Viemed Healthcare, Inc.

Condensed Consolidated Interim Financial Statements

2018 Second Quarter

Three and Six Months Ended
June 30, 2018 and 2017
(UNAUDITED)

(Expressed in U.S. dollars)

TABLE OF CONTENTS

VIEMED HEALTHCARE, INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(Expressed in thousands of U.S. Dollars)
(Unaudited)

	Note	As at June 30, 2018		As at December 31, 2017	
ASSETS					
Current					
Cash and cash equivalents		$	8,551	$	5,098
Accounts receivable	2,11		7,857		9,781
Inventory	3		1,935		1,633
Prepaid expenses and other assets			491		489
Total current assets		$	18,834	$	17,001
Long-term					
Property and equipment, net	4		25,334		20,690
Total long-term assets		$	25,334	$	20,690
TOTAL ASSETS		$	44,168	$	37,691
LIABILITIES					
Current liabilities					
Trade payables		$	3,266	$	3,386
Income taxes payable			73		142
Accrued liabilities	8		4,552		5,082
Current portion of finance lease	5		4,947		4,381
Warrant conversion liability	7		353		158
Total current liabilities		$	13,191	$	13,149
Long-term liabilities					
Long-term accrued liabilities	8		252		—
Long-term finance lease	5		1,048		798
Total long-term liabilities		$	1,300	$	798
TOTAL LIABILITIES		$	14,491	$	13,947
SHAREHOLDERS' EQUITY					
Share capital	6, 8		67		67
Contributed surplus			3,914		2,688
Retained earnings			25,696		20,989
TOTAL SHAREHOLDERS' EQUITY		$	29,677	$	23,744
TOTAL LIABILTIES AND SHAREHOLDERS' EQUITY		$	44,168	$	37,691

Commitments (Note 9)

APPROVED ON BEHALF OF THE BOARD:

signed "*Casey Hoyt*" signed "*Nitin Kaushal*"

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

VIEMED HEALTHCARE, INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(Expressed in thousands of U.S. Dollars, except per share amounts)
(Unaudited)

		Three Months Ended June 30,		Six months ended June 30,	
	Note	**2018**	**2017**	**2018**	**2017**
Revenue		$ 15,508	$ 10,901	$ 29,619	$ 20,929
Cost of revenue	10	4,185	3,042	7,744	5,811
Gross margin		$ 11,323	$ 7,859	$ 21,875	$ 15,118
Selling, general and administrative	10	7,919	5,875	15,208	10,474
Stock-based compensation	8, 13	665	—	1,226	—
Depreciation	4	124	98	330	194
Loss on disposal of property and equipment		52	90	88	168
Loss on warrant conversion liability	7	123	—	195	—
Other expense		7	—	7	—
Net income before financing expenses and taxes		$ 2,433	$ 1,796	$ 4,821	$ 4,282
Financing expenses					
Interest expense	5	67	81	114	156
Net income before taxes		2,366	1,715	4,707	4,126
Provision for (recovery of) income taxes		—	(58)	—	(58)
Net income and comprehensive income		$ 2,366	$ 1,773	$ 4,707	$ 4,184
Net income per share					
Basic	12	$ 0.06	$ 0.05	$ 0.12	$ 0.11
Diluted	12	$ 0.06	$ 0.05	$ 0.12	$ 0.11
Weighted average number of common shares outstanding:					
Basic	12	37,909,628	37,909,628	37,909,628	37,909,628
Diluted	12	39,335,011	37,909,628	39,099,186	37,909,628

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

VIEMED HEALTHCARE, INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in thousands of U.S. Dollars)
(Unaudited)

	Number of shares outstanding	Share capital (Note 8)	Contributed surplus (Note 8)	Retained earnings	Total Shareholders' equity
Shareholders' equity, December 31, 2016	**37,909,628**	**$ 67**	**$ —**	**$ 12,813**	**$ 12,880**
Net Income				4,184	4,184
Shareholders' equity, June 30, 2017	**37,909,628**	**$ 67**	**$ —**	**$ 16,997**	**$ 17,064**
Shareholders' equity, December 31, 2017	**37,909,628**	**$ 67**	**$ 2,688**	**$ 20,989**	**$ 23,744**
Share-based compensation - options			374		374
Share-based compensation - restricted stock			852		852
Net Income				4,707	4,707
Shareholders' equity, June 30, 2018	**37,909,628**	**$ 67**	**$ 3,914**	**$ 25,696**	**$ 29,677**

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

VIEMED HEALTHCARE, INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOW

(Expressed in thousands of U.S. Dollars)
(Unaudited)

	Six Months Ended June 30,	
	2018	**2017**
Cash flows from operating activities		
Net income	$ 4,707	$ 4,184
Adjustments for:		
Depreciation	1,634	1,142
Bad debt expense	2,685	2,495
Share-based compensation	1,226	—
Loss on disposal of property and equipment	88	168
Net change in working capital		
Increase in accounts receivable	(761)	(2,150)
(Increase) decrease in inventory	(302)	205
Increase (decrease) in trade payables	(120)	1,212
Decrease in trade payables - related parties	—	(306)
Increase (decrease) in accrued liabilities	(83)	811
Decrease in income tax payable	(69)	—
Increase (decrease) other current assets	(2)	134
Net cash from operating activities	$ 9,003	$ 7,895
Cash flows from investing activities		
Purchase of property and equipment	(2,057)	(2,537)
Proceeds from sale of property and equipment	277	261
Net cash used in investing activities	$ (1,780)	$ (2,276)
Cash flows from financing activities		
Repayments of finance lease liabilities	(3,770)	(2,583)
Repayments on long-term debt	—	(458)
Net cash used in financing activities	$ (3,770)	$ (3,041)
Net increase in cash and cash equivalents	3,453	2,578
Cash and cash equivalents at beginning of year	5,098	4,339
Cash and cash equivalents at end of period	$ 8,551	$ 6,917
Non-cash Transactions:		
Property and equipment financed through finance leases and long-term debt	$ 4,586	$ 2,660

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

(Tabular dollar amounts expressed in thousands of U.S. Dollars, except per share amounts)

1. Nature of operations

On December 21, 2017, Viemed Healthcare, Inc. ("the Company") executed Asset and Share Purchase Agreements as well as an Arrangement Agreement (Arrangement) with Patient Home Monitoring Corp. ("PHM") and was spun-out as a separate public company that owns a 100% interest in Home Sleep Delivered, L.L.C ("HSD") and Sleep Management, L.L.C dba Viemed ("Viemed) through the U.S. holding company Viemed Inc. Prior year financial results include the combined results of Viemed and HSD. Effective the spin-out date, the condensed consolidated interim financial statements include all above referenced entities.

The Company, through its subsidiaries, provides in-home health care solutions to U.S. patients. VieMed offers customers requiring respiratory services and related equipment an appropriate selection of home medical products including non-invasive ventilators, positive airway pressure (“PAP”) machines and oxygen units, as well as the services of experienced respiratory therapists. HSD provides in-home sleep apnea testing, allowing a patient to determine the existence of sleep apnea at home at a fraction of the cost of the traditional sleep lab environment. The Company was incorporated under the Business Corporations Act (British Columbia) on December 14, 2016. The Company's registered and records office is located at Royal Centre, Suite 1500, 1055 West Georgia Street, Vancouver, British Columbia V6E 4N7 and its corporate office is located at 202 N. Luke Street, Lafayette, Louisiana 70506.

The Company’s shares are traded on the Toronto Stock Exchange under the symbol VMD. The stock is also traded on the OTC Market under the symbol VIEMF.

2. Summary of significant accounting policies

(a) ***Unreserved statement of compliance***

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. These condensed consolidated interim financial statements do not include all the disclosures required in annual consolidated financial statements, and should be read in conjunction with the Company’s audited consolidated financial statements for the years ended December 31, 2017 and 2016.

Except as noted below, the Company has followed the same basis of presentation, accounting policies and method of computation for these condensed consolidated interim financial statements as disclosed in the annual audited consolidated financial statements for the years ended December 31, 2017 and 2016. The unaudited condensed consolidated interim financial statements were approved and authorized for issuance by the Board of Directors on August 9, 2018.

(b) ***Reporting currency***

All values are in U.S. dollars ($) unless specifically indicated otherwise. Canadian dollars are indicated as CAD$.

(c) ***Principles of consolidation***

These condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany transactions have been eliminated. The Company’s consolidated entities, their functional currencies and ownership percentages are as follows:

Subsidiary	Functional currency	Ownership
Home Sleep Delivered, LLC	USD	100%
Sleep Management, LLC	USD	100%
Viemed Inc.	USD	100%

(Tabular dollar amounts expressed in thousands of U.S. Dollars, except per share amounts)

(d) ***Comparative information***

In order to enhance the presentation of the Condensed Consolidated Statements of Income and Comprehensive Income and allow for a user of the financial statements to more readily identify key measures important in the understanding of the business, certain figures have been reclassified to conform to the current year presentation. Previously, depreciation from revenue generating medical equipment was presented within total consolidated depreciation. Additionally, salaries and wages of direct revenue generating personnel was present within total sales, general, and administrative expenses. However, management considers it to be more relevant that these direct costs are presented within cost of revenue. Prior year comparatives have been reclassified to be presented within cost of revenue. The below table illustrates the effect of this reclassification to the Consolidated Statement of Income and Comprehensive Income for the three and six months ended June 30, 2017.

	As originally reported	Reclassifications	As reclassified
Three months ended June 30, 2017			
Cost of revenue	$ 1,169	$ 1,873	$ 3,042
Sales, general and administrative	$ 7,234	$ (1,359)	$ 5,875
Depreciation	$ 612	$ (514)	$ 98
Six months ended June 30, 2017			
Cost of revenue	$ 2,043	$ 3,768	$ 5,811
Sales, general and administrative	$ 13,294	$ (2,820)	$ 10,474
Depreciation	$ 1,142	$ (948)	$ 194

(e) ***Use of estimates***

The preparation of the condensed consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results may differ from those estimates.

a. ***Allowance for doubtful accounts***

The Company estimates that a certain portion of receivables from customers may not be collected, and maintains an allowance for doubtful accounts. The Company evaluates the net realizable value of accounts receivable as of the Consolidated Statement of Financial Position date. Specifically, the Company considers historical realization data including current and historical cash collections, accounts receivable aging trends, other operating trends and relevant business conditions. Because of continuing changes in the health care industry and third party reimbursement, it is possible that our estimates could change, which could have a material impact on our operations and cash flows. If circumstances related to certain customers change or actual results differ from expectations, the Company's estimate of the recoverability of receivables could fluctuate from that provided for in the consolidated financial statements. A change in estimate could impact bad debt expense and accounts receivable.

	As at June 30, 2018	As at December 31, 2017
Balance, beginning of year	$ 3,060	$ 3,069
Increase in provision	2,685	5,142
Amounts written off	(2,593)	(5,151)
Balance, end of period	$ 3,152	$ 3,060

(Tabular dollar amounts expressed in thousands of U.S. Dollars, except per share amounts)

(f) ***Recently issued accounting pronouncements***

Certain pronouncements were issued by the IASB or the International Financial Reporting Interpretation Committee ("IFRIC"). The following have not yet been adopted and are being evaluated to determine their impact on the Company. The Company intends to adopt them, if applicable, only on their effective date.

IFRS 9, Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company adopted IFRS 9 on January 1, 2018 without restating comparative information.

IFRS 15 was issued by IASB in May 2014 and will replace IAS 18, Revenue, IAS 11, Construction Contracts, and related interpretations on revenue. IFRS 15 establishes principles to address the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Companies can elect to use either a full or modified retrospective approach when adopting this standard and it is effective for annual periods beginning on or after January 1, 2018. The Company adopted IFRS 15 on January 1, 2018 without restating comparative information.

In January 2016, the IASB issued IFRS 16, Leases, to set out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a lease agreement. The standard supersedes IAS 17, Leases, and other lease related interpretations, eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. The standard will be effective on January 1, 2019 for the Company with earlier application permitted. When the Company is the lessee, it is expected that the application of IFRS 16 will result in statement of financial position recognition of most of its lease agreements that are currently considered operating leases, which are primarily for the rental of premises. The Company is undertaking an assessment of the exact impact from the adoption; based on the preliminary assessment, however, the Company expects a decrease of its facility and equipment rental costs and an increase of its finance costs, assets, liabilities and depreciation resulting from the change in the recognition, measurement and presentation of rental expenses.

3. Inventory

	As at June 30, 2018	As at December 31, 2017
Serialized	$ 875	$ 883
Non-serialized	1,060	750
Total inventory	$ 1,935	$ 1,633

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Inventory Expensed	$ 807	$ 773	$ 1,343	$ 1,292

(Tabular dollar amounts expressed in thousands of U.S. Dollars, except per share amounts)

4. Property and equipment

Cost	Medical equipment	Furniture and equipment	Land and building	Leasehold improvements	Vehicles	Total
Balance December 31, 2016	**$ 14,458**	**$ 811**	**$ —**	**$ 146**	**$ 1,562**	**$ 16,977**
Additions	10,295	76	—	31	125	10,527
Disposals	(1,070)	(1)	—	—	(14)	(1,085)
Balance December 31, 2017	**$ 23,683**	**$ 886**	**$ —**	**$ 177**	**$ 1,673**	**$ 26,419**
Additions	5,804	177	571	13	78	6,643
Disposals	(540)	—	—	—	(62)	(602)
Balance June 30, 2018	**$ 28,947**	**$ 1,063**	**$ 571**	**$ 190**	**$ 1,689**	**$ 32,460**

Accumulated depreciation	Medical equipment	Furniture and equipment	Land and building	Leasehold improvements	Vehicles	Total
Balance December 31, 2016	**$ 2,425**	**$ 323**	**$ —**	**$ 51**	**$ 695**	**$ 3,494**
Depreciation	2,141	121	—	27	254	2,543
Disposals	(304)	—	—	—	(4)	(308)
Balance December 31, 2017	**$ 4,262**	**$ 444**	**$ —**	**$ 78**	**$ 945**	**$ 5,729**
Depreciation	1,332	195	2	9	96	1,634
Disposals	(186)	—	—	—	(51)	(237)
Balance June 30, 2018	**$ 5,408**	**$ 639**	**$ 2**	**$ 87**	**$ 990**	**$ 7,126**

Net Book value	Medical equipment	Furniture and equipment	Land and building	Leasehold improvements	Vehicles	Total
Balance December 31, 2016	**$ 12,033**	**$ 488**	**$ —**	**$ 95**	**$ 867**	**$ 13,483**
Balance December 31, 2017	**$ 19,421**	**$ 442**	**$ —**	**$ 99**	**$ 728**	**$ 20,690**
Balance June 30, 2018	**$ 23,539**	**$ 424**	**$ 569**	**$ 103**	**$ 699**	**$ 25,334**

Included in medical equipment above is equipment acquired under finance lease obligations whose cost and accumulated depreciation at June 30, 2018 total $11.2 million and $1.5 million, respectively. At December 31, 2017, cost and accumulated depreciation on equipment acquired under finance lease obligations was $9.4 million and $1.2 million, respectively.

(Tabular dollar amounts expressed in thousands of U.S. Dollars, except per share amounts)

5. Long-term debt and finance leases

	As at June 30, 2018	As at December 31, 2017
Senior credit facility [a]	$ —	$ —
Finance lease obligations [b]	5,995	5,179
Less:		
Current portion of finance lease obligations	$ (4,947)	$ (4,381)
Net long-term debt	**$ 1,048**	**$ 798**

(a) The Company has a commercial business loan agreement with Whitney Bank, a Mississippi state chartered bank, for term loans and lines of credit for up to $5.0 million that will expire in 2020. This facility bears interest at one month ICE libor plus 3.00% per annum from the date of advance until paid and is secured by substantially all of the Company's assets. There were no borrowings against this credit facility at June 30, 2018.

(b) Various finance leases for equipment with an implied interest rate at fixed rates between 0% - 12.85%, secured by equipment, due between 2018 and 2023. The Company's weighted average interest rate for all liabilities outstanding as of June 30, 2018 was 1.54%.

Minimum payments and interest for finance lease obligations required over the next five years are as follows:

	Principal Payments	Interest Payments
Less than one year (current portion)	$ 4,947	$ 129
Between one and two years	904	39
Between two and five years	144	10
Total	**$ 5,995**	**$ 178**

Interest expense related to these obligations for the three and six months ended June 30, 2018 amounted to $67,000 and $114,000 (June 30, 2017 - $81,000 and $156,000).

6. Capital Management

The Company considers its capital to be shareholders' equity, which is comprised of share capital, contributed surplus, and retained earnings, which was $29,677,000 at June 30, 2018 (December 31, 2017 - $23,744,000) along with the debt which totaled $5,995,000 at June 30, 2018 (December 31, 2017 - $5,179,000). The Company's objective when managing its capital is to seek continuous improvement in the return to its shareholders while maintaining a low to moderate tolerance level for risk. The Company meets its capital needs through a variety of finance leasing and bank debt. Funds are primarily secured through internally generated cash from operations. There have been no changes to management's approach to managing its capital during the three month period ended June 30, 2018.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

(Tabular dollar amounts expressed in thousands of U.S. Dollars, except per share amounts)

7. Financial instruments

Fair value hierarchy

The fair value of the warrants was calculated using the Black-Scholes option pricing model with the following assumptions

Risk-free interest rate	1.9%
Expected volatility	92.11%
Expected life of warrants	1.17 years
Expected dividend yield	Nil

There were no warrants issued during the three or six month periods ended June 30, 2018.

Conversion Liability Warrants		
Balance December 31, 2017	$	158
Warrants issued		—
Adjustment to fair value		195
Balance June 30, 2018	$	353

8. Share Capital

(a) ***Authorized share capital***

The Company's authorized share capital consists of an unlimited number of common shares and an unlimited number of preferred shares issuable in series. The preferred shares issuable in series will have the rights, privileges, restrictions, and conditions assigned to the particular series upon the Board of Directors approving their issuance.

(b) ***Issued share capital***

The Company has only one class of stock outstanding, common share. At June 30, 2018, there were 37,909,628 common shares outstanding (December 31, 2017 - 37,909,628). Common shares are classified as equity.

Pursuant to the Arrangement with PHM effective December 21, 2017, PHM option holders, who are to remain employees of Viemed, each received one tenth (1/10) of one option to purchase one Viemed share, and PHM common share purchase warrant holders each received one tenth (1/10) of one warrant to purchase one Viemed share.

The effects of these issuances are illustrated below:

(c) ***Warrants outstanding and exercisable***

Year issued	Date of expiry	Type	Number of warrants (000's)	Weighted average exercise price (CAD$)
2017	August 27, 2019	Warrant	179	$ 2.60
Total			**179**	**$ 2.60**

(Tabular dollar amounts expressed in thousands of U.S. Dollars, except per share amounts)

Warrants Continuity Schedule

	Number of warrants (000's)		Weighted average exercise price (CAD$)
Balance December 31, 2016	**—**	**$**	**—**
Issued	2,601	$	9.74
Balance December 31, 2017	**2,601**	**$**	**9.74**
Issued	—	$	—
Expired	(2,422)	$	10.27
Balance June 30, 2018	**179**	**$**	**2.60**

(d) ***Stock-based compensation***

The Company accounts for stock-based compensation, including stock options and restricted stock units, using the fair value method as prescribed by IFRS 2. Under this method, the fair value of stock options and restricted stock units at the date of grant is amortized over the vesting period and the offsetting credit is recorded as an increase in contributed surplus.

For the three and six months ended June 30, 2018, the Company recorded stock-based compensation expense of $665,000 and $1,226,000 (June 30, 2017 - $0). A summary of stock-based compensation is provided below:

	Three months ended June 30,				Six months ended June 30,			
		2018		**2017**		**2018**		**2017**
Stock-based compensation - options	$	229	$	—	$	374	$	—
Stock-based compensation - restricted stock		436		—		852		—
Total	$	665	$	—	$	1,226	$	—

(e) ***Options***

The Company has a stock option plan, which it uses for grants to directors, officers, employees and consultants. Options granted under the plan are non-assignable and may be granted for a term not exceeding ten years. The Company accounts for stock options using the fair value method as prescribed by IFRS 2. Under this method, the fair value of stock options at the date of grant is amortized over the vesting period and the offsetting credit is recorded as an increase in contributed surplus. Stock options generally either vest immediately or annually over a three-year period. A summary of stock options is provided below:

	Number of options (000's)		Weighted average exercise price (CAD$)
Balance December 31, 2016	**—**	**$**	**—**
Issued	878	$	4.31
Balance December 31, 2017	**878**	**$**	**4.31**
Issued	696	$	2.27
Expired / Forfeited	(21)	$	4.17
Balance June 30, 2018	**1,553**	**$**	**3.40**

At June 30, 2018, the Company had 672,000 vested with a weighted average exercise price of CAD $4.05, exercisable stock options outstanding.

(Tabular dollar amounts expressed in thousands of U.S. Dollars, except per share amounts)

The fair value of the stock options has been charged to the statement of loss and comprehensive loss and credited to contributed surplus over the proper vesting period, using the Black-Scholes option pricing model calculated using the following assumptions for issuances during the period:

Share price	$	4.32 (CAD$)
Risk-free interest rate		1.55%
Expected volatility		92.90%
Forfeiture rate		5.00%
Expected life of options		1.97 - 9.77 Years
Expected dividend yield		Nil

(f) ***Restricted stock units***

The Company has a restricted stock unit plan, which it uses for grants to officers, employees and consultants. Restricted stock units granted under the plan are non-assignable and may be granted for a term not exceeding ten years. The Company accounts for restricted stock units using the fair value method as prescribed by IFRS 2. Under this method, the fair value of restricted stock units at the date of grant is amortized over the vesting period and the offsetting credit is recorded as an increase in contributed surplus. Restricted stock units vest annually over a three-year period. A summary of restricted stock units is provided below:

	Number of Restricted Stock Units (000's)		Weighted average exercise price (CAD$)
Balance December 31, 2016	**—**	**$**	**—**
Issued	—	$	—
Balance December 31, 2017	**—**	**$**	**—**
Issued	1,679	$	2.25
Expired / Forfeited	(50)	$	2.25
Balance June 30, 2018	**1,629**	**$**	**2.25**

The fair value of the restricted stock units has been charged to the statement of loss and comprehensive loss and credited to contributed surplus over the proper vesting period, using a valuation method with the following assumptions:

		As at June 30, 2018
Share price	$	2.25 (CAD$)
Forfeiture rate		5.00%
Expected life of restricted stock units		3 Years
Expected dividend yield		Nil

(Tabular dollar amounts expressed in thousands of U.S. Dollars, except per share amounts)

(g) *Phantom share units*

The Company has a phantom share unit plan, which it uses for grants to directors, officers, and employees. Phantom share units granted under the plan are non-assignable and are settled in cash at vesting. The Company accounts for phantom share units using liability accounting. Under this method, the fair value of phantom share units at the date of grant is amortized over the vesting period and the offsetting credit is recorded as an increase in contributed surplus. Phantom share units vest annually over a three-year period. A summary of phantom share units is provided below:

	Number of Phantom Share Units (000's)	Weighted average exercise price (CAD$)
Balance December 31, 2016	**—**	**$ —**
Issued	—	$ —
Balance December 31, 2017	**—**	**$ —**
Issued	1,793	$ 4.60
Expired / Forfeited	(36)	$ 4.60
Balance June 30, 2018	**1,757**	**$ 4.60**

The fair value of the phantom share units has been charged to the statement of loss and comprehensive loss and credited over the proper vesting period to phantom share unit liability which is included in accrued liabilities, using a valuation method with the following assumptions:

	As at June 30, 2018
Share price	$ 4.60 (CAD$)
Forfeiture rate	10% - 20%
Expected life of phantom share units	1-3 Years
Expected dividend yield	Nil
Calculated fair value of phantom share units	$ 579,000

The total liability associated with phantom share units at June 30, 2018 is $379,000, with $252,000 of this balance included in long-term accrued liabilities and the remaining portion in current accrued liabilities.

9. Commitments

Leases

Leases under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lesser of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset. The associated lease liability is drawn down over the life of the lease by allocating a portion of each lease payment to the liability with the remainder being recognized as finance charges.

Leases that do not transfer the risks and rewards of ownership to the Company are treated as operating leases and are expensed as incurred.

(Tabular dollar amounts expressed in thousands of U.S. Dollars, except per share amounts)

(a) *Operating leases*

The Company leases certain facilities under the terms of non-cancelable operating leases. Future payments pursuant to these commitments are as follows:

		As at June 30, 2018
Less than 1 year	$	312
Between 1 and 4 years		975
Five years or more		522
Total	**$**	**1,809**

10. Expenses by nature

	Three months ended June 30,				Six months ended June 30,			
		2018		2017		2018		2017
Included in cost of revenue:								
Inventory expenses (Note 3)	$	807	$	773	$	1,343	$	1,292
Operating leases		267		319		539		596
Depreciation of medical equipment (Note 4)		769		514		1,304		948
Direct employee salary and benefits		2,275		1,371		4,438		2,856
Other		67		65		120		119
Total cost of revenue	**$**	**4,185**	**$**	**3,042**	**$**	**7,744**	**$**	**5,811**
Included in selling, general, and administrative:								
Employee salary and benefits (Note 14)	$	4,477	$	3,210	$	8,132	$	5,383
Auto		242		178		451		346
Bad debt expense (Note 2)		1,153		1,264		2,685		2,495
Facilities		236		271		475		546
Travel, Meals, & Entertainment		396		287		740		515
Office Expense		306		208		660		380
Professional Fees		187		167		425		240
Public company expense		329		—		642		—
Insurance		86		62		170		126
Legal		271		47		420		146
Licenses & Fees		48		14		80		39
Marketing		62		65		106		100
Other		126		102		222		158
Total selling, general, and administrative	**$**	**7,919**	**$**	**5,875**	**$**	**15,208**	**$**	**10,474**

(Tabular dollar amounts expressed in thousands of U.S. Dollars, except per share amounts)

11. Fair value and financial risk factors

Risk management

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

Fair values

The Company has designated its cash and cash equivalents as FVTPL which are measured at fair value. Fair value of cash and cash equivalents is determined based on transaction value and is categorized as a Level One measurement.

- Level One - includes quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level Two - includes inputs that are observable other than quoted prices included in Level One.
- Level Three - includes inputs that are not based on observable market data.

As at June 30, 2018 and December 31, 2017 both the carrying and fair value amounts of the Company's cash and cash equivalents, accounts receivable, trade payables, accrued liabilities, and the current portion of finance leases are approximately equivalent due to their short-term nature.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk are primarily cash and accounts receivable. Each subsidiary places its cash with one major financial institution. At times, the cash in the financial institution is temporarily in excess of the amount insured by the Federal Deposit Insurance Corporation. Substantially all accounts receivable are due under fee-for-service contracts from third party payors, such as insurance companies and government-sponsored healthcare programs, directly from patients or for rebates due from manufacturers. Receivables generally are collected within industry norms for third-party payors and from manufacturers. The Company continuously monitors collections from its clients and maintains an allowance for bad debts based upon lifetime expected credit losses.

As of June 30, 2018, no one customer represented more than 10% of outstanding accounts receivable. The Company does have receivables at June 30, 2018 from Medicare and Medicaid, representing 51% and 15%, respectively, of total outstanding receivables. As these receivables are both from government programs, there is very little credit risk associated with these balances. The Centers for Medicare and Medicaid Services ("CMS") routinely audits insurance payments in the normal course of business. At June 30, 2018, the Company had approximately $1.9 million in outstanding accounts receivable related to payments held under a CMS audit that was concluded during the period. The Company expects to receive payment for substantially all of these claims.

Accounts receivable aging for each reporting period is as follows:

	Current	30-60	60-90	Over 90	Total accounts receivable	Allowance for doubtful accounts
June 30, 2018	$ 4,576	$ 1,044	$ 943	$ 4,446	$ 11,009	$ 3,152
December 31, 2017	$ 4,531	$ 2,761	$ 2,750	$ 2,799	$ 12,841	$ 3,060

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach in managing liquidity is to ensure, to the extent possible, that it will have sufficient liquidity to meet its liabilities when due by continuously monitoring actual and budgeted cash flows, and monitoring financial market conditions for signs of weakness.

As of June 30, 2018, the Company faced no material liquidity risk and is able to meet all of its current financial obligations as they become due and payable. The Company had $13,191,000 of current liabilities (December 31, 2017 - $13,149,000) that are due within one year but had $18,834,000 of current assets (December 31, 2017 - $17,001,000) in addition to positive cash flows expected to be generated during the remainder of 2018.

(Tabular dollar amounts expressed in thousands of U.S. Dollars, except per share amounts)

Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk is limited to potential decreases on the interest rate offered on cash and cash equivalents held with registered US financial institutions. The Company considers this risk to be immaterial. The interest on the long-term debt and finance leases are not subject to cash flow interest rate risk as these instruments bear interest at fixed rates.

12. Earnings per share

Income per common share is calculated using the combined earnings for the year divided by the weighted average number of shares outstanding during the year. Diluted income per share amounts are calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common share by assuming the proceeds received from the exercise of stock options and warrants are used to purchase common shares at the prevailing market rate.

The following reflects the earnings and share data used in the basic and diluted earnings per share computations:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Net income attributable to members / shareholders	$ 2,366	$ 1,773	$ 4,707	$ 4,184
Basic number of shares	37,909,628	37,909,628	37,909,628	37,909,628
Basic earnings per share	$ 0.06	$ 0.05	$ 0.12	$ 0.11
Diluted weighted average number of shares	39,335,011	37,909,628	39,099,186	37,909,628
Diluted earnings per share	$ 0.06	$ 0.05	$ 0.12	$ 0.11

13. Related party transactions and balances

On August 1, 2015, the Company entered a ten-year triple net lease agreement for office space with a rental company that is affiliated with the Company's CEO and President, Casey Hoyt and Mike Moore. Rental payments under this lease agreement are $18,000 per month, plus taxes, utilities and maintenance. The expense has been recorded as general and administrative expenses.

Key management personnel are comprised of the Company's executive officers. Including the above agreements, the Company paid key management personnel the following:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Salaries and Benefits	$ 769	$ 733	$ 1,460	$ 968
Share-based Compensation	375	—	734	—
Rent	56	63	114	121
Total	$ 1,200	$ 796	$ 2,308	$ 1,089

14. Subsequent Events

Conversion of Accounts Payable into Short-term Finance Lease

Subsequent to June 30, 2018, the Company entered into a finance lease agreement with a third party and as a result $480,000 of accounts payable was converted to a short-term finance lease payable.

Exercise of Warrants

Subsequent to June 30, 2018, 1,620 warrants were exercised at a price of $2.60 CAD$ per common share. As a result of this exchange, 1,620 common shares of Viemed Healthcare, Inc. were issued.