# ASSURE HOLDINGS CORP.

## CONSOLIDATED FINANCIAL STATEMENTS
**(expressed in United States Dollars, except where noted)**

## YEARS ENDED DECEMBER 31, 2018 AND 2017

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To the Shareholders of Assure Holdings Corp.
Denver, Colorado

**Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Assure Holdings Corp. and subsidiaries (the Company), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, the related consolidated statements of income/loss, shareholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our audit opinion, the financial statements present fairly, in all material respects, the consolidated financial position of Assure Holdings Corp. and subsidiaries as at December 31, 2018 and 2017 and their consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Irvine, California
April 15, 2019

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**ASSURE HOLDINGS CORP.**
## Consolidated Statements of Financial Position

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| | | December 31, 2018 | | December 31, 2017 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Current assets** | | | | |
| Cash | $ | 830,966 | $ | 215,326 |
| Accounts receivable, net (*Note 3 (a), 4)* | | 22,175,379 | | 16,624,006 |
| Prepaid expenses | | 85,238 | | 130,060 |
| Due from related parties *(Note 10)* | | 2,965,630 | | 2,256,117 |
| Total current assets | | 26,057,213 | | 19,225,509 |
| Equity method investments *(Note 5)* | | 2,255,819 | | 2,259,663 |
| Equipment and furniture, net *(Note 7)* | | 679,881 | | 499,123 |
| Total assets | $ | 28,992,913 | $ | 21,984,295 |
| | | | | |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | | |
| **LIABILITIES** | | | | |
| **Current liabilities** | | | | |
| Accounts payable and accrued liabilities | $ | 3,015,794 | $ | 2,504,519 |
| Line of credit *(Note 6)* | | 273,699 | | - |
| Current portion of finance leases | | 205,841 | | 181,787 |
| Income taxes payable | | 267,190 | | 22,475 |
| Total current liabilities | | 3,762,524 | | 2,708,781 |
| Finance leases, net of current portion | | 381,453 | | 291,063 |
| Provision for fair value of stock options *(Note 11 (d))* | | 245,525 | | 325,515 |
| Provision for performance share issuance *(Note 16)* | | 16,011,500 | | 16,011,500 |
| Provision for fair value of broker warrants *(Note 11 (e))* | | 56,130 | | 128,062 |
| Deferred tax liability, net | | 665,839 | | 92,276 |
| Total liabilities | | 21,122,971 | | 19,557,197 |
| **SHAREHOLDERS' EQUITY** | | | | |
| Capital stock *(Note 11)* | | 35,562 | | 35,505 |
| Additional paid-in capital *(Note 11)* | | 7,202,134 | | 6,079,115 |
| Retained earnings/(accumulated deficit) | | 632,246 | | (3,687,522) |
| Total shareholders' equity | | 7,869,942 | | 2,427,098 |
| Total liabilities and shareholders' equity | $ | 28,992,913 | $ | 21,984,295 |

Commitments and Contingencies *(Note 16)*

*The accompanying notes are an integral part of the consolidated financial statements.*

*/s/ John A. Farlinger*
Board Signature

*/s/ Martin Burian*
Board Signature

**ASSURE HOLDINGS CORP.**
**Consolidated Statements of Income/(Loss)**

| | Year Ended December 31, 2018 | Year Ended December 31, 2017 |
|---|---|---|
| **Revenue** | | |
| Out-of-Network fees, net *(Note 3 (a))* | $ 13,898,843 | $ 15,394,640 |
| Contract fees | 913,391 | 401,180 |
| Total revenue | 14,812,234 | 15,795,820 |
| Cost of revenues | (3,551,278) | (2,618,715) |
| Gross margin | 11,260,956 | 13,177,105 |
| **Operating expenses** | | |
| General and administrative | 5,311,884 | 3,092,222 |
| Provision for performance share compensation | - | 16,011,500 |
| Depreciation and amortization | 406,967 | 205,836 |
| Sales and marketing | 807,285 | 398,731 |
| Total operating expenses | 6,526,136 | 19,708,289 |
| Income/(loss) from operations | 4,734,820 | (6,531,184) |
| **Other income/(expenses)** | | |
| Earnings from equity method investments *(Note 5)* | 1,167,448 | 2,266,035 |
| Provision for broker warrant fair value *(Note 11 (e))* | 61,583 | (1,195,080) |
| Provision for stock option fair value *(Note 11 (d))* | 79,990 | (261,866) |
| Deemed share costs related to RTO | - | (1,551,126) |
| Interest, net | 7,150 | (48,780) |
| Total other income/(expenses) | 1,316,171 | (790,817) |
| Income/(loss) before income taxes | 6,050,991 | (7,322,001) |
| Income tax (expense)/benefit | (1,731,223) | 1,820,843 |
| Net income/(loss) | $ 4,319,768 | $ (5,501,158) |
| Basic income/(loss) per common share | $ 0.12 | $ (0.17) |
| Fully diluted income/(loss) per common share | $ 0.10 | $ (0.17) |

*The accompanying notes are an integral part of the consolidated financial statements.*

**ASSURE HOLDINGS CORP.**

## Consolidated Statements of Shareholders' Equity

| | Number of shares issued and outstanding | Capital Stock Amount | Additional Paid-in capital | Retained Earnings/ (Accumulated Deficit) | Total |
|---|---|---|---|---|---|
| **Balances, December 31, 2016** | **24,000,000** | **$ 675,556** | **$ 324,547** | **$ 2,428,270** | **$ 3,428,373** |
| Pre-RTO distributions | - | - | - | (614,634) | (614,634) |
| Shares issued on private placement, net | 6,392,060 | 6,392 | 1,852,666 | - | 1,859,058 |
| Share exchange Montreux Capital Corp | 4,536,335 | (647,020) | 2,469,389 | - | 1,822,369 |
| Exercise of warrants | 576,710 | 577 | 160,777 | - | 161,354 |
| Recalssification warrant fair value at exercise to equity | - | - | 1,197,588 | - | 1,197,588 |
| Share based compensation | - | - | 74,148 | - | 74,148 |
| Net loss | - | - | - | (5,501,158) | (5,501,158) |
| **Balances, December 31, 2017** | **35,505,105** | 35,505 | 6,079,115 | (3,687,522) | 2,427,098 |
| Exercise of stock option | 50,000 | 50 | 2,450 | - | 2,500 |
| Exercise of warrants | 7,000 | 7 | 2,596 | - | 2,603 |
| Recalssification warrant fair value at exercise to equity | - | - | 10,349 | - | 10,349 |
| Share based compensation | - | - | 364,167 | - | 364,167 |
| Expected tax benefits of future stock compensation option exercises | - | - | 743,457 | - | 743,457 |
| Net income | - | - | - | 4,319,768 | 4,319,768 |
| **Balances, December 31, 2018** | **35,562,105** | **$ 35,562** | **$ 7,202,134** | **$ 632,246** | **$ 7,869,942** |

*The accompanying notes are an integral part of the consolidated financial statements*

**ASSURE HOLDINGS CORP.**
## Consolidated Statements of Cash Flows

| | | Year Ended December 31, 2018 | | Year Ended December 31, 2017 |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Net income/(loss) | $ | 4,319,768 | $ | (5,501,158) |
| **Adjustments to reconcile net income/(loss) to net cash used in operating activities** | | | | |
| Earnings from equity method investments | | (1,167,448) | | (2,266,035) |
| Share based compensation | | 364,167 | | 74,148 |
| Expected tax benefits of future stock compensation option exercises | | 743,457 | | - |
| Depreciation and amortization | | 406,967 | | 205,836 |
| Provision for broker warrant fair value | | (61,583) | | 1,195,080 |
| Provision for stock option fair value | | (79,990) | | 261,866 |
| Provision for performance share compensation | | - | | 16,011,500 |
| Deemed share costs related to RTO | | - | | 1,551,126 |
| Deferred income taxes, net | | 573,563 | | (1,675,658) |
| **Change in operating assets and liabilities** | | | | |
| Accounts receivable | | (5,551,373) | | (11,473,965) |
| Prepaid expenses | | 44,822 | | (130,060) |
| Accounts payable and accrued liabilities | | 511,275 | | 1,613,933 |
| Due from related party, net | | (709,513) | | (2,396,706) |
| Income taxes payable | | 244,715 | | (145,185) |
| Cash used in operating activities | | (361,173) | | (2,675,278) |
| **Cash flows from investing activities** | | | | |
| Purchase of equipment and furniture | | (296,392) | | (39,532) |
| Distributions received from equity method investments | | 1,171,292 | | 1,133,601 |
| Cash provided by investing activities | | 874,900 | | 1,094,069 |
| **Cash flows from financing activities** | | | | |
| Pre-RTO contributions | | - | | 62,135 |
| Pre-RTO distributions | | - | | (676,769) |
| Proceeds from exercise of stock options and warrants | | 5,103 | | 161,354 |
| Proceeds from share issuance, net | | - | | 2,263,618 |
| Proceeds from line of credit | | 1,073,699 | | - |
| Repayment of line of credit | | (800,000) | | - |
| Principal payments of finance leases | | (176,889) | | (102,686) |
| Cash provided by financing activities | | 101,913 | | 1,707,652 |
| Increase in cash | | 615,640 | | 126,443 |
| Cash, beginning of period | | 215,326 | | 88,883 |
| Cash, end of period | $ | 830,966 | $ | 215,326 |
| | | | | |
| **Supplemental cash flow information** | | | | |
| Cash paid for interest | $ | 88,738 | $ | 48,780 |
| **Supplemental non-cash flow information** | | | | |
| Purchase of equipment with finance leases | $ | 291,334 | $ | 399,770 |
| Deferred share issuance costs | | - | | 123,757 |
| Deemed share costs related to RTO | | - | | 1,551,126 |
| Recalssification warrant fair value at exercise to equity | | 10,349 | | 1,197,588 |

*The accompanying notes are an integral part of the consolidated financial statements.*

## 1. Nature of Business

Assure Holdings Corp. (the "Company"), through its two indirect wholly-owned subsidiaries, Assure Neuromonitoring, LLC ("Neuromonitoring") and Assure Networks, LLC ("Networks"), provides technical and professional intraoperative neuromonitoring ("IONM") surgical support services primarily associated with spine and head surgeries. These services have been recognized as the standard of care by hospitals and surgeons for risk mitigation. Assure Holdings, Inc., a wholly-owned subsidiary, employs most of the corporate employees and performs the various corporate services on behalf of the consolidated Company.

Neuromonitoring employs technologists who utilize technical equipment and their technical training to monitor EEG and EMG signals during surgical procedures and to pre-emptively notify the underlying surgeon of any nerve related issues that are identified. The technologists perform their services in the operating room during the surgeries. The technologists are certified by a third-party credentialing agency.

Networks performs similar support services as Neuromonitoring except that these services are provided by third party contracted neurologists or certified readers. The support services provided by Networks occurs at the same time and for the same surgeries as the support services provided by the Neuromonitoring technologist, except that they typically occur at an offsite location.

The Company was originally incorporated in Colorado on November 7, 2016. In conjunction with a reverse merger, the Company was redomiciled in Nevada on May 16, 2017.

Neuromonitoring was formed on August 25, 2015 in Colorado and it currently has multiple wholly-owned subsidiaries.

Networks was formed on November 7, 2016 in Colorado and it holds varying ownerships interests in numerous Provider Network Entities ("PNEs"), which are professional IONM entities. These entities are accounted for under the equity method of accounting.

## 2. Statement of Compliance and Basis of Presentation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance and compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements were approved by the Board of Directors on April 10, 2019.

(b) Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis. In addition, these statements have been prepared using the accrual basis of accounting. These consolidated financial statements, including comparatives, have been prepared on the basis of IFRS standards that are published at the time of preparation and that are effective or available for the Company's reporting date.

(c) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All inter-company transactions and accounts have been eliminated in consolidation.

For entities in which management has determined the Company does not have a controlling financial interest but has varying degrees of influence regarding operating policies of that entity, the Company's investment is accounted for using the equity method of accounting.

(d) Functional currency

The consolidated financial statements are presented in United States dollars, which is also the functional currency of each entity within the consolidated group.

(e) Reverse takeover merger

On July 20, 2016 the Company entered into a merger agreement with Montreux Capital Corp. ("Montreux"), whereby Montreux would acquire all of the outstanding common stock of the Company in exchange for newly issued shares of Montreux. Subject to the satisfaction of various regulatory requirements, the merger was completed on May 26, 2017.

At the time of the merger, Montreux's assets consisted of cash (approximately $173,000) and accounts receivable (approximately $185,000) and it did not have any processes capable of generating business. Accordingly, Montreux did not qualify as a business in accordance with IFRS 3 Business Combinations. The Company has been deemed to be the acquiring company in the merger and it has been accounted for as a reverse takeover merger ("RTO"). As such, the historical financial statements presented herein are those of the Company and they are presented at their historical carrying values. The cash and accounts receivable of Montreux are reflected in the financial statements at their estimated net realizable value.

In conjunction with the merger, the Company issued 400,000 shares of common stock to a third-party broker. Additionally, Montreux had 173,110 warrants with an exercise price of approximately $0.05CAD per share outstanding at the time of the merger. A similar number of warrants with a similar exercise price were re-issued by the Company as part of the merger.

## 3. Summary of Significant Accounting Policies

(a) Significant accounting estimates and judgments

The preparation of these consolidated financial statements requires management to make judgments and estimates that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these judgments and estimates. These consolidated financial statements include judgments and estimates which, by their nature, are uncertain. The impacts of such judgments and estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences.

Revisions to accounting estimates are recognized in the period in which the estimate is revised and also in future periods when the revision affects both current and future periods. Significant assumptions, judgments, and estimates that management has made at the end of the reporting period that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

(i) Out-of-Network fees - Net patient service fee revenue and receivables

Net patient service fee revenue is recognized in the period in which IONM services are rendered, at net realizable amounts from third-party payors when collections are reasonably assured and can be estimated. A substantial portion of our services are rendered on an out-of-network basis and billed to third-party insurers. Since allowable charges for services rendered out-of-network are not contractually based, the Company estimates the net realizable value from the gross charges submitted to third-party payors and recognizes the net patient service revenue. Estimates for net patient service revenue are based on evaluating the payor mix, historical settlements and payment data for payor types, and current economic conditions to calculate an appropriate net realizable value for revenue and accounts receivables. These estimates are subject to ongoing monitoring and adjustment based on actual experience with final settlements and collections and management revises its revenue estimates as necessary in subsequent periods. Net patient service revenue is also adjusted in the period when an accounts receivable balance for IONM service is written-off once collection is doubtful and the total collection amount is below the accounts receivable balance for IONM services. The timing of adjustments to net patient service revenue for collections exceeding the originally estimated amounts may not occur in the same reporting period as the write-off of collected amounts below the originally estimated amounts, once collection efforts have been exhausted, which may result in material adjustments to net patient service revenue in a given reporting period.

(ii) Contract revenue

The Company recognizes contract revenue from hospital and surgery center customers and certain PNEs, for which the Company does not have an ownership interest in, on a contractual basis. Revenue from services rendered is recorded after services are rendered. The fees billed

to hospital and surgery center customers are on net 30-day terms. The fees billed to the PNEs for which the Company does not have an ownership interest in are not collected until the PNEs collect the cash for the services that they have performed.

(iii) Accounts Receivable Collection Cycle

The cash collection cycles of the Company are protracted due to the out-of-network billing to private insurance payers. The collection cycle for IONM to out-of-network payers may require 24 to 36 months of collection efforts to maximize reimbursement on claims, which results in accounts receivable growth tied to the Company's overall growth in net patient services revenues. The collection cycle impacts the technical fees that are billed by Neuromonitoring and the professional fees that are billed by Networks. The collection cycle may consist of multiple payments from out-of-network private insurance payers, as the collection process entails multiple rounds of denials, underpayments, appeals and negotiations as part of the process to maximize the reimbursement yield on claims. Due to the extended collection cycle, the Company has a policy to reserve claims that have aged to 24 months. The Company continues collection efforts following 24 months despite the reserves on these claims but will not write-off such claims until they age to 36 months. Collections on claims which have been reserved will result in the reversal of prior reserves.

## (b) New accounting standards adopted January 1, 2018

Certain pronouncements were issued by the International Accounting Standards Board ("IASB") or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods on or after January 1, 2018 or later periods. Many are not applicable or do not have a significant impact to the Company's consolidated financial statements and have been excluded from the discussion below.

IFRS 9 replaced IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking 'expected loss' impairment model. IFRS 9 also includes a revised approach to hedge accounting. Under IFRS 9, the Company has the option to designate equity securities as financial assets at fair value through other comprehensive income, where they will be recorded initially at fair value with changes in fair value recognized in other comprehensive income, which will not be subsequently transferred into profit or loss. The adoption of IFRS 9 did not have a significant impact on the Company's consolidated financial statements.

IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. IFRS 15 supersedes: IAS 11 – Construction Contracts; IAS 18 – Revenue; IFRIC 13 – Customer Loyalty Programs; IFRIC 15 – Agreements for the Construction of Real Estate; IFRIC 18 – Transfers of Assets from Customers; and SIC 31 – Revenue – Barter Transactions involving Advertising Services. The adoption of IFRS 15 did not have a significant impact on the Company's consolidated financial statements.

(c) Cash

All highly-liquid investments with an original maturity of three months or less are classified as cash. The Company did not have any cash equivalents as of December 31, 2018.

(d) Furniture and equipment

Capital assets are stated at cost. Depreciation is calculated based upon the following useful life (in years):

| | Useful life |
|---|---|
| Medical equipment | 2.5 |
| Computer equipment | 2 |
| Furniture and fixtures | 4 |

(e) Share based compensation

The Company accounts for stock options using the fair value method by applying the Black-Scholes model. The estimated fair value of all stock options granted is recorded in the consolidated statements of income/(loss) over their vesting periods except for amounts relating to agents' options on share issuances which are recorded as share issuance costs as outlined below.

(f) Share issuance costs

Costs attributable to the raising of capital are applied against the related share capital. Costs related to shares not yet issued are recorded as deferred share issuance costs. These costs are deferred until the issuance of shares to which the costs relate.

(g) Income taxes

The Company uses the liability method of accounting for income taxes. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized, or the liability is settled. The effect on deferred tax assets or liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a reverse takeover and, at the time of the transaction, affects neither the accounting profit nor taxable profit; and

- In respect of taxable temporary differences associated with investments in subsidiaries, and interests in joint ventures, where the timing of the reversal of the temporary differences can be

controlled by the parent, or venture and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When results from the initial recognition of an asset or liability in a transaction that is not a reverse takeover and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

(h) Derivative Liabilities

Certain non-employee stock options and broker warrants are considered derivative liabilities, as the currency denomination of the exercise price is different from the functional currency of the Company. As a result, the fair value of the share purchase warrants is initially calculated on the issuance date and remeasured at each reporting period using the Black-Scholes Option Pricing model. Any change in the fair value of the warrant subsequent to the initial recognition is recorded in consolidated statements of income/(loss). Once such instruments are extinguished or no longer considered derivative liabilities, such amounts are reclassified as equity.

## 4. Accounts Receivable and Change in Estimate

During the fourth quarter of 2018, the Company performed a cash collection analysis for its historical out-of-network billings to private insurance companies. This analysis showed that the estimated realizable value of revenues and the related accounts receivable generated from out-of-network revenue was approximately $10 million less than the amount originally recorded by the Company for 2017 and 2018.

A similar collection analysis was performed for the PNEs and it also showed that the estimated realizable value of revenues and the related accounts receivable from out-of-network revenue was less than the amount originally recorded for 2017 and 2018. The Company's portion of this amount was approximately $2.3 million and has been reflected in the accompanying financial statements as a reduction in equity method investments and earnings from equity method investments.

As of December 31, 2018, the accounts receivable balance of $22,175,379 is net of $13,204,029 allowance for doubtful accounts. As of December 31, 2017, the accounts receivable balance of $16,624,006 is net of $116,795 allowance for doubtful accounts.

See Note 3(a)iii for additional discussion regarding the collection cycle.

## 5. Equity Method Investments

As previously discussed, Networks holds various interests in PNEs that are accounted for under the equity method of accounting. Under the equity method, the investment is initially recorded at cost and the carrying value is adjusted thereafter to include the Company's pro rata share of earnings or loss of the investee. The amount of the adjustment is included in the determination of the Company's net earnings (loss) and the investment account is also adjusted for any profit distributions received or receivable from an investee.

| | | |
|---|---|---|
| **Balances, December 31, 2016** | **$** | **1,127,229** |
| Share of earnings | | 2,266,035 |
| Distributions | | (1,133,601) |
| **Balances, December 31, 2017** | **$** | **2,259,663** |
| Share of earnings | | 1,167,448 |
| Distributions | | (1,171,292) |
| **Balances, December 31, 2018** | **$** | **2,255,819** |

## 6. Note Payable and Line of Credit

Commencing in 2018, the Company utilized a line of credit provided by its bank to fund business growth and expansion. The line of credit provided up to $1,000,000 of borrowings and bore interest at the one-month LIBOR rate plus 3.5% and was expected to mature on March 25, 2019. The interest rate at December 31, 2018 was 6.0%. The line of credit is secured by the Company's accounts receivable balance. For the year ended December 31, 2018, interest expense of $22,424 was incurred related to the line of credit. As of December 31, 2018, the principal balance owed on the line of credit was $273,699. The line of credit was cancelled during January 2019, see Note 18 for additional discussion.

## 7. Equipment and Furniture

Equipment and furniture, net consisted of the following as of December 31, 2018 and 2017:

| | | Medical equipment | | Computer equipment | | Furniture and fixtures | | Total |
|---|---|---|---|---|---|---|---|---|
| **Net book value, December 31, 2016** | $ | 251,202 | $ | 7,339 | $ | 7,116 | $ | 265,657 |
| Additions | | 399,770 | | 5,043 | | 34,489 | | 439,302 |
| Depreciation | | (196,453) | | (4,896) | | (4,487) | | (205,836) |
| **Net book value, December 31, 2017** | $ | 454,519 | $ | 7,486 | $ | 37,118 | $ | 499,123 |
| Additions | | 570,527 | | 3,097 | | 14,101 | | 587,725 |
| Depreciation and amortization | | (387,867) | | (6,104) | | (12,996) | | (406,967) |
| **Net book value, December 31, 2018** | $ | 637,179 | $ | 4,479 | $ | 38,223 | $ | 679,881 |

Depreciation expense for the year ended December 31, 2018 and 2017 was $406,967 and $205,836, respectively.

Medical equipment with a cost of $902,947 was held under finance leases as of December 31, 2018 ($611,613 as of December 31, 2017). Medical equipment held under finance leases had accumulated depreciation of $525,583 as of December 31, 2018 ($201,508 as of December 31, 2017).

## 8. Finance Lease

The Company holds various finance leases for medical equipment which contain bargain purchase of options at the end of the lease terms with interest rates of 10-12% per annum. The remaining minimum finance lease obligations, including interest, with terms in excess of one-year subsequent to December 31, 2018, are as follows:

| | | |
|---|---|---|
| Less than one year | $ | 274,376 |
| One year | | 233,445 |
| Two year | | 152,958 |
| Three years | | 30,475 |
| Total minimum payments | $ | 691,254 |

## 9. Remuneration of Key Management Personnel (unaudited)

Key management includes members of the board, the Founder, Executive Chairman and Chief Executive Officer, the President and Corporate Secretary, and the Chief Financial Officer. The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence, primarily consisting of cash payments and benefits, including performance share compensation, excluding stock-based compensation, were as follows for the years ended December 31, 2018 and 2017:

| | Year Ended December 31, 2018 | | Year Ended December 31, 2017 | |
|---|---|---|---|---|
| Founder, Former Executive Chairman and Chief Executive Officer | $ | 199,740 | $ | 13,551,686 |
| Executive Chairman and Interim Chief Executive Officer | | 167,710 | | - |
| President and Corporate Secretary | | 48,605 | | 2,987,920 |
| Chief Financial Officer | | 231,630 | | 53,108 |
| Independent Directors | | 188,322 | | 17,221 |
| | $ | 836,007 | $ | 16,609,935 |

As of June 1, 2018, the Founder, Executive Chairman and Chief Executive Officer is no longer serving the Company in the same capacity. The Founder and now Former Executive Chairman and Chief Executive Officer remains with the Company in a business development and sales leadership role. The President and Corporate Secretary resigned from the Company on March 21, 2018. The independent directors were paid additional fees for time dedicated to handling issues stemming from i) the former auditor resignation on March 12, 2018 and ii) other governance, compliance and business issues. These fees were consulting in nature rather than the independent director fees. The Chief Financial Officer resigned as of August 17, 2018. The new Chief Financial Officer was appointed October 22, 2018.

**10. Related Party Transactions**

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Due from PNEs(a) | $ 399,399 | $ 331,046 |
| Due from management (b) | 2,566,231 | 1,915,095 |
| Other | - | 9,976 |
| Due from related parties | $ 2,965,630 | $ 2,256,117 |

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

(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 and has pledged common stock to secure the promissory note, refer to Release, Pledge and Secured Promissory Note. Mr. Willer, who is no longer affiliated with the Company in any capacity, has agreed to repay the Company. For further discussion on the settlements with Messrs. Parsons and Willer see the Subsequent Events Note 18.

(c) Compensation to family members of the Company's Founder and former Executive Chairman for business development services and patient advocate services rendered during the years ended December 31, 2018 and 2017 totaled $207,245 and $198,315, respectively.

The Company has a month-to-month lease agreement with one of the shareholders. Related party rent expense for the years ended December 31, 2018 and 2017 was $44,231 and $37,576, respectively.

There were no amounts outstanding at December 31, 2018.

**11. Share Capital**

(a) Authorized: 900,000,000 common shares, $0.001 par value

(b) Issued and outstanding – common shares

On March 2, 2017, the Company closed a brokered private placement and issued 6,392,060 shares of common stock for $2,386,092 of gross proceeds. The broker for the private placement received a fee of 8% of the gross proceeds and 459,600 warrants with an exercise price of approximately $0.50CAD per share. The warrants expire on March 2, 2019. As of December 31, 2018, 410,600 of the warrants had been exercised.

As previously disclosed, on July 20, 2016 the Company entered into a merger with Montreux. The merger closed on May 26, 2017 and included the issuance of 400,000 shares of common stock to a third-party broker. In addition, Montreux had 173,110 warrants with an exercise price of approximately $0.05CAD per share outstanding at the time of the closing. A similar number of warrants with a similar exercise price were re-issued by the Company as part of the merger. As of December 31, 2018, all of these warrants had been exercised.

(c) Qualified Transaction

On May 26, 2017, the Company announced 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. At December 31, 2018, the Company did not have an accrual established for any liability that might arise from this matter.

(d) Stock options

Under the Company's stock option plan (the "Plan"), the Company may grant options to purchase common shares of the Company ("Common Shares") to its directors, officers, employees and consultants. The maximum number of our Common Shares that may be reserved for issuance under the Plan, is a variable number equal to 10% of the issued and outstanding Common Shares on a non-diluted basis at any one time. Options under the Plan are granted from time to time at the discretion of the Board, with vesting periods and other terms as determined by the Board.

The weighted average exercise price of options outstanding and of options exercisable as of December 31, 2018 is as follows:

| | Number | Weighted Average Exercise Price |
|---|---|---|
| **Outstanding - December 31, 2017** | 3,260,000 | 0.13 |
| Granted | 800,000 | 1.99 |
| Exercised | (50,000) | 0.05 |
| Expired/Cancelled | (675,000) | 0.86 |
| **Outstanding - December 31, 2018** | 3,335,000 | 0.48 |
| **Exercisable - December 31, 2018** | 2,897,500 | 0.23 |

The weighted average exercise price of options outstanding and of options exercisable as of December 31, 2017 is as follows:

| | Number | Weighted Average Exercise Price |
|---|---|---|
| **Outstanding - December 31, 2016** | 3,000,000 | 0.05 |
| Granted | 260,000 | 1.04 |
| **Outstanding - December 31, 2017** | 3,260,000 | 0.13 |
| **Exercisable - December 31, 2017** | 3,137,500 | 0.07 |

As of December 31, 2018, the Company had the following stock options outstanding:

| Outstanding | | Exercise Price | Expiry Date | Exercisable | Remaining Life | |
|---|---|---|---|---|---|---|
| 2,500,000 | $ | 0.05 | November 7, 2026 | 2,500,000 | 7.86 | |
| 200,000 | | 0.37 | May 25, 2027 | 200,000 | 8.40 | |
| 60,000 | | 2.96 | October 25, 2027 | 45,000 | 8.82 | |
| 75,000 | | 1.80 | January 16, 2028 | 37,500 | 9.05 | |
| 500,000 | | 1.80 | October 1, 2023 | 115,000 | 4.75 | |
| **3,335,000** | **$** | **0.48** | | **2,897,500** | **7.47** | **years** |

As of December 31, 2017, the Company had the following stock options outstanding:

| Number of Options Outstanding | | Exercise Price | Expiry Date | Number of Options Exercisable | Weighted Average Remaining Life | |
|---|---|---|---|---|---|---|
| 3,000,000 | $ | 0.05 | November 7, 2026 | 3,000,000 | 8.86 | |
| 200,000 | $ | 0.37 | May 25, 2027 | 137,500 | 9.40 | |
| 60,000 | $ | 2.96 | October 25, 2027 | - | 9.82 | |
| **3,260,000** | **$** | **0.13** | | **3,137,500** | **8.91** | **years** |

The fair value of options granted to employees, directors and consultants was calculated using the Black-Scholes Option Pricing Model. Changes to the assumptions could cause significant adjustments to valuation. The fair value of stock options granted to employees and directors is recorded as share based compensation expense in the consolidated statements of income/(loss) and credited to additional paid-in capital. Stock options granted to consultants that have a strike price that is different than the Company's functional currency are treated as a liability and are revalued at the end of each reporting period for the term of the vesting period. Any change in the fair value of the stock option subsequent to the initial recognition is recorded in the consolidated statements of income/(loss).

The fair value of the stock option derivative liability as of December 31, 2018 was $245,525. Changes in the Company's stock option liability for the years ended December 31, 2018 and 2017 were as follows:

| | | |
|---|---|---|
| **Balance at December 31, 2016** | $ | - |
| Granted | | 63,649 |
| Loss on revaluaton | | 261,866 |
| **Balance at December 31, 2017** | $ | 325,515 |
| Gain on revaluation | | (79,990) |
| **Balance at December 31, 2018** | $ | **245,525** |

The fair value of the stock options granted for the year ended December 31, 2018 and 2017 was estimated at the issuance date using the Black-Scholes Option Pricing Model. The assumptions used for the Black-Scholes Option Pricing Model to value the stock options granted to employees during the years ended December 31, 2018 and 2017 were as follows:

| | **At grant date during the year ended December 31, 2018** | **At grant date during the year ended December 31, 2017** |
|---|---|---|
| Risk free rate of return | 2% | 2% |
| Expected life | 5-10 years | 3-5 years |
| Expected volatility | 93-103% | 109-143% |
| Expected dividend per share | nil | nil |

The assumptions used for the Black-Scholes Option Pricing Model to revalue the stock options granted to consultants as of December 31, 2018 and 2017 were as follows:

| | **At December 31, 2018** | **At December 31, 2017** |
|---|---|---|
| Risk free rate of return | 2% | 2% |
| Expected life | 3.2-3.8 years | 4.5-4.75 years |
| Expected volatility | 101-103% | 99% |
| Expected dividend per share | nil | nil |

(e) Share purchase warrants

As of December 31, 2018 and 2017, 49,000 and 56,000 share purchase warrants, respectively, each entitling the holder to purchase one common share at an exercise price of $0.50CAD per share until May 24, 2019, were outstanding. The share purchase warrants were issued as part of the private placement discussed above.

The share purchase warrants are considered a derivative liability, as the currency denomination of the exercise price is different from the functional currency of the Company. As a result, the fair value of the share purchase warrants is calculated on the issuance date using the Black-Scholes Option Pricing Model. Any change in the fair value of the warrant subsequent to the initial recognition is recorded in the consolidated statements of income/(loss). The fair value of the share purchase warrant liability as of December 31, 2018 was $56,130. Changes in the Company's share purchase warrant liability for the years ended December 31, 2018 and 2017 were as follows:

| | |
|---|---|
| **Balance at December 31, 2016** | **$ -** |
| Issued | 130,570 |
| Assumption of Montreux warrants | 45,000 |
| Reclassification warrant fair value at exercise to equity | (1,197,588) |
| Loss on revaluation | 1,150,080 |
| **Balance at December 31, 2017** | **$ 128,062** |
| Gain on revaluation | (61,583) |
| Reclassification warrant fair value at exercise to equity | (10,349) |
| **Balance at December 31, 2018** | **$ 56,130** |

The fair value of the share purchase warrants as of December 31, 2018 and 2017 was estimated using the Black-Scholes Option Pricing Model. The assumptions used for the Black-Scholes Option Pricing model to value the warrant liability were as follows:

| | **At December 31, 2018** | **At December 31, 2017** |
|---|---|---|
| Risk free rate of return | 2.40% | 1.75% |
| Expected life | 0.4 years | 1.4 years |
| Expected volatility | 120% | 81% |
| Expected dividend per share | nil | nil |
| Exercise price | $0.50CAD | $0.50CAD |
| Stock price | $2.05CAD | $3.35CAD |

(f) Earnings per share

The following table sets forth the computation of basic and fully diluted income per common share for the years ended December 31, 2018 and 2017:

| | **Year Ended December 31, 2018** | **Year Ended December 31, 2017** |
|---|---|---|
| Income/(loss) attributable to common shareholders | | |
| Basic | $ 4,319,768 | $ (5,501,158) |
| Weighted average common share outstanding | 35,552,234 | 33,225,195 |
| Basic earnings/(loss) per common share | $ 0.12 | $ (0.17) |
| | | |
| Income/(loss) attributable to common shareholders | | |
| Basic | $ 4,319,768 | $ (5,501,158) |
| Weighted average common shares outstanding | 35,552,234 | 33,225,195 |
| Dilutive effect of stock options, warrants, and performance shares | 9,384,000 | - |
| Weighted average common shares outstanding assuming dilution | 44,936,234 | 33,225,195 |
| Fully diluted earnings/(loss) per common share | $ 0.10 | $ (0.17) |

Stock options to purchase 3,260,000 common shares, performance shares representing 6,000,000 common shares and 56,000 warrants were outstanding at December 31, 2017 but were not included in the computation of diluted weighted average common shares outstanding because their effect would have been

anti-dilutive. As of December 31, 2018, the Company did not have any securities that would be considered anti-dilutive.

## 12. Income Taxes

Income tax expense and Deferred tax liabilities for the year ended December 31, 2018 and 2017:

| | December 31, 2018 | | December 31, 2017 | |
|---|---|---|---|---|
| **Income tax expense** | | | | |
| Federal | $ | 368,834 | $ | (130,715) |
| State | | 75,166 | | (14,470) |
| | | 444,000 | | (145,185) |
| **Deferred tax expense:** | | | | |
| Federal | | 1,088,633 | | (1,542,984) |
| State | | 198,590 | | (132,674) |
| | | 1,287,223 | | (1,675,658) |
| **Total income taxes** | $ | 1,731,223 | $ | (1,820,843) |

| | December 31, 2018 | | December 31, 2017 | |
|---|---|---|---|---|
| **Deferred Tax Assets (Liabilities):** | | | | |
| Noncurrent: | | | | |
| Fixed assets | $ | (124,750) | $ | (61,770) |
| Stock-based and performance share compensation | | 4,924,039 | | 4,110,941 |
| Equity method investments | | (603,153) | | (572,134) |
| Accrual to cash adjustment | | (4,861,975) | | (3,573,552) |
| Net operating loss and carryforward | | - | | 4,239 |
| Total Noncurrent DTA / (DTL) | $ | (665,839) | $ | (92,276) |
| | | | | |
| Gross DTA / (DTL) | | (665,839) | | (92,276) |
| Valuation Allowance | | - | | - |
| **Net Deferred Tax Liabilities** | $ | (665,839) | $ | (92,276) |

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| **Reconciliation of effective tax rate:** | | |
| Federal taxes at statutory rate | 21.0% | 35.0% |
| State taxes, net of federal benefit | 5.1% | 2.5% |
| Permanent items | 6.7% | -6.2% |
| Provision to return adjustment and other | -6.9% | 0.0% |
| Other | 2.7% | -6.8% |
| Effective income tax rate | 28.6% | 24.5% |

The Company accounts for income taxes in accordance with IFRS under IAS 12, Income Taxes. Under IAS 12, a deferred tax asset or liability is recognized to the extent that realizing them is probable. The

Company had an effective tax rate of 28.6% and 24.5% for the years ended December 31, 2018 and 2017, respectively. This number can be expected to increase over time.

In assessing the realizability of deferred tax assets, management considers whether it is probable that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is probable that the Company will realize the benefits of these deductible differences at December 31, 2018.

Under IFRS, deferred tax is computed on the basis of hypothetical tax deduction for the share-based payment on every measurement period under the applicable tax law (i.e., intrinsic value). Any increase or decrease in deferred tax balance due to change in this intrinsic value is recorded to the Company's equity balance.

The Company analyzed and determined during the current fiscal year an increase to the intrinsic value of share-based compensation of approximately $740,000. Accordingly, the Company increased its deferred tax asset balance related to option expense and recorded a corresponding increase to the equity balance.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cut and Jobs Act of 2017 ("TCJA"). The passage of this legislation resulted in the change in the U.S. statutory rate from 35% to 21% beginning in January of 2018, the elimination of the corporate alternative minimum tax, the acceleration of depreciation for US tax purposes, limitations on deductibility of interest expense, the elimination of net operating loss carrybacks, and limitations on the use of future losses. In accordance with IAS 12, the impact of a change in tax law is recorded in the period of enactment. For 2017, the rate change does not impact the calculation of current income tax liability but does require the future rate to be applied to deferred income tax assets and liabilities that exist at December 31, 2017. An expense of $49,996 was recorded to deferred income tax expense for this change. An adjustment to the effective tax rate is also required to reflect the different rates (35% and 21%) applied to currently arising temporary differences for current tax and deferred tax.

Based on the Company's current interpretation and subject to the release of the related regulations and any future interpretive guidance, the Company believes the effects of the change in tax law incorporated herein are substantially complete. As a result of other changes introduced by the TCJA, starting with compensation paid in 2018, Section 162(m) will limit us from deducting compensation, including performance-based compensation, in excess of $1,000,000 paid to anyone who, starting in 2018, serves as the Chief Executive Officer or Chief Financial Officer, or who is among the three most highly compensated executive officers for any fiscal year. The only exception to this rule is for compensation that is paid pursuant to a binding contract in effect on November 2, 2017 that would have otherwise been deductible under the prior Section 162(m) rules. Accordingly, any compensation paid in the future pursuant to new compensation arrangements entered into after November 2, 2017, even if performance-based, will count towards the $1,000,000 fiscal year deduction limit if paid to a covered executive. Additional information that may affect our income tax accounts and disclosures would include further clarification and guidance on how the Internal Revenue Service will implement tax reform, including guidance with respect to 100% bonus depreciation on self-constructed assets and Section 162(m), further clarification and guidance on how state taxing authorities will implement tax reform and the related effect on the Company's state income tax returns and completion of the Company's 2017 tax return filings.

## 13. Capital Management

The Company's objective in managing capital is to safeguard its ability to continue as a going concern and to sustain future development and expansion of the business. The objective is achieved by retaining adequate equity to provide for the possibility that cash flows from operations will not be sufficient to meet future cash flow requirements. In order to maintain or adjust its capital structure, the Company may issue new shares or obtain financing as needed.

## 14. Financial Instruments

The Company's principal financial instruments consist of cash, bank line of credit, trade and other receivables, trade and other payables, and finance leases. The carrying amounts of the Company's cash, receivables, and payables, as reflected in the consolidated financial statements approximate fair value due to the short-term maturity of these items. The other long-term instruments approximate their carrying amounts as assessed by management.

The Company's financial instruments are exposed to certain financial risks, including concentration risk, liquidity risk, and market risk.

(a) Concentration risk

Concentration risk is the risk of financial loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash and trade receivables. The carrying amount of the financial assets represents the maximum credit exposure.

The Company limits its exposure to concentration risk on cash by placing these financial instruments with high-credit, quality financial institutions and only investing in liquid, investment grade securities.

The Company has a number of individual third-party payors and no individual third-party insurers represents a concentration risk. Net patient service fee revenue is recognized in the period in which IONM services are rendered, at net realizable amounts from third-party payors when collection is reasonably assured and can be estimated. The Company bills national, regional and local third-party insurers which pose a low risk of insolvency because they are regulated by state insurance commissions which require appropriate reserves be maintained to reimburse healthcare providers for submitted claims. A substantial portion of our services are rendered on an out-of-network basis and billed to third-party insurers. Since allowable charges for services rendered out-of-network are not contractually based, the Company establishes net realized value by evaluating the payor mix, historical settlement and payment data for a given payor type, and current economic conditions to calculate an appropriate net realizable value for net patient service revenue and accounts receivables. These estimates are subject to ongoing monitoring and adjustment based on actual experience with final settlements and collections and management revises its net patient service revenue estimates as necessary in subsequent periods.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due and arises from the Company's management of working capital. The Company ensures that there is sufficient liquidity to meet its short-term business requirements, considering its anticipated cash flows from operations and its holdings of cash. A significant portion of the trade and other payables balance is related to the accrual of billing and collection fees to be paid to the Company's third-party billing and collection vendor. The billing and collection fees are accrued in the same period as services are rendered and revenue is recognized by the company. The accrued billing and collection fees are calculated based on a percentage of either cash collected or the net realized value of the of the revenue recognized, whichever is higher. The fees by the third-party billing and collection vendor are contingent on cash collections and are paid the following month after collection are achieved. Additional billing and collection fees are accrued when the cash collected exceeds the net realized revenue recognized by the company at the time of services rendered. The Company believes that there are currently no concerns of its ability to meet its liabilities as they become due for the foreseeable future. The relative maturity in respect of contractual and legal obligations, including interest, as applicable, is set out below:

**December 31, 2018**

| | Total | Less than 1 year | 1 - 3 years | 4 - 5 years | Over 5 years |
|---|---|---|---|---|---|
| Trade and other payables | $ 3,015,794 | $ 3,015,794 | $ - | $ - | $ - |
| Finance leases | 691,254 | 274,376 | 416,878 | - | - |
| | $ 3,707,048 | $ 3,290,170 | $ 416,878 | $ - | $ - |

**December 31, 2017**

| | Total | Less than 1 year | 1 - 3 years | 4 - 5 years | Over 5 years |
|---|---|---|---|---|---|
| Trade and other payables | $ 2,504,519 | $ 2,504,519 | $ - | $ - | $ - |
| Finance leases | 570,923 | 181,787 | 389,136 | - | - |
| | $ 3,075,442 | $ 2,686,306 | $ 389,136 | $ - | $ - |

(c) Market risk

Market risk is the risk that changes in the market prices, such as interest rates, will affect the Company's income or the value of the financial instruments held. The Company's policy is to invest cash at floating rates of interest, in order to maintain liquidity, while achieving a satisfactory return for the Company. Fluctuations in the interest rates impact the value of cash but such fluctuations will have no significant impact to the Company's financial instruments.

## 15. Segmented Information

The Company operates in one segment. The Company's services are sold nationally directly through the Company.

## 16. Commitments and Contingencies

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 other 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.

Performance share compensation – As part of the RTO transaction, the Company entered into a one-time stock grant agreement with two executives (Messrs. Preston Parsons and Matthew Willer) on November 8, 2016, each of which 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 RTO transaction to provide additional equity to management conditioned upon performance achievements. As the Company achieved the EBITDA threshold for the year ended December 31, 2017, the Company has recorded a liability of approximately $16,000,000 for 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. No performance shares have been issued through December 31, 2018.

## 17. FORENSIC AUDIT

As disclosed on March 21, 2018, the Company, 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 for personal use of a Company credit card. For the period of May 25, 2017 to March 31, 2018, personal expenses paid by the Company on behalf of Messrs. Parsons and Willer totaled $849,695 and $39,531,

respectively. 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, the Company 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.

**Release, Pledge and Secured Promissory Note**

During August 2018 Assure entered into a Secured Promissory Note and a Pledge and Security Agreement ("the Agreements") with Preston Parsons. The Agreements provide for a secured promissory note whereby Mr. Parsons agrees to repay the Company $2,086,886 plus accrued interest. The repayment amount includes $250,000 attributed to third-party costs incurred by the Company. The interest rate on the promissory note is 8%. The secured promissory note is secured by a pledge of 5,600,000 common shares of stock held by Mr. Parsons.

## 18. SUBSEQUENT EVENTS

During January 2019, the Company cancelled its existing line of credit and entered into a $2 million promissory note and a $1 million line of credit with its existing bank. The promissory note bears interest at 6% and requires monthly principal and interest payment of $61,000 through maturity in January 2022. The line of credit bears interest at the one-month LIBOR rate plus 3.5%. The line of credit matures January 2020.

During January 2019, Mr. Parson repaid his indebtedness to the Company by surrendering and cancelling 1,461,392 shares of common stock owned by him. The common shares were valued at $1.50 per share, approximately equal to the weighted average trading price of the Company's common shares during the month of December 2018. As part of the repayment, the Agreements were cancelled.

During January 2019, Mr. Parsons surrendered 1 million stock options to support the Company's retention of key employees and personnel as well as recruiting new employees. These options were subsequently issued to those individuals.

During March 2019, Mr. Parsons agreed to amend his performance share agreement whereby the 5 million common shares due him will be distributed based upon the Company collecting $9.8 million of cash receipts and achieving certain other milestones. As of December 31, 2018, the Company had collected 99% of the required cash receipts. The last date that the common shares can be issued to Mr. Parson is March 31, 2020. Additionally, Mr. Parsons has voluntarily decided that once the performance shares have been issued to distribute a meaningful portion of the shares to other members of the management team and key personnel.

During March 2019, Mr. Willer agreed to settle his indebtedness to the Company. Prior to the settlement, Mr. Willer was owed 1 million common shares pursuant to a performance share agreement. As part of the settlement, Mr. Willer agreed to reduce the number of common shares owed to him pursuant to the performance share agreement by 250,000 common shares.