively.

The Company has a month-to-month lease agreement with one of the shareholders. Related party rent expense for the three months ended March 31, 2018 and 2017 was \$9,540 and \$9,060, respectively.

- (b) Amount due from management is related to personal expenses, distributions and compensation not authorized by an employment agreement or otherwise. The amounts due from the Company’s Founder and former Executive Chairman and CEO, Preston Parsons and former President and Corporate Secretary, Matthew Willer, are deemed collectable and considered a current asset. Mr. Parsons has entered into an agreement to repay the Company not later than December 31, 2018 and has pledged common stock to secure the promissory note (refer below to the “Release, Pledge and Secure Promissory Note” section of this MD&A). Mr. Willer, who is no longer affiliated with the Company in any capacity, has not formally agreed to repay the Company. The Company has made formal written demands on Mr. Willer and will take all reasonable and appropriate actions regarding its rights and remedies vis a vis Mr. Willer, including *inter alia* in respect of his separation from the Company and determining whether or not he is legally entitled to certain equity compensation.

## **AUDITOR RESIGNATION**

Assure announced on March 12, 2018 that EKS&H LLLP (the “Former Auditor”) resigned from its position as auditor of the Company. The Former Auditor had advised the Company that there was a “reportable event” with respect to “unresolved issues,” as such terms are defined in NI 51-102 in connection with their resignation. The Company reported that it would not be in a position to file its Audited Financial Statements and MD&A for the period ended December 31, 2017 which were due on April 30, 2018.

## **APPOINTMENT OF NEW AUDITOR**

On May 15, 2018, Assure announced the appointment of Squar Milner LLP (“Squar Milner”) as its new independent registered public auditing firm for its fiscal year ending December 31, 2017. Squar Milner is one of the 50 largest accounting firms in the United States and one of the largest independent accounting and advisory firms in the State of California with an active life sciences and healthcare practice group.

## **MANAGEMENT CEASE-TRADE ORDER**

On March 12, 2018, in accordance with National Policy 12-203 – *Management Cease Trade Orders* (“NP-12-203”), Assure, in consultation with the Audit Committee, applied to the British Columbia Securities Commission (“BCSC”), as its principal regulator, to obtain a management cease trade order (“MCTO”). Assure issued a black-out policy in accordance with its insider trading policy and as a result, no directors, officers or consultants are able to trade in any of the securities of Assure until the Audited Financial Statements and MD&A are filed and the default is remedied. The MCTO was granted by the BCSC on May 1, 2018.

## **FORENSIC AUDIT**

As disclosed on March 21, 2018, Assure, at the direction of the Audit Committee, retained RubinBrown LLP (“RubinBrown”), as a forensic accountant to address the concerns of the Former Auditor and related matters. The initial scope of work conducted by RubinBrown included the following: (i) a review of compensation paid to Mr. Parsons and Mr. Willer, the former President and former director of the Company; (ii) activity in the Company’s shareholders’ distribution accounts for Mr. Parsons and Mr. Willer; (iii) activity in the Company’s due to/from management accounts for Mr. Parsons and Mr. Willer; and (iv) use of the Company’s credit card for business expenses and personal expenses of Mr. Parsons and Mr. Willer.

On May 3, 2018, RubinBrown provided the Audit Committee with its confidential report (the “Forensic Report”). The Audit Committee reviewed the Forensic Report and recommended that its findings be accepted by the Board. On May 7, 2018, the Board accepted the May 3, 2018 Forensic Report and authorized RubinBrown to conduct additional work as described below.

Based on the findings of the Forensic Report, the Audit Committee recommended to the Board and the Board determined that the amount of \$788,702 previously characterized as shareholders’ distributions in the interim period ending June 30, 2017 unaudited condensed interim consolidated financial statements of the Company be reclassified as amounts due from related parties to be repaid to the Company. As a result, Mr. Parsons owes \$600,000 to the Company and Mr. Willer owes \$188,702.

In addition, the Forensic Report identified that Mr. Willer was paid a total amount of \$30,956 in excess of compensation amounts authorized to him under his employment agreement in calendar year 2017 and due to utilization of the Company Credit Card for personal use. From the completion of the RTO, on May 25,

2017 to March 31, 2018, personal expenses totaled \$849,695 for Mr. Parsons and \$39,531 for Mr. Willer. On the recommendation of the Audit Committee, accepted by the Board, these amounts were added as amounts due from related parties.

On June 26, 2018, Assure announced that the Board, on the advice of the Audit Committee, resolved that Mr. Parsons owes approximately \$2.1 million to the Company. This amount is greater than the amount contemplated in the Company's news release dated May 15, 2018 because a) the Board recommended and Mr. Parsons agreed to repay a substantial amount of professional and advisory fees incurred by the Company since the resignation of the Former Auditor, b) interest was assessed on all amounts owed from the dates incurred; and c) some expenses originally booked as business expenses were assessed by the Audit Committee to be more accurately defined as personal expenses and thus subject to repayment by Mr. Parsons. Although Mr. Parsons disagreed that some of these particular expenses should be re-classified as personal expenses, Mr. Parsons concluded that it would be in the best interest of the Company and its shareholders to agree to repay these amounts and put a final resolution to this matter. A similar arrangement will be required of Mr. Willer and the Company will be taking necessary steps to collect and resolve the outstanding amounts owed by Mr. Willer. Mr. Parsons has agreed to repay the amounts owed in full as soon as reasonably possible.

### **RELEASE, PLEDGE AND SECURED PROMISSORY NOTE**

During August 2018 Assure entered into a Release, Pledge and Security Agreement ("the Agreement") with Preston Parsons. The Agreement provides for a secured promissory note whereby Mr. Parsons agrees to repay the Company \$2,086,886.77 not later than December 31, 2018. The repayment amount includes \$250,000 attributed to third-party costs incurred by the Company. The repayment amount also includes imputed interest of 8%. The secured promissory note is secured by a pledge of 5,600,000 common shares of stock held by Mr. Parsons. The Agreement provides for a mutual release upon performance of the secured promissory note.

### **MANAGEMENT AND BOARD CHANGES**

On May 15, 2018, Assure announced that Mr. John A. Farlinger (CPA, CA), a board member and previous Chair of the Audit Committee was appointed the Executive Chairman and Interim Chief Executive Officer of the Company, following the resignation of Mr. Parsons, the founder and now former Chairman and Chief Executive Officer of the Company. Mr. Parsons remains a board member of the Company and is focused exclusively on working to generate increased revenue by engaging new surgeons to its platform, executing on the Company's multi-state expansion strategy and focusing on expanding the Company's intraoperative neuromonitoring services to ENT, Cardiovascular and other highly invasive surgeries. As a result of the appointment of Mr. Farlinger, Mr. Farlinger is no longer an independent director of the Company. Mr. Farlinger remains a member of the Audit Committee, however, the role of Chair was assumed by independent director Martin Burian. Mr. Burian will step down from the position of Chair of the Compensation Committee, and independent board member Mr. Kent Lund assumed the role.

### **EXECUTIVE AND BOARD MEMBER RESIGNATION**

On March 12, 2018, Assure announced in connection with the resignation by the Former Auditor, Mr. Willer, the President of the Company resigned from the Board and his position on the Audit Committee. Subsequently, on March 21, 2018, the Company announced that Mr. Willer submitted his resignation as President and Corporate Secretary of the Company effective immediately.

On August 17, 2018, Peter P. Csapo, Assure’s Chief Financial Officer provided notice of his intention to resign from the Company to join another healthcare company that is not a competitor to Assure.

### **CEASE TRADE ORDER**

On August 8, 2018, Assure announced as a result of the delay in filing the First Quarter 2018 Filings, the British Columbia Securities Commission (“BCSC”) imposed a cease trade order (the “CTO”) on the Company effective August 7, 2018 pursuant to National Policy 11-207 – *Failure-to-File Cease Trade Orders and Revocations in Multiple Jurisdictions*. Once the First Quarter Filings are complete, the Company will immediately apply for a revocation of the CTO.

### **LEGAL PROCEEDINGS**

The Company is a party to a variety of agreements in the ordinary course of business under which it may be obligated to indemnify third parties with respect to certain matters. These obligations include, but are not limited to, contracts entered into with physicians where the Company agrees, under certain circumstances, to indemnify a third party, against losses arising from matters including but not limited to medical malpractice and product liability. The impact of any such future claims, if made, on future financial results is not subject to reasonable estimation because considerable uncertainty exists as to final outcome of these potential claims. The Company maintains general liability insurance policies in accordance with the standards and policy limits set forth by each hospital at which it renders services. The Company has not been a party to any legal proceedings since inception.