Akumin Inc.

(formerly Elite Imaging Inc.)

Consolidated Financial Statements
March 31, 2017, September 30, 2016
and September 30, 2015
(expressed in US dollars unless
otherwise stated)

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November 23, 2017

Independent Auditor's Report

To the Directors of
Akumin Inc.
(formerly Elite Imaging Inc.)

We have audited the accompanying consolidated financial statements of Akumin Inc. (formerly Elite Imaging Inc.) and its subsidiaries, which comprise the consolidated balance sheets as at March 31, 2017, September 30, 2016 and September 30, 2015 and the consolidated statements of net loss and comprehensive loss, changes in equity and cash flows for the six-month period ended March 31, 2017 and the years ended September 30, 2016 and September 30, 2015, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

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

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Akumin Inc. (formerly Elite Imaging Inc.) and its subsidiaries as at March 31, 2017, September 30, 2016 and September 30, 2015 and their financial performance and their cash flows for the six-month period ended March 31, 2017 and the years ended September 30, 2016 and September 30, 2015 in accordance with International Financial Reporting Standards as issued by the IASB.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

Akumin Inc.

Consolidated Balance Sheets

(expressed in US dollars unless otherwise stated)

	March 31, 2017 $	September 30, 2016 $	September 30, 2015 $
Assets			
Current assets			
Cash	13,051,343	7,248,063	3,011,994
Accounts receivable (note 4)	6,650,814	5,770,549	5,387,535
Prepaid expenses	484,247	218,243	48,010
	20,186,404	13,236,855	8,447,539
Security deposits	101,375	44,978	-
Property and equipment (note 5)	17,890,881	17,942,484	15,734,438
Goodwill (notes 3 and 7)	17,956,368	17,956,368	13,774,882
Intangible assets (note 6)	177,810	201,070	175,054
	56,312,838	49,381,755	38,131,913
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities (note 8)	5,029,563	5,826,443	4,993,518
Provisions (note 9)	1,805,000	1,932,360	190,000
Finance leases (note 10)	288,715	722,898	1,095,849
Bank loans payable (note 11)	2,110,614	799,831	204,599
	9,233,892	9,281,532	6,483,966
Finance leases (note 10)	154,540	154,106	421,615
Bank loans payable (note 11)	24,895,744	26,057,507	20,851,776
Derivative financial instruments (note 12)	165,942	180,281	138,729
Subordinated notes payable (note 12)	6,138,718	6,234,657	6,105,719
	40,588,836	41,908,083	34,001,805
Shareholders' Equity			
Common shares (note 13)	20,102,046	11,004,683	6,570,554
Warrants (note 13)	774,886	475,180	292,936
Stock options reserve (notes 13 and 18)	1,174,987	713,560	-
Deficit	(6,327,917)	(4,719,751)	(2,733,382)
	15,724,002	7,473,672	4,130,108
	56,312,838	49,381,755	38,131,913

Commitments and contingencies (note 17)

Subsequent events (note 26)

Approved by the Board of Directors

____________________ Director ____________________ Director

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

Akumin Inc.

Consolidated Statements of Net Loss and Comprehensive Loss

(expressed in US dollars unless otherwise stated)

	Six-month period ended March 31, 2017 $	Year ended September 30, 2016 $	Year ended September 30, 2015 $
Revenue			
Service fees - net of contractual allowances and discounts	28,729,503	45,125,677	34,766,958
Other revenue	1,396,895	1,275,571	268,900
	30,126,398	46,401,248	35,035,858
Expenses			
Provision for bad debts	1,149,180	1,821,202	1,670,678
Employee compensation	11,424,721	15,721,263	10,937,737
Reading fees	4,472,778	7,215,630	5,242,449
Rent and utilities	4,251,567	5,327,622	3,811,911
Third party services and professional fees	2,544,370	5,622,932	5,297,767
Administrative	1,395,230	2,149,239	1,968,304
Medical supplies and other expenses	1,819,206	2,521,893	2,424,712
Depreciation and amortization	1,715,121	3,213,062	3,263,447
Stock-based compensation	461,427	713,560	-
Provision for other bad debts related to transition services agreement	-	313,094	1,469,805
Impairment of property and equipment	129,373	354,412	-
Settlement costs - leases	-	133,722	-
Acquisition-related costs	-	125,000	-
Provisions	755,000	1,652,360	-
Interest expense	1,738,051	3,152,393	2,875,289
Debt extinguishment gain and other gains (notes 15 and 25)	(134,195)	(1,651,235)	(1,201,150)
	31,721,829	48,386,149	37,760,949
Loss before income taxes	(1,595,431)	(1,984,901)	(2,725,091)
Income tax provision (note 16)	12,735	1,468	8,291
Net loss and comprehensive loss for the period	(1,608,166)	(1,986,369)	(2,733,382)
Net loss per share			
Basic and diluted (note 24)	(0.06)	(0.09)	(0.13)

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

Akumin Inc.

Consolidated Statements of Changes in Equity

(expressed in US dollars unless otherwise stated)

	Common shares $	Warrants $	Stock options reserve $	Deficit $	Total equity $
Balance as at October 1, 2014	6,570,554	292,936	-	-	6,863,490
Net loss and comprehensive loss for the period	-	-	-	(2,733,382)	(2,733,382)
Balance as at September 30, 2015	6,570,554	292,936	-	(2,733,382)	4,130,108
Net loss and comprehensive loss for the period	-	-	-	(1,986,369)	(1,986,369)
Issuance of common shares - net of issuance costs	4,434,129	-	-	-	4,434,129
Issuance of warrants	-	182,244	-	-	182,244
Stock-based compensation	-	-	713,560	-	713,560
Balance as at September 30, 2016	11,004,683	475,180	713,560	(4,719,751)	7,473,672
Net loss and comprehensive loss for the period	-			(1,608,166)	(1,608,166)
Issuance of common shares - net of issuance costs	9,097,363	-	-	-	9,097,363
Issuance of warrants	-	299,706	-	-	299,706
Stock-based compensation	-	-	461,427	-	461,427
Balance as at March 31, 2017	20,102,046	774,886	1,174,987	(6,327,917)	15,724,002

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

Akumin Inc.

Consolidated Statements of Cash Flows

(expressed in US dollars unless otherwise stated)

	Six-month period ended March 31, 2017 $	Year ended September 30, 2016 $	Year ended September 30, 2015 $
Cash flows provided by (used in)			
Operating activities			
Net loss for the period	(1,608,166)	(1,986,369)	(2,733,382)
Adjustments for			
Depreciation and amortization	1,715,121	3,213,062	3,263,447
Provision for bad debts	1,149,180	1,821,202	1,670,678
Provision for other bad debts related to transition services agreement	-	313,094	1,469,805
Stock-based compensation (note 18)	461,427	713,560	-
Impairment of property and equipment	129,373	354,412	-
Debt extinguishment gain and other gains	(134,195)	(1,651,235)	(1,201,150)
Interest accretion	491,540	899,510	806,697
Changes in non-cash working capital			
Accounts receivable	(2,029,445)	(1,730,073)	(6,248,875)
Prepaid expenses and security deposits	(322,401)	(171,519)	60,556
Provisions	(127,360)	1,742,360	190,000
Accounts payable and accrued liabilities	(811,720)	(111,780)	1,718,190
	(1,086,646)	3,406,224	(1,004,034)
Investing activities			
Property and equipment and intangible assets	(1,769,631)	(1,671,131)	(1,154,049)
Business acquisitions - net of cash acquired	-	(870,373)	-
	(1,769,631)	(2,541,504)	(1,154,049)
Financing activities			
Bank loans	(342,520)	(119,349)	-
Finance leases - net	(394,992)	(1,125,675)	(1,693,413)
Issuance of common shares	10,496,600	5,593,898	7,750,012
Common shares issuance costs	(1,099,531)	(977,525)	(886,522)
	8,659,557	3,371,349	5,170,077
Increase in cash during the period	5,803,280	4,236,069	3,011,994
Cash - Beginning of period	7,248,063	3,011,994	-
Cash - End of period	13,051,343	7,248,063	3,011,994

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

(expressed in US dollars unless otherwise stated)

1 Presentation of consolidated financial statements and nature of operations

The operations of Akumin Inc. (formerly Elite Imaging Inc.) (the Company) and its Subsidiaries (defined below) primarily consist of operating 40 outpatient diagnostic imaging centres located in Florida, Delaware and Pennsylvania. The Florida imaging centres were acquired from Tri-State Imaging Group, LP (TSIG) on October 1, 2014. The Delaware and Pennsylvania imaging centres were acquired from Siemens Financial Services, Inc. (Siemens), in its capacity as the secured party with respect to the acquired assets, following a foreclosure auction of certain assets of TSIG on April 21, 2016. The Company also owns Rev Flo, Inc. (Rev Flo), a company providing medical billing services in the United States.

The services offered by the Company (through the Subsidiaries) include magnetic resonance imaging (MRI), computed tomography (CT), positron emission tomography (PET), nuclear medicine, mammography, ultrasound, digital radiography (X-ray), fluoroscopy and other related procedures, and medical billing.

The Company has a diverse mix of payers, including private, managed care capitated and government payers.

The Company has no operating activities in Canada. All operating activities are conducted through its wholly owned US operating subsidiary, Elite Imaging Corp., and the wholly owned subsidiaries of Elite Imaging Corp., Tri-State Imaging FL Holdings, LLC (FL Holdings) and Rev Flo (collectively, the Subsidiaries).

Effective March 22, 2017, the legal name of the Company has been changed from Elite Imaging Inc. to Akumin Inc.

2 Summary of significant accounting policies

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The significant accounting policies described below have been applied consistently to all periods presented.

These consolidated financial statements were approved by the Board of Directors (the Board) and authorized for issue by the Board on November 14, 2017.

Basis of presentation and statement of compliance

The consolidated financial statements include all of the accounts of the Company and the Subsidiaries. All intercompany transactions and balances have been eliminated on consolidation.

Functional and reporting currency and foreign currency translation

The functional and reporting currency of the Company and the Subsidiaries is US dollars. Monetary assets and liabilities denominated in foreign currencies are translated into US dollars at the rates of exchange prevailing at the consolidated balance sheet dates. Non-monetary assets and liabilities are translated at rates prevailing at the dates of acquisition. Revenues and expenses are translated at the average rate of exchange in effect during

(expressed in US dollars unless otherwise stated)

the month the transaction occurred. All exchange gains and losses are recognized in the current period's earnings.

Cash

Cash includes cash on hand and cash held with banks.

Allowance for doubtful accounts

The Company provides for an allowance against accounts receivable that could become uncollectible to reduce the carrying value of such receivables to their estimated net realizable value. This allowance is estimated based on the aging of accounts receivable and other relevant factors. There are various factors that can impact collection trends, such as changes in the economy, which in turn have an impact on the increased burden of co-payments and deductibles to be made by patients with insurance. These factors continuously change and can have an impact on collection trends and the estimation process.

Property and equipment

Property and equipment are recorded at cost and are depreciated over their estimated useful lives using the declining balance method, unless stated otherwise, as follows:

Medical equipment and equipment under finance leases	20%
Computer and office equipment	30%
Furniture and fittings	15%
Leasehold improvements	Straight-line over term of lease

Expenditures for maintenance and repairs are charged to operations as incurred. Operating lease buyouts and significant upgrades are capitalized.

Intangible assets

The Company classifies intangible assets, obtained through acquisitions or developed internally, as definite-lived. Intangible assets consist of software costs and covenants not to compete; these intangible assets are recorded at cost and are amortized over their estimated useful lives, using the declining balance method, unless stated otherwise, as follows:

Software costs	20%
Covenant not to compete	Straight-line over term of contract

Goodwill

Goodwill is recognized as the fair value of the consideration transferred, less the fair value of the net identifiable assets acquired and liabilities assumed, as at the acquisition date. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill acquired in business combinations is allocated to groups of cash generating units (CGUs) that are expected to benefit from the synergies of the combination. The determination of CGUs and the level at which goodwill is monitored requires judgment by management. The Company's CGUs generally represent individual business units below the level of the Company's operating

(expressed in US dollars unless otherwise stated)

segment. Goodwill is tested annually for impairment by comparing its carrying value against the recoverable amount (higher of value in use and fair value less costs to sell).

Impairment of long-lived assets

The Company assesses, at each reporting date, whether there is an indication that a long-lived asset may be impaired. If any indication exists, the Company estimates the recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other CGUs. The recoverable amount of an asset or a CGU is the higher of its fair value, less costs to sell, and its value in use.

Fair value less costs to sell is the amount obtainable from the sale of an asset or CGU in an arm's length transaction between knowledgeable, willing parties, less the costs to sell. Costs of disposal are incremental costs directly attributable to the disposal of an asset and income tax expense.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in the consolidated statements of net loss and comprehensive loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of the recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer. The Company has one reportable segment, which is outpatient diagnostic imaging services.

Revenue recognition

Service fee revenue, net of contractual allowances and discounts, consists of net patient fees received from various payers and patients themselves based mainly on established contractual billing rates, less allowances for contractual adjustments and discounts. This service fee revenue is comprised of fees for the use of the Company's diagnostic imaging equipment, provision of medical supplies, and maintenance of medical records.

Service fee revenues are recorded at the time the services are provided based on the estimated amounts due from the patients and third party payers. Third party payers include federal and state agencies (under the Medicare and Medicaid programs), managed care health plans, commercial insurance companies and employers. Estimates of contractual allowances under managed care health plans are based on the payment terms specified in the related contractual agreements. Contractual payment terms in managed care agreements

(expressed in US dollars unless otherwise stated)

are based on predetermined rates per discounted fee-for-service rates. A provision for doubtful accounts is also recorded, based primarily on historical collection experience. The Company regularly attempts to estimate its expected reimbursement for patients of managed care plans based on the applicable contract terms. The Company believes its estimation and review process enables it to identify instances on a timely basis where such estimates need to be revised.

Other revenue consists of miscellaneous fees under contractual arrangements, including service fee revenue under capitation arrangements with third party payers, rental revenue from subleasing the Company's office space, and fees for medical billing services provided to third parties. Revenue is recorded during the period the services are provided by the Company.

Earnings per share

Basic earnings per common share (EPS) is calculated by dividing the net earnings available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted EPS is calculated by adjusting the net earnings available to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive instruments.

Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in the consolidated statements of net loss and comprehensive loss. Current income tax expense represents the amount of income taxes payable based on tax law that is enacted or substantively enacted at the reporting date, and is adjusted for changes in estimates of tax expense recognized in prior periods. A current tax liability or asset is recognized for income taxes payable, or paid but recoverable, in respect of all periods to date.

The Company uses the deferred tax method of accounting for income taxes. Accordingly, deferred tax assets and liabilities are recognized for the deferred tax consequences attributable to differences between the consolidated financial statements' carrying amounts of assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the periods in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in the consolidated statements of net loss and comprehensive loss in the period in which the enactment or substantive enactment occurs. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is more likely than not that future taxable income will be available to utilize such amounts. Deferred tax assets are reviewed at each reporting date and are adjusted to the extent that it is no longer probable that the related tax benefits will be realized. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same tax authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Financial instruments

The Company initially measures its financial assets and financial liabilities at fair value and classifies them as financial assets or liabilities at fair value through profit or loss, loans and receivables or other financial liabilities. After initial measurement, loans and receivables and other financial liabilities are subsequently measured at amortized cost using the effective interest rate method, with any resulting premium or discount

(expressed in US dollars unless otherwise stated)

from the face value being amortized to the consolidated statements of net loss and comprehensive loss. The Company classifies the derivative financial instruments as a financial liability at fair value through profit or loss.

Financial assets measured at amortized cost include cash and cash equivalents and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, provisions, bank loans payable, finance leases and subordinated notes payable. Amortization is recorded using the effective interest rate method.

Impairment losses are charged to the consolidated statements of net loss and comprehensive loss in the period in which they arise. Impairment is tested at the end of each reporting period when there are indicators the assets may be impaired. Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When events occurring after the impairment confirm a reversal is necessary, the reversal is recognized in earnings up to the amount of the previously recognized impairment.

Transaction costs are capitalized to the carrying amount of the instrument and are amortized using the effective interest method, other than those related to financial instruments classified at fair value through profit or loss, which are expensed as incurred.

Leases

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all of the benefits and risks incidental to the ownership of property is classified as a finance lease.

Finance leases are capitalized at the commencement of the lease at the fair value of the leased property as at the inception date or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and the reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the consolidated statements of net loss and comprehensive loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognized as an operating expense in the consolidated statements of net loss and comprehensive loss on a straight-line basis over the lease term.

Warrants

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company has issued warrants that are convertible into common stock; these warrants are classified as equity instruments.

(expressed in US dollars unless otherwise stated)

Special warrants

The Company undertook a subscription receipts offering in August 2017, which generated gross proceeds of $33 million (note 26). Special warrants were issued on automatic conversion of such subscription receipts in accordance with the subscription receipts agreement. Such special warrants are classified as part of the Company's equity. Upon conversion to common shares, the amount of special warrants will be transferred to the common shares account of the Company's equity. The associated broker warrants issued as part of the subscription receipts offering are assigned an estimated value using the Black-Scholes analysis and netted against the value of special warrants. They are transferred to common shares upon exercise of such broker warrants.

Restricted share units

Restricted share units (RSUs) are issued in accordance with the Company's RSU Plan, which entitles a holder of one RSU to receive one common share of the Company. RSUs are assigned a value based on the market value of the common shares of the Company on the grant date. Such value is classified as share-based compensation over the vesting period for all RSUs awarded to employees. For RSUs awarded to non-employees for equity issuance services, the value of the RSUs is classified as equity issuance costs upon vesting of such RSUs. For RSUs awarded to non-employees for business services, the RSU expense would be recognized in the statements of net loss and comprehensive loss upon vesting of such RSUs.

Business combinations

The Company accounts for business combinations using the acquisition accounting method. The total purchase price is allocated to the assets acquired and liabilities assumed based on fair values at the date of acquisition. Goodwill as at the acquisition date is measured as the excess of the aggregate of the consideration transferred and the amount of any non-controlling interests in the acquired company over the net of the acquisition date fair values of the identifiable assets acquired and the liabilities assumed. Any non-controlling interests in the acquired company are measured at the non-controlling interests' proportionate share of the identifiable assets and liabilities of the acquired business. Best estimates and assumptions are used in the purchase price allocation process to accurately value assets acquired and liabilities assumed at the business combination date. These estimates and assumptions are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the business combination date, the Company may record adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill. On conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded in the consolidated statements of net loss and comprehensive loss in the period in which the adjustments were determined.

Stock-based compensation

The Company's primary type of stock-based compensation consists of stock options, which are described in note 18. The Company uses the fair value method, which includes a volatility assumption, based on a peer group of companies. The fair value of stock options granted is recognized as compensation expense on a straight-line basis over the applicable stock option vesting period for each separately vesting portion, with the offset being recorded in the stock options reserve. Any consideration paid by employees or directors on the exercise of stock

(expressed in US dollars unless otherwise stated)

options is credited to common stock and the related fair value of those stock options is transferred from the stock options reserve to common stock.

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured based on management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to their present value where the effect is material.

Contingencies

Contingent liabilities are possible obligations whose existence will be confirmed only on the occurrence or non-occurrence of uncertain future events outside the Company's control, or present obligations that are not recognized because it is not probable that an outflow of economic benefits would be required to settle the obligation or the amount cannot be measured reliably.

Contingent liabilities are not recognized but are disclosed and described in note 17 to the consolidated financial statements, including an estimate of their potential financial effect and uncertainties relating to the amount or timing of any outflow, unless the possibility of settlement is remote. In assessing loss contingencies related to legal proceedings that are pending against the Company or unasserted claims that may result in such proceedings, the Company, with assistance from its legal counsel, evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought.

Use of estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. As additional information becomes available or actual amounts are determinable, the recorded estimates are revised and reflected in operating results in the period in which they are determined.

i) Accounts receivable and allowance for doubtful accounts

Accounts receivable are generally non-interest bearing, unsecured obligations due from patients and third party payers. The Company makes a provision to allow for potentially uncollectible amounts owed from customers. The allowance is reviewed by management periodically based on an analysis of the age of the outstanding accounts receivable. The balance of accounts receivable after the allowance for doubtful accounts represents management's estimate of the net realizable value of receivables after discounts and contractual adjustments. In the normal course of business, the Company may turn over claims involving patients, attorneys, and others to collection agencies after reasonable collection efforts by the Company have occurred. Records are maintained of accounts placed, collections, and adjustments and are reported to management. Collections from agencies are remitted to the Company, net of any fee charged by the collection agency.

(expressed in US dollars unless otherwise stated)

ii) Impairment of goodwill and long-lived assets

Management tests at least annually whether goodwill suffered any impairment. Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Management makes key assumptions and estimates in determining the recoverable amount of CGUs or groups of CGUs, including future cash flows based on historical and budgeted operating results, growth rates, tax rates and appropriate after-tax discount rates.

iii) The Company evaluates its long-lived assets (property and equipment) and intangible assets, other than goodwill, for impairment whenever indicators of impairment exist. The accounting standards require that if the sum of the undiscounted expected future cash flows from a long-lived asset or definite-lived intangible asset is less than the carrying value of that asset, an asset impairment charge must be recognized. The amount of the impairment charge is calculated as the excess of the asset's carrying value over its fair value, which generally represents the discounted future cash flows from that asset.

iv) Income taxes

The Company is subject to government audits and the outcome of such audits may differ from original estimates. Management believes that a sufficient amount has been accrued for income taxes. Further, management evaluates the realizability of the net deferred tax assets and assesses the valuation allowance periodically. If future taxable income or other factors are not consistent with the Company's expectations, an adjustment to its allowance for net deferred tax assets may be required. For net deferred tax assets, the Company considers estimates of future taxable income, including tax planning strategies, in determining whether net deferred tax assets are more likely than not to be realized.

v) Business combinations

Significant judgment is required in identifying tangible and intangible assets and liabilities of acquired businesses, as well as determining their fair values. The Company applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Company recognizes any non-controlling interest in the acquiree at fair value of the recognized amounts of the acquiree's identifiable net assets.

(expressed in US dollars unless otherwise stated)

vi) Contractual allowances

Net patient service revenue is reported at the estimated net realizable amounts from patients, third party payors, and others for services rendered and recognized in the period in which the services are performed. Net patient service revenue is recorded based on established billing rates, less estimated discounts for contractual allowances, principally for patients covered by managed care and other health plans, and self-pay patients. Contractual adjustments result from the differences between the established rates charged for services performed and expected reimbursements by government sponsored health-care programs and insurance companies for such services.

3 Business combinations

i) On August 1, 2016, the Company acquired all outstanding common shares of Rev Flo, a company providing medical billing services in the United States, for $1, and the assumption of $146,529 in senior debt from KeyBank. The acquired tangible assets include accounts receivable of $74,150. The Company has made a fair value determination of the acquired assets and assumed liabilities as follows:

	$
Assets acquired	
Current assets	
Cash	2,476
Accounts receivable and other	74,150
	76,626
Non-current assets	6,192
	82,818
Liabilities assumed	
Current liabilities	
Accounts payable and accrued liabilities	547,973
Non-current liabilities	
Debt	146,529
	694,502
Net liabilities assumed	(611,684)
Goodwill	611,685
Total purchase price	1

The goodwill assessed on acquisition reflects the Company's expectation of future benefits from the acquired business and workforce, and potential synergies from cost savings. The results of operations of Rev Flo have been included in the Company's consolidated statements of net loss and comprehensive loss from the acquisition date. Since the acquisition date, Rev Flo contributed revenue of $174,076 and net loss before tax of $68,777 to the Company's 2016 consolidated results.

(expressed in US dollars unless otherwise stated)

The Company has used judgment in estimating the contribution to the Company's consolidated results from this acquisition had the business combination occurred at the beginning of the year. Had the business combination occurred at the beginning of fiscal 2016, this business combination would have contributed approximately $1,044,457 in revenue and $412,664 in net loss before tax for the year ended September 30, 2016 and consolidated pro-forma revenue and net loss before tax for the same period would have been $47,271,629 and $2,328,788, respectively. As a result of the judgment used to generate these estimates, the amounts should not be used as an indicator of past or future performance of the Company or the acquisition.

ii) On April 21, 2016, the Company acquired the net assets of nine imaging centres in Delaware and 17 in Pennsylvania (the NE Acquisition) from Siemens, in its capacity as the secured party with respect to the acquired assets, and certain parties related to TSIG, for a $1,000,000 cash payment to WSFS Bank, a senior debtholder, assumption of $7,791,577 (face value) in senior debt from WSFS Bank and Siemens, and $485,215 in finance leases. The acquired tangible assets include accounts receivable of $713,087, and property and equipment of $4,056,699. The Company has made a fair value determination of the acquired assets and assumed liabilities as follows:

	$
Assets acquired	
Current assets	
Cash	127,152
Accounts receivable and other	750,587
	877,739
Non-current assets	
Property and equipment	4,056,699
	4,934,438
Liabilities assumed	
Current liabilities	
Accounts payable and accrued liabilities	399,307
Non-current liabilities	
Debt	6,693,422
Finance leases	485,215
	7,577,944
Net liabilities assumed	(2,643,506)
Identifiable intangible assets	73,705
	(2,569,801)
Goodwill	3,569,801
Total purchase price	1,000,000

(expressed in US dollars unless otherwise stated)

The goodwill assessed on acquisition reflects the Company's expectation of future benefits from the acquired business and workforce, and potential synergies from cost savings. The results of operations of the NE Acquisition have been included in the Company's consolidated statements of net loss and comprehensive loss from the acquisition date. Since the acquisition date, the NE Acquisition contributed revenue of $8,837,866 and net loss before tax of $105,235 to the Company's 2016 consolidated results.

The Company has used judgment in estimating the contribution to the Company's consolidated results from this acquisition had the business combination occurred at the beginning of the year. Had the business combination occurred at the beginning of fiscal 2016, this business combination would have contributed approximately $21,210,877 in revenue and $252,563 in net loss before tax for the year ended September 30, 2016 and consolidated pro-forma revenue and net loss before tax for the same period would have been $58,774,259 and $2,132,229, respectively. As a result of the judgment used to generate these estimates, the amounts should not be used as an indicator of past or future performance of the Company or the acquisition.

iii) On October 1, 2014, the Company completed its acquisition of FL Holdings, consisting of 14 multi-modality imaging centres located in Florida, for 12.5% of the issued and outstanding Class A limited partnership units of TSIG and all of the issued and outstanding Class C limited partnership units of TSIG, assumption of $22,959,871 in senior debt (face value), $7,320,741 in subordinated notes payable, $124,857 in derivative financial instruments, and $3,210,878 in finance leases. The acquired tangible assets include accounts receivable of $2,279,143, and property and equipment of $17,787,329. The Company has made a fair value determination of the acquired assets and assumed liabilities as follows:

	$
Assets acquired	
Current assets	
Accounts receivable and other	2,356,383
Non-current assets	
Property and equipment	17,787,329
Other	115,838
	17,903,167
	20,259,550
Liabilities assumed	
Current liabilities	
Accounts payable and accrued liabilities	3,359,837
Finance leases	1,730,691
	5,090,528
Non-current liabilities	
Senior debt	20,249,678
Finance leases	1,480,187
Subordinated notes payable	7,320,741
Derivative financial instruments	124,857
	34,265,991

(expressed in US dollars unless otherwise stated)

	$
Net liabilities assumed	(14,006,441)
Identifiable intangible assets	231,559
	(13,774,882)
Goodwill	13,774,882
Total purchase price	-

The goodwill assessed on acquisition reflects the Company's expectation of future benefits from the acquired business and workforce, and potential synergies. The results of operations of FL Holdings have been included in the Company's consolidated statements of net loss and comprehensive loss from the acquisition date. Since the acquisition date, which is the beginning of the Company's fiscal year, FL Holdings contributed revenue of $35,035,858 and net loss before tax of $1,751,690 to the Company's 2015 consolidated results.

4 Accounts receivable

	March 31, 2017 $	September 30, 2016 $	September 30, 2015 $
Accounts receivable	8,745,313	7,614,206	7,058,213
Less: Allowance for doubtful accounts	2,094,499	1,843,657	1,670,678
	6,650,814	5,770,549	5,387,535

The allowance for doubtful accounts includes a provision for bad debts for the six months ended March 31, 2017 of $1,149,180 (2016 - $1,837,952; 2015 - $2,624,803). Additional information about accounts receivable and the allowance for doubtful accounts is included in note 20.

(expressed in US dollars unless otherwise stated)

5 Property and equipment

	Furniture and fittings $	Office equipment $	Leasehold improvements $	Medical equipment $	Equipment under finance leases $	Computer equipment $	Total $
Cost							
Balance - October 1, 2014	42,890	60,312	1,931,223	8,095,164	7,657,740	-	17,787,329
Additions	27,700	35,000	-	940,997	135,000	69,478	1,208,175
Disposals	-	(35,000)	-	(21,054)	-	-	(56,054)
Transfers	-	-	-	1,931,550	(1,931,550)	-	-
Balance - September 30, 2015	70,590	60,312	1,931,223	10,946,657	5,861,190	69,478	18,939,450
Additions	124,954	-	-	1,325,197	218,500	2,480	1,671,131
Business acquisitions (note 3)	144,742	106,747	414,592	2,744,610	646,009	-	4,056,700
Impairment	-	-	-	(176,199)	(184,114)	-	(360,313)
Transfers	-	-	337,998	1,050,575	(1,388,573)	-	-
Balance - September 30, 2016	340,286	167,059	2,683,813	15,890,840	5,153,012	71,958	24,306,968
Additions	37,090	19,037	-	1,517,029	182,268	14,207	1,769,631
Impairment	-	-	-	-	(150,500)	-	(150,500)
Balance - March 31, 2017	377,376	186,096	2,683,813	17,407,869	5,184,780	86,165	25,926,099
Accumulated depreciation							
Balance - October 1, 2014	-	-	-	-	-	-	-
Depreciation	7,211	16,677	184,512	1,593,544	1,390,839	14,157	3,206,940
Disposals	-	(875)	-	(1,053)	-	-	(1,928)
Transfers	-	-	-	324,597	(324,597)	-	-
Balance - September 30, 2015	7,211	15,802	184,512	1,917,088	1,066,242	14,157	3,205,012
Depreciation	28,937	24,354	210,739	1,935,130	951,264	14,949	3,165,373
Impairment	-	-	-	-	(5,901)	-	(5,901)
Transfers	-	-	56,801	376,452	(433,253)	-	-
Balance - September 30, 2016	36,148	40,156	452,052	4,228,670	1,578,352	29,106	6,364,484
Depreciation	23,412	20,567	109,285	1,194,503	336,520	7,574	1,691,861
Impairment	-	-	-	-	(21,127)	-	(21,127)
Balance - March 31, 2017	59,560	60,723	561,337	5,423,173	1,893,745	36,680	8,035,218

(expressed in US dollars unless otherwise stated)

	Furniture and fittings $	Office equipment $	Leasehold improvements $	Medical equipment $	Equipment under finance leases $	Computer equipment $	Total $
Net book value							
September 30, 2015	63,379	44,510	1,746,711	9,029,569	4,794,948	55,321	15,734,438
September 30, 2016	304,138	126,903	2,231,761	11,662,170	3,574,660	42,852	17,942,484
March 31, 2017	317,816	125,373	2,122,476	11,984,696	3,291,035	49,485	17,890,881

Depreciation expense, including depreciation of equipment under finance leases, for the six months ended March 31, 2017 was $1,691,861 (2016 - $3,165,373; 2015 - $3,206,940). During the six months ended March 31, 2017, the Company had net disposals of $nil (2016 - $nil; 2015 - $54,126) and impairment of medical equipment and equipment under finance leases of $129,373 (2016 - $354,412; 2015 - $nil) based on management's assessment of realizable value of the equipment as evaluated by a third party.

(expressed in US dollars unless otherwise stated)

6 Intangible assets

	Covenants not to compete $	Software costs $	Total $
Cost			
Balance - October 1, 2014	93,750	137,811	231,561
Balance - September 30, 2015	93,750	137,811	231,561
Business acquisitions (note 3)	4,167	69,538	73,705
Balance - September 30, 2016	97,917	207,349	305,266
Balance - March 31, 2017	97,917	207,349	305,266
Accumulated amortization			
Balance - October 1, 2014	-	-	-
Amortization	31,335	25,172	56,507
Balance - September 30, 2015	31,335	25,172	56,507
Amortization	21,511	26,178	47,689
Balance - September 30, 2016	52,846	51,350	104,196
Amortization	8,296	14,964	23,260
Balance - March 31, 2017	61,142	66,314	127,456
Net book value			
September 30, 2015	62,415	112,639	175,054
September 30, 2016	45,071	155,999	201,070
March 31, 2017	36,775	141,035	177,810

The Company reviews the appropriateness of the amortization period related to the definite-lived intangible assets annually. For the six months ended March 31, 2017, the Company has concluded there was no impairment of intangible assets. Amortization expense for the six months ended March 31, 2017 was $23,260 (2016 - $47,689; 2015 - $56,507).

(expressed in US dollars unless otherwise stated)

7 Goodwill

The carrying amounts of goodwill at the beginning and end of the current and previous periods are set out below.

	March 31, 2017 $	September 30, 2016 $	September 30, 2015 $
Balance - Beginning of period	17,956,368	13,774,882	13,774,882
Business acquisitions (note 3)	-	4,181,486	-
Balance - End of period	17,956,368	17,956,368	13,774,882

The recoverable amount of CGUs was estimated based on an assessment of value-in-use. The methodology used to test impairment is classified as Level 3 per the fair value hierarchy described in note 20. Value-in-use is determined using a discounted cash flow model. An impairment charge is recognized to the extent that the carrying value exceeds the recoverable amount.

No impairment charges have arisen as a result of the reviews performed as at September 30, 2016 and September 30, 2015. Reasonably possible changes in key assumptions would not cause the recoverable amount of goodwill to fall below the carrying value. As there were no indicators of impairment for any of the CGUs, management has not updated any of the other impairment calculations as at March 31, 2017.

8 Accounts payable and accrued liabilities

Accounts payable and accrued liabilities as at September 30, 2016 and 2015 include a liability of $637,340, which is due to a former shareholder and its related parties. This liability has been settled as at December 30, 2016, as part of the settlement outlined in note 9.

The accounts payable and accrued liabilities are as follows:

	March 31, 2017 $	September 30, 2016 $	September 30, 2015 $
Accounts payable	4,359,002	5,207,628	4,499,528
Accrued other expenses	279,408	314,696	311,565
Accrued payroll expenses	391,153	304,119	174,212
Income taxes payable	-	-	8,213
	5,029,563	5,826,443	4,993,518

(expressed in US dollars unless otherwise stated)

9 Provisions

As at March 31, 2017, the Company has provisions of $1,805,000. Of this amount, $1,200,000 (2016 - $1,932,360; 2015 - $190,000) relates to a settlement with a former shareholder and its related parties entered into effective as at December 30, 2016. As part of the settlement, the former shareholder and its related parties released all claims against the Company, its Subsidiaries and their affiliates in connection with pre-acquisition liabilities related to FL Holdings and a terminated service agreement between the parties. As part of the settlement, the Company made a cash payment of $1,369,677, provided a reciprocal release and agreed to a further contingent payment of $1,200,000 on the occurrence of certain liquidity events relating to the Company. The Company accrued for the full settlement amount of $2,569,677, which includes the contingent payment of $1,200,000 as of September 30, 2016, which the Company determined to be probable. As at September 30, 2016, the full settlement amount of $2,569,677 was reflected in the Company's financial statements as follows: Provisions: $1,932,360 (including wiring cost of $23) and Accounts payable and accrued liabilities: $637,340. As a result of the above-noted payment in December 2016, the remaining balance of $1,200,000 is reflected as provisions as at March 31, 2017. As security for the contingent payment, the Company caused a letter of credit for the principal amount of $1,200,000 to be issued by a financial institution to be delivered to the former shareholder.

The balance of the provisions as at March 31, 2017 of $605,000 is discussed in the subsequent events note (note 26).

10 Finance lease obligations

	March 31, 2017 $	September 30, 2016 $	September 30, 2015 $
Finance lease obligations, bearing interest at rates from 3% to 9%, monthly blended principal and interest payments from approximately $1,000 to $35,000	443,255	877,004	1,517,464
Less: Current portion	288,715	722,898	1,095,849
	154,540	154,106	421,615

The minimum annual principal payments with respect to the finance lease obligations are as follows:

	$
April 1, 2017 - September 30, 2017	144,358
2018	201,409
2019 and thereafter	97,488
	443,255

(expressed in US dollars unless otherwise stated)

11 Bank loans payable

The Siemens Loans, WSFS Note and KeyBank Loan noted herein are collectively referred to as the Bank Loans.

i) Siemens loans

On October 1, 2014, the Company entered into a credit agreement (the Credit Agreement) with Siemens, regarding a term loan with a face value of $20,459,871 (the Term Loan) and a revolving credit facility of $2,500,000 (the Revolving Facility). For accounting purposes, the Term Loan was recognized at fair value on October 1, 2014 using an effective interest rate. The total estimated fair value of the Term Loan was $17,749,678 as at October 1, 2014. The fair value was determined based on management's estimation of assumptions that market participants would use in pricing similar liabilities (it is considered a Level 3 liability as described in note 20).

As part of the NE Acquisition (note 3), Siemens amended the Credit Agreement on April 21, 2016 (the Amended Credit Agreement). The amendments included, among other things, an increase in: (a) the term of the Revolving Facility and the Term Loan; and (b) the face value of the Term Loan to $26,132,099 (the Amended Term Loan and, together with the Revolving Facility, Siemens Loans). The Amended Term Loan was recognized at fair value on April 21, 2016 using an effective interest rate. The change in terms was considered a settlement and resulted in a fair value gain of $1,819,149 on extinguishment of the original liability, which was reflected in the consolidated statements of net loss and comprehensive loss. The total estimated fair value of the Amended Term Loan was $22,001,163 as at April 21, 2016. The fair value was determined based on management's estimation of assumptions that market participants would use in pricing similar liabilities.

	March 31, 2017 $	September 30, 2016 $	September 30, 2015 $
Siemens loan	25,110,859	24,858,808	21,056,375
Less: Current portion	1,110,614	653,302	204,599
	24,000,245	24,205,506	20,851,776

The minimum annual principal payments with respect to the Siemens loan (face value) are as follows:

	$
April 1, 2017 to September 2017	457,312
2018	1,306,605
2019	1,567,926
2020	25,104,265
	28,436,108

(expressed in US dollars unless otherwise stated)

The Amended Credit Agreement also introduced terms regarding a Trigger Event as follows: when the annual cash collections from the NE Acquisition, measured as at the last day of each calendar month, beginning on April 30, 2018, exceed a certain threshold (Trigger Event), the Siemens Loans will increase by a one-time amount of $2,000,000. On the occurrence of a prepayment in full of the Siemens Loans or an acceleration of the payment of Siemens Loans, in each case, which occurs prior to the earlier of (a) the occurrence of the Trigger Event, and (b) April 21, 2020, the Siemens Loans may increase by an amount up to $2,000,000, subject to certain conditions. Based on management's analysis, the probability of the occurrence of a Trigger Event is low as at March 31, 2017.

The Amended Credit Agreement provides for the following (capitalized terms used below in this note and not defined elsewhere in these notes have the meanings given to them in the Amended Credit Agreement):

Interest

The interest rates payable on the Siemens Loans are as follows: (i) each Eurodollar Rate Loan shall bear interest on the outstanding principal amount at one-month LIBOR plus Applicable Rate; and (ii) each Base Rate Loan shall bear interest on the outstanding principal amount at the Base Rate (the higher of (a) the Federal Funds Rate plus 0.5% and (b) the prime rate) plus Applicable Rate. Siemens Loans are currently classified as Eurodollar Rate Loans. The interest rate paid under the Amended Credit Agreement at March 31, 2017 is approximately 5.7% per annum (2016 - 5.4%; 2015 - 4.9%).

Payments

The minimum principal payment schedule for the Siemens Loans is noted herein.

Termination

The termination date of the Siemens Loans is the earliest of: (a) April 21, 2020, provided, however, that unless on or prior to June 8, 2018, either (i) the maturity date of the Subordinated Notes (defined herein) is extended to September 23, 2020; or (ii) the Subordinated Notes are refinanced or replaced on terms and conditions and pursuant to documentation acceptable to Siemens, then the maturity date of the Siemens Loans shall be June 8, 2018; and (b) the date on which the Obligations come due and payable pursuant to Section 8.02 of the Amended Credit Agreement.

Restrictive covenants

In addition to certain covenants, the Amended Credit Agreement places limits on the Company's ability to declare dividends or redeem or repurchase capital stock (including options or warrants), prepay, redeem or purchase debt, incur liens and engage in sale-leaseback transactions, make loans and investments, incur additional indebtedness, amend or otherwise alter debt and other material agreements, engage in mergers, acquisitions, capital expenditures and asset sales, enter into transactions with affiliates and alter the business the Company and Subsidiaries currently conduct.

(expressed in US dollars unless otherwise stated)

Financial covenants

The Amended Credit Agreement contains financial covenants including minimum annual EBITDA, daily cash and cash equivalents balance and monthly cash receipts, and a limit on annual capital expenditures.

Events of default

In addition to the above financial covenants, events of default under the Amended Credit Agreement include failure to pay principal of or interest on any Siemens Loan when due, or within two days after the same comes due, failure to pay any fee due or other amount payable thereunder or under any other loan document, failure of any loan party to comply with any covenants or agreements in the loan documents (subject to applicable grace periods and/or notice requirements), a representation or warranty contained in the loan documents is false in a material respect, events of bankruptcy and a change of control. The occurrence of an event of default would permit the lenders under the Amended Credit Agreement to declare all amounts borrowed, together with accrued interest and fees, to be immediately due and payable and to exercise other default remedies.

Security

The Company has granted general security over all assets of the Subsidiaries in connection with the Siemens Loans.

The Company is in compliance with the financial covenants and has no events of default under the Amended Credit Agreement as at March 31, 2017.

ii) WSFS bank loan

As part of the NE Acquisition (note 3), the Company entered into a secured 5% promissory note with WSFS Bank on April 21, 2016 (the WSFS Note). The WSFS Note with a face value of $2,000,000 was recognized at fair value on April 21, 2016 using an effective interest rate. The total estimated fair value of the WSFS Note was $1,817,372 as at April 21, 2016. The fair value was determined based on management's estimation of assumptions that market participants would use in pricing similar liabilities (it is considered a Level 3 liability as described in note 20).

	March 31, 2017 $	September 30, 2016 $	September 30, 2015 $
WSFS bank loan	1,895,499	1,852,001	-
Less: Current portion	1,000,000	-	-
	895,499	1,852,001	-

(expressed in US dollars unless otherwise stated)

The minimum annual principal payments with respect to the WSFS Note (face value) are as follows:

	$
2018	2,000,000

Payments and termination

Under the WSFS Note, principal payments of $1,000,000 are due on each of October 31, 2017 and April 30, 2018 (maturity date of WSFS Note).

Restrictive covenants

Under the WSFS Note, the Company covenants to perform and observe all of the terms, covenants and agreements set forth in the loan documents (including the Siemens Loans).

Financial covenants

The WSFS Note requires similar financial covenants as under the Amended Credit Agreement for Siemens Loans.

Events of default

Events of default include failure to pay principal of or interest on the WSFS Note or related costs when due, failure to provide the Company's audited consolidated financial statements to WSFS when due, and bankruptcy proceedings against FL Holdings or any of its subsidiaries. The occurrence of an event of default would permit WSFS Bank under the WSFS Note to declare all amounts borrowed, together with accrued interest and fees, to be immediately due and payable and to exercise other default remedies.

Security

The Company has granted general security over all assets of the Subsidiaries in connection with the WSFS Note.

The Company is in compliance with the WSFS Note as at March 31, 2017.

iii) KeyBank loan

As part of the acquisition of Rev Flo (note 3), the Company assumed a secured demand line of credit promissory note from KeyBank (the KeyBank Loan), with an annual interest cost of prime rate plus 2.61% (approximately 6% at acquisition of Rev Flo) and outstanding balance as at September 30, 2016 of principal amount of $146,529, and accrued interest and fees of $15,284. The Company completely settled this loan and accrued interest and fees for a cash payment of $135,000 to KeyBank in November 2016 and recorded a gain of $26,813.

(expressed in US dollars unless otherwise stated)

12 Subordinated notes payable

	March 31, 2017 $	September 30, 2016 $	September 30, 2015 $
Subordinated notes payable	6,138,718	6,234,657	6,105,719
Derivative financial instruments	165,942	180,281	138,729
	6,304,660	6,414,938	6,244,448

The Company's 12% unsecured convertible debentures (the Subordinated Notes) have a face value of C$8,178,000 (Principal Amount). They are translated into US dollars prevailing at the consolidated balance sheet dates.

Additionally, as discussed below, the Company is obligated to repay up to 120% of the Principal Amount of the Subordinated Notes payable in the event that an initial public offering (IPO) of the Company has not occurred prior to the Maturity Date. If an IPO occurs prior to the Maturity Date, the Subordinated Notes are automatically converted into common shares of the Company at a discount. These redemption and conversion features give rise to a recognition of derivative financial instruments in the consolidated balance sheets. Their values have been estimated by management using a probability weighted valuation technique; changes in the fair value of this liability are recognized in the consolidated statements of net loss and comprehensive loss.

The Subordinated Notes contain the following key terms:

Payments and termination

The Subordinated Notes stipulate that the Company is funded solely by payments from the Subsidiaries. If the Company has not received sufficient proceeds from the Subsidiaries to permit the Company to meet its obligations to the holders of Subordinated Notes (the Noteholders), such obligations will be deferred until the Company has received sufficient proceeds from the Subsidiaries to satisfy such obligations. Such failure to pay the Noteholders shall not be an event of default.

The Company may be required to repay the Noteholders in certain other circumstances. For example, if an IPO of the Company or change of control (Change of Control) of the Company has not occurred prior to the earlier of (a) October 10, 2018 (the Maturity Date) and (b) October 10, 2016 (the Early Retirement Date), then:

a) in the case of the Maturity Date, the Noteholders shall be paid, in cash, 120% of the Principal Amount of the Subordinated Notes plus any accrued and unpaid interest thereon; and

b) in the case of the Early Retirement Date, the Noteholders (subject to certain conditions) shall be paid, in cash, 110% of the Principal Amount plus any accrued and unpaid interest thereon provided that: (i) a Noteholder makes an election to retire the Subordinated Notes not less than six months before the Early Retirement Date; and (ii) the Company has received sufficient funds from the Subsidiaries to pay such Noteholder.

(expressed in US dollars unless otherwise stated)

No payment was needed with respect to the Early Retirement Date as no Noteholder made an election to retire the Subordinated Notes within the six-month notification period.

If an IPO occurs on or prior to the Maturity Date, then the Principal Amount of a Noteholder's Subordinated Notes plus any accrued and unpaid interest thereon will be automatically converted into the shares of the Company issued under the IPO, based on a conversion price that is discounted by 16.67% to the IPO price.

If a Change of Control occurs on or prior to the Maturity Date, then the Company shall redeem the Subordinated Notes for cash equal to 120% of the Principal Amount of the Subordinated Notes plus any accrued and unpaid interest thereon.

Restrictive covenants

The Subordinated Notes limit the Company's ability to redeem or repurchase any of its outstanding securities (other than Subordinated Notes), sell substantially all of its assets, enter into liquidation/reorganization, and substantially alter the business currently conducted by the Company and the Subsidiaries.

Financial covenants

None.

Events of default

Events of default under the Subordinated Notes include (subject to certain conditions): failure by the Company to meet its obligations under the Subordinated Notes, failure of the Company to comply in a material manner with any covenants or agreements in the Subordinated Notes documents, a representation or warranty made by the Company in the Subordinated Notes documents being false in a material respect, events of bankruptcy, and substantial asset sales. On the occurrence of an event of default, the obligations of the Company under the Subordinated Notes shall immediately be due and payable.

The Company is in compliance with the terms of the Subordinated Notes as at March 31, 2017.

(expressed in US dollars unless otherwise stated)

13 Capital stock and warrants

The authorized share capital of the Company consists of an unlimited number of voting common shares, with no par value.

	Common shares		Warrants		Total	
	Number	Amount $	Number	Amount $	Number	Amount $
October 1, 2014	20,252,689	6,570,554	1,360,000	292,936	21,612,689	6,863,490
Issuance	-	-	-	-	-	-
September 30, 2015	20,252,689	6,570,554	1,360,000	292,936	21,612,689	6,863,490
Issuance	4,661,582	4,434,129	351,565	182,244	5,013,147	4,616,373
September 30, 2016	24,914,271	11,004,683	1,711,565	475,180	26,625,836	11,479,863
Issuance	5,263,739	9,097,363	300,825	299,706	5,564,564	9,397,069
March 31, 2017	30,178,010	20,102,046	2,012,390	774,886	32,190,400	20,876,932

As at September 30, 2015, the Company had 1,360,000 warrants outstanding to purchase common shares on a 1:1 basis at an exercise price of $0.50 per common share. These warrants expired on August 12, 2017. The fair value of these warrants, recognized as a deduction of issued capital, was determined to be $0.215 per warrant using the Black-Scholes option pricing model based on the following assumptions: historical common share price volatility of 80%; remaining life of two years; expected dividend yield of zero; and annual risk free interest rate of 0.42%.

During the year ended September 30, 2016, the Company issued $5.6 million in common shares and warrants and incurred issuance costs of approximately $1.0 million. This equity issuance included 351,565 warrants to purchase common shares on a 1:1 basis at an exercise price of $1.20 per common share. These warrants expire on April 21 and May 31, 2018. The fair value of these warrants, recognized as a deduction of issued capital, was determined to be $0.518 per warrant using the Black-Scholes option pricing model based on the following assumptions: historical common share price volatility of 80%; remaining life of two years; expected dividend yield of zero; and annual risk-free interest rate of 0.63%.

During the six months ended March 31, 2017, the Company issued $10.5 million in common shares and warrants and incurred issuance costs of approximately $1.1 million. This equity issuance included 300,825 warrants to purchase common shares on a 1:1 basis at an exercise price of $2.30 per common share. These warrants expire on March 10 and 17, 2019. The fair value of these warrants, recognized as a deduction of issued capital, was determined to be $0.996 per warrant using the Black-Scholes option pricing model based on the following assumptions: historical common share price volatility of 80%; remaining life of two years; price per common share on grant of warrants of $2.30; expected dividend yield of zero; and annual risk-free interest rate of 0.84%.

(expressed in US dollars unless otherwise stated)

14 Provision for other bad debts related to transition services agreement

During the six months ended March 31, 2017, $nil (2016 - $296,344; 2015 - $515,681) of the bad debt expense related to cash received by TSIG related to the Company's other accounts receivable. As a result of these provisions, the Company has no receivables outstanding from TSIG as at March 31, 2017 (2016 - $nil; 2015 - $nil). The remaining 2015 bad debt expense of $954,124 relates to a provision against the Company's accounts receivable during the transition services agreement with TSIG. Following the termination of the transition services agreement between the Company and TSIG on January 1, 2015, and for a period of two years thereafter, TSIG had a contractual obligation to deliver to the Company any receivables attributable to the Company within two business days following receipt of such receivables, by wire transfer of immediately available funds. Following a foreclosure auction of certain assets of TSIG in April 2016, the Company undertook the NE Acquisition.

The remaining bad debt expense, as at March 31, 2017, of $nil (2016 - $16,750; 2015 - $nil) relates to a provision against miscellaneous accounts receivable.

15 Unrealized foreign exchange gain (loss)

The unrealized foreign exchange gain (loss) relates primarily to the change in the translated value of the Subordinated Notes and derivative financial instruments as at March 31, 2017, September 30, 2016 and September 30, 2015.

16 Income taxes

a) Numerical reconciliation of income tax expense

The reconciliation of income tax recovery computed at the Canadian federal statutory rate to income tax expense is as follows:

	2017 $	2016 $	2015 $
Loss before income taxes	(1,595,431)	(1,984,901)	(2,725,091)
Recovery of income taxes at the Canadian tax rate of 26.5% (2016 - 26.5%, 2015 - 26.5%)	(422,789)	(525,999)	(722,149)
Increase (decrease) in income taxes resulting from			
Stock-based compensation	122,278	189,093	-
Difference in US tax rates	(116,981)	(132,364)	(308,870)
Other	17,691	65,836	39,358
Unrecognized tax benefit (UTB)	412,536	404,902	999,952
Income taxes	12,735	1,468	8,291

(expressed in US dollars unless otherwise stated)

The Company's effective tax rate for the year ended March 31, 2017 was -0.80% (2016 (-0.07%); 2015 (-0.30%)). The tax rate is affected by recurring items, such as tax rates in the United States and the relative amounts of income earned in this jurisdiction, which management expects to be fairly consistent in the near term. It is also affected by discrete items that may occur in any given year but are not consistent from year to year. The following items had the most significant impact on the difference between the statutory rate of 26.5% (2016 - 26.5%, 2015 - 26.5%) and the effective tax rate for 2017:

- a $412,536 (-25.86%) (2016 - $404,902 (-20.40%), 2015 - $999,952 (-36.69%)) decrease resulting from the unrecognized tax benefit;
- a $122,278 (-7.66%) (2016 - $189,093 (-9.53%), 2015 - $nil (0.00%)) decrease resulting from the stock-based compensation (note 18); and
- a $116,981 (7.33%) (2016 - $132,364 (6.67%), 2015 - $308,870 (11.33%)) increase resulting from tax rate differences between Canada and the United States.

b) Deferred tax assets/liabilities

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amount used for income tax purposes. Significant components of the Company's net deferred income tax asset are as follows:

	March 31, 2017 $	September 30, 2016 $	September 30, 2015 $
Tax losses	4,276,362	3,358,869	1,204,396
Interest accretion on bank loans	(1,276,858)	(1,459,853)	(723,328)
Property and equipment	(2,079,563)	(1,686,826)	(293,195)
	919,941	212,190	187,873
Other			
Reserves	248,492	190,412	178,478
Intangible assets and goodwill	214,337	525,921	577,501
Provisions	508,525	513,863	52,717
Deferred financing costs	285,811	322,240	105,251
Charitable contribution	4,579	4,523	3,382
Total deferred tax assets	2,181,685	1,769,149	1,105,202
Unrecognized tax benefit (UTB)	(2,181,685)	(1,769,149)	(1,105,202)
Net deferred tax assets	-	-	-

(expressed in US dollars unless otherwise stated)

Movements in deferred tax assets are as follows:

	Tax losses $	Bank loans $	Property and equipment $	Other $	Total $
Balance - October 1, 2014	-	-	-	-	-
(Charged) credited to					
Profit or loss	1,204,396	(723,328)	(293,196)	812,079	999,951
Equity	-	-	-	105,251	105,251
Balance - September 30, 2015	1,204,396	(723,328)	(293,196)	917,330	1,105,202
(Charged) credited to					
Profit or loss	2,154,473	(736,524)	(1,393,631)	380,585	404,903
Equity	-	-	-	259,044	259,044
Balance - September 30, 2016	3,358,869	(1,459,852)	(1,686,827)	1,556,959	1,769,149
(Charged) credited to					
Profit or loss	917,493	182,995	(392,736)	(295,216)	412,536
Equity	-	-	-	-	-
Balance - March 31, 2017	4,276,362	(1,276,857)	(2,079,563)	1,261,743	2,181,685
As at March 31, 2017 - UTB	(4,276,362)	1,276,857	2,079,563	(1,261,743)	(2,181,685)
Net deferred tax assets	-	-	-	-	-

Management assesses the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit use of the existing deferred tax assets. Based on management's assessment of the future profitability of the Company, as at March 31, 2017, an unrecognized tax benefit of $2,181,685 (2016 - $1,769,148; 2015 - $1,105,202) has been recorded to recognize only the portion of the deferred tax asset that is more likely than not to be realized. The amount of the deferred tax asset considered realizable, however, could be adjusted if estimates of future taxable income during the carry-forward period are reduced or increased.

c) Tax losses

The Company has operating loss carry-forwards of $11,595,453 (2016 - $9,078,788; 2015 - $3,169,463), which begin to expire in 2035.

(expressed in US dollars unless otherwise stated)

17 Commitments and contingencies

The Company may be involved in certain legal matters arising from time to time in the normal course of business. The Company records provisions that reflect management's best estimate of any potential liability relating to these matters. The resolution of these matters is not expected to have a material adverse effect on the Company's financial position, results of operations or cash flows.

The Company's future obligations for minimum annual payments under operating leases for equipment and facilities for the next four and a half years and thereafter are as follows:

	Equipment leases $	Facilities leases $	Total $
April 1, 2017 to September 30, 2017	472,019	3,041,253	3,513,272
2018	611,290	5,806,842	6,418,132
2019	406,083	5,440,806	5,846,889
2020	144,678	5,263,317	5,407,995
2021	25,599	4,961,711	4,987,310
Thereafter	-	23,943,926	23,943,926
	1,659,669	48,457,855	50,117,524

18 Stock-based compensation

The Company operates an equity-settled, share-based payment compensation plan, under which the Company pays equity instruments of the Company as consideration in exchange for employee services. The plan is open to certain directors and employees of the Company. The fair value of the grant of the options is recognized in the consolidated statements of net loss and comprehensive loss as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted. The total expense is recognized over the vesting period, which is the period over which all of the service vesting conditions are to be satisfied.

The Company commenced granting stock options on March 15, 2016, with an initial grant of 2,025,268 options to purchase common shares on a 1:1 basis, which represented 10% of the total outstanding shares of the Company as at September 30, 2015. The exercise price for these options was $0.50 per share. These options will vest over a three-year period from the date of issue (34%, 33%, and 33% per year, respectively). The options have an expiry date ten years from the date of issue.

	March 31, 2017		September 30, 2016		September 30, 2015	
	Number of stock options	Weighted average exercise price $	Number of stock options	Weighted average exercise price $	Number of stock options	Weighted average exercise price $
Outstanding - Beginning of year	2,025,268	0.50	-	-	-	-
Granted	-	-	2,025,268	0.50	-	-
Outstanding - End of year	2,025,268	0.50	2,025,268	0.50	-	-

(expressed in US dollars unless otherwise stated)

No stock options were granted during the six months ended March 31, 2017. The aggregate fair value of the stock options granted during 2016 was determined to be $2,142,019 (2015 - $nil). The weighted average contractual life of the outstanding options as at March 31, 2017 was 8.96 years (2016 - 9.46 years; 2015 - nil). The total number of stock options exercisable as at March 31, 2017 was 688,591 (2016 - nil; 2015 - nil). The total fair value of stock options that vested during the six months ended March 31, 2017 was $728,287 (2016 - $nil; 2015 - $nil).

The fair value of the stock options granted during the year ended September 30, 2016 was estimated to be $1.058 (2015 - $nil) per option using the Black-Scholes option pricing model based on the following assumptions: historical common share price volatility of 80%; remaining life of ten years; expected dividend yield of $nil; and an annual risk free interest rate of 1.33%.

During the six months ended March 31, 2017, the Company recorded a total stock-based compensation expense of approximately $461,427 (2016 - $713,560; 2015 - $nil). The total compensation cost related to unvested awards not yet recognized is approximately $967,033 (2016 - $1,428,459; 2015 - $nil) and will be recognized over a remaining average vesting period of 1.96 years (2016 - 2.46 years; 2015 - nil).

19 Segmented financial information

The Company has one reportable segment - outpatient diagnostic imaging services. Segmentation is based on the internal reporting and organizational structure, taking into account the different risks and demographics of the key geographic regions of the Company.

20 Risk management arising from financial instruments

In the normal course of business, the Company is exposed to risks that can affect its operating performance. These risks, and the actions taken to manage them, are as follows:

Fair value

The carrying value of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximates their fair value given their short-term nature.

The carrying value of the non-current portion of finance leases, approximates their fair value given the difference between the discount rates used to recognize the liabilities in the consolidated balance sheets and the market rates of interest is insignificant. The estimated fair values of other non-current liabilities were as follows:

	March 31, 2017 $	September 30, 2016 $	September 30, 2015 $
Bank loans payable	24,586,000	22,820,000	19,225,000
Subordinated notes payable	7,048,000	6,789,000	6,566,000
Derivative financial instruments	165,942	180,281	138,729
	31,799,942	29,789,281	25,929,729

(expressed in US dollars unless otherwise stated)

Financial instruments recorded at fair value on the consolidated balance sheets are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1

  Inputs are unadjusted quoted prices in active markets for identical assets or liabilities. Pricing inputs are based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. For securities, the valuations are based on quoted prices of the securities that are readily and regularly available in an active market, and accordingly, a significant degree of judgment is not required. As at March 31, 2017, the Company did not have any financial assets or liabilities subsequently measured at fair value under the Level 1 category.

- Level 2

  Pricing inputs are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities. The estimated fair value of the liabilities that are recognized at fair value, and subsequently measured at amortized cost, are determined using Level 2 inputs primarily related to comparable market prices. As at March 31, 2017, the Company did not have any financial assets or liabilities subsequently measured at fair value under the Level 2 category.

- Level 3

  Pricing inputs are generally unobservable for the assets or liabilities and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require management's judgment or estimation of assumptions that market participants would use in pricing the assets or liabilities. The fair values are therefore determined using model based techniques that include option pricing models, discounted cash flow models, and similar techniques. The derivative financial instruments, Subordinated Notes, Siemens Loans and WSFS Note were measured at fair value under the Level 3 category on recognition. The derivative financial instruments are subsequently remeasured at fair value under the Level 3 category.

There were no significant transfers between levels during the six months ended March 31, 2017 and the years ended September 30, 2016 and 2015.

Financial instruments are classified into one of the following categories: fair value through profit or loss; held-to-maturity; available-for-sale; loans and receivables; and other financial liabilities.

(expressed in US dollars unless otherwise stated)

The following table summarizes information regarding the carrying value of the Company's financial instruments:

	March 31, 2017 $	September 30, 2016 $	September 30, 2015 $
Cash	13,051,343	7,248,063	3,011,994
Accounts receivable	6,650,814	5,770,549	5,387,535
Items classified as loans and receivables	19,702,157	13,018,612	8,399,529
Accounts payable and accrued liabilities	5,029,563	5,826,443	4,993,518
Short-term portion of bank loans payable	2,110,614	799,831	204,599
Short-term portion of finance leases	288,715	722,898	1,095,849
Long-term portion of bank loans payable	24,895,744	26,057,507	20,851,776
Long-term portion of finance leases	154,540	154,106	421,615
Subordinated notes payable	6,138,718	6,234,657	6,105,719
Items classified as other financial liabilities	38,617,894	39,795,442	33,673,076
Derivative financial instruments	165,942	180,281	138,729
Items classified as fair value through profit or loss	165,942	180,281	138,729

Credit risk

Credit risk arises from the potential a counterparty will fail to perform its obligations. The Company is exposed to credit risk from customers. The Company grants credit to its customers in the normal course of business. The consolidated financial statements take into account an allowance for bad debts. The Company is exposed to credit risk from its customers but the concentration of the risk is minimized because of the large customer base and its dispersion across different insurers. During the year, the Company may have deposits with these institutions that exceed Federal Deposit Insurance Corporation limits. As at March 31, 2017, the Company had cash and cash equivalents of $13,051,343 (2016 - $7,248,063; 2015 - $3,011,994) and accounts receivable of $6,650,814 (2016 - $5,770,549; 2015 - $5,387,535).

Collectibility of the receivables is reviewed regularly and an allowance is established as necessary. The aging of these receivables is as follows:

	March 31, 2017 $	September 30, 2016 $	September 30, 2015 $
Accounts receivable			
0 - 90 days	3,233,038	3,529,647	2,647,884
91 - 180 days	2,435,524	1,258,655	1,603,595
More than 180 days	982,252	982,247	1,136,056
	6,650,814	5,770,549	5,387,535

(expressed in US dollars unless otherwise stated)

The activity of the allowance for doubtful accounts for the period is as follows:

	March 31, 2017 $	September 30, 2016 $	September 30, 2015 $
Allowance - Beginning of period	1,843,657	1,670,678	-
Provision for bad debts	1,149,180	1,837,952	2,624,803
Writeoffs	(898,338)	(1,664,973)	(954,125)
Allowance - End of period	2,094,499	1,843,657	1,670,678

Liquidity risk

Liquidity risk is the risk the Company will encounter difficulty in raising funds to meet its financial commitments. The Company is exposed to liquidity risk mainly with respect to the Bank Loans and the Subordinated Notes. Management ensures sufficient liquidity is maintained by regular monitoring of cash flow requirements.

Currency risk

Currency risk is the risk to the Company's earnings that arises from fluctuations in foreign exchange rates and the degree of volatility of those rates. In the normal course of business, the Company may enter into foreign exchange contracts with financial institutions to hedge the value of foreign currency denominated assets. Gains and losses arising from these contracts offset the losses and gains from the underlying hedged transactions. As at March 31, 2017, September 30, 2016 and September 30, 2015, the Company did not enter into any foreign exchange contract that would expose the Company to currency risk, mainly with respect to the Canadian dollar denominated Subordinated Notes.

Interest rate risk

Interest rate risk is the risk the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Changes in lending rates can cause fluctuations in interest payments and cash flows. The Company does not use derivative financial instruments to alter the effects of this risk. The Company is partly financed through bank loans, which bear interest at rates tied to the one-month LIBOR.

Interest rates on the Company's debts are as follows:

Siemens Eurodollar Rate Loan	one-month LIBOR plus Applicable Rate
KeyBank loan	prime rate plus 2.61%

The following table shows the Company's exposure to interest rate risk and the pre-tax effects on comprehensive income for the six months ended March 31, 2017 and the years ended September 30, 2016 and September 30, 2015 of a 1% increase or decrease in the variable interest rates.

(expressed in US dollars unless otherwise stated)

			March 31, 2017
	Carrying value $	**1% decrease in interest rates $**	**1% increase in interest rates $**
Siemens loans	25,110,859	142,671	(142,671)
KeyBank loan (n/a as paid off in November 2016)	-	-	-
	25,110,859	142,671	(142,671)

			September 30, 2016
	Carrying value $	**1% decrease in interest rates $**	**1% increase in interest rates $**
Siemens loans	24,858,808	257,960	(257,960)
KeyBank loan	146,529	244	(244)
	25,005,337	258,204	(258,204)

			September 30, 2015
	Carrying value $	**1% decrease in interest rates $**	**1% increase in interest rates $**
Siemens loans	21,056,375	229,599	(229,599)
KeyBank loan (n/a)	-	-	-
	21,056,375	229,599	(229,599)

21 Capital management

The Company's objective is to maintain a capital structure that supports its long-term growth strategy, maintains creditor and customer confidence, and maximizes shareholder value.

The capital structure of the Company consists of its capital stock, warrants, stock options reserve, Bank Loans and Subordinated Notes.

The Company's primary uses of capital are to finance operations, increase non-cash working capital and capital expenditures. The Company's objectives when managing capital are to ensure the Company will continue to have enough liquidity so it can provide its services to its customers and returns to its shareholders.

(expressed in US dollars unless otherwise stated)

No changes were made in the objectives, policies or processes of capital management during the six months ended March 31, 2017 and the years ended September 30, 2016 and September 30, 2015.

The Company is required to meet financial covenants as outlined in note 11, Bank loans payable, and note 12, Subordinated notes payable.

22 Related party transactions

In the normal course of business, the Company engages in transactions with certain entities under common control. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties. These intercompany transactions are eliminated in the Company's consolidated financial statements.

Compensation of key management personnel

The Company transacts with key individuals from management who have authority and responsibility to plan, direct, and control the activities of the Company. Key management personnel are defined as the executive officers of the Company and the Board, including President and Chief Executive Officer, Executive Vice President and Chief Operating Officer, Chief Financial Officer and Senior Vice President, Operations.

Remuneration to key management was as follows:

	March 31, 2017 $	September 30, 2016 $	September 30, 2015 $
Salaries and bonuses	463,146	916,777	90,955
Stock-based compensation	452,313	699,467	-
Other benefits	3,788	-	-
	919,247	1,616,244	90,955

23 New accounting standards

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's consolidated financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 9, Financial Instruments

In July 2014, the IASB issued IFRS 9, which replaces International Accounting Standard (IAS) 39, Financial Instruments - Recognition and Measurement, and establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. This new standard is effective for the Company's annual consolidated financial statements commencing January 1, 2018. The Company is currently evaluating the impact the standard is expected to have on its consolidated financial statements.

(expressed in US dollars unless otherwise stated)

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers, which establishes principles that an entity shall apply to report useful information to users of consolidated financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently evaluating the impact the standard is expected to have on its consolidated financial statements.

IFRS 16, Leases

In January 2016, the IASB released IFRS 16, Leases, replacing IAS 17, Leases, and related interpretations. The new standard eliminates the classification of leases as either operating or finance leases and requires the recognition of assets and liabilities for all leases, unless the lease term is twelve months or less or the underlying asset has a low value. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2019, with early adoption permitted. The Company is currently evaluating the impact the standard is expected to have on its consolidated financial statements.

International Financial Reporting Interpretations Committee (IFRIC) 23, Uncertainty over Income Tax Treatments

In June 2017, the IASB issued IFRIC 23, Uncertainty over Income Tax Treatments, with a mandatory effective date of January 1, 2019. The interpretations provide guidance on how to value uncertain income tax positions based on the probability of whether the relevant tax authorities will accept the Company's tax treatments. A company is to assume that a taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so. IFRIC 23 is to be applied by recognizing the cumulative effect of initially applying these guidelines in opening retained earnings without adjusting comparative information. The extent of the impact of the adoption of IFRIC 23 has not yet been determined.

IFRIC 22, Foreign Currency Transactions and Advance Consideration

In December 2016, the IASB issued IFRIC 22, Foreign Currency Transactions and Advance Consideration, with a mandatory effective date of January 1, 2018. The interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. On initial application, a company may apply the interpretation either retrospectively or prospectively. The extent of the impact of the adoption of IFRIC 22 has not yet been determined.

(expressed in US dollars unless otherwise stated)

24 Basic and diluted loss per share

	March 31, 2017 $	September 30, 2016 $	September 30, 2015 $
Net loss attributable to common shareholders	(1,608,166)	(1,986,369)	(2,733,382)
Weighted average common shares outstanding			
Basic	25,552,072	22,074,017	20,252,689
Diluted	25,552,072	22,074,017	20,252,689
Loss per share			
Basic	(0.06)	(0.09)	(0.13)
Diluted	(0.06)	(0.09)	(0.13)

25 Debt extinguishment gain and other gains

	March 31, 2017 $	September 30, 2016 $	September 30, 2015 $
Gain on debt revaluation (note 11)	-	1,819,149	-
Unrealized foreign exchange gain (loss)	98,337	(132,824)	1,235,745
Gain (loss) on revaluation of derivatives (note 12)	11,941	(37,666)	(34,595)
Other	23,917	2,576	-
	134,195	1,651,235	1,201,150

26 Subsequent events

a) On April 1, 2017, the Company, through a subsidiary, acquired six imaging centres in Florida (the MID FL Acquisition) from Altamonte Springs Diagnostic Imaging Inc. for $9,000,000 ($6,000,000 in cash and $3,000,000 face value; estimated fair value of $2,883,783) in 8.5% per annum unsecured subordinated convertible debenture (MID FL Subordinated Note), with a term of three years). MID FL Subordinated Note will be automatically converted into common shares of the Company in the event the Company completes an IPO during the term of the MID FL Subordinated Note. The price of such common shares on conversion of the MID FL Subordinated Note will be at a 16.67% discount to the offering price in the IPO. The results of operations of MID FL will be included in the Company's consolidated statements of net loss and comprehensive loss from the acquisition date.

(expressed in US dollars unless otherwise stated)

b) On April 1, 2017, the Company, through a subsidiary, acquired one imaging centre in Florida from Hatz, LLC, Imaging Teknix, LLC, and Physicians Imaging Center of Florida, LLC (the Sellers) and certain equipment from a lessor to one of the Sellers (the Hollywood Acquisition) for a $1,255,000 cash payment. The results of operations of the Hollywood Acquisition will be included in the Company's consolidated statements of net loss and comprehensive loss from the acquisition date.

c) On August 9, 2017, the Company through a subsidiary entered into a purchase agreement with Preferred Medical Holdings, LLC and other sellers and, pursuant to such purchase agreement, purchased all of the issued and outstanding equity interests in Preferred Medical Imaging, LLC (PMI) for $94 million (the Texas Acquisition). PMI, through its wholly owned joint venture and managed subsidiaries, operates radiology and imaging centers in the Dallas-Fort Worth, Texas area, as well as additional centers in Chicago, Illinois and Wichita, Kansas. The Texas Acquisition was financed through a subscription receipts offering, which generated gross proceeds of approximately $33 million (9,407,223 special warrants were issued on the automatic conversion of 9,407,223 subscription receipts in accordance with the subscription receipt agreement. A total of 512,004 broker warrants were issued to the agents in connection therewith), approximately $20 million in equity issued (5,714,285 common shares) to certain sellers in connection with the Texas Acquisition, and partly through a new senior loan (noted in item (d) below). The results of PMI will be included in the Company's consolidated statements of net loss and comprehensive loss from the acquisition date.

d) The Company has entered into a new senior loan agreement (New Credit Agreement) with Siemens and Compass Bank on August 9, 2017. Under the New Credit Agreement, the Siemens Loans have been increased by $2.0 million and become part of a new loan, which has a face value of $80 million ($75 million term loan and $5 million revolving credit facility, currently not drawn upon).

e) On August 9, 2017, the Company issued 500,000 restricted stock units to an agent that has worked with the Company with respect to its private placement offerings and 500,000 restricted stock units to the President and Chief Executive Officer of the Company, each pursuant to a restricted share unit plan adopted by the Company on March 8, 2017 and approved at the annual and special meeting of shareholders of the Company held on March 20, 2017. The total of 1,000,000 restricted share units vested and settled in accordance with the restricted share unit plan upon the Texas Acquisition, resulting in the issuance of 1,000,000 common shares.

f) Subsequent to the current reporting period, the Company has entered into the following settlement agreements, liabilities for which have been accrued for as at March 31, 2017:

- a settlement with Siemens Medical Solutions USA, Inc. for cash of $500,000, which relates to the acquisition of certain assets as part of the NE Acquisition;

- a settlement with Orion HealthCorp, Inc. (Orion) for cash of $200,000, which relates to billing services provided by Orion to FL Holdings in 2013; this liability was ascertained June 2017; and

- a settlement with a former employee for $30,000, which relates to employment matters at the Company; this liability was ascertained in July 2017.

(expressed in US dollars unless otherwise stated)

g) The Company has made the following changes in its organizational structure:

- effective July 25, 2017, the legal name of Elite Imaging Corp. has been changed to Akumin Corp.; and
- effective July 11, 2017, the Company has created a new US wholly owned subsidiary, Akumin Holdings Corp. (Delaware C-Corp.), which has a 100% ownership of Akumin Corp., effective August 2017.

h) The Company had 1,360,000 warrants expiring on August 12, 2017, that allowed warrant holders to purchase common shares on a 1:1 basis at an exercise price of $0.50 per common share. These warrants were exercised into common shares prior to expiry.

i) The Company's Florida operations were impacted by Hurricane Irma (September 2017), which caused loss of revenue as well as damage to certain equipment. The Company's Florida clinics are now operational and the majority of damaged equipment is in working order. The Company is currently in the process of assessing its losses and working with insurance companies, adjusters and engineers to file appropriate claims.

j) During September 2017, the Company changed its reporting year-end from September 30 to December 31.

k) The Company filed a preliminary long form prospectus (Prospectus) with the Ontario Securities Commission on October 13, 2017.

The preliminary Prospectus qualifies for distribution of 9,919,227 common shares (Underlying Shares) of the Company. The Underlying Shares will be distributed by the Company without any additional proceeds upon the deemed exercise of 9,407,223 outstanding special warrants of the Company. 512,004 underlying shares will be distributed by the Company upon the exercise by the agents (that assisted the Company with this equity issuance) of 512,004 broker warrants.

Each special warrant is exercisable to acquire one Underlying Share on the fifth business day after the date a receipt is issued by a securities regulatory authority in a province of Canada (other than Québec) for this Prospectus in final form (the Qualification Date), qualifying the Underlying Shares to be issued upon the deemed exercise of the special warrants, such that the Underlying Shares will be freely tradeable upon the issuance thereof. In the event that the Qualification Date does not occur on or before December 10, 2017, each special warrant will be automatically exercised, for no additional consideration, for 1.1 Underlying Shares.

Each broker warrant issued pursuant to the subscription receipts offering (9,407,223 special warrants were issued on the automatic conversion of 9,407,223 subscription receipts in accordance with the subscription receipts agreement) is exercisable to acquire one Underlying Share, subject to adjustment in certain circumstances, at an exercise price of $3.50 per broker warrant until August 8, 2019.

l) Subsequent to filing the preliminary Prospectus, the Company filed an amended and restated Prospectus in November 2017. It included among other changes, issuance of a separate tranche of 533,550 special warrants by the Company on November 15, 2017 for gross proceeds of $1,867,425, along with 32,013 broker warrants.

(expressed in US dollars unless otherwise stated)

The conversion terms of the special warrants to Underlying Shares are identical to those for the special warrants noted in item (a). Also, each broker warrant is exercisable to acquire one Underlying Share, subject to adjustment in certain circumstances, at an exercise price of $3.50 per broker warrant until November 15, 2019.

m) On November 1, 2017, the Company executed a six-year finance lease agreement for medical equipment with a third party for $2.1 million. The equipment is currently located at four clinic locations, previously operated by a third party, in greater Orlando, FL. The Company has entered into facility lease arrangements at three of these locations and will relocate equipment from the fourth location.

n) Effective November 9, 2017, the Company entered into a derivative instrument contract, with a counterparty, BBVA Compass, in order to mitigate interest rate risk under the variable interest rate S&C Term Loan. The derivative instrument is an interest rate cap rate of 2.5% (LIBOR) on a notional amount of $37,500,000, representing 50% of the $75,000,000 S&C Term Loan at face value. The termination date of the arrangement is October 31, 2019. The cost of this derivative instrument is $49,500. The Company has not designated this interest rate cap agreement as a cash flow hedge for accounting purposes.

o) On November 14, 2017, the Board granted 1,841,316 RSUs to the officers of the Company and the Board. Each RSU granted entitles the holder to one common share of the Company. These RSUs will vest as follows: 50% on the first anniversary of the date of grant and 50% on the second anniversary of the date of grant.

CERTIFICATE OF THE AGENT

DATED November 24, 2017

To the best of our knowledge, information and belief, this Prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by the securities legislation of each of the provinces of Canada, except Québec.

CLARUS SECURITIES INC.

(Signed) Robert Orviss

Robert Orviss
Managing Director