



Centric Health

Your Care. Our Focus.

Management's Discussion and Analysis **For the years ended December 31, 2017 and 2016**

Dated: March 20, 2018

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Management's Discussion and Analysis

(For the years ended December 31, 2017 and 2016)

Certain statements in this Management's Discussion and Analysis ("MD&A") constitute forward-looking statements within the meaning of applicable securities laws. Forward-looking statements include, but are not limited to, statements made under the headings "*Business Outlook*" and "*Risks and Uncertainties*" and other statements concerning the Company's 2017 objectives, strategies to achieve those objectives, as well as statements with respect to management's beliefs, plans, estimates, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "outlook", "objective", "may", "will", "expect", "intend", "estimate", "anticipate", "believe", "should", "plans" or "continue", or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management.

Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those contemplated by such statements. Factors that could cause such differences include the highly competitive nature of the Company's industry, government regulation and funding and other such risk factors described from time to time in the reports and disclosure documents filed by the Company with Canadian securities regulatory agencies and commissions. This list is not exhaustive of the factors that may impact the Company's forward-looking statements. These and other factors should be considered carefully and readers should not place undue reliance on the Company's forward-looking statements. As a result of the foregoing and other factors, no assurance can be given as to any such future results, levels of activity or achievements and neither the Company nor any other person assumes responsibility for the accuracy and completeness of these forward-looking statements. The factors underlying current expectations are dynamic and subject to change.

Although the forward-looking information contained in this MD&A is based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Certain statements included in this MD&A may be considered "financial outlook" for purposes of applicable securities laws, and such financial outlook may not be appropriate for purposes other than this MD&A. All forward-looking statements in this MD&A are qualified by these cautionary statements. Other than specifically required by applicable laws, we are under no obligation and we expressly disclaim any such obligation to update or alter the forward-looking statements whether as a result of new information, future events or otherwise except as may be required by law. These forward looking statements are made as of the date of this MD&A.

The following is a discussion of the consolidated financial position and the income and comprehensive income of Centric Health Corporation, ("Centric Health", "Centric" or the "Company") for the years ended December 31, 2017 and 2016 and of certain factors that the Company believes may affect its prospective financial condition, cash flows and results of operations. The MD&A should be read in conjunction with the consolidated financial statements and notes thereto for the years ended December 31, 2017 and 2016. The consolidated financial statements for the years ended December 31, 2017 and 2016 are prepared in accordance with International Financial Reporting Standards ("IFRS"). The Company's significant accounting policies are summarized in detail in note 1 of the consolidated financial statements for the years ended December 31, 2017 and 2016. Unless otherwise specified, amounts reported in this MD&A are in millions, except shares and per share amounts and percentages. The following MD&A is presented as of March 20, 2018. All amounts are disclosed in Canadian dollars. Additional information about the Company, including the most recently filed Annual Information Form, is available on www.sedar.com.

About Centric Health

Corporate Profile

Centric Health is focused on providing the highest levels of care and delivering quality, innovation and sustainable value to seniors, patients, clients and stakeholders, with the primary objective of ensuring optimal healthcare outcomes.

Our dedicated staff and organizational culture is committed to a Seniors and Patient-first imperative.

Our care-oriented strategy focuses on our strengths in healthcare service delivery and quality outcomes in two core areas:

1. **Specialty Pharmacy** - we are one of Canada's leading, trusted providers of comprehensive specialty pharmacy services and solutions to seniors, with an unwavering commitment to the highest standards of quality and care to ensure the best outcomes.
2. **Surgical and Medical Centres** - through our national network, we are uniquely positioned to service the growing healthcare needs in key markets, address capacity issues and reduce wait times.

With services that address growing demand within the Canadian healthcare system, Centric Health's unparalleled national care delivery platform provides significant potential for future expansion and growth.

Our long-term strategy focuses on organically growing core high-margin business units with strong profitability and

targeting select expansion opportunities to further our national reach in our core focus areas.

Above all, Centric Health has an unwavering commitment to employ the highest service and ethical standards and deliver a superior quality of care. ***This is our unique brand of care.***

Our Vision

Centric Health's vision is to be Canada's preeminent independent healthcare services provider, world renowned for quality, innovation and delivering sustainable value to seniors, patients, clients and stakeholders. We are passionate about working with people who entrust us with their care to result in leading healthcare outcomes. ***Your Care. Our Focus.***

Commitment to Quality

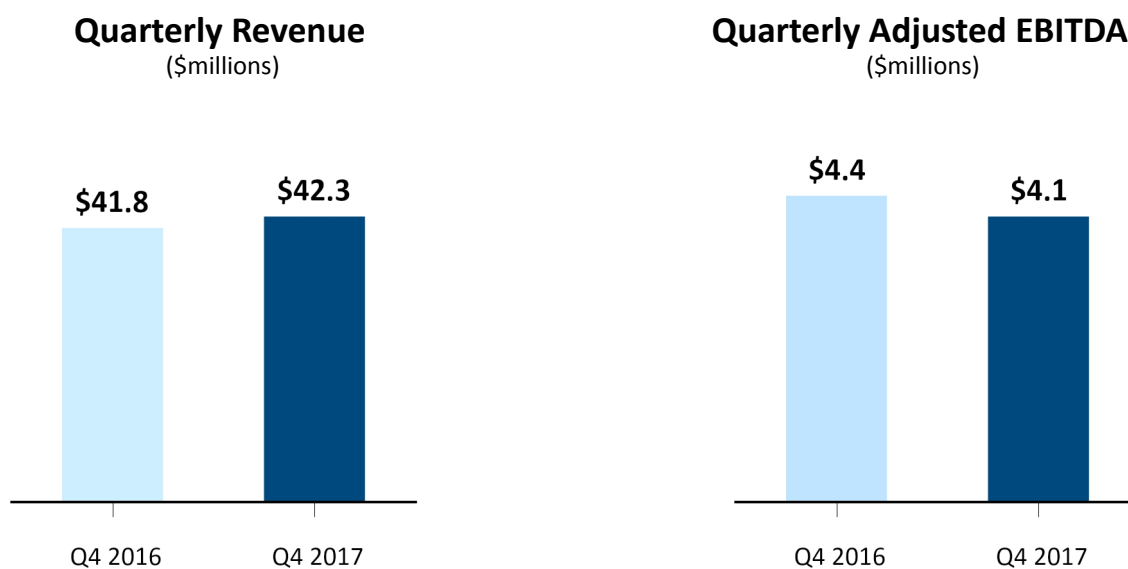
The latest research and innovations in healthcare – and our own quality control measures – continually help us improve the Centric Health experience for all of our seniors, patients and clients.

Our commitment to quality initiatives has resulted in Centric Health being accredited by various Colleges of Physicians, Ministries and Associations across Canada.

It is an honour to be recognized by these associations for meeting independent, nationally and internationally recognized standards of excellence in our healthcare programs.



Highlights for the Fourth Quarter and the Full Year ended December 31, 2017



Highlights for the Fourth Quarter of 2017

(All comparative figures are for the fourth quarter 2016)

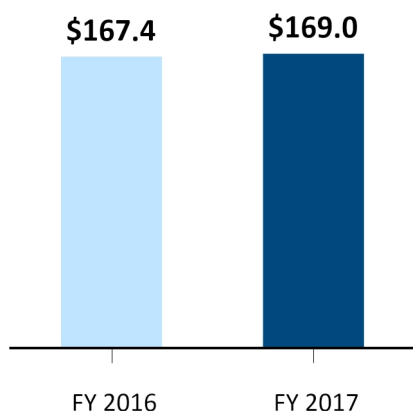
With the completion of the Company's debt refinancing plan, during the second half of 2017, management has turned its primary focus to executing on the growth strategies and operational improvements for each of its business segments.

- **Specialty Pharmacy Acquisition** - the Company acquired the operating assets of Salus Pharmacare Inc. ("Salus") in Calgary, Alberta
 - Serving 700 assisted living beds;
 - Potential to service a further 700 independent living beds; and
 - Increases market share in Calgary and makes the Company a leading pharmacy provider to assisted living and long-term care homes in Alberta.
- **Revenue from continuing operations increased marginally** to \$42.3 million from \$41.8 million
 - Largely due to timing differences between the off-boarding of beds from a concluding contract ("Concluded Contract") with a large long-term care and retirement home operator and the on-boarding of beds under a new multi-year agreement with a large national customer ("New Contract"); and
 - On-boarding of beds under the New Contract has been completed in the first quarter of 2018, allowing for a return to a normalized revenue run-rate by the second quarter of 2018.
- **Adjusted EBITDA¹ from continuing operations declined 7%** to \$4.1 million from \$4.4 million
 - A result of the transition timing differences in Specialty Pharmacy between the Concluded Contract and New Contract coupled with excess labour costs that could not be eliminated in the short-term;
 - Partially offset by growth in the Surgical and Medical Centres businesses; and
 - Adjusted EBITDA¹ margin from continuing operations remained stable at 10%.
- **Expansive business re-engineering plan in Specialty Pharmacy segment to be completed by end of 2018**
 - Appointed a National COO of Specialty Pharmacy to execute national platform and strategy;
 - Focused on utilization of technology to maximize efficiencies through further automation of processes and minimizing manual activities;
 - Scaling capital investment through consolidation of sites and utilization of high-volume fulfillment centres;
 - Comprehensive workflow analysis to optimize the labour model, allow for a more dynamic cost base and gain efficiencies through centralization of functions; and
 - Company has targeted annualized cost savings of \$4 million.

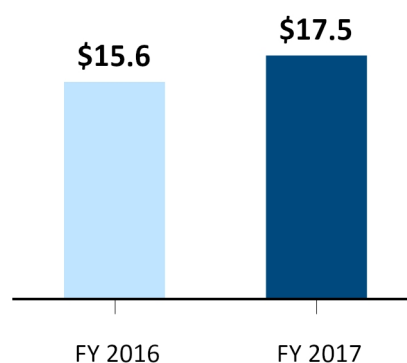
Highlights subsequent to quarter-end

- **Completed additional investment of \$0.5 million in AceAge Inc. ("AceAge")**, to fund the production of the first batch of its home-based automated drug delivery appliance ("Karie").
 - Karie is an innovative device designed to solve the medication compliance issues of individuals taking multiple medications, particularly seniors living independently, or without full-time care;
 - The Company also received a further 2.5% in equity for its provision of certain ongoing support and consulting services, increasing its ownership interest in AceAge to 17.5%; and
 - The remaining commitment from the second tranche of \$0.5 million would increase the Company's ownership stake to 22.5%.
- **New agreement signed between pan-Canadian Pharmaceutical Alliance ("pCPA") and Canadian Generic Pharmaceutical Association ("CGPA")**
 - The pCPA, which represents participating federal, provincial, and territorial public drug plans, announced a new 5-year agreement with the CGPA with respect to the pricing of generic drugs in Canada;
 - As of April 1, 2018, it is expected that the prices of nearly 70 of the most commonly prescribed drugs in Canada, including drugs used to treat high blood pressure, high cholesterol, and depression that are collectively used by millions of Canadians will be reduced by 25% - 40%, resulting in overall discounts of up to 90% off the price of their brand-name equivalents; and
 - The impact of these anticipated changes is expected to be more than offset by cost savings realized through the implementation of the business re-engineering plan.
- **Expiration of Alberta Blue Cross agreement, announcement of new funding framework**
 - Alberta Health announced a new funding framework to take effect May 17, 2018;
 - Amongst other things, the announcement stated reductions to dispensing fees in the province and new limits on the frequency of dispensing fees and care plan follow-ups;
 - The Company is actively seeking to engage with the Government of Alberta to discuss revisions to the funding model; and
 - Various initiatives to mitigate the impact of these changes are being assessed by the Company.
- **Amendment to credit agreements**
 - On March 20, 2018, the Company amended its agreements for the New Credit Facilities to increase the threshold on its debt to trailing twelve month EBITDA covenant and decrease the threshold on its fixed-charge coverage ratio covenant. The March 20, 2018 amendment relates to the fourth quarter of 2017 and the first three quarters of 2018 due to non-compliance as of December 31, 2017 and to mitigate potential future breaches of covenants in 2018 as a result of timing differences in the transition between contracts and the delayed on-boarding of beds due to issues with a third-party supplier; and
 - Although the Company received an amendment subsequent to December 31, 2017, as required under IFRS, the Company has presented its total borrowings amount of \$81.1 million as a current liability.

Annual Revenue (\$millions)



Annual Adjusted EBITDA (\$millions)



Highlights for the Full Year 2017

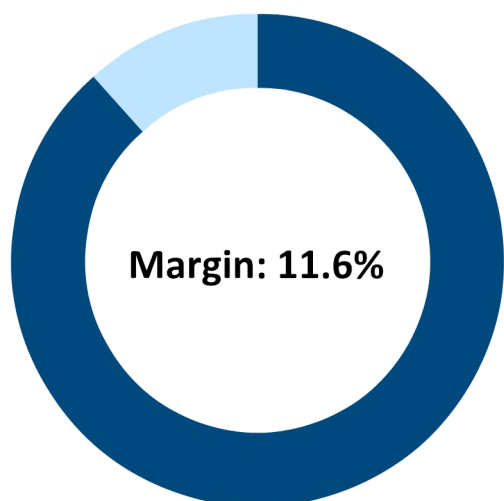
(All comparative figures are for the full year 2016)

- **Revenue from continuing operations grew 3%** after normalizing for the \$4.1 million reclassification of Revenue to cost of sales and increased before normalization by 1% to \$169.0 million from \$167.4 million.
- **Adjusted EBITDA¹ from continuing operations grew 12%** to \$17.5 million from \$15.6 million
 - Resulting from 23% growth in the Surgical and Medical Centre business and from organic growth and accretive acquisitions made in 2016, offset by labour inefficiencies in the Specialty Pharmacy business; and
 - Adjusted EBITDA¹ margin from continuing operations expanded to 10% from 9%.
- **Completion of Debt Refinancing Plan**
 - On May 3, 2017, the Company signed definitive agreements with a syndicate of lenders comprised of three major Canadian banks providing for new credit facilities in an aggregate amount of up to \$113.5 million consisting of \$100 million in senior secured facilities and \$13.5 million in secured subordinated term credit facilities.
- **Distribution and supply agreement signed with AceAge for its home-based automated drug delivery appliance, Karie**
 - Out of a total investment of up to \$2 million, the Company invested \$1 million and subscribed for 10 percent of the common shares of AceAge; and
 - Delivery of the first batch of devices is expected in the summer of 2018.
- **Long-term care and retirement beds serviced:** 28,300 compared to 29,000 at December 31, 2016. All remaining beds under the New Contract were on-boarded during the first quarter of 2018.
- **Surgical utilization rate of 49%** compared to 42% in 2016.

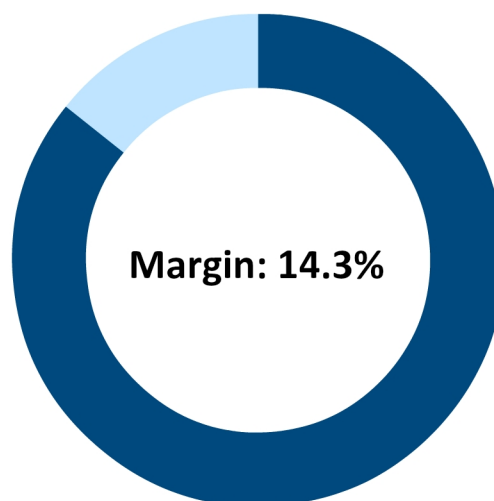
¹ Defined and calculated in Reconciliation of Non-IFRS Measures

Key Performance Metrics - Fourth Quarter of 2017

Specialty Pharmacy



Surgical and Medical Centres



■ Revenue \$31.1 million ■ Adjusted EBITDA \$3.6 million

■ Revenue \$11.3 million ■ Adjusted EBITDA \$1.6 million

The Company uses a number of financial and non-financial metrics to assess its performance. The table below summarizes our most relevant metrics. The full results and discussion of each metric are subsequently presented in this report.

Growth	Total Revenue	●
	Specialty Pharmacy Beds	●
	Surgery Centre Utilization	●
Profitability	Adjusted EBITDA	●
	Adjusted EBITDA Margin	●
	Corporate Office Expenses at 4% of Revenue	●
Quality	Reported incidents	●
Liquidity	Cash Flows from Operations	●
	Net Debt to Adjusted EBITDA	●
	Free Cash Flow	●

● = Favourable ● = Stable ● = Unfavourable

What We Do

Delivering innovative solutions through networks of Specialty Pharmacies and Surgical and Medical Centres to seniors, patients and clients to augment the Canadian healthcare system.

Centric Health provides expert solutions and trusted care through a national community of experts who can be accessed quickly and who have a track record of achieving superior healthcare outcomes and providing outstanding service.

Two key service areas:

- **Specialty Pharmacy:** pharmaceutical dispensing and clinical consulting services to long term care homes and retirement communities across Canada.
- **Surgical and Medical Centres:** a broad range of procedures in five state-of-the-art surgical facilities with a commitment to quality care, patient safety and personal one-on-one attention.

Centric's clients:

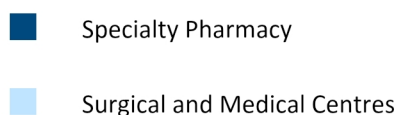
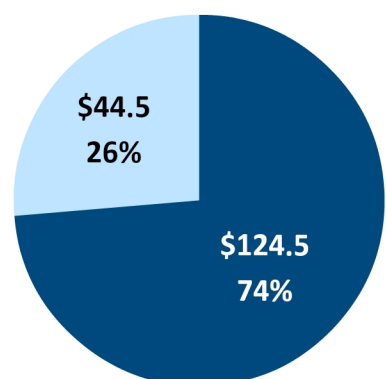
- Long-term care and retirement home operators
- Corporations
- Government agencies
- Individuals

Addressing the growing needs of the Canadian healthcare system:

- Aging population
- Increasing consumption and utilization driving higher costs
- Increasing wait times and growing demand
- Demand for choice and better outcomes

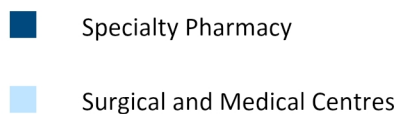
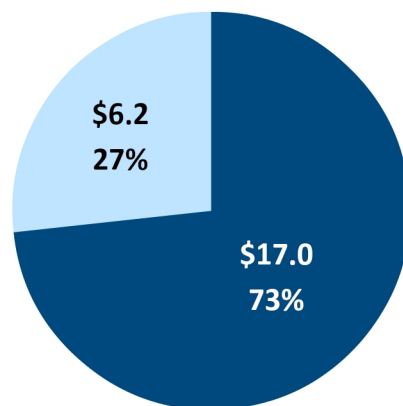
Revenue by Segment

Year ended December 31, 2017 (\$millions)



Adjusted EBITDA by Segment

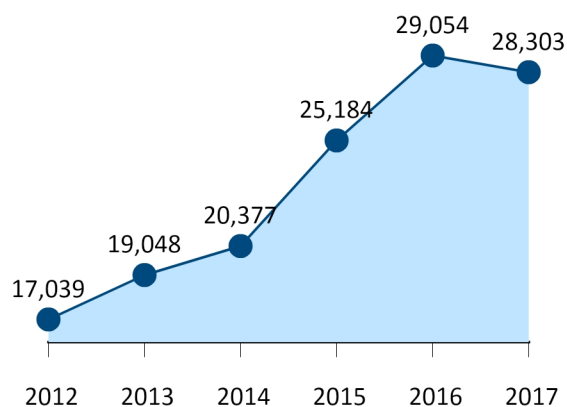
Year ended December 31, 2017 (\$millions)



Specialty Pharmacy

- A national network of 19 pharmacy fulfillment centres with pharmacy teams dedicated to seniors.
- High-volume supplier of medications and related medical management services (including clinical pharmacy, pharmacovigilance and related ancillary services).
- Provides pharmaceutical dispensing services for employees insured by corporate health plans.
- Serves more than 28,000 seniors in over 440 seniors communities (long term care facilities, retirement homes and assisted living facilities) in four provinces.

Number of Beds Served



19
fulfilment centres

>440
long-term care and
retirement homes

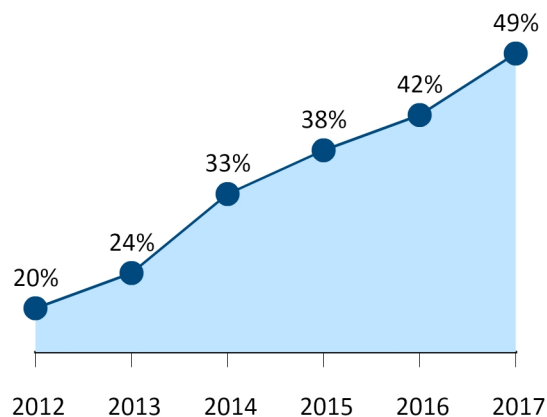
>28,000
beds

>1,000,000
prescriptions monthly

Surgical and Medical Centres

The Surgical and Medical Centres segment is one of Canada's largest independent surgical providers with five facilities across four provinces. It serves a diversified customer base with private paid non-insured surgeries and diagnostics, government outsourcing of insured surgeries and diagnostics and other procedures funded by third-party payors (including Workers Compensation). It also owns Canada's first Centre of Excellence in Metabolic and Bariatric Surgery.

Utilization Rate



Core Value Proposition



Quality: Centric Health has an unwavering commitment to employ the highest service and ethical standards and deliver a superior quality of care.

Seniors and Patients First: We are passionate about producing leading healthcare outcomes and working with our seniors, patients and clients to realize and maintain optimum health.

Innovation and Technology: To address the challenges in the Canadian healthcare system of long wait times and spiraling costs amidst an aging population, Centric Health is dedicated to applying innovative and cost-effective solutions through reinvestment in leading-edge technology and infrastructure.

Strategic Priorities

1. Grow organically

- Leverage the Company's value proposition with seniors, patients and clients to win new contracts
- Expand scope of services to leverage existing customer base and attract new customers
- Maximize capacity utilization at existing facilities

2. Improve business operations

- Optimize labour models and rely on innovative technology and economies of scale to drive efficiencies
- Maintain standards of exceptional care
- Manage costs at corporate office to ensure a lean shared service model and maximize overall profitability
- Enhance quality reporting metrics that demonstrate value to clients with emphasis on best healthcare outcomes while striving to gain efficiencies in order to maximize value to all seniors, patients, clients and stakeholders.

3. Make strategic acquisitions

- Pursue opportunities that will strengthen value proposition and expand national platform
- Focus on businesses with strong margins and cash flows, as well as low ongoing capital expenditures and working capital requirements
- Apply strict criteria to ensure alignment, accretion and return on invested capital

4. Reduce debt and strengthen balance sheet

- Target for total debt to Adjusted EBITDA of less than four times over medium term
- Successfully reduced debt by \$233.5 million since beginning of 2016
- Achieved annual interest expense savings of \$20.5 million

Growth Strategies and Outlook

Specialty Pharmacy

Centric Health's Specialty Pharmacy segment is pursuing a multi-faceted growth strategy to increase revenue and expand Adjusted EBITDA margins through the diversification of its offerings and leveraging its best-in-class platform to offer the highest levels of services and outcomes to more Canadians, with a focus on the following areas:

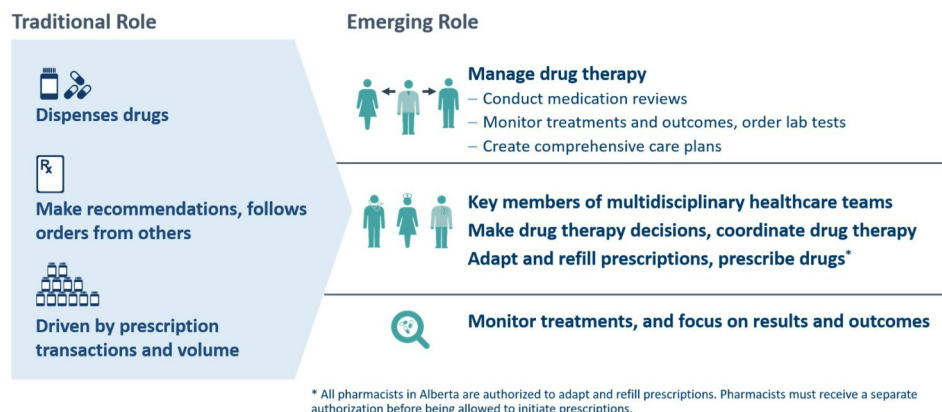
- Maximize utilization of its existing infrastructure through new RFP wins with local, regional and national seniors community operators;
- Expand clinical capabilities to strengthen its value proposition to its customers and drive new, higher margin revenue streams;
- Execute on strategic acquisition opportunities to expand its network and geographic coverage and benefit from economies of scale;

- Increase product and service offerings to seniors; and
- Reduce cost structure and benefit from economies of scale.

Given the public funding model and limited payor base for its Specialty Pharmacy services, the Company is actively pursuing strategies to mitigate its exposure to government regulatory changes and geographic concentration by diversifying its product and service offerings, entering into new geographies and expanding its payor base.

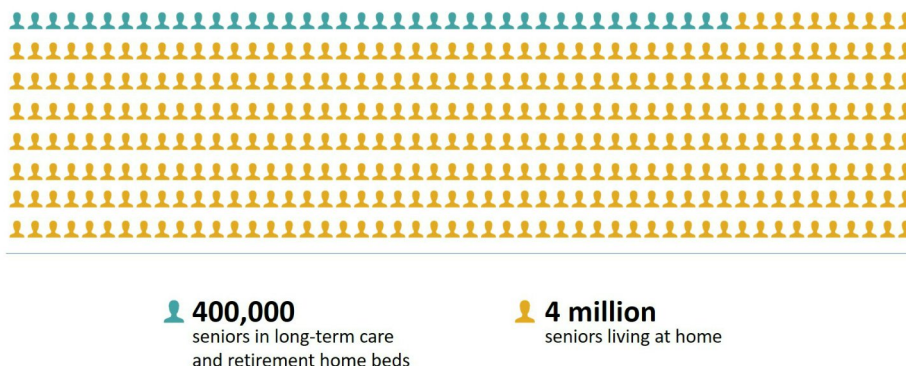
Through this diversification strategy, coupled with the business re-engineering and cost containment initiatives and expected organic growth across the national platform, the Company believes it will be able to maintain an Adjusted EBITDA margin in the mid-teens over the medium-term without compromising the quality of senior care.

Clinical pharmacy and pharmacovigilance increasingly important in seniors pharmacy



A longer term opportunity is available through serving the needs of seniors remaining in their homes and through the increasing scope of practice for pharmacists.

Capabilities and infrastructure to address the seniors-at-home market



In addition to these 4 million seniors currently living at home, there are 1,000 Canadians reaching the age of 65 every day. This, along with the increased life expectancy of Canadians provides favourable demographic trends for Specialty Pharmacy.

To pursue the opportunities provided by these demographic trends, and in line with its desire to expand its product and service offerings to seniors, the Company signed a strategic distribution and supply agreement and made an accompanying strategic investment in AceAge for its home-based automated drug delivery appliance, Karie.

Designed for individuals taking multiple medications, particularly seniors living independently or without full-time care, Karie is an innovative device that simplifies complex medication regimes by automatically delivering prescription drugs, in the correct dosage and at the right time. As the device is completely compatible with the Company's automated dispensing and packaging systems, this partnership will provide the Company with opportunities for additional Specialty Pharmacy service offerings to seniors living in the Company's contracted retirement homes as well as those in their own homes.

To further enhance and diversify its service offerings, the Company is also developing a holistic medical cannabis strategy within the seniors' communities that it serves. The Company is uniquely positioned through its presence in long-term care and retirement homes, as well as its expansion to seniors currently living at home, to provide a comprehensive service that addresses the complexities of medical cannabis use by seniors. The Company intends to partner with home operators and licensed producers to achieve the best possible solutions for the seniors that it serves.

In pursuit of its focus on expansion of geographic coverage, the Company also anticipates a Specialty Pharmacy pilot project in Quebec in the second half of 2018.

Surgical and Medical Centres

Centric Health's Surgical and Medical Centres segment is pursuing a multi-faceted growth strategy to increase utilization of its facilities while maintaining the strategic imperative of the highest standards of quality care and outcomes. The strategy focuses on the following areas:

- Grow third-party payor services (insurers, benefits providers, employers) through:
 - Relationships with physicians and health authorities;
 - Accreditations and facilities quality to support preferred provider status (four-year accreditation earned at False Creek Surgical Centre in Q3 2017); and,
 - Expanded diagnostics offerings;
- Increased outsourcing from governments;
- Coordinate interprovincial and foreign procedures;
- Grow volume of uninsured services;
- Develop innovative and efficient pricing and delivery models through activity based costing and related data analytics;
- Marketing and promotions, including expanded online marketing and mobile technology;
- Add new technologies; and
- Develop Centres of Excellence, as has been achieved with the Company's Metabolic and Bariatric Surgery centres.

As the Company continues to pursue opportunities to increase utilization within its Surgical and Medical Centres network, due to its limited scale, the segment remains susceptible to one-time events which may impact Adjusted EBITDA and Adjusted EBITDA margin, though the overall growth in revenue is indicative of continued progress in the segment.



False Creek Surgical Centre, Vancouver, British Columbia

Selected Financial Information

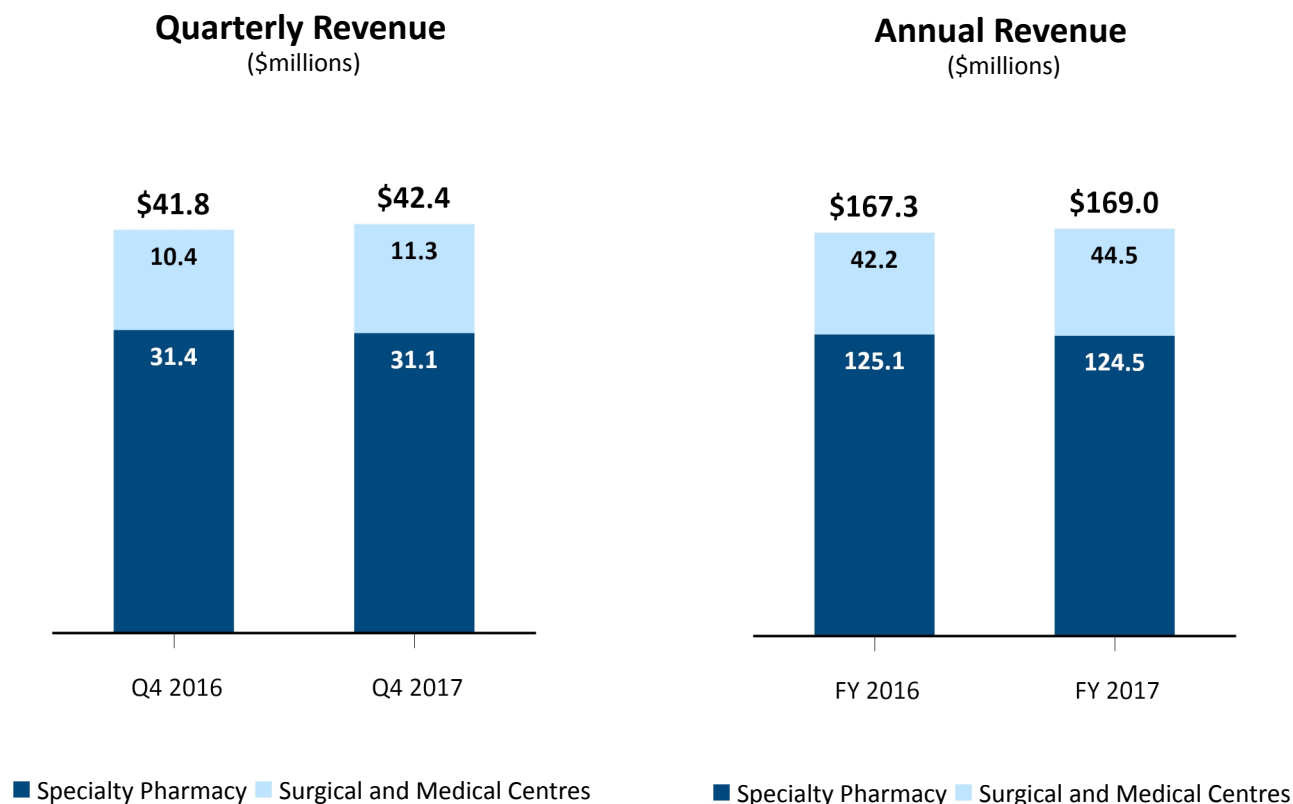
The following selected financial information as at and for the year ended December 31, 2017, 2016, and 2015, have been derived from the consolidated financial statements and should be read in conjunction with those financial statements and related notes. The results of acquisitions are added from their respective dates of completion. Non-IFRS measures are defined and reconciled in the Reconciliation of Non-IFRS Measures section.

	For the three month periods ended December 31,			For the years ended December 31,		
	2017	2016	2015	2017	2016	2015
(thousands of Canadian Dollars)	\$	\$	\$	\$	\$	\$
Revenue	42,328	41,827	41,549	168,967	167,363	160,753
Income (loss) from continuing operations	(643)	585	(3,282)	996	(3,374)	(11,076)
Income (loss) from continuing operations before interest expense and income taxes	3,799	526	(98)	7,899	(8,800)	(6,626)
EBITDA² from continuing operations	6,282	2,992	5,122	17,371	2,578	6,460
Adjusted EBITDA² from continuing operations	4,058	4,373	1,797	17,514	15,590	8,524
Per share - Basic and diluted	\$0.02	\$0.03	\$0.01	\$0.09	\$0.09	\$0.05
Adjusted EBITDA Margin from continuing operations	9.6%	10.5%	4.3%	10.4%	9.3%	5.3%
Adjusted EBITDA²	4,058	4,363	6,613	17,514	15,466	31,788
Per share - Basic and diluted	\$0.02	\$0.03	\$0.04	\$0.09	\$0.09	\$0.20
Adjusted EBITDA Margin	9.6%	10.3%	7.4%	10.4%	9.2%	9.1%
Net income (loss)	3,301	(1,746)	70,220	2,279	(19,806)	45,868
Per share - Basic and diluted ³	\$0.02	(\$0.01)	\$0.44	\$0.01	(\$0.12)	\$0.29
Cash provided by operations	5,440	2,982	7,411	16,073	1,700	29,447
Total assets	144,511	155,087	377,581	144,511	155,087	377,581
Total liabilities	124,379	152,142	362,636	124,379	152,142	362,636

² Defined in Reconciliation of Non-IFRS Measures

³ Earnings per share is based on the earnings attributable to shareholders of Centric Health Corporation.

Results of Consolidated Operations for the Three Month Periods and the Years Ended December 31, 2017 and 2016



- Revenue from continuing operations for the three month period ended December 31, 2017 increased by 1.2%, or \$0.5 million, to \$42.3 million from \$41.8 million for the same period in the prior year.
- Revenue from continuing operations for the year ended December 31, 2017 increased by 1.0%, or \$1.6 million, to \$169.0 million from \$167.4 million for the same period in the prior year.
- Revenue growth from continuing operations for the year, normalizing for the \$4.1 million reclassification of revenue to cost of sales, was 3.4%.
- Revenue growth in Specialty Pharmacy was dampened due to timing differences in the off-boarding of beds from the Concluded Contract compared to the addition of new beds under the New Contract. During the second and third quarters of 2017, a significant number of previously serviced beds were off-boarded while the majority of beds to be on-boarded under the New Contract were on-boarded towards the end of the third quarter or fourth quarter of 2017. Once the on-boarding has been completed, Management expects that the Company will have returned to a normalized run-rate, with any further organic growth expected to contribute to increased revenue.
- Revenue growth in Surgical and Medical Centres was driven by increased surgical volumes and a net increase in higher cost procedures performed.
- Going forward, the Company expects continued organic growth from each of the segments; however, the timing and cycles of the contract procurement process (and time required to realize Revenue from formal procurement RFP processes), could result in some fluctuation of organic growth rates over time.

Operating and Other Expenses as a Percentage of Revenue

\$ millions	For the three month periods ended December 31,				For the years ended December 31,			
	2017		2016		2017		2016	
	\$	%	\$	%	\$	%	\$	%
Revenue	42.3	100 %	41.8	100 %	169.0	100 %	167.4	100 %
Operating expenses:								
Healthcare services and supplies	27.5 ↑	65.0 %	25.9	62.0 %	107.7 ↑	63.7 %	104.5	62.4 %
Employee costs	4.5 ↑	10.6 %	4.0	9.6 %	18.0 ↑	10.7 %	16.8	10.0 %
Other operating expenses	5.2 ↓	12.3 %	5.8	13.9 %	19.9 ↓	11.8 %	23.7	14.2 %
Corporate office expenses	1.2 ↓	2.8 %	1.7	4.1 %	5.8 ↓	3.4 %	6.5	3.9 %
Total operating expenses	38.4 ↑	90.8 %	37.4	89.5 %	151.4 ↓	89.6 %	151.5	90.5 %
Other expenses:								
Depreciation and amortization	2.4 ↓	5.7 %	2.5	6.0 %	9.5 ↓	5.6 %	11.6	6.9 %
Share-based compensation expense	0.3 ↑	0.7 %	0.2	0.5 %	0.9 ↑	0.5 %	0.8	0.5 %
Transactions, restructuring and other costs	1.9 ↑	4.5 %	1.1	2.6 %	6.1 ↓	3.6 %	6.8	4.1 %
Total other expenses	4.6 ↑	10.9 %	3.8	9.1 %	16.5 ↓	9.8 %	19.2	11.5 %
Income (loss) from operations	(0.6) ↓	(1.4) %	0.6	1.4 %	1.0 ↑	0.6 %	(3.4)	(2.0) %
Adjusted EBITDA	4.1 ↓	9.7 %	4.4	10.5 %	17.5 ↑	10.4 %	15.6	9.3 %

Operating expenses consist of four major components:

- healthcare services and supplies;
- employee costs;
- other operating expenses; and,
- corporate office expenses

Healthcare services and supplies includes practitioner consultant fees associated with the surgical services, salaries and benefits of employees directly involved in the provision of services in each business segment, the cost of medical supplies and the cost of pharmaceuticals sold. Employee costs include salaries and benefits of employees working directly in each business segment that are not directly involved in the provision of services. Other operating expenses include occupancy costs, communication, insurance, advertising and promotion and administrative expenses incurred at the operational level. Corporate office expenses include shared service costs for the operating segments, salaries and benefits, occupancy costs, insurance, communication, advertising and promotion, public company costs, board of directors and sub-committee fees and other costs of the corporate office.

- Overall operating expenses for the three month period and year ended December 31, 2017 increased by 2.6% and decreased by 0.1% to \$38.4 million and \$151.4 million, respectively, as compared to \$37.4 million and \$151.5 million for the same periods last year.
- Cost of healthcare services and supplies for the three month period ended December 31, 2017 increased by 6.0% to \$27.5 million as compared to \$25.9 million for the same period last year, largely due to the increased

labour costs associated with the on-boarding of new beds during the quarter and costs associated with increased surgical case volumes. For the year ended December 31, 2017, cost of healthcare services increased by 3.1% to \$107.7 million as compared to \$104.5 million for the same period last year, primarily due to the increased surgical case volumes.

- Employee expenses for the three month period and year ended December 31, 2017 increased by 12.8% and 7.3% to \$4.5 million and \$18.0 million, respectively, as compared to \$4.0 million and \$16.8 million for the same periods last year as a result of a full year of the 2016 Specialty Pharmacy acquisitions and the aforementioned labour inefficiencies.
- Corporate office expenses for the three month period and year ended December 31, 2017 decreased by 31.3% and 10.8% to \$1.2 million and \$5.8 million as compared to \$1.7 million and \$6.5 million for the same period last year. Corporate office expense as a percentage of revenue for the three month period and year ended December 31, 2017 was 2.7% and 3.4% as compared to 4.0% and 3.9% for the same periods last year.

Transaction, restructuring and other costs includes legal, consulting and due diligence fees directly related to business combinations or business restructuring, and costs associated with new customer contract implementation, as well as severance costs, start-up costs for new initiatives and legal and consulting costs for business restructuring.

	For the three month periods ended December 31,		For the years ended December 31,	
	2017	2016	2017	2016
(thousands of Canadian Dollars)	\$	\$	\$	\$
Interest on Term Facility	892	—	2,070	—
Accretion on Term Facility	(98)	—	(218)	—
Interest on Subordinated Facility	261	—	644	—
Accretion on Subordinated Facility	156	—	427	—
Interest on New Revolving Facility	266	—	590	—
Interest on Revolving Facility and second lien senior secured notes	—	896	1,511	5,539
Amortization of loan arrangement fees	—	40	67	1,660
Interest on promissory note	—	76	50	301
Accretion of promissory note discounts	—	139	97	515
Interest on capital leases	8	6	35	30
Interest on convertible debt	—	688	871	3,090
Accretion on convertible debt	—	1,313	1,420	5,635
Accretion on preferred partnership units	—	—	—	805
Loss on repayment of borrowings	—	—	2,340	321
Interest expense before distributions for preferred partnership units	1,485	3,158	9,904	17,896
Distributions for preferred partnership units	—	—	—	730
Total interest expense	1,485	3,158	9,904	18,626
Interest income	—	(1)	(2)	(278)
Net interest expense	1,485	3,157	9,902	18,348

Interest expense for the three month period and year ended December 31, 2017 was \$1.5 million and \$9.9 million as compared to \$3.2 million and \$18.3 million for the comparable periods in the prior year. Interest expense relates to the Term Facility, Subordinated Facility, New Revolving Facility and capital leases, as well as interest on the Notes, Revolving Facility, the related party loan, and convertible debentures which were refinanced during the year. Net interest expense excluding amortization, accretion, gain on settlement of swaps and loss on repayment of borrowings for the three month period and year ended December 31, 2017 was \$1.4 million and \$5.8 million as compared to \$1.7 million and \$9.4 million in the same periods in the prior year.

Income tax recovery for the three month period and year ended December 31, 2017 was \$1.4 million and \$1.5 million compared to recoveries of \$1.2 million and \$8.9 million for the comparable periods in the prior year. As at December 31, 2017 and December 31, 2016, the Company had gross loss carry forwards amounting to \$43.1 million and \$47.0 million, respectively, that can be carried forward against future taxable income based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible. The Company did not recognize deferred tax assets of \$7.5 million (\$8.7 million as of December 31, 2016) with respect to these losses.

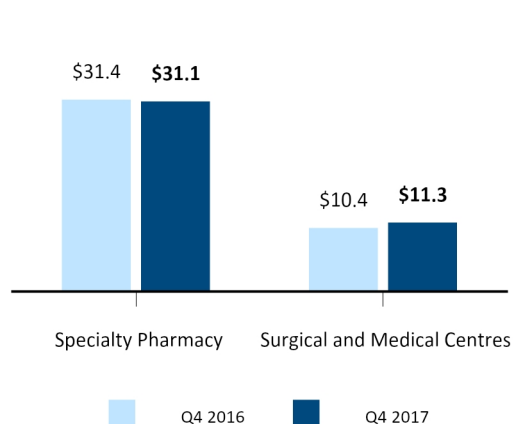
Results of Segmented Operations

This section presents the results of operations for the years ended December 31, 2017 and 2016 for the two operating segments of the Company. Operating segments, as reported to the Company's Chief Operating Decision Maker ("CODM"), are as follows: Specialty Pharmacy and Surgical and Medical Centres.

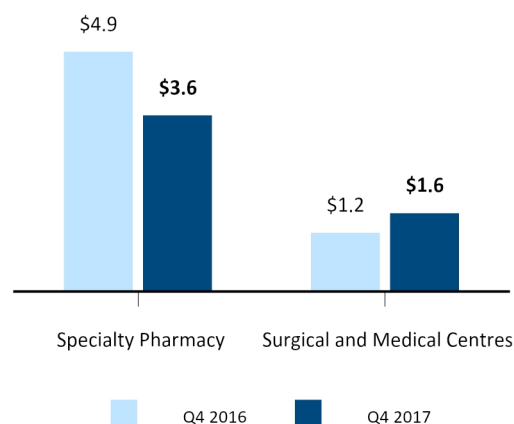
The support services provided through the corporate offices largely support the operations of the Company. Certain amounts of these costs have been allocated to the operating segments based on the extent of corporate management's involvement in the operations of the reportable segment during the period.

For the three month periods ended December 31,	Revenue		Adjusted EBITDA from continuing operations			
	2017	2016	2017		2016	
	\$	\$	\$	%	\$	%
(thousands of Canadian Dollars)						
Specialty Pharmacy	31,069	31,436	3,610	11.6	4,897	15.6
Surgical and Medical Centres	11,259	10,391	1,608	14.3	1,173	11.3
Corporate	—	—	(1,160)	—	(1,697)	—
Total	42,328	41,827	4,058	9.6	4,373	10.5

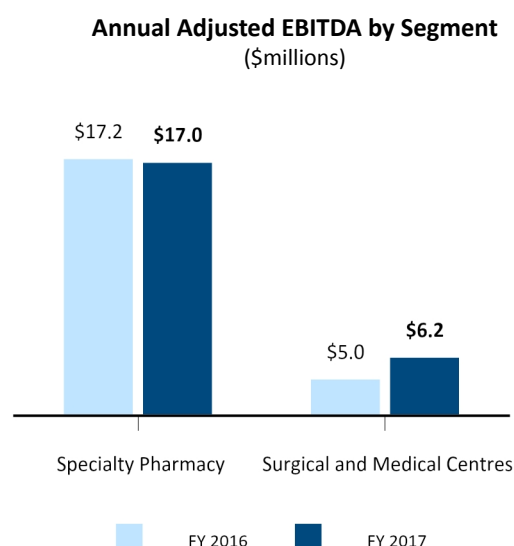
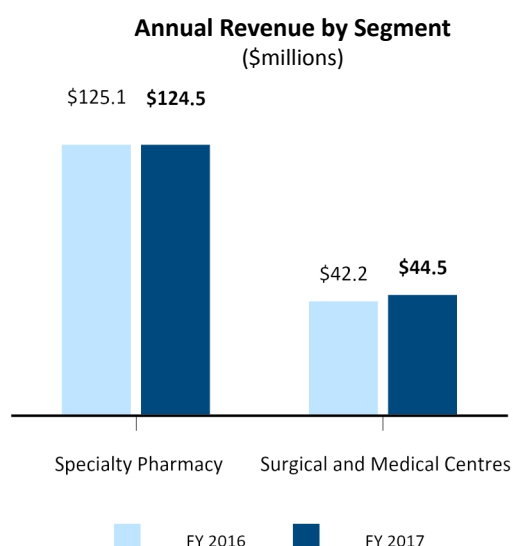
Q4 Revenue by Segment
(\$millions)



Q4 Adjusted EBITDA by Segment
(\$millions)



For the years ended December 31,	Revenue		Adjusted EBITDA from continuing operations			
	2017	2016	2017		2016	
	\$	\$	\$	%	\$	%
(thousands of Canadian Dollars)						
Specialty Pharmacy	124,451	125,132	17,016	13.7	17,154	13.7
Surgical and Medical Centres	44,516	42,231	6,179	13.9	5,039	11.9
Corporate	—	—	(5,681)	—	(6,603)	—
Total	168,967	167,363	17,514	10.4	15,590	9.3



Specialty Pharmacy

Three month period ended December 31, 2017:

- Revenues decreased 1.2% to \$31.1 million from \$31.4 million.
- Adjusted EBITDA decreased 26.3% to \$3.6 million from \$4.9 million and Adjusted EBITDA margin decreased to 11.6% from 15.6%.

Year ended December 31, 2017:

- Revenue decreased by 0.5% or \$0.7 million to \$124.5 million from \$125.1 million.
- Revenue growth normalizing for the \$4.1 million reclassification of revenue to cost of sales, was 2.7%
- Adjusted EBITDA decreased 0.8% to \$17.0 million from \$17.2 million and Adjusted EBITDA margin remained flat at 13.7%.

Decline in Revenue and Adjusted EBITDA for the three month period and year ended December 31, 2017 was primarily due to the timing differences relating to the transition of beds between the Concluded Contract and New Contract. The timing difference was primarily due to a technical issue with a third-party supplier, which caused a delay in the on-boarding of beds under the New Contract. The Company addressed the technical issue to ensure customer quality and safety was prioritized. The mismatch between contracts transitioned is expected to have substantially reversed during the quarter and the on-boarding of beds under the New Contract was fully completed in the first quarter of 2018. This temporary decline in Revenue as a result of the timing difference in the transition, coupled with labour inefficiencies and excess labour costs that could not be eliminated in the short-term arising from the off-boarding and on-boarding process as the Company transitioned from the Concluded Contract to the

New Contract contributed to the temporary decline in Adjusted EBITDA.

The Company expects future Revenue and Adjusted EBITDA growth in Specialty Pharmacy now that the New Contract is fully transitioned.

On September 1, 2017, the Ontario Ministry of Health and Long-Term Care announced certain changes to the regulations made under the Ontario Drug Benefit Act to temporarily adjust the total amount paid to pharmacies for supplying a listed drug product under the Ontario Drug Benefit ("ODB") program due to a savings deficit from its 2015 reduction. The temporary adjustment is 2.8% of the sum of the dispensing fee, mark-up and compounding fee for certain drug claims. This temporary adjustment was made effective as of September 1, 2017 and will end on the earlier of February 28, 2019 and the day the total savings reaches \$35 million across all providers. In the fourth quarter of 2017, this resulted in an overall reduction in Revenue and Adjusted EBITDA of \$130 thousand. In future periods, the impact of this reduction is expected to be more than offset by cost savings realized through the implementation of the business re-engineering plan.

For the year ended December 31, 2017, revenue remained relatively flat as the growth that was driven primarily from acquisitions was offset by the previously mentioned transition of beds between the Concluded Contract and New Contract.

Surgical and Medical Centres

Three month period ended December 31, 2017:

- Revenue increased 8.4% to \$11.3 million from \$10.4 million.
- Adjusted EBITDA increased 37.1% to \$1.6 million from \$1.2 million and Adjusted EBITDA margin improved to 14.3% from 11.3%.

Year ended December 31, 2017:

- Revenue increased by 5.4% to \$44.5 million from \$42.2 million.
- Adjusted EBITDA increased 22.6% to \$6.2 million from \$5.0 million and Adjusted EBITDA margin increased to 13.9% from 11.9%.

Growth in revenues was driven by higher surgical volumes, in particular at the Don Mills and SmartShape facilities (Toronto), which was partially offset by the conclusion of the Company's diagnostics contract for echocardiograms at the Maples facility (Winnipeg) during the fourth quarter of 2016.

The increase in Adjusted EBITDA was primarily due to changes in the composition of procedures performed compared to the year ended December 31, 2016, which resulted in a net increase from a greater number of higher margin procedures performed.

Corporate Office

Rightsizing initiatives from prior years have been substantially completed and the Company currently has a run rate for corporate office expenses as a proportion of Revenue from continuing operations below its target of 4%. Corporate office expenses were further reduced during the fourth quarter of 2017 as a result of the reversal of accrued performance bonuses for the Company that were not achieved.

Discontinued Operations

The Company's discontinued operations consist of the businesses divested in 2015 as part of the Sale Transaction, including the physiotherapy and rehabilitations clinics, medical assessments business, Active and CAR, as well as London Scoping Centre, which the Company divested in December 2016.

During the year ended December 31, 2017, the Company recognized a gain of \$3.2 million from discontinued operations with respect to contingent consideration received as part of the Sale Transaction. There was no Revenue or Adjusted EBITDA from discontinued operations during the year.

Liquidity and Capital Resources

The Company manages its capital structure based on the funds available to the Company in order to support the continuation and expansion of its operations. The Board establishes quantitative return on capital criteria, which it reviews with management on a regular basis. The Company defines capital to include share capital, warrants and the stock option component of its shareholders' equity as well as its borrowings and contingent consideration. In addition to

the cash flow generated by operations, the Company relies on debt and equity financing from both arm's length and related parties to execute on its stated business strategy. In order to maintain or adjust its capital structure, the Company may seek financing through the issuance of securities such as convertible debt, or by replacing existing debt with debt on terms more consistent with the Company's needs.

Significant Transactions

Date	Transaction	Proceeds
December 31, 2015	Sold substantially all of the businesses within its Physiotherapy, Rehabilitation and Medical Assessments segment (the "Sale Transaction") to Audax Private Equity to facilitate repayment of debt.	\$245.0 million cash consideration \$3.0 million held in escrow up to June 30, 2017 Up to \$5.0 million in contingent consideration based on performance targets; \$3.2 million was earned
February 22, 2016	Repurchase of 8.625% second lien senior secured notes (the "Notes"). Amended the trust indenture, providing the Company, subject to certain limitations, with additional flexibility to, among other things, repurchase, redeem or otherwise acquire for value or retire its outstanding securities, make interest and principal payments on subordinated debt, incur additional indebtedness, alter the size of the Revolving Facility, make distributions to shareholders, and make additional acquisitions and dispositions.	\$169.1 million cash consideration to purchase Notes with a par value of \$164.3 million which included \$4.8 million of accrued interest Notes with principal balance of \$25.9 million remaining
March 4, 2016	Lifemark Health Limited Partnership redeemed all of its issued and outstanding remaining preferred partnership units, all of which were held by Alaris Income Growth Fund Partnership ("Alaris") for the full repurchase price of \$38.4 million.	\$30.0 million cash consideration \$8.4 million promissory note issued to Alaris on substantially the same economic terms as applied to the equivalent value of preferred partnership units, which the Company repaid in full on March 23, 2016.
March 22, 2016	The lenders of the Revolving Facility amended the credit agreement, which was scheduled to mature on June 9, 2016, for a two year extension.	The extended Revolving Facility was set to mature on March 22, 2018 and bear interest on a sliding scale from prime plus 1.25% to prime plus 2.75% for principal borrowed and a range of 0.56% to 0.94% for standby fees for amounts not borrowed. The Revolving Facility's capacity will remain at \$35.0 million, with an additional \$15.0 million accordion available subject to lender approval.
March 23, 2016	Amended its 5.5% April 2016 Convertible Notes ("April 2016 CDs") on the following terms: (i) the maturity date would be extended from April 30, 2016 to July 31, 2017, (ii) the interest rate payable under the April 2016 CDs would be increased from 5.5% to 6.5% from and including May 1, 2016 to July 31, 2017 and (iii) the conversion price would be decreased from \$0.9229 per share to \$0.52 per share from and including May 1, 2016 to July 31, 2017 (collectively, the "Amended 2016 Note Terms").	The holders of \$9.1 million principal amount (together with the Amended 2016 Note Terms, "July 2017 CDs") agreed to accept the Amended 2016 Note Terms

Date	Transaction	Proceeds
May 2, 2016	Paid consent fee (representing 1.333% of the principal amount) to the holders of the April CDs who accepted the Amended 2016 Note Terms, and repaid the noteholders holding the remaining April 2016 CDs	\$0.1 million cash consent fee Remaining April 2016 CDs with \$5.9 million principal outstanding were repaid at par plus accrued and unpaid interest of \$0.2 million.
November 8, 2016	Redeemed at par, plus accrued and unpaid interest, all of the issued and outstanding 6.00% unsecured subordinated notes with a total principal amount of \$10.8 million scheduled to mature on December 22, 2016 ("December 2016 CDs")	Total cash payment of \$11.04 million
December 20, 2016	Normal course issuer bid to purchase for cancellation up to \$2.8 million principal amount, 10% of the \$27.5 million principal amount issued and outstanding of the 6.75% 2017 Convertible Notes set to mature on October 31, 2017 ("October 2017 CDs") bearing interest at 6.75%	Amount repurchased was \$nil. NCIB terminated upon the refinancing of the October 2017 CDs
March 2, 2017	Early converted the outstanding principal balance of the 6.5% Convertible Notes that were set to mature on July 31, 2017 ("July 2017 CDs") (\$9.1 million principal outstanding) and the unsecured 6.0% Jamon promissory note (\$5.0 million principal outstanding) to common shares of the Company pursuant to the terms of each instrument.	July 2017 CDs and Jamon promissory note had conversion prices of \$0.52 and \$0.46 per common share, resulting in the issuance of 17,461,538 and 10,869,565 common shares of the Company, respectively Holders of the July 2017 CDs and the Jamon promissory note received 500,000 warrants and 1,400,000 warrants, respectively, exercisable at \$1.00 per share and expiring on the third anniversary from the date of issuance The exercise price for the warrants represented a premium of 26.6% to the closing price of the Company's common shares of \$0.79 on February 16, 2017 Interest was paid to the holders of July 2017 CDs and the Jamon promissory note in the amount of \$0.4 million each Conversion of the two instruments reduced the Company's outstanding debt by \$14.1 million

Completion of Debt Refinancing Plan

Following the completion of the Sale Transaction, the Company made substantial progress on strengthening its balance sheet, including the reduction of debt through repayment, conversion to equity and refinancing.

On May 3, 2017, the Company signed definitive agreements with a syndicate of lenders comprised of three major Canadian banks providing for new credit facilities in an aggregate amount of \$113.5 million, which closed on May 30, 2017. The new credit facilities are made up of \$100 million in senior secured facilities (the "Senior Facilities") and \$13.5 million in a secured subordinated term credit facility (the "Subordinated Facility") (collectively, the "New Credit Facilities"). Subject to satisfaction of certain conditions, the Company may increase the Senior Facilities by an additional \$25 million for total Senior Facilities of \$125 million.

The New Credit Facilities were used to refinance the Company's previous debt instruments, including its (i) Revolving Facility with capacity of up to \$35.0 million, (ii) its Notes of \$25.9 million and (iii) its October 2017 CDs of \$27.5 million, and to provide capacity for potential acquisitions, capital expenditures, organic growth initiatives and general working capital and corporate purposes. All of the New Credit Facilities are guaranteed by the Company's subsidiaries and secured by the assets of the Company and each of its subsidiaries. Simultaneously with the signing of the definitive agreements, the Company delivered redemption notices to the holders of the Notes and the October 2017 CDs in accordance with the terms of their respective indentures.

The Senior Facilities are structured as follows: (i) a revolving credit facility in the amount of up to \$20 million, including a swingline of up to \$3 million (the "New Revolving Facility"), (ii) a non-revolving term loan facility in the amount of up to \$60 million (the "Term Facility"), and (iii) a limited revolving acquisition and capital expenditure term loan facility in the amount of up to \$20 million to be available in multiple draws (the "Acquisition Facility"). Subject to satisfaction of certain conditions, the New Revolving Facility may be increased by an additional \$5 million and the acquisition and capital expenditure term loan facility may be increased by up to an additional \$20 million. All borrowings under the Senior Facilities mature five years after the date of the agreement.

Interest rates under the Senior Facilities vary based on the Company's total funded debt to EBITDA ratio within a range between 0.50% to 3.25% over the Canadian prime rate for prime rate loans and 2.00% to 4.75% over CDOR for Bankers' Acceptances and a range of 0.40% to 1.00% for standby fees for amounts not borrowed.

The Subordinated Facility consists of a term loan to be fully drawn in one advance for a total of \$13.5 million, which accrues interest at a rate of 9% per annum. The Subordinated Facility matures five and a half years after the date of the agreement. On June 23, 2017, the Company prepaid

\$2 million of principal balance along with a \$20 thousand cash consent fee in accordance with the Subordinated Facility agreement.

In addition, the Company may prepay other portions of the Subordinated Facility after 18 months from close without any premium or penalty, subject to certain conditions.

The New Credit Facilities are expected to result in a significant reduction in annual finance charges, with the Company's weighted average interest rate decreasing from a previous rate of 6.7% per annum to a current rate of approximately 6.1%.

On November 10, 2017, the Company amended its agreements for the New Credit Facilities to increase the threshold on its debt to trailing twelve month EBITDA covenants in order to mitigate potential future breaches of the financial covenants in the first half of 2018. On March 20, 2018, the Company further amended its agreements for the New Credit Facilities to increase the threshold on its debt to trailing twelve month EBITDA covenant and decrease the threshold on its fixed-charge coverage ratio covenant. The March 20, 2018 amendment relates to the fourth quarter of 2017 and the first three quarters of 2018 due to non-compliance as of December 31, 2017 and to mitigate potential future breaches of covenants in 2018 as a result of timing differences in the transition between contracts and the delayed on-boarding of beds due to issues with a third-party supplier. Although the Company received an amendment subsequent to December 31, 2017, as required under IFRS, the Company has presented its total borrowings amount of \$81.1 million as a current liability. The Company was in compliance with its amended financial performance covenants at December 31, 2017.

Based on its 2018 operating budget and cash flow management initiatives, the Company believes it will be in compliance with the amended financial performance covenants at each quarterly measurement date through to the end of 2018. The Company also anticipates that based on meeting the 2018 operating budget, along with future organic growth, ongoing operational and cost containment initiatives and the benefits from the integration of recent acquisitions, it will generate sufficient cash flow from operations in 2018 to meet its obligations as they come due. There can be no assurance that the Company will be successful in achieving the results as set out in its operating plan for each of the quarters in 2018.

Cash Flow

Cash flow activities for the year ended December 31, 2017 compared to the year ended December 31, 2016, were as follows:

Cash provided by/used in operating activities

Cash provided by operating activities was \$16.1 million compared to \$1.7 million in the prior year:

- Cash provided by operating activities in the year ended December 31, 2017 included additional funds received pursuant to the Company's Supply Agreement as well as a refund on prior taxes paid.
- Cash used by operating activities in the prior year was impacted by the timing of payments, particularly for the accrued transaction costs associated with the Sale Transaction in December 2015.
- The Company has historically generated positive cash flows and anticipates that the cash flow from operations will continue to be positive going forward.

Cash provided by/used in investing activities

Cash used in investing activities was \$8.4 million compared to cash provided by investing activities of \$204.2 million in the prior year:

- Cash used in investing activities in the year ended December 31, 2017 included \$6.8 million for the purchase of property and equipment, \$3.1 million paid related to current and prior year acquisitions and \$1.0 million paid for the investment in AceAge, net of \$3.2 million received as proceeds of contingent consideration from the Sale Transaction.
- Cash provided by investing activities in the prior year relates primarily to the proceeds received with respect to the Sale Transaction.

Cash provided by/used in financing activities

Cash used in financing activities was \$7.7 million compared to \$220.8 million in the prior year:

- Cash used in financing activities in the year ended December 31, 2017 is reflective of the decrease in interest paid, which is consistent with the anticipated impact from the Company's debt reduction efforts.
 - Cash used in financing activities for the prior year was primarily due to the repayment of debt, including the refinancing of historical debt instruments with the New Credit Facilities.
-

Contractual Commitments

The Company's contractual commitments at December 31, 2017, are as follows:

	Total	2018	2019-2020	2021-2022	Thereafter
	\$	\$	\$	\$	\$
Trade payables and other amounts	22.7	22.7	—	—	—
Term Facility	60.0	60.0	—	—	—
Subordinated Facility	11.5	11.5	—	—	—
New Revolving Facility	12.4	12.4	—	—	—
Finance leases	0.3	0.2	0.1	—	—
Interest payments on borrowings	19.5	5.2	9.5	4.8	—
Operating leases	11.0	3.0	4.6	3.1	0.3
Contingent consideration	4.7	2.1	1.9	0.7	—
	142.1	117.1	16.1	8.6	0.3

The Company incurs interest on its New Revolving Facility. Future interest to be paid on the New Revolving Facility cannot be reasonably determined due to the ongoing fluctuation of the New Revolving Facility balance. Interest rates under the New Revolving Facility vary based on the Company's total funded debt to EBITDA ratio with a range between 0.50% to 3.25% over the Canadian prime rate for prime rate loans and 2.00% to 4.75% over CDOR for Bankers' Acceptances and a range of 0.40% to 1.00% for standby fees for amounts not borrowed.

In the normal course of business, the Company enters into significant commitments for the purchase of goods and services, such as the purchase of inventory, most of which are short-term in nature and are settled under normal trade terms.

Equity

As at December 31, 2017, the Company had total shares outstanding of 206,522,963. The outstanding shares include 5,054,232 shares which are restricted or held in escrow and will be released to certain vendors of acquired businesses based on the achievement of certain performance targets and certain customers. In the event that performance targets are not met, escrowed shares are subject to reduction and cancellation based on formulas specific to each transaction. Escrowed and restricted shares are not reflected in the shares reported on the Company's financial statements. Accordingly, for financial reporting purposes, the Company reported 201,468,731 common shares outstanding as at December 31, 2017 and 169,982,529 shares outstanding at December 31, 2016.

For the period ended	December 31, 2017	December 31, 2016
Common shares		
Balance, beginning of period	169,982,529	160,882,600
Issuance of common shares	1,208,036	3,090,000
Issuance of common shares as compensation	—	300,000
Issuance of common shares for extinguishment of debt	28,331,093	—
Common shares released from escrow or issued from treasury for contingent consideration	—	4,553,260
Stock options, warrants and restricted share units exercised	1,947,073	1,156,669
Balance, end of period	201,468,731	169,982,529

Issuance of Deferred Stock-based Compensation

As at December 31, 2017, there were a total of 3,224,080 restricted share units outstanding to grant an equivalent number of common shares.

For the period ended	December 31, 2017	December 31, 2016
Restricted share units		
Balance, beginning of period	4,738,984	2,642,488
Restricted share units granted	952,000	3,820,000
Restricted share units released	(1,563,573)	(1,156,669)
Restricted share units forfeited	(903,331)	(566,835)
Balance, end of period	3,224,080	4,738,984

Issuance of Warrants

As at December 31, 2017, there were 2,972,000 warrants outstanding at a weighted average exercise price of \$0.81.

For the period ended	December 31, 2017	December 31, 2016
Share purchase warrants		
Balance, beginning of period	1,096,000	7,595,507
Warrants granted	1,972,000	96,000
Warrants exercised	(96,000)	—
Warrants expired	—	(6,595,507)
Balance, end of period	2,972,000	1,096,000
Exercisable, end of period	2,900,000	1,096,000

Issuance of Stock Options

As at December 31, 2017, there were a total of 2,347,500 options outstanding to purchase an equivalent number of common shares, with a weighted average exercise price of \$0.39, expiring at various dates through 2020. The number of exercisable options at December 31, 2017, was 692,500 with a weighted average exercise price of \$0.40.

For the period ended	December 31, 2017	December 31, 2016
Common share options		
Balance, beginning of period	3,345,000	5,691,000
Options granted	—	1,550,000
Options exercised	(287,500)	—
Options expired	(370,000)	(3,896,000)
Options canceled/forfeited	(340,000)	—
Balance, end of period	2,347,500	3,345,000
Exercisable, end of period	692,500	1,002,500

Should all outstanding options and warrants that were exercisable at December 31, 2017 be exercised, the Company would receive proceeds of \$2.6 million.

As at the date of this report, March 20, 2018, the number of shares outstanding, including escrowed shares, is 207,139,399; the number of options outstanding is 2,347,500; the number of warrants outstanding is 2,972,000; and the number of restricted share units outstanding is 2,993,246. Included in the shares outstanding are 5,054,232 restricted shares, shares held in escrow, or in trust, and are not freely tradeable.

Transactions with Related Parties

Global Healthcare Investments and Solutions, Inc. ("GHIS") and entities controlled by and related to the shareholders of GHIS including Jamon Investments LLC ("Jamon"), who own 83,483,547 common shares or approximately 40% of the issued and outstanding common shares of the Company as at December 31, 2017. This ownership percentage disclosed assumes the issuance of 5,054,232 escrowed and restricted shares in the total common shares considered to be outstanding.

Related Party Transactions

In the normal course of operations, the Company may enter into certain related party transactions, which may include transactions entered into with Company directors and management. All related party transactions would be for consideration established with the related parties, generally on market terms, and approved by the independent non-executive directors of the Company, including the transactions described below.

One of the Board members, who is also a director and committee member of some of the underlying businesses, is assisting management on an interim basis. Included in the results for the year ended December 31, 2017 are \$180 thousand (2016 - \$120 thousand) of consulting fees related to this arrangement. Included in trade payable and other amounts at December 31, 2017 is \$15 thousand (2016 - \$nil) due to a board member for consulting fees.

For the year ended December 31, 2017, the Company incurred \$51 thousand (2016 - \$300 thousand) in interest on related party amounts. Included in trade payable and other amounts at December 31, 2017 is \$nil (2016 - \$76 thousand)

Related Party Loans

On March 2, 2017, pursuant to the terms of the instrument, the Company early converted the remaining outstanding balance of the Jamon promissory note into common shares. In consideration for early conversion, the Company issued 1,400,000 warrants and additional interest of \$398 thousand to the original maturity date. Prior to early conversion, the Jamon promissory note had a principal balance of \$5.0 million bearing interest at 6% and was due on April 30, 2018.

In the third quarter of 2014, the Company launched a Key Employee Engagement Share Plan ("KEESP") to enable eligible employees to acquire common shares of the Company. The KEESP allows employees to contribute towards the purchase of common shares of the Company whereby the Company will match employee contributions by up to three times with payments capped at a predetermined level. The portion of funds matched by the Company is repayable by the employees as a promissory note bearing interest at 3% in equal annual installments over five years. A receivable from employees of \$60 thousand (December 31, 2016 - \$66 thousand) has been included in trade and other receivables.

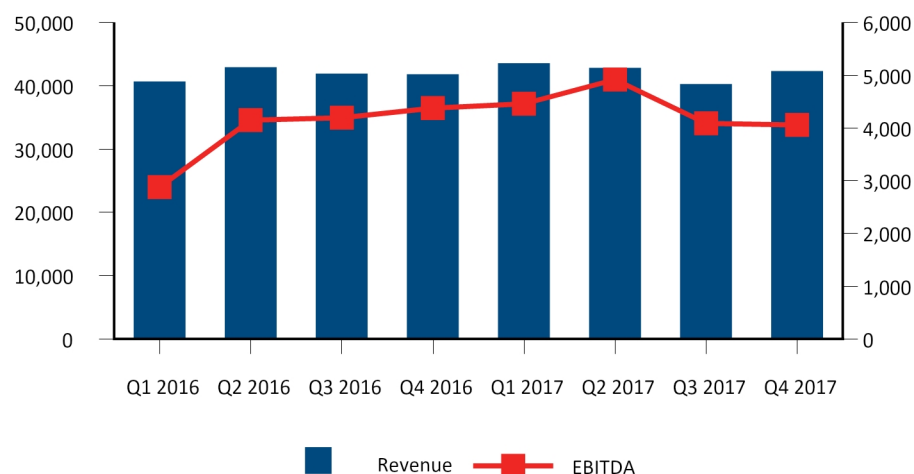
On September 3, 2012, the Company issued 1,000,000 restricted shares to the Company's CEO, which vested over a four year period. These common shares were treated as share-based compensation for accounting purposes, and an expense of \$nil was recorded for year ended December 31, 2017 (\$nil in 2016). As of January 1, 2016, all of the restricted shares have been released (200,000 common shares released on January 1, 2013 and 2014, and 300,000 common shares released on January 1, 2015 and 2016).

Summary of Quarterly Results

	Q4 2017	Q3 2017	Q2 2017	Q1 2017
	\$	\$	\$	\$
(thousands of Canadian Dollars)				
Revenue	42,328	40,250	42,826	43,563
Adjusted EBITDA from continuing operations	4,058	4,084	4,915	4,456
Adjusted EBITDA per share from continuing operations:				
Basic and diluted	\$0.02	\$0.02	\$0.02	\$0.02
Net income (loss) from continuing operations	3,702	248	(600)	(3,870)
Earnings per share from continuing operations:				
Basic and diluted	\$0.02	\$—	\$—	\$(0.02)
Adjusted EBITDA	4,058	4,084	4,915	4,456
Adjusted EBITDA per share:				
Basic and diluted	\$0.02	\$0.02	\$0.02	\$0.02
Net income (loss)	3,301	248	2,600	(3,870)
Earnings per share				
Basic and diluted	\$0.02	\$—	\$0.01	\$(0.02)
	Q4 2016	Q3 2016⁵	Q2 2016⁵	Q1 2016⁵
	\$	\$	\$	\$
Revenue	41,827	41,917	42,925	40,694
Adjusted EBITDA from continuing operations	4,373	4,191	4,146	2,878
Adjusted EBITDA per share from continuing operations:				
Basic and diluted	\$0.03	\$0.03	\$0.03	\$0.02
Net income (loss) from continuing operations	(1,423)	3,428	(11,405)	(8,876)
Earnings per share from continuing operations:				
Basic and diluted	\$(0.01)	\$0.02	\$(0.07)	\$(0.05)
Adjusted EBITDA	4,363	4,198	4,082	2,821
Adjusted EBITDA per share				
Basic and diluted	\$0.03	\$0.03	\$0.03	\$0.02
Net income (loss)	(1,746)	3,409	(11,447)	(10,022)
Earnings per share				
Basic and diluted	\$(0.01)	\$0.02	\$(0.07)	\$(0.06)

⁵ Adjusted EBITDA from continuing operations includes a restatement of previously reported amounts in order to reflect the impact of discontinued operations for businesses that were divested in 2015 and 2016.

Revenue from Continuing Operations and Adjusted EBITDA by Quarter
(in \$000)



Up to the second quarter of 2017, the Company had achieved steady growth in Consolidated Revenue and Adjusted EBITDA across its core operations, despite the impact of the ODB decreases and contract transitions, driven by both accretive acquisitions and organic growth. This was followed by a temporary decline in the third quarter of 2017 in Consolidated Revenue and Adjusted EBITDA as a result of the timing of transitions of certain Specialty Pharmacy contracts, coupled with excess labour costs arising from the off-boarding and on-boarding process that could not be eliminated in the short-term. In the fourth quarter of 2017, the Company's Consolidated Revenue and Adjusted EBITDA remained flat as the transition to the New Contract in Specialty Pharmacy neared completion throughout the quarter.

Following the completion of the contract transitions, the Company expects to continue to see year-over-year increases in both Revenue and Adjusted EBITDA from continuing operations as a result of its focus on organic growth, strategic acquisitions and operational efficiencies.

Upon announcement of the Sale Transaction in 2015, the Company immediately began a rightsizing initiative of its corporate functions. Planned rightsizing initiatives have been substantially completed and the Company currently has a run rate for corporate office expenses as a proportion of Revenue from continuing operations below its target of 4%.

Disclosure Controls and Procedures and Internal Control Over Financial Reporting

Disclosure controls and procedures have been designed to ensure that information required to be disclosed by the Company is accumulated and communicated to the Company's management as appropriate to allow timely decisions regarding required disclosure.

The Chief Executive Officer and the Chief Financial Officer (collectively the "Certifying Officers") are responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuer's Annual and Interim Filings*, for the Company.

The Certifying Officers have concluded that, as at December 31, 2017, the Company's DC&P has been designed effectively to provide reasonable assurance that (a) material information relating to the Company is made known to them by others, particularly during the period in which the annual filings are being prepared; and (b) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted, recorded, processed, summarized and reported within the time periods specified in the securities legislation.

There have been no significant changes to the Company's ICFR over the year ended December 31, 2017, which has materially affected, or is reasonably likely to materially affect the Company's ICFR. Based on their evaluation of these controls for the year ended December 31, 2017, the CEO and CFO have also concluded that the Company's ICFR have been designed effectively to provide reasonable assurance regarding the reliability of the preparation and presentation of the financial statements for external purposes and that ICFR were effective as at December 31, 2017. The Company used the COSO control framework to evaluate DC&P and ICFR.

It should be noted that while the Company's Certifying Officers believe that the Company's DC&P provides a reasonable level of assurance that they are effective, they do not expect that the disclosure controls will prevent all errors and fraud. A control system, no matter how well conceived or operated, can only provide reasonable, not absolute, assurance that the objectives of the control system are met.

ICFR is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external reporting purposes in line with International Financial Reporting Standards. Management is responsible for establishing and maintaining adequate internal controls over financial reporting appropriate to the nature and size of the Company. However, any system of internal control over financial reporting has inherent limitations and can only provide reasonable assurance with respect to financial statement preparation and presentation.

In conjunction with the conversion to the new IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers, the Company is currently evaluating the impact of the change to its control environment.

Critical Accounting Policies and Estimates

Critical Accounting Policies

The consolidated financial statements have been prepared in accordance with IFRS and its interpretations as issued by the International Accounting Standards Board ("IASB") that are effective for the year ended December 31, 2017.

Our significant accounting policies are disclosed in note 1 of the consolidated financial statements.

New standards, amendments and interpretations adopted by the Company

A number of amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2017. There were no significant new standards that have been adopted by the Company for the first time for the financial year beginning on or after January 1, 2017.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

The amendments are effective prospectively for annual periods beginning on or after January 1, 2017, with early adoption permitted. These amendments did not have any impact to the Company given that the Company has not used a revenue-based method to depreciate its non-current assets.

New standards, amendments and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2018 and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early.

IFRS 9 *Financial instruments* addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 *Financial instruments: Recognition and measurement* that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for

financial assets: amortized cost, fair value through OCI and fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39.

For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after January 1, 2018 and early adoption is permitted. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

In May 2015, the IASB issued IFRS 15 *Revenue from contracts with customers*. IFRS 15 replaces all previous revenue recognition standards, including IAS 18 *Revenue* and IAS 11 *Construction contracts* and related interpretations. IFRS 15 provides a comprehensive five-step revenue recognition model for all contracts with customers. The IFRS 15 revenue recognition model requires management to exercise significant judgment and make estimates that affect revenue recognition. The standard is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

IFRS 16 *Leases* introduces a single on-balance sheet recognition and measurement model for lessees, eliminating the distinction between operating and finance leases for leases with terms of more than twelve months, unless the underlying asset is of low value. Lessor accounting for leases as finance and operating leases will remain substantially unchanged. The IASB issued the standard in 2016, replacing IAS 17 *Leases* and related interpretations. IFRS 16 becomes effective for annual periods beginning on or after January 1, 2019, and is to be applied retrospectively. Early adoption is permitted if IFRS 15 has been adopted. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

Critical Accounting Estimates and Judgments

The preparation of financial statements requires the Company to estimate the effect of various matters that are inherently uncertain as of the date of the financial statements. Each of these required estimates varies in regard to the level of judgment involved and its potential impact on the Company's reported financial results. Estimates are deemed critical when a different estimate could have reasonably been used or where changes in the estimate are reasonably likely to occur from period to period, and would materially impact the Company's financial condition, changes in financial condition or results of operations.

Significant critical accounting estimates include the collectability of receivables, assessment of impairment of goodwill and intangible assets, the recognition of contingent consideration, the valuation of deferred tax assets and tax provisions and the accounting for business combinations.

Collectability of Receivables

The Company assesses the collectability of receivables on an ongoing basis. A provision for the impairment of receivables involves management judgment and includes the review of individual receivables based on individual customer creditworthiness, current economic trends and analysis of historical bad debts.

Goodwill and Intangible Assets Valuation

The Company performs an impairment assessment of goodwill and indefinite life intangible assets on an annual basis and at any other time if events or circumstances make it possible that impairment may have occurred. The Company also considers whether there are any triggers for impairment at each quarter end. Determining whether impairment of goodwill has occurred requires a valuation of the respective business unit, based on its fair value, which is based on a number of factors, including discounted cash flows, future business plans, economic projections and market data.

An indefinite-life intangible asset is tested for impairment annually, or more frequently, if events or changes in circumstances indicate that the asset might be impaired. The impairment test consists of a comparison of the fair value of the indefinite-life intangible asset with its carrying amount. When the carrying amount of the indefinite-life intangible asset exceeds its fair value, an impairment loss should be recognized in an amount equal to the excess.

The Company tests the valuation of goodwill and indefinite life intangibles as at June 30 of each year to determine whether or not any impairment in the goodwill and intangible balances recorded exists. In addition, on a quarterly basis, management assesses the reasonableness of assumptions used for the valuation to determine if further impairment testing is required.

Recognition of Contingent Consideration

The Company recognizes the fair value of contingent consideration relating to its business acquisitions at the date the transaction closes and at each subsequent reporting date. The purchase price of most acquisitions is subject to the financial performance of the businesses being acquired. The number of shares, either issued in escrow and subsequently released to the vendor, or to be issued at a later date varies based on the acquired business achieving predetermined earnings targets over a specified period.

In addition, warrants are issued when these performance targets are exceeded generally based on an accrual of warrants to the extent of such excess. The exercise price of the warrants is based on the Company's share price at the date of closing. As a result of this variability, the fair value of the contingent consideration is recorded as a financial liability irrespective of the fact that this liability will be settled on a non-cash basis through the issuance of shares and warrants.

Subsequent changes in fair value between reporting periods are included in the determination of net income. Changes in fair value arise as a result of changes in the Company's share price and changes in the estimated probability of achieving the earnings targets. Shares issued or released from escrow in final settlement of contingent consideration are recognized at their fair value at the time of issue with a corresponding reduction in the contingent consideration liability.

Valuation of Deferred Tax Assets

In its valuation of deferred tax assets, the Company considers the extent to which it is probable that the deferred tax asset will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable profits during the period in which those temporary losses and tax loss carryforwards become deductible. The Company considers the expected reversal of deferred tax liabilities and projected future taxable income in making this assessment. The Company expects that future operations will generate sufficient taxable income to realize the deferred tax assets except for an unrecognized deferred tax asset of \$7.5 million which the Company has not recorded at December 31, 2017.

Business Combinations

Upon the completion of business acquisitions, management's judgment is required to estimate the purchase price, and to identify and fair value all assets and liabilities acquired. The determination of the fair value of assets and liabilities acquired is based on management's estimates and certain assumptions generally included in a present value calculation of the related cash flows.

Off-Balance Sheet Arrangements

As at December 31, 2017, the Company has no off-balance sheet arrangements.

Risks and Uncertainties

The business of Centric Health is subject to a number of risks and uncertainties. Prior to making any investment decision regarding the Company, investors should carefully consider, among other things the risks described herein (including the section on caution regarding forward looking statements).

Government Regulation and Funding

General Healthcare Regulation

Healthcare service providers in Canada are subject to various governmental regulation and licensing requirements and, as a result, the Company's businesses operate in an environment in which government regulations and funding play a key role. The level of government funding directly reflects government policy related to healthcare spending, and decisions can be made regarding such funding that are largely beyond the businesses' control. Any change in governmental regulation, delisting of services, and licensing requirements relating to healthcare services, or their interpretation and application, could adversely affect the business, financial condition and results of operations of these business units. In addition, the Company could incur significant costs in the course of complying with any changes in the regulatory regime. Non-compliance with any existing or proposed laws or regulations could result in audits, civil or regulatory proceedings, fines, penalties, injunctions, recalls or seizures, any of which could adversely affect the reputation, operations or financial performance of the Company.

Pharmacy Industry Regulation

One of the Company's main business lines is the provision of traditional and specialty pharmacy services. Following the acquisitions of Pharmicare, CareRx, Pharmacy West, Medicine Hat and Grande Prairie, the Company is reliant on prescription drug sales for a significant portion of its sales and profits. Prescription drugs and their sales are subject to numerous federal, provincial, territorial and local laws and regulations. Changes to these laws and regulations, or non-compliance with these laws and regulations, could adversely affect the reputation, operations or financial performance of the Company.

Federal and provincial laws and regulations that establish public drug plans typically regulate prescription drug coverage, patient eligibility, pharmacy reimbursement, drug product eligibility and drug pricing and may also regulate manufacturer allowance funding that is provided to or received by pharmacy or pharmacy suppliers. With respect to pharmacy reimbursement, such laws and regulations typically regulate the allowable drug cost of a prescription drug product, the permitted mark-up on a prescription drug product, the professional or dispensing fees that may be charged on prescription drug sales to patients eligible under

the public drug plan and the frequency in which such professional or dispensing fees may be charged. With respect to drug product eligibility, such laws and regulations typically regulate the requirements for listing the manufacturer's products as a benefit or partial benefit under the applicable governmental drug plan, drug pricing and, in the case of generic prescription drug products, the requirements for designating the product as interchangeable with a branded prescription drug product. In addition, other federal, provincial, territorial and local laws and regulations govern the approval, packaging, labeling, sale, marketing, advertising, handling, storage, distribution, dispensing and disposal of prescription drugs.

Sales of prescription drugs, pharmacy reimbursement and drug prices may be affected by changes to the health care industry, including legislative or other changes that impact patient eligibility, drug product eligibility, the allowable cost of a prescription drug product, the mark-up permitted on a prescription drug product, the amount of professional or dispensing fees paid by third-party payers or the provision or receipt of manufacturer allowances by pharmacy and pharmacy suppliers.

The majority of prescription drug sales are reimbursed or paid by third-party payers, such as governments, insurers or employers. These third-party payers have pursued and continue to pursue measures to manage the costs of their drug plans. Each provincial jurisdiction has implemented legislative and/or other measures directed towards managing pharmacy service costs and controlling increasing drug costs incurred by public drug plans and private payers which impact pharmacy reimbursement levels and the availability of manufacturer allowances. Legislative measures to control drug costs include lowering of generic drug pricing, restricting or prohibiting the provision of manufacturer allowances and placing limitations on private label prescription drug products.

On September 1, 2017, the Ontario Ministry of Health and Long-Term Care announced certain changes to the regulations made under the Ontario Drug Benefit Act to temporarily adjust the amount paid to pharmacies for supplying a listed drug product under the ODB program. The amount deducted is 2.8% of the sum of the dispensing fee, mark-up and compounding fee for certain drug claims. This temporary adjustment was made effective as of September 1, 2017 and will end on the earlier of February 28, 2019 and the day the total payment adjustment reaches \$35 million.

In addition, on January 29, 2018, the pCPA, which represents participating federal, provincial, and territorial public drug plans, announced that it reached a new 5-year agreement with the CGPA with respect to the pricing of generic drugs in Canada. According to the pCPA announcement, as of April 1, 2018, the prices of nearly 70 of the most commonly

prescribed drugs in Canada will be reduced by 25% - 40%, resulting in overall discounts of up to 90% off the price of their brand-name equivalents. These drugs include those used to treat high blood pressure, high cholesterol, and depression, and are collectively used by millions of Canadians.

Furthermore, on February 28, 2018, Alberta Health announced a new funding framework that was entered into with the Alberta Pharmacists' Association to take effect May 17, 2018. Amongst other things, the announcement stated that dispensing fees in the Province will drop from \$12.30 to \$12.15 and a limit on the number of frequent dispensing fees will be introduced (daily dispensing fees will be limited to three per day per patient and monthly dispensing fees will be limited to two per drug per 28 days). The Company is actively seeking to engage with the Government of Alberta to discuss revisions to the funding model.

While the Company is taking action to mitigate the effects of these changes, these, as well as other ongoing changes impacting pharmacy reimbursement programs, prescription drug pricing and manufacturer allowance funding, legislative or otherwise, are expected to continue to put downward pressure on prescription drug sales and payments relating thereto. These changes may have a material adverse impact on the Company's business, sales and profitability.

Private Surgery Regulation

There are currently initiatives intended to compel enforcement by the Medicare Services Commission of the Government of British Columbia (the "Commission") of certain provisions of the Medicare Protection Act (British Columbia) ("Act") against private clinics operating in the province with the use of doctors enrolled in the Medicare Services Plan of British Columbia (the "Plan"). The Plan insures medically-necessary services for residents of British Columbia. Under the Act, enrolled doctors are prohibited from providing services in both the public and private systems. The Company's subsidiary, False Creek Health Care Centre LP ("False Creek"), operates a private clinic in British Columbia that uses the services of independent doctors that are enrolled under the Plan. A constitutional challenge has been brought by another private clinic in British Columbia challenging certain provisions of the Act, including the prohibition of enrolled doctors from providing services in both the public and private systems. The goal of the challenge is to have the Commission remove the restrictions that prevent British Columbia residents from obtaining timely, and potentially life-saving, medical care. The matter was set to go to trial in September 2014 and, following subsequent adjournments, commenced in September 2016. To date, a number of procedural and evidentiary matters have been heard, but the trial has been adjourned and is expected to resume in the second quarter of 2018.

If the constitutional challenge is successful then this should dispose of initiatives intended to compel enforcement by the Commission of certain provisions of the Act. If the constitutional challenge is unsuccessful and the Commission commences initiatives aimed at enforcement of the Act, it could have a direct impact on a portion of the surgical procedures at False Creek. Enforcement measures of the Commission could include compelling of facility audits, injunctions and/or penalties or other compensatory measures. There can be no assurance at this time as to the outcome of the constitutional challenge or any initiatives of the Commission as against enrolled doctors or private clinics in British Columbia. The Company is actively monitoring the developments in the constitutional challenge, as well as conducting its own investigations into the applicability of, and measures under, the Act.

Uncertainty of Liquidity and Capital Requirements

The future capital requirements of the Company will depend on many factors, including the number and size of acquisitions consummated, rate of growth of its client base, the costs of expanding into new markets, the growth of the market for healthcare services and the costs of administration. In order to meet such capital requirements, the Company may consider additional public or private financing (including the incurrence of debt and the issuance of additional common shares) to fund all or a part of a particular venture, which could entail dilution of current investors' interest in the Company. There can be no assurance that additional funding will be available or, if available, that it will be available on acceptable terms. If adequate funds are not available, the Company may have to reduce substantially or otherwise eliminate certain expenditures. There can be no assurance that the Company will be able to raise additional capital if its capital resources are depleted or exhausted.

Further, due to regulatory impediments and lack of investor appetite, the ability of the Company to issue additional common shares or other securities exchangeable for or convertible into common shares to finance acquisitions may be restricted.

The Company currently has a New Credit Facility, pursuant to which it is subject to a number of customary affirmative and negative financial covenants. In addition, the New Credit Facility is collateralized by substantially all of the Company's assets. In the event of a default, including, among other things, a failure to make any payment when due or non-observance any term of the agreement, all of the Company's obligations may immediately become due and payable, and the lenders would also be entitled to realize on their security and liquidate the assets of the Company. The Company is in compliance with its amended covenants as at the year ended December 31, 2017 and is forecasting to be in compliance with its amended covenants in 2018.

Reliance on Contracts with Key Customers

Revenues attributable to the Company's businesses are dependent upon certain significant customers. There can be no assurance that the Company's contracts with its key customers will be renewed or that the Company's services will continue to be utilized by those key customers. There could be material adverse effects on the businesses of the Company if a key customer does not renew its contracts with the Company, or elects to terminate its contracts with the Company in favour of another service provider. Further, there is no assurance that any new agreement or renewal entered into by the Company with its customers will have terms similar to those contained in current arrangements, and the failure to obtain those terms could have an adverse effect on the Company's businesses.

Supply Chain

The Company sources the majority of its pharmaceutical products from a single supplier. Therefore, the Company's distribution operations and supply chain are exposed to potential disruptions which could affect the cost and timely delivery of pharmaceutical products. While the Company has made provision for any disruption of service, any disruption, even if temporary, could negatively affect the Company's sales and financial performance.

Litigation & Insurance Cover

From time to time the Company is involved in litigation, investigations or proceedings related to claims arising out of its operations in the ordinary course of business. In the opinion of the Company, these claims and lawsuits in the aggregate, when settled are not expected to have a material impact on the Company's financial position, results of operations or cash flows. However, to the extent that management's assessment of the Company's exposure in respect of such matters is either incorrect or changes as a result of any determinations made by judges or other finders of fact, the Company's exposure could exceed current expectations, which could have a material adverse effect on its financial position, results of operations or cash flows.

The Company makes acquisitions of various sizes that may involve consideration to vendors in the form of cash and securities of the Company, as well as adjustment or contingent consideration that may take the form of price protection, earn-outs or performance rewards over a period of time. Contestation through litigation by vendors at a future date of actual, or applicable, entitlements under the negotiated agreements can happen, and may result in liabilities and contingencies to the Company or strained working relationships with vendors turned key employees in connection with the acquisition. The Company also completes divestitures of various sizes and the Company may from time-to-time be a party to a dispute relating to the

transaction, which could result in liabilities and/or contingencies to the Company.

In recent years, liability insurance coverage has become considerably more expensive and the availability of coverage has been reduced in certain cases. There is no assurance that the existing coverage will continue to be sufficient or that, in the future, policies will be available at adequate levels of insurance or at acceptable costs. The Company maintains professional malpractice liability insurance, directors' and officers' and general liability insurance in amounts it believes are sufficient to cover potential claims arising out of its operations. Some claims, however, could exceed the scope of its coverage or the coverage of particular claims could be denied.

Due to the nature of the services provided by the Company, general liability and error and omissions claims may be asserted against the Company with respect to disability management services and malpractice claims may be asserted against Centric Health, or any of its subsidiaries, with respect to healthcare services. Although the Company carries insurance in amounts that management believes to be standard in Canada for the operation of healthcare facilities, there can be no assurance that the Company will have coverage of sufficient scope to satisfy any particular liability claim. The Company believes that it will be able to obtain adequate insurance coverage in the future at acceptable costs, but there can be no assurance that it will be able to do so or that it will not incur significant liabilities in excess of policy limits. Any such claims that exceed the scope of coverage or applicable policy limits, or an inability to obtain adequate coverage, could have a material adverse effect on the Company's business, financial condition and results of operations.

Competition

The markets for Centric Health's products and services are intensely competitive, subject to rapid change and significantly affected by market activities of other industry participants. Other than relationships the Company has built up with insurance companies, healthcare providers, retirement homes and long term care homes and patients, there is little to prevent the entrance of those wishing to provide similar services to those provided by Centric Health and its subsidiaries. Competitors with greater capital and/or experience may enter the market or compete for referrals from insurance companies and the services of available healthcare professionals. There can be no assurance that Centric Health will be able to compete effectively for these referrals and healthcare professionals, that additional competitors will not enter the market, that such competition will not make it more difficult or expensive to provide disability management services or that competitive pressures in the provision of these services in a geographic region will not otherwise adversely affect Centric Health.

Acquisitions and Integration

The Company has and continues to expect to make acquisitions of various sizes that fit particular niches within Centric Health's overall corporate strategy. There is no assurance that it will be able to acquire businesses on satisfactory terms or at all. These acquisitions will involve the commitment of capital and other resources, and these acquisitions could have a major financial impact in the year of acquisition and beyond. The speed and effectiveness with which Centric Health integrates these acquired companies into its existing businesses may have a significant short-term impact on Centric Health's ability to achieve its growth and profitability targets.

The successful integration and management of acquired businesses involves numerous risks that could adversely affect Centric Health's growth and profitability, including that:

- (a) Management may not be able to manage successfully the acquired operations and the integration may place significant demands on management, thereby diverting its attention from existing operations;
- (b) Operational, financial and management systems may be incompatible with or inadequate to integrate into Centric Health's systems and management may not be able to utilize acquired systems effectively;
- (c) Acquisitions may require substantial financial resources that could otherwise be used in the development of other aspects of the business;
- (d) Acquisitions may result in liabilities and contingencies which could be significant to the Company's operations; and
- (e) Personnel from Centric Health's acquisitions and its existing businesses may not be integrated as efficiently or at the rate foreseen.

The acquisition of healthcare-related companies or assets involves a long cost recovery cycle. The sales processes for the products that these companies offer are often subject to lengthy customer approval processes. Failures by the Company in achieving signed contracts after the investment of significant time and effort in the sales process could have an adverse impact on the Company's operating results.

Referrals

In the Surgical and Medical Centres segment, the patient referrals are dependent on the surgical practitioners affiliated therewith. Surgical practitioners have no contractual obligation or economic incentive to refer patients to the surgical centres. Should surgical practitioners discontinue referring patients or performing operations at the surgical centres, the business, financial condition and results of operations of Centric Health could be adversely affected.

Shortage of Healthcare Professionals

As the Company expands its operations, it may encounter difficulty in securing the necessary professional medical and support staff to support its expanding operations. There is currently a shortage of certain medical specialty physicians and nurses in Canada and this may affect Centric Health's ability to hire physicians, nurses and other healthcare practitioners in adequate numbers to support its growth plans, which may adversely affect the business, financial condition and results of operations.

Credit Risk

The Company is exposed to credit risk to the extent that its clients become unable to meet their payment obligations. The Company's exposure to concentrations of credit risk is limited. Accounts receivable are from the workers compensation boards, government agencies, employers, insurance companies and patients.

Information Technology Systems

Centric Health's businesses depend, in part, on the continued and uninterrupted performance of its information technology systems. Sustained system failures or interruptions could disrupt the Company's ability to operate effectively, which in turn could adversely affect its business, results of operations and financial condition.

The Company's computer systems may be vulnerable to damage from a variety of sources, including physical or electronic break-ins, computer viruses and similar disruptive problems. Despite precautions taken, unanticipated problems affecting the information technology systems could cause interruptions for which Centric Health's insurance policies may not provide adequate compensation.

Exposure to Epidemic or Pandemic Outbreak

As Centric Health's businesses are focused on healthcare, its employees and/or facilities could be affected by an epidemic or pandemic outbreak, either within a facility or within the communities in which Centric operates. The Company has developed protocols and procedures should they be required to deal with any potential outbreaks impacting its facilities. Despite appropriate steps being taken to mitigate such risks, there can be no assurance that existing policies and procedures will ensure that Centric Health's operations would not be adversely affected.

Confidentiality of Personal and Health Information

Centric Health and its subsidiaries' employees have access, in the course of their duties, to personal information of clients of the Company and specifically their medical histories. There can be no assurance that the Company's existing policies, procedures and systems will be sufficient to address the privacy concerns of existing and future clients. If a client's privacy is violated, or if Centric Health is found to have violated any law or regulation, it could be liable for damages or for criminal fines or penalties.

Key Personnel

The Company believes that its future success will depend significantly upon its ability to attract, motivate and retain highly skilled executive management. In addition, the success of each business unit depends on employing or contracting, as the case may be, qualified healthcare professionals. Currently, there is a shortage of such qualified personnel in Canada. The Company will compete with other potential employers for employees and it may not be successful in keeping the services of the executives and other employees, including healthcare professionals that it requires. The loss of highly skilled executives and healthcare professionals or the inability to recruit these individuals in markets that the Company operates in could adversely affect the Company's ability to operate its business efficiently and profitably.

Accounting, Tax and Legal Rules and Laws

Any changes to accounting and/or tax standards and pronouncements introduced by authorized bodies may impact on the Company's financial performance. Additionally, changes to any of the federal and provincial laws, regulations or policies in jurisdictions where the Company operates could materially affect the Company's operations and its financial performance. The Company may also incur significant costs in order to comply with any proposed changes. The Company's failure to comply with laws, regulations or policies may expose the Company to legal or regulatory proceedings which could have a material impact on the Company's financial performance.

Internal Control over Financial Reporting and Disclosure Controls and Procedures

The Company may face risks if there are deficiencies in its internal control over financial reporting and disclosure controls and procedures. Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external reporting purposes. Management is responsible for establishing and maintaining adequate internal controls over financial reporting appropriate to the nature and size of the Company.

The Board, in conjunction with its Audit Committee, is responsible for assessing the progress and sufficiency of internal controls over financial reporting and disclosure controls and procedures and will make adjustments as necessary. However, these initiatives may not be effective at remedying any deficiencies in internal control over financial reporting and disclosure controls and procedures. Any deficiencies, if uncorrected, could result in the Company's financial statements being inaccurate and in future adjustments or restatements of its financial statements, which could adversely affect the price of the shares and Centric Health's business, financial condition and results of operations.

Capital Investment

The timing and amount of capital expenditures by the Company will be dependent upon the Company's ability to utilize credit facilities, raise new debt, generate cash from operations, meet working capital requirements and sell additional shares in order to accommodate these items. There can be no assurance that sufficient capital will be available on acceptable terms to the Company for necessary or desirable capital expenditures or that the amount required will be the same as currently estimated. Lack of these funds could limit the future growth of the Company and its subsidiaries and their respective cash flows.

Dilution

The Company's by-laws authorize the Company, in certain circumstances, to issue an unlimited number of shares for the consideration and on those terms and conditions as are established by the Board without the approval of the Shareholders, who have no pre-emptive rights in connection with such issuances. Any further issuance of shares may dilute the interests of existing shareholders.

Significant Shareholders

There are significant shareholders of the Company that may be long-term holders of the common shares in the Company. This has the effect of reducing the public float for the common shares, which may, in turn, impact the liquidity for the shares. In addition, relatively low liquidity may adversely affect the price at which the common shares of the Company trade on the listed market.

Ethical Business Conduct

A violation of law, the breach of Company policies or unethical behaviour may impact the Company's reputation which in turn could negatively affect the Company's financial performance. The Company has established policies and procedures, including a Code of Business Conduct, to support a culture with high ethical standards.

Volatile Market Price for Securities of the Company

The market price for securities may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control, including:

- actual or anticipated fluctuations in the Company's quarterly results of operations;
- changes in estimates of future results of operations by the Company or securities research analysts;
- changes in the economic performance or market valuations of other companies that investors deem comparable to the Company;
- addition or departure of the Company's executive officers and other key personnel;
- release or other transfer restrictions on outstanding securities;
- sales or perceived sales of additional securities;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Company or its competitors; and,
- news reports relating to trends, concerns or competitive developments, regulatory changes and other related issues in the Company's industry or target markets.

Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of securities of companies and that have, in many cases, been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the securities of the Company may decline even if the operating results, underlying asset values or prospects have not changed.

Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. As well, certain institutional investors may base their investment decisions on consideration of the Company's environmental, governance and social practices and performance against such institutions' respective investment guidelines and criteria, and failure to meet such criteria may result in a limited or no investment in the Company's securities by those institutions, which could adversely affect the trading price of the Company's securities. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility continue, the Company's operations and the trading price of the Company's securities may be adversely affected.

The Company Needs to Comply with Financial Reporting and Other Requirements as a Public Company

The Company is subject to reporting and other obligations under applicable Canadian securities laws and TSX rules, including National Instrument 52-109. These reporting and other obligations place significant demands on the Company's management, administrative, operational and accounting resources. Moreover, any failure to maintain effective internal controls could cause the Company to fail to meet its reporting obligations or result in material misstatements in its consolidated financial statements. If the Company cannot provide reliable financial reports or prevent fraud, its reputation and operating results could be materially harmed, which could also cause investors to lose confidence in the Company's reported financial information, which could result in a lower trading price of its securities.

Management does not expect that Company's disclosure controls and procedures and internal controls over financial reporting will prevent all error and all fraud. A control system, no matter how well designed and implemented, can provide only reasonable, not absolute, assurance that its objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues within a company are detected. The inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of some persons, by collusion of two or more people or by management override of the controls. Due to the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Future Sales of the Company's Securities by Directors and Executive Officers

Subject to compliance with applicable securities laws, directors and executive officers and their affiliates may sell some or all of their securities in the Company in the future. No prediction can be made as to the effect, if any, such future sales will have on the market price of the Company's securities prevailing from time to time. However, the future sale of a substantial number of securities by the Company's directors and executive officers and their controlled entities, or the perception that such sales could occur, could adversely affect prevailing market prices for the Company's securities.

Directors and Officers May Have Conflicts of Interest

Certain of the directors and officers of the Company may also serve as directors and/or officers of other companies and consequently there exists the possibility for such directors and officers to be in a position of conflict. Any decision made by any of such directors and officers involving the Company are being made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Company.

Third Party Service Providers

The Company is reliant upon third-party service providers in respect of certain of its operations. It is possible that negative events affecting these third-party service providers, or any negligence or failure to perform the services as contemplated, could, in turn, negatively impact the Company. In order to minimize operating risks, the Company actively monitors and manages its relationships with its third-party service providers.

Reconciliation of Non-IFRS Measures

This MD&A includes certain measures which have not been prepared in accordance with IFRS such as EBITDA, Adjusted EBITDA and Adjusted EBITDA per share. These non-IFRS measures are not recognized under IFRS and, accordingly, users are cautioned that these measures should not be construed as alternatives to net income determined in accordance with IFRS. The non-IFRS measures presented are unlikely to be comparable to similar measures presented by other issuers.

EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin and Adjusted EBITDA Per Share

The Company defines EBITDA as earnings before depreciation and amortization, interest expense, amortization of lease incentives, and income tax expense (recovery). Adjusted EBITDA is defined as EBITDA before transaction and restructuring costs, change in fair value of contingent consideration liability, impairments, change in fair

value of derivative financial instruments, gain on disposal of property and equipment and stock based compensation expense. Adjusted EBITDA Margin is defined as Adjusted EBITDA divided by revenue. Adjusted EBITDA per share is defined as Adjusted EBITDA divided by the weighted outstanding shares on both a basic and diluted basis. The Company believes that Adjusted EBITDA is a meaningful financial metric as it measures cash generated from operations which the Company can use to fund working capital requirements, service interest and principal debt repayments and fund future growth initiatives. The Company's agreements with senior lenders are structured with certain financial performance covenants which includes Adjusted EBITDA as a key component of the covenant calculations. EBITDA and Adjusted EBITDA are not recognized measures under IFRS.

	For the three month periods ended December 31,		For the years ended December 31,	
	2017	2016	2017	2016
(thousands of Canadian Dollars)	\$	\$	\$	\$
Income (loss) from continuing operations	3,702	(1,423)	(520)	(18,276)
Depreciation and amortization	2,394	2,517	9,522	11,642
Interest expense	1,485	3,157	9,902	18,348
Amortization of lease incentives	89	(51)	(50)	(264)
Income tax recovery	(1,388)	(1,208)	(1,483)	(8,872)
EBITDA from continuing operations	6,282	2,992	17,371	2,578
Transaction and restructuring costs	1,938	1,094	6,061	6,803
Change in fair value of contingent consideration liability	(4,352)	(169)	(6,047)	5,238
Reversal of impairment losses	—	—	(322)	—
Share-based compensation expense	282	234	938	790
Change in fair value of derivative financial instruments	(90)	228	(534)	188
Gain (loss) on disposal of property and equipment	(2)	(6)	47	(7)
Adjusted EBITDA from continuing operations	4,058	4,373	17,514	15,590
Adjusted EBITDA from discontinued operations	—	(10)	—	(124)
Adjusted EBITDA	4,058	4,363	17,514	15,466
Weighted average number of shares - basic and diluted	200,641	169,161	194,782	164,444
Adjusted EBITDA per share from continuing operations- basic and diluted	\$0.02	\$0.03	\$0.09	\$0.09
Adjusted EBITDA per share - basic and diluted	\$0.02	\$0.03	\$0.09	\$0.09

Adjusted EBITDA by Segment for the Three Month Periods and the Years Ended December 31, 2017 and 2016

For the three month period ended December 31, 2017

	Specialty Pharmacy \$	Surgical and Medical Centres \$	Corporate \$	Total \$
Net income from continuing operations before interest expense and income taxes	1,247	1,149	1,403	3,799
Depreciation and amortization	1,663	485	246	2,394
Amortization of lease incentives	134	(45)	—	89
EBITDA from continuing operations	3,044	1,589	1,649	6,282
Transaction and restructuring costs	568	19	1,351	1,938
Change in fair value of contingent consideration liability	—	—	(4,352)	(4,352)
Share-based compensation expense	—	—	282	282
Loss on disposal of property and equipment	(2)	—	—	(2)
Change in fair value of derivative financial instruments	—	—	(90)	(90)
Adjusted EBITDA from continuing operations	3,610	1,608	(1,160)	4,058

For the year ended December 31, 2017

	Specialty Pharmacy \$	Surgical and Medical Centres \$	Corporate \$	Total \$
Net income from continuing operations before interest expense and income taxes	6,288	4,722	(3,111)	7,899
Depreciation and amortization	6,768	1,902	852	9,522
Amortization of lease incentives	109	(178)	19	(50)
EBITDA from continuing operations	13,165	6,446	(2,240)	17,371
Transaction and restructuring costs	3,804	55	2,202	6,061
Change in fair value of contingent consideration liability	—	—	(6,047)	(6,047)
Reversal of impairment losses	—	(322)	—	(322)
Share-based compensation expense	—	—	938	938
Loss on disposal of property and equipment	47	—	—	47
Change in fair value of derivative financial instruments	—	—	(534)	(534)
Adjusted EBITDA from continuing operations	17,016	6,179	(5,681)	17,514

For three month period ended December 31, 2016

	Specialty Pharmacy \$	Surgical and Medical Centres \$	Corporate \$	Total \$
Net income (loss) from continuing operations before interest expense and income taxes	2,647	696	(2,817)	526
Depreciation and amortization	1,775	619	123	2,517
Amortization of lease incentives	3	(45)	(9)	(51)
EBITDA from continuing operations	4,425	1,270	(2,703)	2,992
Transaction and restructuring costs	478	(97)	713	1,094
Gain on disposal of PPE	(6)	—	—	(6)
Change in fair value of contingent consideration liability	—	—	(169)	(169)
Share-based compensation expense	—	—	234	234
Change in fair value of derivative financial instruments	—	—	228	228
Adjusted EBITDA from continuing operations	4,897	1,173	(1,697)	4,373

For the year ended December 31, 2016

	Specialty Pharmacy \$	Surgical and Medical Centres \$	Corporate \$	Total \$
Net income (loss) from continuing operations before interest expense and income taxes	7,938	2,467	(19,205)	(8,800)
Depreciation and amortization	8,603	2,537	502	11,642
Amortization of lease incentives	(6)	(187)	(71)	(264)
EBITDA from continuing operations	16,535	4,817	(18,774)	2,578
Transaction and restructuring costs	626	222	5,955	6,803
Gain on disposal of PPE	(7)	—	—	(7)
Change in fair value of contingent consideration liability	—	—	5,238	5,238
Share-based compensation expense	—	—	790	790
Change in fair value of derivative financial instruments	—	—	188	188
Adjusted EBITDA from continuing operations	17,154	5,039	(6,603)	15,590

Proposed Transactions

There are no significant proposed transactions which have not been disclosed.