Akumin Inc.

Condensed Interim Consolidated
Financial Statements
(Unaudited)
March 31, 2018
(expressed in US dollars unless otherwise stated)

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Akumin Inc.

Condensed Interim Consolidated Balance Sheets
(Unaudited)

(expressed in US dollars unless otherwise stated)

	March 31, 2018 $	December 31, 2017 $
Assets		
Current assets		
Cash	9,877,498	12,145,481
Accounts receivable (note 4)	15,480,914	12,968,010
Prepaid expenses	434,282	381,144
	25,792,694	25,494,635
Security deposits and other assets	745,623	209,335
Property and equipment (note 5)	41,829,923	42,002,927
Goodwill	100,777,451	100,777,451
Intangible assets	2,130,563	2,264,041
	171,276,254	170,748,389
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	12,607,498	14,578,538
Finance leases (note 6)	612,025	528,895
Bank loans payable (note 7)	4,000,000	3,016,958
	17,219,523	18,124,391
Finance leases (note 6)	1,947,546	2,062,103
Bank loans payable (note 7)	69,370,888	70,156,708
	88,537,957	90,343,202
Shareholders' Equity		
Common shares (note 8)	83,771,904	83,771,904
Warrants (note 8)	1,310,661	1,310,661
Contributed surplus	3,822,353	2,205,784
Deficit	(12,038,345)	(13,223,745)
Equity attributable to shareholders of Akumin Inc.	76,866,573	74,064,604
Non-controlling interests	5,871,724	6,340,583
	82,738,297	80,405,187
	171,276,254	170,748,389

Commitments and contingencies (note 9)

Subsequent events (note 15)

Approved by the Board of Directors

(signed) "*Riadh Zine*" Director (signed) "*Tom Davies*" Director

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

Akumin Inc.

Condensed Interim Consolidated Statements of Net Income (Loss) and Comprehensive Income (Loss)
(Unaudited)

(expressed in US dollars unless otherwise stated)

	Three-months ended March 31, 2018 $	Three-months ended March 31, 2017 $
Revenue		
Service fees - net of allowances and discounts	32,863,595	13,834,140
Other revenue	561,856	489,234
	33,425,451	14,323,374
Expenses		
Employee compensation	11,344,725	5,750,743
Reading fees	4,658,129	2,232,457
Rent and utilities	3,459,309	2,214,593
Third-party services and professional fees	2,916,373	1,079,902
Administrative	1,985,116	717,891
Medical supplies and other expenses	1,302,703	955,470
Depreciation and amortization	2,107,745	862,003
Stock-based compensation	1,616,569	230,713
Interest expense	1,340,693	862,363
Impairment of property and equipment	187,021	-
Settlement costs	52,834	-
Provisions	-	730,000
Acquisition-related costs	177,966	-
Public offering costs	104,072	-
Financial instruments revaluation, unrealized foreign exchange loss and other (gains) losses	(35,230)	(48,696)
	31,218,025	15,587,439
Income (loss) before income taxes	2,207,426	(1,264,065)
Income tax provision	96,000	2,435
Net income (loss) and comprehensive income (loss) for the period	2,111,426	(1,266,500)
Non-controlling interests	951,746	-
Net income (loss) attributable to common shareholders	1,159,680	(1,266,500)
Net income (loss) per share		
Basic and diluted (note 14)	0.02	(0.05)

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

Akumin Inc.

Condensed Interim Consolidated Statements of Changes in Equity
(Unaudited)

(expressed in US dollars unless otherwise stated)

	Common shares $	Warrants $	Contributed surplus $	Deficit $	Non-controlling interests $	Total equity $
Balance - September 30, 2016	11,004,683	475,180	713,560	(4,719,751)	-	7,473,672
Acquisition of non-controlling interests	-	-	-	-	7,699,222	7,699,222
Net loss and comprehensive loss	-	-	-	(8,503,994)	2,155,445	(6,348,549)
Issuance of common shares - net of issuance costs	24,925,041	-	1,750,000	-	-	26,675,041
RSUs and warrants exercised	38,441,229	(34,261,229)	(3,500,000)	-	-	680,000
Issuance of warrants	-	35,096,710	-	-	-	35,096,710
Stock-based compensation expense	-	-	3,242,224	-	-	3,242,224
Conversion of subordinated notes payable	9,400,951	-	-	-	-	9,400,951
Payment to non-controlling interests	-	-	-	-	(3,514,084)	(3,514,084)
Balance - December 31, 2017	83,771,904	1,310,661	2,205,784	(13,223,745)	6,340,583	80,405,187
Acquisition of non-controlling interests	-	-	-	25,720	(25,720)	-
Net income and comprehensive income	-	-	-	1,159,680	951,746	2,111,426
Stock-based compensation expense	-	-	1,616,569	-	-	1,616,569
Payment to non-controlling interests	-	-	-	-	(1,394,885)	(1,394,885)
Balance - March 31, 2018	83,771,904	1,310,661	3,822,353	(12,038,345)	5,871,724	82,738,297

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

Akumin Inc.

Condensed Interim Consolidated Statements of Cash Flows
(Unaudited)

(expressed in US dollars unless otherwise stated)

	Three-months ended March 31, 2018 $	Three-months ended March 31, 2017 $
Cash flows provided by (used in)		
Operating activities		
Net income (loss) for the period	2,111,426	(1,266,500)
Add		
Depreciation and amortization	2,107,745	862,003
Stock-based compensation	1,616,569	230,713
Impairment of property and equipment	187,021	-
Provision for credit losses	1,377,906	576,423
Interest expense accretion of debt	197,222	248,373
Financial instruments revaluation, unrealized foreign exchange loss and other (gains) losses	(35,230)	(48,695)
Changes in non-cash working capital		
Accounts receivable	(3,890,810)	(773,833)
Prepaid expenses and security deposits and other assets	(554,196)	(304,958)
Provisions	-	605,000
Accounts payable and accrued liabilities	(1,971,041)	189,182
	1,146,612	317,708
Investing activities		
Property and equipment and intangible assets	(1,951,511)	(1,133,344)
Financing activities		
Bank loans repayments	-	(130,660)
Finance leases - net	(68,199)	(28,046)
Issuance of common shares	-	10,496,600
Common shares issuance costs	-	(1,099,531)
Payment to non-controlling interests	(1,394,885)	-
	(1,463,084)	9,238,363
(Decrease) increase in cash during the period	(2,267,983)	8,422,727
Cash - Beginning of period	12,145,481	4,628,616
Cash - End of period	9,877,498	13,051,343
Supplemental information		
Interest expense paid	1,151,290	615,133
Income taxes paid	97,375	12,435

The accompanying notes are an integral part of these condensed interim 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. (Akumin or the Company) and its Subsidiaries (defined below) primarily consist of operating 74 outpatient diagnostic imaging centres located in Florida, Delaware, Pennsylvania, Texas, Illinois and Kansas. Thirteen of the current 24 Florida imaging centres were acquired from Tri-State Imaging Group, LP (TSIG) on October 1, 2014. The 26 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 (the NE Acquisition), following a foreclosure auction of certain assets of TSIG on April 21, 2016. On April 1, 2017, the Company acquired seven imaging centres in Florida: six from Altamonte Springs Diagnostic Imaging Inc. and one from Hatz, LLC and its affiliates. On August 9, 2017, the Company acquired a 100% equity interest in Preferred Medical Imaging, LLC (PMI, the Texas Acquisition), a Texas LLC, from certain selling security holders. PMI, through its subsidiaries, operates 24 diagnostic imaging centres in the Dallas-Fort Worth, Texas area, Chicago, Illinois and Wichita, Kansas. In connection with that acquisition, the Company also acquired a 100% equity interest in (a) certain general partners of limited partnerships in which PMI has a direct or indirect ownership interest; (b) SyncMed, LLC (SyncMed), a Texas LLC, which provides maintenance services to PMI and its subsidiaries; and (c) Lonestar RCM, LLC (Lonestar), a Texas LLC that provides revenue and billing services to PMI and its subsidiaries in a manner similar to the services provided by Rev Flo (defined below) to Akumin and the Subsidiaries. The Company also owns Rev Flo, Inc. (Rev Flo), a New York company providing medical billing services in the United States. Rev Flo and Lonestar were amalgamated on September 30, 2017.

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.

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

The registered and head office of Akumin is located at 151 Bloor Street West, Suite 603, Toronto, Ontario, M5S 1S4. All operating activities are conducted through its wholly owned US subsidiary, Akumin Holdings Corp. and the wholly owned subsidiaries of Akumin Holdings Corp., namely, Akumin Corp., Tri-State Imaging FL Holdings, LLC (FL Holdings), Rev Flo, PMI and SyncMed (collectively, the Subsidiaries), all of which are located in the United States.

2 Basis of preparation

These unaudited condensed interim consolidated financial statements for the three months ended March 31, 2018 have been prepared in accordance with International Accounting Standard (IAS) 34 - Interim Financial Reporting. The disclosures contained in these condensed interim consolidated financial statements do not include all of the requirements of International Financial Reporting Standards (IFRS) for annual financial statements. The unaudited condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the fifteen months ended December 31, 2017 and for the year ended September 30, 2016, which have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board (IASB). The unaudited condensed interim consolidated financial statements are based on accounting policies as described in the December 31, 2017 consolidated financial statements, except for changes to the accounting policies described in note 3.

(expressed in US dollars unless otherwise stated)

Certain comparative information has been reclassified to conform with the presentation adopted in the current fiscal period.

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

On May 15, 2018, the Board of Directors (the Board) authorized the unaudited condensed interim consolidated financial statements for issuance.

3 Summary of significant accounting policies

These unaudited condensed interim consolidated financial statements have been prepared using the significant accounting policies consistent with those applied in the Company's December 31, 2017 consolidated financial statements, except as described below relating to the adoption of IFRS 15, Revenue from Contracts with Customers (IFRS 15), IFRS 9, Financial Instruments (IFRS 9) and International Financial Reporting Interpretations Committee (IFRIC) 22.

The Company adopted IFRS 15 as at January 1, 2018, with full retrospective application. Other new standards are also effective from January 1, 2018, including IFRS 9 and IFRIC 22, Foreign Currency Transactions and Advance Consideration, but they do not have a material effect on the Company's financial statements.

Adoption of IFRS 15

Service fee revenue, net of contractual allowances and discounts, consists of net patient fees received from various payers and patients based mainly on established contractual billing rates, less allowances for contractual adjustments and discounts and allowances. This service fee revenue is primarily comprised of fees for the use of the Company's diagnostic imaging equipment and provision of medical supplies. Service fee revenue is recorded during the period in which the Company's performance obligations are satisfied, based on the estimated collectible amounts 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 are based on the payment terms specified in the related contractual agreements. Contractual payment terms in managed care agreements are based on predetermined rates per discounted fee-for-service rates. A provision for credit losses is also recorded, based partly on historical collection experience. The Company regularly attempts to estimate its expected reimbursement for patients based on the applicable contract terms. The Company believes its 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, management fees and fees for medical billing and other services provided to third parties. Revenue is recorded during the period in which the Company's performance obligations under the contract are satisfied by the Company. There was no material impact to other revenue as a result of adopting IFRS 15.

(expressed in US dollars unless otherwise stated)

IFRS 15 applies a single model for recognizing revenue from contracts with customers. It requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps:

i) identify the contract with a customer;

ii) identify the performance obligation in the contract;

iii) determine the transaction price;

iv) allocate the transaction price to the performance obligations in the contract; and

v) recognize revenue when (or as) the entity satisfies a performance obligation.

The principal change affecting the Company results from the presentation of variable consideration that under the accounting standard is included in the transaction price up to an amount that is probable that a significant reversal will not occur. The most common form of variable consideration the Company experiences relates to amounts for services provided that are ultimately not realizable from a payer. Under the previous standard, the Company's estimate for unrealized amounts was recorded to expenses as a provision for credit losses. Under IFRS 15, the Company's estimate for unrealizable amounts is recognized as an adjustment to the transaction price at the inception of the contract. The net impact of adoption of IFRS 15 for the three months ended March 31, 2017 is a reduction in service fee revenue of $576,423 and a corresponding reduction in operating expenses of $576,423, with no impact to net income. Due to the nature of these adjustments, there was no impact to the opening retained earnings, consolidated balance sheet, statement of changes in equity or statement of cash flows.

The Company has elected to use the following practical expedients in adopting IFRS 15:

i) The amount of consideration over the contract term has not been adjusted for the effects of a significant financing component, since at contract inception, the period between when the Company transfers a promised service to a customer and when the customer pays for that service will be one year or less; and

ii) Incremental costs associated with obtaining a contract are recognized as an expense when incurred because the amortization period of the asset that the Company would have otherwise recognized is one year or less.

(expressed in US dollars unless otherwise stated)

Adoption of IFRS 9

IFRS 9 addresses the classification, measurement and recognition of financial assets and liabilities. It establishes three measurement categories for financial assets: amortized cost, fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. A new expected credit losses model replaces the incurred loss impairment model previously used in IAS 39 - Financial Instruments: Recognition and Measurement (IAS 39).

The classification of financial liabilities under IFRS 9 remains broadly the same as under IAS 39. Financial liabilities are measured at amortized cost unless they are required to be measured at FVTPL or the Company has opted to measure them at FVTPL.

The Company completed an assessment of its financial assets (cash, accounts receivable and derivative financial instruments) and financial liabilities (accounts payable and accrued liabilities, bank loans and finance leases) as at January 1, 2018. All financial assets or liabilities were classified at amortized cost under IAS 39 and IFRS 9 except for derivative financial instruments, which were classified at FVTPL under IAS 39 and IFRS 9. There has been no significant impact for the Company from the adoption of IFRS 9 on the carrying amounts of financial assets or liabilities as at January 1, 2018. Also, there was no material impact from the transition to IFRS 9 on the consolidated statement of income and comprehensive income.

Measurement of financial assets and liabilities

Financial assets and liabilities at amortized cost are initially recognized at fair value, and subsequently carried at amortized cost less any impairment. Derivative financial instruments are recognized at FVTPL.

Impairment of financial assets

IFRS 9 replaces the incurred loss model in IAS 39 with an expected credit loss (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt instruments measured at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are generally recognized earlier than under IAS 39. Upon adoption of IFRS 9, the financial assets of the Company measured at amortized cost consisted of cash, accounts receivable and loans to related parties.

Under IFRS 9, expected credit losses are measured as follows:

- 12-month ECL - ECLs that result from possible default events within 12 months after the reporting date; and

- lifetime ECLs - ECLs that result from all possible default events over the expected life of a financial instrument.

(expressed in US dollars unless otherwise stated)

The Company measures provision for credit losses at an amount equal to lifetime ECLs, except for the following, which are measured based on 12-month ECLs:

- cash and loans to related parties for which the risk of default occurring over the expected life of the financial instrument has not increased significantly since initial recognition.

In applying the IFRS 9 impairment requirements, the Company has applied the general approach for cash and loans to related parties, while the Company has elected to measure provision for credit losses for accounts receivable at an amount equal to lifetime ECLs using the simplified approach.

In order to assess whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes information based on the Company's historical experience and other forward-looking information. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of provision for credit losses. Provision for credit losses is measured as the present value of the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive. ECLs are discounted at the effective interest rate of the financial asset; however, due to the short-term nature of most of the Company's financial assets measured at amortized cost, the time value of money is not expected to be significant in the calculation of the ECL.

Impact of the new impairment model

The Company has determined that the application of IFRS 9's impairment requirements at January 1, 2018 does not result in a significant change in the allowance for credit losses recognized by the Company. For accounts receivable, the Company uses a provision matrix to determine the ECLs based on actual credit loss experience with consideration of forward-looking information including changes to economic conditions that would impact its customers.

The Company applied the general approach for loans to related parties, considering any significant increases in credit risk for such receivables since inception. In determining the ECLs for such receivables, the Company considered actual credit loss experience with consideration of forward-looking information including changes to economic conditions that would impact the payers.

(expressed in US dollars unless otherwise stated)

4 Accounts receivable

	March 31, 2018 $	December 31, 2017 $
Accounts receivable	20,603,668	17,521,104
Less: Allowance for credit losses	5,122,754	4,553,094
	15,480,914	12,968,010

The allowance for credit losses includes a provision for credit losses expense for the three months ended March 31, 2018 of $1,377,906 (2017 - $576,423).

(expressed in US dollars unless otherwise stated)

5 Property and equipment

	Furniture and fixtures $	Office equipment $	Leasehold improvements $	Medical equipment $	Equipment under capital leases $	Computer equipment $	Total $
Cost							
Balance - September 30, 2016	340,286	167,059	2,683,813	15,890,840	5,153,012	71,958	24,306,968
Additions	193,148	19,038	47,515	4,651,753	2,580,268	14,207	7,505,929
Business acquisitions	-	-	6,149,005	17,387,000	-	-	23,536,005
Disposals	-	-	-	-	(101,588)	-	(101,588)
Impairment	-	-	-	(885,740)	(150,500)	-	(1,036,240)
Balance - December 31, 2017	533,434	186,097	8,880,333	37,043,853	7,481,192	86,165	54,211,074
Additions	27,122	-	112,216	1,796,996	50,000	1,949	1,988,283
Impairment	-	-	-	(225,000)	-	-	(225,000)
Balance - March 31, 2018	560,556	186,097	8,992,549	38,615,849	7,531,192	88,114	55,974,357
Accumulated depreciation							
Balance - September 30, 2016	36,148	40,156	452,052	4,228,670	1,578,352	29,106	6,364,484
Depreciation	68,880	46,114	516,311	4,773,951	877,398	17,658	6,300,312
Disposals	-	-	-	-	(21,299)	-	(21,299)
Impairment	-	-	-	(414,224)	(21,126)	-	(435,350)
Balance - December 31, 2017	105,028	86,270	968,363	8,588,397	2,413,325	46,764	12,208,147
Depreciation	16,539	7,679	200,630	1,486,469	259,896	3,054	1,974,267
Impairment	-	-	-	(37,980)	-	-	(37,980)
Balance - March 31, 2018	121,567	93,949	1,168,993	10,036,886	2,673,221	49,818	14,144,434
Net book value							
September 30, 2016	304,138	126,903	2,231,761	11,662,170	3,574,660	42,852	17,942,484
December 31, 2017	428,406	99,827	7,911,970	28,455,456	5,067,867	39,401	42,002,927
March 31, 2018	438,989	92,148	7,823,556	28,578,963	4,857,971	38,296	41,829,923

(expressed in US dollars unless otherwise stated)

6 Finance lease obligations

As at March 31, 2018, the Company's finance lease obligations are $2,559,571 (December 31, 2017 - $2,590,998). The reduction in these obligations is due to regular payments by the Company.

7 Bank loans payable

The Siemens & Compass (S&C) Loans and WSFS Note noted herein are collectively referred to as the Bank Loans.

i) Siemens & Compass Loans

As part of the Texas Acquisition, the Company entered into a third amended and restated credit agreement dated August 9, 2017 (the S&C Credit Agreement) with Siemens as administrative agent and Compass Bank as co-lead arranger. Under the terms of the S&C Credit Agreement, the previous loan from Siemens increased by $2,000,000 to $27,740,117 (face value) and was assumed under this credit agreement and an additional term loan of $47,259,883 was advanced to the Company, resulting in $75,000,000 (face value) of term loan (the S&C Term Loan) being outstanding. The net proceeds of the additional term loan were used to repay in full the previous revolving facility from Siemens of $2,500,000 and finance $44.7 million of the Texas Acquisition. The S&C Credit Agreement also made available to the Company a revolving facility of up to $5,000,000 (the S&C Revolving Facility, and together with the S&C Term Loan, the S&C Loans). The S&C Revolving Facility was unutilized as at March 31, 2018. Management determined the fair value of the S&C Term Loan to be its face value, net of debt issuance costs of approximately $3.0 million. 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 11).

	March 31, 2018 $	December 31, 2017 $
S&C loans	72,370,888	72,219,208
Less: Current portion	3,000,000	2,062,500
	69,370,888	70,156,708

(expressed in US dollars unless otherwise stated)

Subject to the provisions described below, the minimum annual principal payments with respect to the S&C Loans (face value) are as follows:

	$
2018	2,062,500
2019	3,750,000
2020	3,750,000
2021	3,750,000
2022	61,687,500
	75,000,000

Effective November 9, 2017, the Company entered into a derivative financial 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 financial 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 financial instrument was $49,500. The Company has not designated this interest rate cap agreement as a cash flow hedge for accounting purposes. The fair value change of this derivative as determined by the counterparty at March 31, 2018 represented an asset for the Company of $53,100. Changes in the fair value of this derivative are recognized in the consolidated statements of net income (loss) and comprehensive income (loss).

The S&C 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 S&C Credit Agreement):

Interest

The interest rates payable on the S&C 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. The S&C Loans are currently classified as Eurodollar Rate Loans. The interest rate paid under the S&C Credit Agreement as at March 31, 2018 is approximately 5.8% per annum (March 31, 2017 - nil%).

Payments

The minimum principal payment schedule for the S&C Loans is noted herein.

Termination

The termination date of the S&C Loans is the earliest of (a) August 9, 2022 and (b) the date on which the Obligations become due and payable pursuant to Section 8.02 of the S&C Credit Agreement.

(expressed in US dollars unless otherwise stated)

Restrictive covenants

In addition to certain covenants, the S&C 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 the Subsidiaries currently conduct.

Financial covenants

The S&C Credit Agreement contains financial covenants including minimum leverage ratios and a limit on annual capital expenditures.

Events of default

In addition to the above financial covenants, events of default under the S&C Credit Agreement include failure to pay principal of or interest on any S&C Loan when due, or within two days after the same becomes 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 S&C 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 S&C Loans.

The Company is in compliance with the financial covenants and has no events of default under the S&C Credit Agreement as at March 31, 2018.

ii) WSFS Note

As part of the NE Acquisition, 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 11). A principal payment of $1,000,000 was made on October 31, 2017 in accordance with the terms of the WSFS Note.

(expressed in US dollars unless otherwise stated)

	March 31, 2018 $	December 31, 2017 $
WSFS bank loan	1,000,000	954,458
Less: Current portion	1,000,000	954,458
	-	-

The WSFS Note requires similar financial covenants as under the S&C Credit Agreement for the S&C Loans. The Company is in compliance with financial covenants and has no event of default under the WSFS Note as at March 31, 2018.

In accordance with the terms of the WSFS Note, the Company completely settled this loan on April 30, 2018 with a cash payment of $1,000,000.

(expressed in US dollars unless otherwise stated)

8 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		RSUs		Total	
	Number	Amount $	Number	Amount $	Number	Amount $	Number	Amount $
September 30, 2016	24,914,271	11,004,683	1,711,565	475,180	-	-	26,625,836	11,479,863
Issuance[(1)]	10,978,024	24,925,041	10,785,615	35,096,710	2,611,316	3,969,967	24,374,955	63,991,718
RSUs and warrants exercised	12,300,773	38,441,229	(11,300,773)	(34,261,229)	(1,000,000)	(3,500,000)	-	680,000
Conversion of subordinated notes	3,223,255	9,400,951	-	-	-	-	3,223,255	9,400,951
December 31, 2017	51,416,323	83,771,904	1,196,407	1,310,661	1,611,316	469,967	54,224,046	85,552,532
Issuance[(1)]	-	-	-	-	315,000	1,517,166	315,000	1,517,166
March 31, 2018	51,416,323	83,771,904	1,196,407	1,310,661	1,926,316	1,987,133	54,539,046	87,069,698

(1) RSU issuance amount includes stock-based compensation and costs related to RSUs during the period of the consolidated financial statements.

During the three 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)

During the three months ended March 31, 2018, the following equity issuances occurred at the Company:

On November 14, 2017, the Board had authorized issuance of 1,841,316 RSUs to the officers of the Company and the Board. 1,611,316 of these RSUs were granted on November 15, 2017 and 230,000 RSUs were granted on January 1, 2018. Subsequently, on March 1, 2018, the Board authorized issuance of 35,000 RSUs on March 1, 2018 and 50,000 RSUs on March 12, 2018 to certain officers of the Company. Each granted RSU 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. RSUs are valued based on the market value of the common shares of the Company on the grant date (or the nearest working day prior to the grant date). Such value is classified as stock-based compensation over the vesting period for all RSUs awarded to employees or the Board. The stock-based compensation related to RSUs, recognized in the condensed interim consolidated statements of net income (loss) and comprehensive income (loss) for the three months ended March 31, 2018 was $1,517,166 (2017 - $nil).

The stock-based compensation related to options, recognized in the condensed interim consolidated statements of net income (loss) and comprehensive income (loss) for the three months ended March 31, 2018, was $99,403 (2017 - $230,713).

9 Commitments and contingencies

The Company is 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.

As at March 31, 2018, the Company's future obligations for minimum annual payments under operating leases for equipment and facilities, for the next five years and thereafter, were approximately $71.4 million (December 31, 2017 - $70.4 million).

10 Segmented financial information

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.

11 Risk management arising from financial instruments

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.

(expressed in US dollars unless otherwise stated)

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 condensed interim consolidated balance sheets and the market rates of interest is insignificant. The estimated fair values of other non-current assets and liabilities were as follows:

	March 31, 2018 $	December 31, 2017 $
Loans to related parties	497,000	-
Bank loans payable	73,595,000	75,025,000
Derivative financial instruments	(53,100)	(21,619)
	73,541,900	75,003,381

Financial instruments recorded at fair value on the condensed interim 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 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability; either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The loans to related parties, the S&C Loans and WSFS Note were measured at fair value under the Level 3 category on recognition. The derivative financial instruments were measured at fair value under the Level 2 category on recognition. The derivative financial instruments are subsequently remeasured at fair value under the Level 2 category.

There were no significant transfers between levels during the three months ended March 31, 2018 and December 31, 2017.

Financial instruments are classified into one of the following categories: amortized cost, fair value through profit or loss and fair value through other comprehensive income.

(expressed in US dollars unless otherwise stated)

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

	March 31, 2018 $	December 31, 2017 $
Cash	9,877,498	12,145,481
Accounts receivable	15,480,914	12,968,010
Loans to related parties	505,000	-
Financial assets measured at amortized cost	25,863,412	25,113,491
Accounts payable and accrued liabilities	12,607,498	14,578,538
Short-term portion of bank loans payable	4,000,000	3,016,958
Short-term portion of finance leases	612,025	528,895
Long-term portion of bank loans payable	69,370,888	70,156,708
Long-term portion of finance leases	1,947,546	2,062,103
Financial liabilities measured at amortized cost	88,537,957	90,343,202
Derivative financial instruments	(53,100)	(21,619)
Measured at fair value through profit or loss	(53,100)	(21,619)

12 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, contributed surplus and Bank Loans.

The Company's primary uses of capital are to finance operations, finance acquisitions, 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 services to its customers and returns to its shareholders.

The Company is required to meet financial covenants as outlined in note 7.

13 New accounting standards

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

(expressed in US dollars unless otherwise stated)

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.

IFRIC 23, Uncertainty over Income Tax Treatments

In June 2017, the IASB issued IFRIC 23, Uncertainty over Income Tax Treatments (IFRIC 23), 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.

14 Basic and diluted income (loss) per share

	Three-month period ended March 31, 2018 $	Three-month period ended March 31, 2017 $
Net income (loss) attributable to common shareholders	1,159,680	(1,266,500)
Weighted average common shares outstanding		
Basic	51,416,323	26,204,047
Diluted	53,191,491	26,204,047
Income (loss) per share		
Basic and diluted	0.02	(0.05)

(expressed in US dollars unless otherwise stated)

15 Subsequent events

i) On March 26, 2018, the Company announced that PMI had entered into agreements to acquire all of the outstanding non-controlling interests in seven of its existing Texas-based diagnostic imaging centres (the Acquisitions). The Acquisitions relate to certain operations carried on in Austin, Fort Worth, Frisco, Grapevine/Colleyville, Irving, Plano and Round Rock. The aggregate consideration for the Acquisitions is approximately $21.3 million (the Purchase Price). The Purchase Price will be comprised of (i) an aggregate cash payment of approximately $17.9 million and (ii) the balance of the Purchase Price of approximately $3.4 million being satisfied through the issuance of common shares of the Company. The Acquisitions are expected to close in the quarter ended June 30, 2018, subject to customary closing procedures.

ii) On April 5, 2018, the Company announced that, through a subsidiary, it had entered into a management agreement with the owners of four centers located in one of Akumin's core geographic markets (the Managed Centers, and the period from April 5 to May 11, 2018, the Management Period). On May 11, 2018, the Company announced that it had acquired, through a subsidiary, certain assets of the Managed Centers in Florida. The consideration paid comprised of cash consideration of $50,000, assumption of working capital loan previously advanced to sellers and certain priority-ranked accounts payable owing by sellers of approximately $1.2 million and a third-party loan owing by sellers with a principal balance of $1.5 million. The principal balance of the third-party loan is subject to an earn-out of up to an additional $4.0 million, subject to the satisfaction of certain revenue-based milestones. In addition, the Managed Centers incurred certain operating expenses during the Management Period, yet to be advanced under the above-noted working capital loan. The Company is in the process of determining the preliminary purchase price allocation.

iii) The Company had 238,859 warrants that were due to expire on April 21, 2018, which allowed warrant holders to purchase common shares of the Company on a 1:1 basis at an exercise price of $1.20 per common share of the Company. These warrants were exercised into common shares prior to expiry.

iv) On May 2, 2018, the Company completed a bought deal offering of its common shares by way of short form prospectus sale in each of the provinces of Canada, other than Quebec. A total of 8,750,000 common shares of the Company were sold at a price of $4.00 per common share, for gross proceeds of $35,000,000 (Offering). The Offering was underwritten by a syndicate of underwriters (Underwriters). The Underwriters were granted 525,000 broker warrants (Broker Warrants) in connection with the Offering, each such Broker Warrant entitling the holder to acquire one common share of the Company at a price of $4.00 per common share for a 24-month period following the closing of the Offering.

The Company intends to use the net proceeds from the Offering: (i) to finance the cash consideration portion of the Acquisitions, being approximately $17.9 million; (ii) to support the Company's growth initiatives and the acquisitions it pursues from time to time; and (iii) for general corporate purposes, including to fund other ordinary course expenses.

(expressed in US dollars unless otherwise stated)

The Underwriters have the option to purchase up to an additional 1,312,500 common shares at $4.00 per common share to cover over-allotments, if any, and for market stabilization purposes, for a period of 30 days from and including the closing date of the Offering (Over-Allotment Option). The exercise of the Over-Allotment Option may result in additional gross proceeds of up to $5,250,000. An additional 78,750 Broker Warrants will be issued to the Underwriters if the Over-Allotment Option is exercised in full, with each such Broker Warrant entitling the holder to acquire one common share of the Company at a price of $4.00 per common share for a 24-month period following the issuance of the additional common shares pursuant to the Over-Allotment Option.