Management's Discussion and Analysis
For the three and six month periods ended June 30, 2015 and 2014

Dated: August 4, 2015

Index

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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 2015 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 interim consolidated financial position and the income and comprehensive income of Centric Health Corporation, ("Centric Health" or the "Company") for the three and six month periods ended June 30, 2015 and 2014 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 unaudited condensed interim consolidated financial statements and notes thereto for the three and six month periods ended June 30, 2015 and 2014. The unaudited condensed interim consolidated financial statements for the three and six month periods ended June 30, 2015 and 2014 are prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*. The Company's significant accounting policies are summarized in detail in note 1 of the consolidated financial statements for the years ended December 31, 2014 and 2013, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). 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 August 4, 2015. 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.

Highlights for the three and six month periods ended June 30, 2015

Financial Performance

For the three month period ended June 30, 2015, Revenue and Adjusted EBITDA[1] from continuing operations increased 15.6% to $91.0 million and 24.0% to $9.6 million compared to $78.7 million and $7.8 million over the same period in the prior year. Similarly, for the six month period ended June 30, 2015, Revenue and Adjusted EBITDA from continuing operations increased 13.5% to $174.2 million and 16.0% to $17.0 million compared to $153.5 million and $14.7 million over the same period in the prior year. This period marked the fifth consecutive quarter for year-on-year improvements on quarterly results for Centric Health with increases primarily driven by growth from acquisitions. This was partially offset by the delayed commencement of signed contracts, change in revenue treatment from the affiliate clinic network from historical periods and key clinical vacancies that were vacated in the first quarter and subsequently filled but not yet operating at full capacity, negatively impacting volumes. Management expects continued organic growth from each of the segments going forward; however, management also expects that the timing and cycles of the contract procurement process, as evidenced in the first six months of 2015, could result in some fluctuation of organic growth rate over time.

The Company continued its focus on operational and working capital initiatives which resulted in positive cash flow from operations for the thirteenth consecutive quarter. The Company generated $12.7 million and $14.7 million in cash flow from operations for the three and six month periods ended June 30, 2015. In addition to positive operational results that confirm the strategic realignment of the Company's business model, Centric Health continued to make tangible progress toward executing on many of its business priorities.

Strategic Review Process

On July 27, 2015, the Company announced that its Board of Directors (the "Board") has initiated a process to consider and evaluate strategic alternatives available to the Company following unsolicited interest in certain businesses of the Company. The Company has previously disclosed that it was exploring opportunities to maximize shareholder value which included additional divestitures of existing businesses. In light of the above mentioned circumstances, the Company has established a Special Committee composed of directors who are independent of management to oversee the strategic review process. In addition to a potential sale of the Company's businesses or assets or any combination thereof, some of the strategic alternatives may include, but are not limited to joint ventures, strategic financing, redemption or repurchase of securities as well as the continued execution of its business plan.

Although the Company has initiated a strategic review process, there is no certainty that any transaction or alternative will be undertaken. The Company has not set a definitive schedule to complete its evaluation and, notwithstanding the above-mentioned alternatives, no decision on any particular alternative has been reached at this time. The Company does not intend to make further announcements or disclose developments with respect to this process unless the evaluation has been completed and the Board has approved a definitive transaction and the Company has entered into a definitive agreement or unless otherwise required by law or regulation or disclosure of which is deemed appropriate.

Strategic Acquisitions

The second quarter of 2015 saw the first full quarter of results for the Pharmacare Fulfillment Center Ltd. ("Pharmacare") acquisition and for the reacquired Active Health Services Limited ("Active") and Community Advantage Rehabilitation ("CAR") operations, which were key contributors to year on year growth for the business. Specifically, Pharmacare increased the number of Long Term Care customer facilities served by the Specialty Pharmacy Segment by over 40 and the total Long Term Care and Retirement community residents served by over 4,800.

Revolving Facility and Debt Reduction

On May 11, 2015, the revolving facility which helps support the Company's working capital requirements and which was set to mature on June 9, 2015, was extended for one year on consistent terms and conditions. In connection with this extension, the facility's capacity was increased to $35.0 million from its then temporary level of $25.0 million, an amount that effectively meets the Company's operating needs, while other terms and conditions remained consistent. The extension and amendment represents a $5.0 million permanent reduction to the revolving facility's capacity and is part of the Company's debt reduction strategy.

On June 25, 2015, the Company purchased an aggregate of 9,842 second lien senior secured notes for a total principal amount of $9.8 million plus $0.2 million in accrued and unpaid interest, representing $10.0 million in total. With this purchase and permanent reduction in the credit facility, the Company has now completed its planned $15.0 million permanent debt reduction through the $5.0 million permanent reduction to the Revolving Facility and the $9.8 million redemption of the second lien senior secured notes.

As at June 30, 2015 the Company has restricted cash of $2.9 million, which decreased from the December 31, 2014 amount of $36.1 million due to the cash payment on the Pharmacare acquisition, draws for capital expenditures and transaction and other costs. Restricted cash increased by $10.0 million with the withdrawal of the $10.0 million temporary reduction to the revolving facility offset by the use of that cash to repay $10.0 million on the second lien senior secured notes. The Company intends to use the remaining restricted cash to reinvest in its core businesses through tuck-in acquisitions, further debt reductions and capital expenditures. The Company is in the process of discussing strategic alternatives with external advisers on the refinancing of the $15.0 million convertible debentures due April 2016. Such alternatives could include repayment with new financing, extensions or other repayment alternatives.

With the successful completion of accretive acquisitions made during the first quarter of 2015 and the completion of the planned $15.0 million debt reduction in the second quarter of 2015, the Company anticipates it will be in compliance with the covenants in its Revolving Facility during 2015 and that it will continue to generate sufficient cash flow to meet its obligations as they come due through future organic growth and ongoing operational improvements and cost containment initiatives. There can be no assurance that the Company will be successful in achieving the results targets as set out in its operating plan for each of the quarters in 2015.

[1] Defined and calculated in Reconciliation of Non-IFRS Measures

Business Overview

Centric Health is Canada's largest and most comprehensive independent provider of healthcare services focused on the highest levels of quality care and patient outcomes. With more than 3,000 dedicated healthcare professionals, consultants and support staff serving patients and clients through an extensive platform of approximately 500 locations across the country, the Company believes it is uniquely positioned to meet growing healthcare needs in growing markets. The Company's vision is to be Canada's most respected brand in the independent health care sector and world renowned for quality, innovation and for delivering sustainable value to patients, clients and stakeholders.

As healthcare systems continue to face the challenges of spiraling costs, longer wait times and an aging population with multiple chronic conditions, new approaches and relevant innovation are needed to identify cost effective solutions that are in the best interest of patients and physicians. Centric Health is currently poised to meet rising demand for the delivery of delisted and preventative health care services, capturing emerging opportunities through its innovative business model, asset mix and by partnering on alternative funding models.

Patient and payor attitudes towards independent sector care provision are also changing. This is demonstrated by an increased willingness to adopt co-payment models and a greater emphasis on outcomes-based measures as payors move to correct perverse incentives that reward volume and short-term patient outcomes. Centric Health's key performance indicators for measuring and reporting quality, safety and patient satisfaction serve as a distinct competitive differentiator in this area.

The Company has launched several innovative, market-leading programs to drive organic growth in select locations by addressing unmet patient needs through existing capacity and infrastructure. Compelling opportunities also exist in the area of employer healthcare management and wellness as employers continue to experience double digit increases in the cost of premiums. Centric Health has established a cross-divisional team dedicated to growing this market, capturing synergies and coordinating marketing and sales efforts across multiple touch points.

Business Strategy

On July 27, 2015, the Company announced that its Board of Directors (the "Board") has initiated a process to consider and evaluate strategic alternatives available to the Company following unsolicited interest in certain businesses of the Company. The Company has established a Special Committee composed of directors who are independent of management to oversee the strategic review process. In addition to a potential sale of the Company's businesses or assets or any combination thereof, some of the strategic alternatives may include, but are not limited to joint ventures, strategic financing, redemption or repurchase of securities as well as the continued execution of its business plan. While this process has been initiated, there can be no certainty that any transaction or alternative will be undertaken. As such, management remains focused on the below highlighted business strategy.

Strategic Focus on Core Strengths and Capabilities

The diagram below illustrates Centric Health's ongoing business strategy which focuses on the Company's core competencies of healthcare service delivery and quality outcomes. This is comprised of:

- *3 core focus areas:* Defined focus on 3 main business segments with high margins, strong cash flows, low working capital expenditure and increased diversification of payors and funding sources, reducing exposure to public funding or regulatory changes.
    - Physiotherapy, Rehabilitation and Assessments
    - Specialty Pharmacy
    - Surgical and Medical Centres

    Employer Healthcare Management and Wellness - Dedicated business development team and coordinated marketing efforts combine core business strengths to support clients at the enterprise level.

- *3 key enablers:* Emphasis on strengthening competitive differentiators and market-leading capabilities to enhance value and support leading patient outcomes.
    - Quality
    - Client Centricity
    - Innovation and Technology

Overview of Core Businesses & Growth Initiatives

Segment	**Description**	**Locations**	**Key Growth Initiatives**
Physiotherapy, Rehabilitation & Assessments	Clinical services provided through experienced and trained staff offering physiotherapy, occupational therapy, massage therapy, occupational rehabilitation services and other specialized services across a number of settings including; clinic, Long Term Care, Retirement and patient residences. Assessment of patients who have suffered motor vehicle and workplace injuries by providing independent evaluation to insurers, workers compensation boards and employers across Canada. State-of-the-art custom and off-the-shelf orthotics, custom bracing and laser and shockwave therapy.	Network of 104 owned and 53 affiliated rehabilitation clinics that operates in 7 provinces and treats over 150,000 patients annually 7 assessment centres in 3 provinces which perform over 55,000 assessments per year Delivery of services within retirement homes and Long Term Care communities and home care settings Over 50 orthotic clinics, primarily in Ontario	Reacquisition of Active and CAR Commitment to R&D and innovation Specialized programs include: - Cancer rehabilitation - Concussion management - Pelvic health - Sports rehabilitation - Vestibular therapy
Specialty Pharmacy	Dispensing, compliance packaging and auxiliary products and services for retirement homes and Long Term Care residents. Dispensing services in Ontario and BC for employees insured by corporate health plans.	Servicing over 25,000 beds and over 800,000 scripts per month through a network of 14 pharmacy and fulfilment centre locations, including: 4 retail pharmacies; 2 at Southlake Regional Health Centre in Newmarket, Ontario and 2 in Edmonton, Alberta 1 Co-location pharmacy located in Richmond, British Columbia	Strategic expansion of national distribution network and clinical capabilities Continence care program expansion Plans to open co-location pharmacies within selected existing facilities
Surgical & Medical Centres	Variety of services including primary care, executive medical, urgent care and diagnostic services, including CT and MRI scan capabilities Surgical specialties include plastic, reconstructive, cosmetic, orthopedic, gynecology, urology, neurosurgery, bariatric, endoscopic and otolaryngology. Customers include Workers Compensation Boards, regional health authorities, non-residents, private patients and various governmental agencies.	Six facilities across Canada housing 25 operating and procedure rooms in four provinces: - Don Mills Surgical Unit in Toronto, Ontario - London Scoping Centre in London, Ontario - Surgical Weight Loss Centres in Mississauga, Ontario - False Creek Health Centre in Vancouver, BC - Canadian Surgical Solutions in Calgary, Alberta - Maples Surgical Centre in Winnipeg, Manitoba	Continued roll-out of Bariatrics across all Centric Health Surgical Centres Partnerships with health systems and health authorities Coordination of out-of-province care for select procedures and services

Pursuit of Four Strategic Priorities

To effect the Company's strategy, management maintains the following four priorities:

1. *Focus on core strengths* - Optimize capacity and organic growth in the three core businesses described above and leverage synergies with enterprise customers, referral sources and partners through a dedicated cross-divisional sales and marketing team.

2. *Strengthen the balance sheet* - Continue to action debt reduction strategy, reduce corporate spending, reduce working capital and minimize risk exposure through the sale of assets.

3. *Position the Company for future growth* - Further streamline support functions and drive collaboration, synergies and efficiencies. Selectively target high-quality assets with strong talent, intellectual property and client relationships that complement the existing portfolio mix and expand capacity in key regions and markets.

4. *Win on quality, innovation and client service* - Enhance quality reporting metrics that demonstrate value to clients with an emphasis on best patient outcomes. Increase key client account support capabilities and earn preferred provider status through exceptional patient and client service and innovative solutions.

Debt Reduction

Management is committed to strengthening the Company's balance sheet and reducing the Company's overall debt level. Management has established a target for total debt to Adjusted EBITDA of less than four-times over the medium term.

In 2013, the Company implemented the first phase of its debt reduction plan which included:

- Closed an offering of $200 million second lien senior secured notes which allowed the Company to repay its Term Loan, amend its Revolving Facility and repay $22.5 million of preferred partnership units;
- Repaid an additional $7.5 million of preferred partnership units;
- Revised the consulting agreement with GHIS to realize $2.5 million in cash flow and Adjusted EBITDA savings over the remaining term of the agreement; and
- Refinanced a $5.0 million related party convertible loan by extending the maturity to April 2018.

These steps have provided Centric Health with greater financial flexibility in the short term as it moves forward with its refocused growth strategy and begins to incrementally realize the contributions of our organic growth initiatives and capital redeployment opportunities.

In the third quarter of 2014, the Company redeployed $25.0 million of the net proceeds from the divestiture of its non-core businesses towards debt repayment, including a $10.0 million permanent reduction of its Revolving Facility to $40.0 million. An additional $15.0 million was temporarily repaid against the Revolving Facility, to a temporary level of $25.0 million while the Company evaluated its most effective debt reduction strategy for these funds.

The Company has extended the Revolving Facility, which was set to mature on June 9, 2015, for one year with consistent terms and conditions. The closing of the extension occurred on May 11, 2015. The facility has been increased to $35.0 million from its then temporary level of $25.0 million an amount that effectively meets the Company's operating needs. The second phase of the Company's debt reduction plan was completed in the second quarter of 2015 with a $9.9 million redemption of the second lien senior secured notes in the second quarter of 2015.

As management continues to explore opportunities to further optimize the Company's asset mix and strengthen the Company's balance sheet, the Board of Directors has initiated a strategic review to explore opportunities to maximize shareholder value. Some of the strategic alternatives may include, but are not limited to, a potential sale of the Company's businesses or assets or any combination thereof, joint ventures, strategic financing, redemption or repurchase of securities as well as the continued execution of its business plan.

The Company is in the process of discussing strategic alternatives with external advisers on the refinancing of the $15.0 million convertible debentures due April 2016. Such alternatives could include repayment with new financing, extensions or other repayment alternatives.

New Growth Opportunities and Acquisition of Accretive Businesses

The Company continues to explore accretive growth opportunities. These would include strategic tuck-in acquisitions that will contribute to increased EBITDA and free cash flow from operations or to fund revenue generating capital expenditures. Acquisitions are expected to be consistent with the Company's focus on core business segments and operations that generate high margins and strong cash flow, require low capital expenditures and have low exposure to regulatory or public funding changes.

The Company will seek to complete any acquisitions using a structure that maximizes the cash flow return on investment (CFROI) and Adjusted EBITDA. To achieve this, the Company may issue common shares and cash that are contingent on the future performance of the underlying business as consideration for such acquisitions.

The Company intends to only undertake an acquisition or growth initiative following completion of a comprehensive analysis to ensure it is aligned to strategic focus areas, meets stringent business quality criteria and is accretive to the Company within a reasonable period. Acquisitions should provide an appropriate return relative to any investments which the Company incurs to complete the acquisition and the return is expected to be in excess of the Company's risk adjusted weighted average cost of capital.

Business Outlook

With services that address growing demand and evolving needs within the Canadian healthcare system, Centric Health's unparalleled national care delivery platform in all of the segments currently provides significant potential for future expansion and growth. Following an extensive review of its core competencies, business segment performance and market opportunities, in June 2014 the Company announced a re-focused strategy on its core healthcare service businesses in the pursuit of top-line growth, improved profitability and free cash flow generation.

The Company's organic growth initiatives have focused on business development opportunities with low capital investment that leverage the Company's existing resources and capacity. Going forward, while there is the potential for continued organic growth from each of the segments, the timing and cycles of the contract procurement process could result in some fluctuation of organic growth rate from quarter to quarter. Any potential acquisitions are expected to be accretive and consistent with the Company's focus on its core business segments and on operations that generate high margins and strong cash flow, require low capital expenditures and have low exposure to regulatory or public funding changes.

As management continues to explore opportunities to further optimize the Company's asset mix and strengthen the Company's balance sheet, the Board of Directors has initiated a strategic review to explore opportunities to maximize shareholder value. Some of the strategic alternatives may include, but are not limited to, a potential sale of the Company's businesses or assets or any combination thereof, joint ventures, strategic financing, redemption or repurchase of securities as well as the continued execution of its business plan.

Physiotherapy, Rehabilitation and Assessments

The Company's Physiotherapy, Rehabilitation and Assessments segment achieved solid growth during the period ended June 30, 2015 driven primarily by acquisition. In the early part of 2015, the Company completed the reacquisition of Active and CAR.The segment has been awarded several new contracts over the course of 2015, which will drive organic Revenue growth, but which have yet to commence. This segment has potential for additional growth in the rehabilitation clinic network through organic initiatives such as continued expansion of its preferred provider relationships with employers and other organizations. Specialty programs offered by the Company's network of rehabilitation clinics differentiates Centric Health in a highly competitive industry. The Company is also undertaking expanded digital and local marketing initiatives to drive brand awareness and increase the volume of patient visits. Growth in the Company's assessments business is targeted through increased market share from successful RFPs.

In addition to the above listed organic growth opportunities through preferred provider networks, specialty programs and new customer contracts, the Company will consider additional strategic tuck-in acquisitions. Growth through acquisition will only occur if the acquisition will be accretive to earnings and complementary to the national network and strategic plan. Over the longer term, this segment should benefit from growth in Employer Healthcare Management and Wellness contracts, which should contribute to increased volumes at the Company's rehabilitation clinics.

Specialty Pharmacy

Delivering on the previously stated objective to expand into Western Canada and to establish a national delivery platform, on March 2, 2015, the Company completed the acquisition of 100% of the shares of Pharmacare, an Edmonton-based leading specialty pharmacy business operating under the Care Plus, Pharmacare and Lidia's Pharmacy brands in Western Canada, and the second quarter of 2015 was the first full quarter of operations as part of Centric Health.

In addition to the acquisition growth for the segment, the Specialty Pharmacy segment also continued to achieve success with its organic growth strategy focused on maximizing the utilization of existing infrastructure by winning new tenders for contracts with Long Term Care and retirement homes that increased the number of homes serviced and by expanding its retail initiatives. While the Company anticipates that Revenue and Adjusted EBITDA growth in its Specialty Pharmacy segment will continue for 2015 and beyond through the previously mentioned revenue growth opportunities, management will also continue to pursue operational efficiencies and cost savings to offset increased competition and investments in administrative start-up costs new RFPs may require.

The Western expansion of the Specialty Pharmacy segment has provided important diversification across the existing payor base. By delivering services across a number of provinces, the segment has less reliance on any one government payor for ongoing Revenue streams. In addition to diversification across the existing payor base, the Specialty Pharmacy segment also benefits from the scale of national operations from a management and operational perspective.

In the spring of 2015, the Ontario Ministry of Health and Long Term Care proposed amendments to Ontario Regulation 201/96 under the Ontario Drug Benefit Act (ODBA) which would have impact across the Ontario Pharmacy industry, including services within Centric Health's Specialty Pharmacy segment. Centric Health management believes that efficiencies the Company can continue to realize in its Specialty Pharmacy business, as well as revisions to its seniors community pharmacy service model related to ancillary services will serve to largely offset the impact on the profitability of its Specialty Pharmacy segment should the proposed changes be implemented. Despite the potential contractionary impact of the proposed changes, Centric will continue to focus and deliver on its primary objective of achieving the highest levels of quality care and safe medication services. The Company is still in the process of determining the impact of the proposed changes.

Surgical and Medical Centres

Growth in the Company's Surgical and Medical Centres segment is expected to be driven primarily by increasing utilization of the existing network capacity through a multi-faceted strategy that includes: partnerships with local physicians and health authorities, marketing and brand development, and the introduction of innovative programs and new technologies. Efforts to further expand the roster of physicians and surgical privileges to optimize operating room capacity are ongoing at all of the Company's surgical centres. Additionally, Centric Health will continue to pursue opportunities to work alongside governments, health authorities and hospitals to find opportunities to relieve surgical wait-lists through new partnerships and business models.

The benefits of the strategic positioning of the centres as partners with physicians, hospitals and health authorities are beginning to be realized as is demonstrated by the Revenue increase over the same period in the prior year. As the surgical centres continue to explore opportunities to increase utilization of available capacity, 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. During the first half of 2015, the Company undertook significant renovation to its False Creek location in Vancouver, British Columbia to further enhance the patient experience and ensure that the facility continues to meet and exceed all accreditation standards, which resulted in work disruption of the facility over the period.

Employer Healthcare Management and Wellness

First launched during the second half of 2014, the Company's Employer Healthcare Management and Wellness initiative provides employee benefits and wellness programs to large employer clients, enabling them to select from a broad range of healthcare and wellness options and combine them into a plan that meets their needs. Supported by a dedicated cross-divisional business development team, the initiative continued to gain traction and momentum with clients throughout the first two quarters of 2015, resulting in several new and expanded contracts, including a contract with a major Canadian benefits provider for assessments and orthopedics, marking the Company's first multi-segment contract that includes surgical services. The Company expects contracts signed in the first half of 2015 to begin generating additional revenue into various core segments in the second half of 2015. Importantly, Centric Health is able to implement this growth initiative with minimal investment through its existing platform and national network.

Corporate Infrastructure

Management believes overall profitability can be improved through further optimization of corporate infrastructure. The Company continues to implement opportunities to reduce corporate costs as a proportion of consolidated revenue through centralization of functions, rightsizing, achieving deeper synergies amongst the operating segments through coordinated business development efforts and managing discretionary spend and professional fees.

Selected Financial Information

The following selected financial information as at and for the three and six month periods ended June 30, 2015, 2014 and 2013, has been derived from the unaudited condensed interim 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 June 30,			**For the six month periods ended June 30,**		
(thousands of Canadian Dollars)	**2015 $**	2014 $	2013 $	**2015 $**	2014 $	2013 $
Revenue	**90,981**	78,730	72,663	**174,230**	153,547	139,597
Gain (loss) from continuing operations	**304**	323	(4,735)	**(2,013)**	(632)	(8,653)
Income (loss) from continuing operations before interest expense and income taxes	**3,254**	(2,035)	(5,114)	**(497)**	(2,580)	1,799
EBITDA[2] from continuing operations	**9,831**	4,242	1,505	**12,626**	10,123	15,062
Adjusted EBITDA[2] from continuing operations	**9,628**	7,765	6,778	**17,021**	14,674	11,554
Per share - Basic	**$0.06**	$0.06	$0.05	**$0.11**	$0.11	$0.09
Per share - Diluted	**$0.04**	$0.03	$0.04	**$0.08**	$0.08	$0.06
Adjusted EBITDA Margin from continuing operations	**10.6%**	9.9%	9.3%	**9.8%**	9.6%	8.3%
Adjusted EBITDA[2]	**9,614**	8,237	11,027	**16,966**	14,950	18,856
Per share - Basic	**$0.06**	$0.05	$0.09	**$0.11**	$0.11	$0.15
Per share - Diluted	**$0.04**	$0.04	$0.06	**$0.08**	$0.08	$0.10
Adjusted EBITDA Margin	**10.6%**	7.3%	15.2%	**9.7%**	6.7%	13.5%
Net loss	**(7,054)**	(21,952)	(13,968)	**(19,390)**	(49,911)	(11,003)
Per share - Basic[3]	**($0.04)**	($0.15)	$(0.11)	**($0.12)**	($0.37)	$(0.09)
Per share - Diluted[3]	**($0.04)**	($0.15)	$(0.11)	**($0.12)**	($0.37)	$(0.09)
Cash flow from operations	**12,697**	8,610	6,461	**14,706**	12,442	6,661
Total assets from continuing operations	**313,517**	278,455	481,958	**313,517**	278,455	481,958
Total liabilities from continuing operations	**364,697**	356,291	387,277	**364,697**	356,291	387,277

[2] Defined in Reconciliation of Non-IFRS Measures

[3] Basic and diluted earnings per share is based on the earnings attributable to shareholders of Centric Health Corporation.

Results of Consolidated Operations for the three and six month periods ended June 30, 2015 and 2014

Revenues

The Company's Revenue for the three month period ended June 30, 2015 increased by 15.6%, or $12.3 million, to $91.0 million from $78.7 million for the same period in the prior year. This increase was primarily due to acquisition growth of $12.9 million, or 16.4%, driven primarily from the Pharmacare, Active and CAR acquisitions. This was partially offset by three key factors impacting Physiotherapy, Rehabilitation and Assessments segment including: delayed commencement of signed contracts, change in revenue treatment from the affiliate clinic network from historical periods and key clinical vacancies, vacated in the first quarter and subsequently filled, but not yet operating at full capacity, negatively impacting volumes.

The Company's Revenue for the six month period ended June 30, 2015 increased by 13.5%, or $20.7 million, to $174.2 million from $153.5 million for the same period in the prior year. This increase was due to acquisition growth of $19.1 million, or 12.4%, driven primarily from the Pharmacare, Active and CAR acquisitions. The above growth from acquisition was offset by incremental revenue of $0.8 million, or 1.0% driven by the same factors as listed above, contract timing, revenue treatment for the affiliate clinics and key clinical vacancies, all viewed as timing impact that does not affect management's long term view of the business. Going forward, management expects continued organic growth from each of the segments; however, management also expects that the timing and cycles of the contract procurement process as evidenced in the first half of 2015, could result in some fluctuation of organic growth rate over time.

Expenses

Cost of healthcare services and supplies includes practitioner consultant fees associated with the rehabilitation, assessment and surgical services, the cost of medical and physiotherapy supplies in these businesses and the cost of pharmaceuticals sold. Cost of healthcare services and supplies for the three and six month periods ended June 30, 2015 increased by 18.8% and 15.9% to $55.8 million and $106.7 million, as compared to $47.0 million and $92.0 million for the same periods last year. Cost of healthcare services and supplies remained relatively consistent as a percentage of Revenue at 61.4% and 61.2% for the three and six month periods ended June 30, 2015, as compared to 59.7% and 59.9%, for the three and six month periods ended June 30, 2014.

Employee costs include salaries and benefits of employees working directly in each business segment. For the three and six month periods ended June 30, 2015, employee costs were $10.5 million and $21.3 million, as compared to $10.5 million and $20.6 million for the same periods last year. Employee costs as a percentage of Revenue was lower in the three and six month periods ended June 30, 2015 at 11.5% and 12.2% of Revenue, as compared to 13.4% of Revenue for the three and six month periods ended June 30, 2014.

Other operating expenses include occupancy costs, insurance, communication, advertising and promotion and administrative expenses incurred at the operational level. Other operating expenses for the the three and six month periods ended June 30, 2015 were $11.9 million and $23.0 million as compared to $10.6 million and $20.6 million for the comparable periods in the prior year. Other operating expenses have remained relatively consistent at approximately 13.1% and 13.2% of Revenue for the three and six month periods ended June 30, 2015 to 13.5% and 13.4% of Revenue for the same periods in the prior year.

Corporate office expenses include shared service costs for the operating segments, salaries and benefits, occupancy costs, insurance, communication, advertising and promotion and other costs of the corporate office. Corporate office expenses for the three and six month periods ended June 30, 2015 were $3.1 million and $6.3 million, as compared to $2.9 million and $5.8 million for the three and six month periods ended June 30, 2014. The Company's corporate costs decreased as a percentage of revenue over the comparative year from 3.7% and 3.8% for the three and six month periods ended June 30, 2014 to 3.4% and 3.6% for the comparable periods in the current year.

Depreciation and amortization was $6.6 million and $13.1 million for the three and six month periods ended June 30, 2015 as compared to $6.2 million and $12.6 million the same periods in the prior year.

Share-based compensation expense, a non-cash expense, decreased for the three and six month periods ended June 30, 2015 at $0.3 million and $0.7 million from $0.5 million and $0.9 million for the comparable period in the prior year.

Transaction, restructuring and other costs increased for the three and six month periods ended June 30, 2015 to $2.5 million and $5.2 million from $0.7 million and $1.7 million in large part due to the acquisition of Pharmacare. Transaction and restructuring costs incurred, including legal, consulting and due diligence fees, directly related to business combinations as well as severance costs and start-up costs for new initiatives, and legal and consulting costs for business restructuring are expensed as incurred. Start-up costs for new initiatives are costs incurred by the Company for a new business initiative prior to this initiative generating any revenue.

Income from operations for the three month period ended June 30, 2015 was $0.3 million as compared to $0.3 million for the comparable period in the prior year. Loss from operations for the six month period ended June 30, 2015 was $2.0 million, or 1.2%, compared to $0.6 million, or 0.4%, of Revenue for the same period in the prior year. Adjusted EBITDA from continuing operations improved by 24.0% and 16.0% to $9.6 million and $17.0 million for the three and six month periods ended June 30, 2015 from $7.8 million and $14.7 million for the same periods in the prior year. The Adjusted EBITDA margin for the three and six month periods ended June 30, 2015 increased to 10.6% and 9.8% from 9.9% and 9.6% over the same period in the prior year. The increase in Adjusted EBITDA is reflective of the accretive contribution from the acquisition of Pharmacare, Active and CAR, organic revenue growth realized in core businesses between these periods and other startup initiatives.

Interest expense for the three and six month periods ended June 30, 2015 was $9.0 million and $17.3 million as compared to $8.2 million and $16.4 million for the comparable period in the prior year. Interest expense relates to the Term Loan, second lien senior secured notes, Revolving Facility, the distribution on preferred partnership units, the related party loan obtained in November 2010 and renegotiated in November 2013, the capital leases assumed in acquisitions and the convertible debentures issued in December 2011, February 2012, May 2012 and September 2012. Net interest expense excluding amortization, accretion, gain on settlement of swaps and loss on repayment of borrowings for the three and six month periods ended June 30, 2015 was $6.8 million and $13.4 million as compared to $6.9 million and $13.7 million in the prior year.

	For the three month periods ended June 30,		**For the six month periods ended June 30,**	
(thousands of Canadian Dollars)	**2015 $**	2014 $	**2015 $**	2014 $
Interest on Term Loan, Revolving Facility and second lien senior secured notes	**4,869**	4,948	**9,525**	9,782
Amortization of loan arrangement fees	**297**	307	**614**	612
Interest on related party amounts	**75**	127	**149**	284
Accretion of related party loan discounts	**101**	82	**198**	184
Interest on capital leases	**10**	10	**17**	27
Amortization of deferred gain on interest rate swap	**(3)**	(5)	**(8)**	(10)
Interest on convertible debt	**828**	820	**1,649**	1,642
Accretion on convertible debt	**1,275**	1,044	**2,488**	2,101
Accretion on preferred partnership units	**332**	25	**651**	25
Accretion on Loans Receivable	—	(41)	**(22)**	(41)
Gain on settlement of swaps	**(14)**	—	**(14)**	—
Loss on repayment of borrowings	**166**	—	**166**	—
Interest expense before distributions for preferred partnership units	**7,936**	7,317	**15,412**	14,606
Distributions for preferred partnership units	**1,029**	1,002	**2,058**	1,991
Total interest expense	**8,965**	8,319	**17,470**	16,597
Interest income	**(12)**	(150)	**(161)**	(157)
Net interest expense	**8,953**	8,169	**17,309**	16,440

The **change in fair value of derivative financial instruments** represents a gain of $2.6 million and $1.6 million for the three and six month periods ended June 30, 2015 compared to a loss of $1.7 million and $1.3 million for the comparative periods in the prior year. The change in fair value of the derivative financial instruments includes changes in components of debt offerings and the change in fair value of redemption features included in certain of the Company's debt arrangements. The fluctuation of these balances are reflective of various factors including changes in the Company's share price, interest rates and credit spreads.

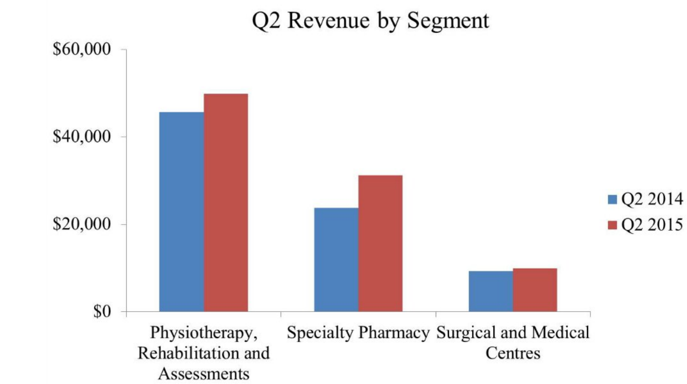
For the three month period ended June 30, 2015, the Company recognized gains on the **fair value of contingent consideration liabilities** of $0.4 million compared to as loss of $0.7 million for the comparative period in the prior year. For the six month period ended June 30, 2015, the Company recognized losses on the fair value of contingent consideration of $0.1 million, as compared to $0.6 million for the comparative period in the prior year. The Company is required to value contingent consideration liabilities pursuant to its business combination activities. The Company's valuation method to determine the value of contingent consideration is largely based on the value of common shares, risk adjusted discount rates and the probability of the acquired business achieving stated performance targets. Warrants accrue to the vendors subject to achieving outperformance of earnings targets. The valuation of contingent consideration on the date the acquisition closes becomes part of the total consideration in the purchase price allocation. Subsequently, the contingent consideration is revalued on each reporting date with changes in fair value included in the statement of income and comprehensive income.

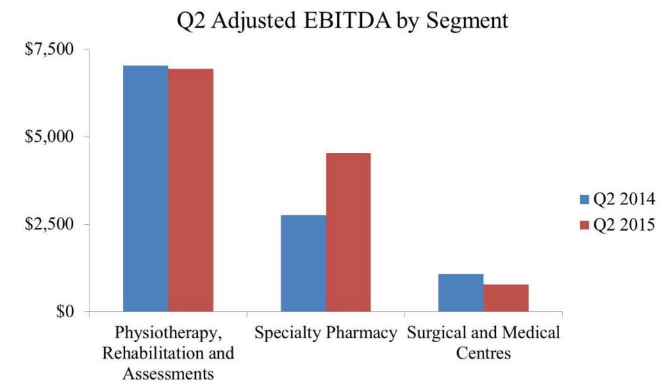
The **income tax expense** was $1.3 million and $1.0 million for the three and six month periods ended June 30, 2015 as compared to a recovery of $1.5 million and $1.9 million for the same periods in the prior year. As at June 30, 2015 and December 31, 2014, the Company did not recognize deferred tax assets of $27.1 million and $19.6 million in respect of losses amounting to $98.8 million and $91.2 million 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.

Results of Segmented Operations

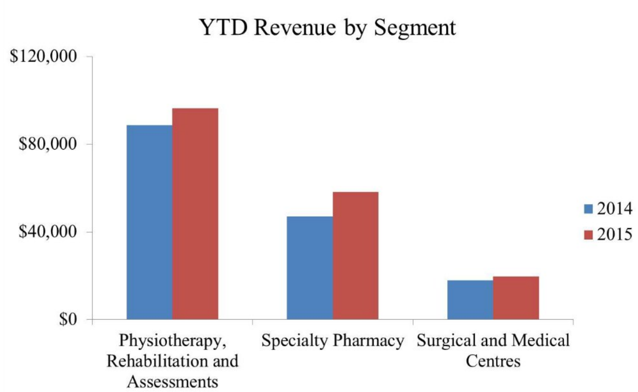
This section presents the results of operations for the three and six month periods ended June 30, 2015 and 2014 for the various operating segments of the Company: Physiotherapy, Rehabilitation and Assessments, Specialty Pharmacy, and Surgical and Medical Centres. The support services provided through the corporate offices largely support the operations of the Company and 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.

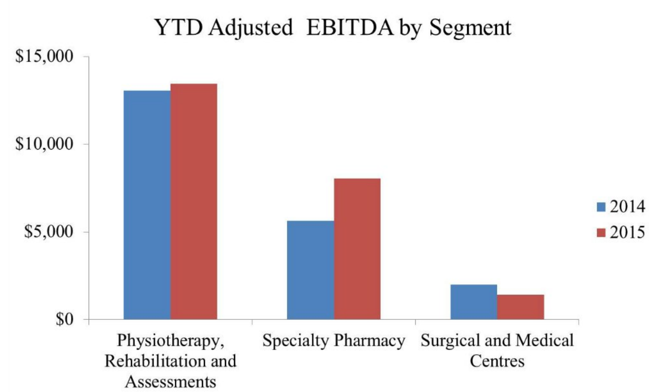
For the three month period ended June 30,	**Revenue**		**Adjusted EBITDA from continuing operations**			
(thousands of Canadian Dollars)	**2015 $**	2014 $	**2015 $**	**%**	2014 $	%
Physiotherapy, Rehabilitation and Assessments	49,829	45,627	**6,947**	**13.9**	7,034	15.4
Specialty Pharmacy	31,215	23,792	**4,537**	**14.5**	2,761	11.6
Surgical and Medical Centres	9,937	9,311	**776**	**7.8**	1,079	11.6
Corporate	—	—	**(2,632)**	—	(3,109)	—
Total	**90,981**	78,730	**9,628**	**10.6**	7,765	9.9





For the six month period ended June 30,	**Revenue**		**Adjusted EBITDA from continuing operations**			
(thousands of Canadian Dollars)	**2015 $**	2014 $	**2015 $**	**%**	2014 $	%
Physiotherapy, Rehabilitation and Assessments	**96,411**	88,696	**13,445**	**13.9**	13,041	14.7
Specialty Pharmacy	**58,224**	47,019	**8,049**	**13.8**	5,650	12.0
Surgical and Medical Centres	**19,595**	17,832	**1,409**	**7.2**	1,993	11.2
Corporate	—	—	**(5,882)**	—	(6,010)	—
Total	**174,230**	153,547	**17,021**	**9.8**	14,674	9.6





Physiotherapy, Rehabilitation and Assessments

Revenue for the Physiotherapy, Rehabilitation and Assessments segment increased by 9.2% to $49.8 million from $45.6 million for the three month period ended June 30, 2015 as compared to the three month period ended June 30, 2014. For the six months ended June 30, 2015, Revenue for the Physiotherapy, Rehabilitation and Assessments segment increased by 8.7% to $96.4 million from $88.7 million as compared to the six months ended June 30, 2014. For both the three and six month periods, the increase in Revenue is primarily the result of acquisition growth with the addition of Active and CAR in February of 2015, as well as a number of small clinic acquisitions that took place in 2014. This acquisition growth for the quarter was partially offset by a number of isolated factors for the segment, introduced in the first quarter of 2015, continuing to impact in the second quarter, including; delay of commencement for key awarded contracts in the segment, change in revenue treatment from the affiliate clinic network from historical periods, as well as some key clinical vacancies across the country. When normalized for the above listed factors, organic revenue growth for the segment is in line with historical results and current management expectations.

Adjusted EBITDA decreased 1.4% to $6.9 million from $7.0 million for the three month period ended June 30, 2015 as compared to the three month period ended June 30, 2014. The transient factors impacting Revenue for the period resulted in the segment realizing an Adjusted EBITDA margin of 13.9% for the period compared to 15.4% over the same period in 2014.

For the six months ended June 30, 2015, Adjusted EBITDA increased 3.1% to $13.4 million from $13.0 million compared to the same period in the prior year. The increase in Adjusted EBITDA is also mainly due to acquisition growth. The above listed factors impacting Revenue for the six month period also impacted Adjusted EBITDA and Adjusted EBITDA margin, with an Adjusted EBITDA margin of 13.9% for the six month period and 14.7% over the same period in 2014. Taking a longer term view of the immediate results, management remains confident in the segment's ability to continue to deliver strong increases in same store revenues across all key customer segments.

Specialty Pharmacy

Revenues for Specialty Pharmacy increased 31.1% to $31.2 million from $23.8 million for the three month period ended June 30, 2015 as compared to the same period in the prior year. Adjusted EBITDA increased 64.4% to $4.5 million from $2.8 million and the Adjusted EBITDA margin improved to 14.5% from 11.6% over these same periods.

For the six month period ended June 30, 2015, Revenues for Specialty Pharmacy increased 23.8% to $58.2 million from $47.0 million, as compared to the same period in the prior year. Adjusted EBITDA increased 42.5% to $8.0 million from $5.7 million and the Adjusted EBITDA margin improved to 13.8% from 12.0% over these same periods.

For both the three and six month periods, the growth in revenue is due to acquisition growth through the addition of Pharmacare as well as organic growth through the increase of script counts and the number of beds serviced in addition to the offering of ancillary services to existing customers. The increasing Adjusted EBITDA levels and Adjusted EBITDA margin have both been supported through the accretive Pharmacare acquisition, but also ongoing efforts by management to drive operational efficiencies across each of the existing fulfillment centre locations.

Surgical and Medical Centres

The Surgical and Medical Centres segment grew its Revenue for the three month period ended June 30, 2015 by 6.7% to $9.9 million from $9.3 million for the same period in the prior year. Adjusted EBITDA decreased 28% to $0.8 million from $1.1 million. The Adjusted EBITDA margin was 7.8% for the quarter, compared to 11.6% for the previous period.

For the six months ended June 30, 2015, Revenue grew by 9.9% to $19.6 million from $17.8 million for the same period in the prior year. Adjusted EBITDA decreased 29.2% to $1.4 million from $2.0 million. The Adjusted EBITDA margin was 7.2% compared to 11.2% for the prior year period. Impacting factors listed below, were consistent across both the three and six month periods.

The benefits of the strategic positioning of the centres as partners with physicians, hospitals and health authorities is demonstrated by the Revenue increase over the same period in the prior year. The Adjusted EBITDA and Adjusted EBITDA margin for the quarter were impacted by higher occupancy costs at both the Don Mills and False Creek locations as a result of the centres taking on additional space for increased services. Both Adjusted EBITDA and Adjusted EBITDA margin improved on reported levels from the first quarter of 2015. Other factors that impacted the Adjusted EBITDA and Adjusted EBITDA margin were additional training costs as growth strategies are being implemented and accreditation fees at the False Creek location. While the segment remains susceptible to one-time events impacting Adjusted EBITDA and Adjusted EBITDA margin, the growth in Revenue is indicative of continued progress in the segment.

Discontinued Operations

For the three month period ended June 30, 2015 and 2014, the Company's discontinued operations consist of the retail and home medical equipment operations, methadone pharmacy operations, the Sarnia surgical centre operations, Windsor Endoscopy Centre and Sleep Clinic. For historical periods, despite the subsequent transaction to acquire back in to Centric Health, Revenue and Adjusted EBITDA from historical periods for the Active and CAR are treated as discontinued operations as these dispositions originally closed on May 8, 2014.

Revenue and Adjusted EBITDA from discontinued operations for the three month period ended June 30, 2015 and 2014 decreased to $0.1 million and a loss of $14 thousand from $34.9 million and income of $0.5 million, respectively.

Revenue and Adjusted EBITDA from discontinued operations for the six months ended June 30, 2015 and 2014 decreased to $0.4 million and a loss of $0.1 million from $70.4 million and income of $0.3 million, respectively.

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 of Directors 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 Revolving Facility, second lien senior secured notes, convertible debts, preferred partnership units 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.

In August 2014, the Company sold its methadone pharmacy operations for gross proceeds of $20.0 million, and in September 2014, sold substantially all of its retail and home medical equipment operations for gross proceeds of $50.0 million.

Under the April 2013 trust indenture for the second lien senior secured notes, net proceeds from divestitures can be redeployed for permitted business acquisitions, capital expenditures, acquisitions of non-current assets, repayment of senior debt that is a permanent reduction of such debt, repayment of secured debt (subject to early redemption at the Company’s option), and redemption of up to $35.0 million of preferred partnership units, once the target ratio of total secured debt to cash flow is achieved. The trust indenture for the second lien senior secured notes also requires the Company maintain a minimum of $25.0 million Revolving Facility for working capital purposes.

On August 29, 2014, the Company repaid $10.0 million of its Revolving Facility resulting in a permanent reduction in the capacity of the Revolving Facility from $50.0 million to $40.0 million. On September 19, 2014, the Company made a temporary repayment of an additional $15.0 million against the Revolving Facility which further reduced the capacity of the Revolving Facility to $25.0 million. However, the capacity on the Revolving Facility can be increased to $40.0 million with an equivalent return of funds to the escrow cash account for the proceeds of sale from the non-core businesses as long as the Company is not in default under the Revolving Facility.

In February 2015, the Company obtained approval from both the second lien senior secured notes and Revolving Facility lenders to use $26.0 million of this restricted cash to fund the cash cost of the acquisition of specialty pharmacy business Pharmacare. The acquisition was completed on March 2, 2015 as described in note 3.

On May 11, 2015, the revolving facility which helps support the Company's working capital requirements and which was set to mature on June 9, 2015, was extended for one year on consistent terms and conditions. The facility's capacity has been increased to $35.0 million from its previous temporary level of $25.0 million, an amount that effectively met the Company's operating needs. The amendment represents a $5.0 million permanent reduction to the Revolving Facility's capacity as part of the Company's debt reduction strategy.

On June 25, 2015, the Company purchased an aggregate of 9,842 second lien senior secured notes for a total principal amount of $9.8 million plus $0.2 million in accrued and unpaid interest, representing $10.0 million in total. The Company has now completed its planned $15.0 million permanent debt reduction through this $5.0 million permanent reduction to the Revolving Facility and the $9.8 million redemption of the second lien senior secured notes.

As at June 30, 2015 the Company has restricted cash of $2.9 million, which decreased from the December 31, 2014 amount of $36.1 million due to the cash payment on the Pharmacare acquisition, draws for capital expenditures and transaction and other costs. Restricted cash increased by $10.0 million with the withdrawal of the $10.0 million temporary reduction to the revolving facility offset by the use of that cash to repay $10.0 million on the second lien senior secured notes. The Company intends to use the remaining restricted cash to reinvest in its core businesses through tuck-in acquisitions, further debt reductions and capital expenditures. The Company is in the process of discussing strategic alternatives with external advisers on the refinancing of the $15.0 million convertible debentures due April 2016. Such alternatives could include repayment with new financing, extensions or other repayment alternatives.

With the successful completion of accretive acquisitions made during the first quarter of 2015 and the completion of the planned $15.0 million debt reduction in the second quarter of 2015, the Company anticipates it will be in compliance with the covenants in its Revolving Facility during 2015 and continue to generate sufficient cash flow to meet its obligations as they come due through

future organic growth and ongoing operational improvements and cost containment initiatives. There can be no assurance that the Company will be successful in achieving the results targets as set out in its operating plan for each of the quarters in 2015.
On July 27, 2015, the Company announced that its Board of Directors (the "Board") has initiated a process to consider and evaluate strategic alternatives available to the Company following unsolicited interest in certain businesses of the Company. The Company has previously disclosed that it was exploring opportunities to maximize shareholder value which included additional divestures of existing businesses. In light of the above mentioned circumstances, the Company has established a Special Committee composed of directors who are independent of management to oversee the strategic review process. In addition to a potential sale of the Company's businesses or assets or any combination thereof, some of the strategic alternatives may include, but are not limited to joint ventures, strategic financing, redemption or repurchase of securities as well as the continued execution of its business plan.

Although the Company has initiated a strategic review process, there is no certainty that any transaction or alternative will be undertaken. The Company has not set a definitive schedule to complete its evaluation and, notwithstanding the above-mentioned alternatives, no decision on any particular alternative has been reached at this time. The Company does not intend to make further announcements or disclose developments with respect to this process unless the evaluation has been completed and the Board has approved a definitive transaction and the Company has entered into a definitive agreement or unless otherwise required by law or regulation or disclosure of which is deemed appropriate.

Cash Flow

Cash flow activities for the three and six month periods ended June 30, 2015 were as follows:

Operating Activities

For the three and six month periods ended June 30, 2015, cash provided by operating activities was $12.7 million and $14.7 million compared to cash provided by operating activities of $8.6 million and $12.4 million for the comparable periods in the prior year. The Company has generated positive cash flows from operating activities for thirteen consecutive quarters as the Company has focused on cash management initiatives. In addition, included in operating activities are transaction and restructuring costs incurred of $2.5 million and $5.2 million for the three and six month periods ended June 30, 2015. Cash provided by operating activities, exclusive of transaction and restructuring costs, was $15.2 million and $19.4 million for the three and six month periods ended June 30, 2015.

Investing Activities

For the three and six month periods ended June 30, 2015, the Company used $2.0 million and $1.6 million of cash for investing activities as compared to using $3.4 million and $5.4 million for the comparable periods in the prior year. As at June 30, 2015, the Company had $2.9 million of cash held in escrow representing the remaining proceeds from divestitures of non-core businesses in 2014.

The Company's capital expenditures have increased for the three month period ended June 30, 2015 to $2.0 million from $1.7 million. However, the capital expenditures have decreased for the six month period ended June 30, 2015 from $3.8 million to $3.2 million due to timing of capital projects being delayed to later in the year, outside of the renovations at the False Creek Surgical Centre. Included in the net assets received from the acquisitions of CAR and Active in February 2015 was $1.6 million of cash that was transferred to the Company.

Financing Activities

During the six month period ended June 30, 2015, the Company withdrew $12.0 million from its Revolving Facility. $10 million was used as a return of funds to the restricted cash account for the purchase of the second lien senior secured notes and $2 million was drawn for operating purposes. The Company paid $12.9 million in cash interest on its borrowings for the six month period ended June 30, 2015 as compared to $13.5 million for comparable period in the prior year. The decrease is due to the timing of payments and the associated interest rate during the year.

The Company had a cash balance of $2.5 million on hand and restricted cash of $2.9 million as at June 30, 2015. The Company maintains a long-term view of its cash on hand and debt repayment plans as outlined in its Business Strategy.

Contractual Commitments

The Company's contractual commitments at June 30, 2015, are as follows:

(thousands of Canadian Dollars)	Total ($)	2015 ($)	2016-2017 ($)	2018-2019 ($)	Thereafter ($)
Trade payables and other amounts	**43,793**	43,793	—	—	—
Second lien senior secured notes	**190,158**	—	—	190,158	—
Convertible borrowings	**53,308**	—	53,308	—	—
Related party convertible loan	**5,000**	—	—	5,000	—
Revolving Facility	**27,000**	—	27,000	—	—
Finance leases	**671**	143	445	83	—
Interest payments on borrowings	**52,711**	10,098	37,729	4,884	—
Operating leases	**49,434**	4,523	18,603	13,385	12,923
Preferred partnership units	**36,753**	—	—	—	36,753
	458,828	58,557	137,085	213,510	49,676

On April 18, 2013, the Company completed a $200.0 million public offering of second lien senior secured notes which bear interest at 8.625% and mature on April 18, 2018. On June 25, 2015, the Company purchased an aggregate of 9,842 second lien senior secured notes for a total principal amount of $9.8 million plus $0.2 million in accrued and unpaid interest, representing an aggregate of $10.0 million, resulting in a permanent reduction on the balance of the second lien senior secured notes.

The Company has a contractual obligation to pay Alaris Income Growth Fund ("Alaris") annual distributions on preferred partnership units. The principal balance grows at 4% annually from the third anniversary of June 9, 2014. The Company is not required to redeem the preferred partnership units until 2084. Alaris is entitled to annual distributions of $4.1 million for the annual period commencing July 1, 2014 with annual increases of 4% at the end of each year thereafter. The Company intends on repaying the preferred partnership units by June 9, 2017 and has presented this amount as a long-term liability. The Company is accreting to interest expense the amount expected to be payable on June 9, 2017 of $39.9 million.

The Company incurs interest on its Revolving Facility. Future interest to be paid on the Revolving Facility cannot be reasonably determined due to the ongoing fluctuation of the Revolving Facility balance. The Revolving Facility bears interest on a sliding scale from prime plus 1.5% to prime plus 3.75% for principal borrowed and a range of 0.63% to 1.19% for standby fees for amounts not borrowed.

The Company has $5.0 million in convertible debt with a related party which may be settled in cash or common shares at the option of the holder and $53.3 million in convertible debt from public and private offerings which principal and interest the Company can elect to settle in common shares of the Company.

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.

$ millions of Canadian dollars (except for per share amounts, and where otherwise noted)

Equity

As at June 30, 2015, the Company had total shares outstanding of 162,163,752. The outstanding shares include 1,813,916 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. 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 160,349,836 common shares outstanding as at June 30, 2015 and 153,388,986 shares outstanding at December 31, 2014.

The Company has convertible borrowings outstanding at June 30, 2015 where the conversion is at the option of the Company as follows:

Debt instrument	Principal ($)	Number of Common Shares Issuable	Maturity	Interest Rate
Directed share program	10,808	3,464,103	December 22, 2016	6.00%
Private placement	15,000	16,129,032	April 30, 2016	5.50%
Public debt	27,500	24,553,571	October 31, 2017	6.75%
Total	**53,308**	**44,146,706**		

On January 1, 2015, the Company released 300,000 restricted shares to the Company's CEO.

On March 2, 2015, the Company issued 4,347,826 common shares as part of the consideration for the acquisition of Pharmacare. The shares became freely tradeable upon closing of the acquisition.

On March 18, 2015, the Company issued 1,351,352 common shares as part of an independent third party services agreement related to the acquisition of Pharmacare. The shares were issued at the market price at the date immediately prior to the issuance of $0.37 per share. The shares are being treated as part of transaction costs related to the closing of the acquisition.

On March 18, 2015 the Company issued 835,000 restricted share units to management and employees which entitled the holders to 835,000 common shares of the Company. These restricted share units have been fair-valued based on the quoted market price on the date of issuance of $0.385 per share and vest over three years.

On March 31, 2015, the Company issued 1,000,000 stock options to management and employees as part of the acquisition of Pharmacare. All of the options were issued at a strike price of $0.40.

As at June 30, 2015, there were a total of 6,016,000 options outstanding to purchase an equivalent number of common shares, with a weighted average exercise price of $1.39, expiring at various dates through 2020. The number of exercisable options at June 30, 2015, was 3,944,625 with a weighted average exercise price of $1.61.

As at June 30, 2015, there were a total of 2,922,486 restricted share units to grant an equivalent number of common shares.

As at June 30, 2015, there were 12,694,427 warrants outstanding at a weighted average exercise price of $1.31.

Should all outstanding options and warrants that were exercisable at June 30, 2015 be exercised, the Company would receive proceeds of $20.1 million.

As at the date of this report, August 4, 2015, the number of shares outstanding, including escrowed shares, is 162,163,752; the number of options outstanding is 6,016,000; the number of warrants outstanding is 12,694,427; and the number of restricted share units outstanding is 2,922,486. Included in the shares outstanding are 1,813,916 restricted shares, shares held in escrow, or in trust, and are not freely tradable.

Transactions with Related Parties

In the normal course of operations, the Company has entered into certain related party transactions for consideration established with the related parties and are approved by the independent non-executive directors of the Company or are at market terms.

Related party transactions
Related party transactions, in addition to those entered into with Company directors and management, have been entered into with GHIS and entities controlled and related to the shareholders of GHIS including Jamon Investments LLC ("Jamon"), who own 59,551,287 shares or approximately 37% of the issued and outstanding common shares of the Company as at June 30, 2015. This ownership percentage disclosed assumes the issuance of 1,813,916 escrowed and restricted shares in the total common shares considered to be outstanding.

On May 28, 2014, GHIS exercised 18,650,000 common share purchase warrants at a strike price of $0.33 per common share. Of the gross consideration of $6.2 million, a reduction of $4.2 million was made to settle the completion fees of $1.4 million from the LifeMark acquisition and the financing fee of $2.8 million related to specific 2011 financing activities previously due and payable to GHIS.

On March 21, 2013, GHIS and the Company negotiated an amended consulting agreement which eliminated the completion fees, removed the consulting fees for the year ended December 31, 2013, and amended the consulting fees to $0.1 million per month from January 2014 to the completion of the agreement in June 2015. In light of management's leadership, the Company and GHIS have agreed not to renew the advisory agreement. The representatives of GHIS will continue to serve on the Board of Directors and various Sub Committees.

For the three and six month periods ended June 30, 2015, the Company incurred $0.2 million and $0.5 million (2014 - $0.2 million and $0.5 million) in GHIS consulting fees, $4 thousand and $39 thousand (2014 - $29 thousand and $48 thousand) in GHIS travel related expenses and $0.1 million and $0.2 million (2014 - $0.1 million and $0.2 million) in interest on related party amounts.

Included in trade payables and other amounts at June 30, 2015 and December 31, 2014 are $0.3 million and $0.2 million, respectively, due to GHIS; and $24 thousand and $25 thousand, respectively for interest payable to Jamon.

The Company holds a lease agreement for the use of a medical office as part of its Performance Medical Group operations which is owned by a director of Performance Medical Group. The Company's lease expense for this location for the three and six month periods ended June 30, 2015 and 2014 was $29 thousand and $0.1 million.

In June 2015, in connection with the acquisition of certain assets from an unrelated party, the Company entered into a service agreement with a corporation related to a member of senior management of the Company whereby the Company will fill prescriptions from a customer list that the corporation has rights to in exchange for a fixed fee per prescription. For the three and six month periods ended June 30, 2015, the Company recorded an expense of $12 thousand and $12 thousand related to the fee owed to the corporation. Included in trade payables and other amounts at June 30, 2015 are $12 thousand due to the corporation related to these services.

Related party loans
The Company has a promissory note with Jamon for $5.0 million that bears interest at 6% with a conversion feature which is due April 30, 2018. The conversion price for the note is $0.46 per share and the conversion of the note is at the option of the holder. In addition to the promissory note, Jamon was issued a warrant to purchase 1,000,000 common shares of the Company at an exercise price of $0.46 per share which expires 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% and repayable in equal annual installments over five years. A receivable from employees of $0.1 million (December 31, 2014 - $0.1 million) has been included in trade and other receivables.

On August 14, 2012, the Company entered into a promissory note with the Company's CEO for $0.5 million who is a director and officer of the Company. This promissory note bears interest at 4% per annum. The promissory note and related interest will be forgiven by the Company if the CEO is employed on the maturity date of September 3, 2016. If the CEO resigns prior to September 3, 2016, the promissory note and related interest is repayable on demand. In addition, a private placement for 782,227 common shares at a price of $0.64 per share and 782,227 warrants with an exercise price of $0.75 per share was completed with the CEO on August 14, 2012.

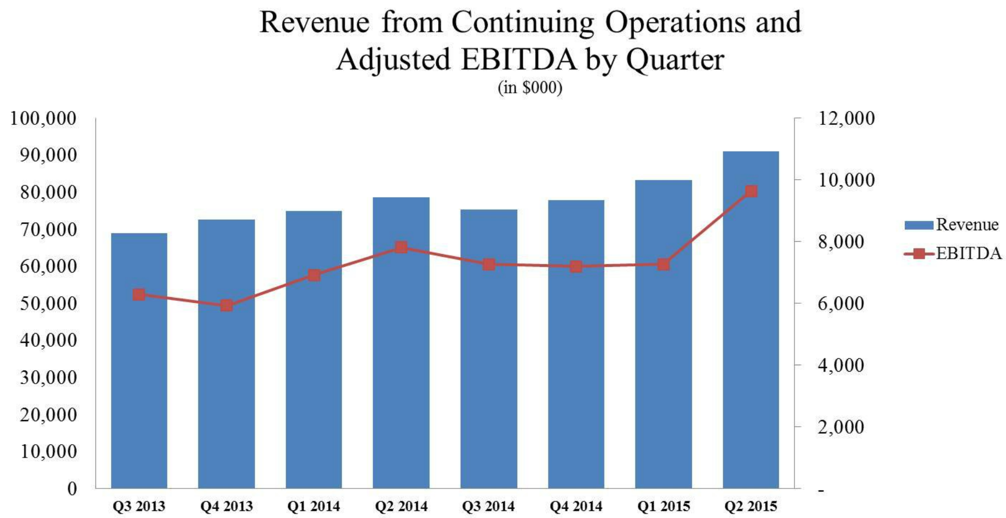
On September 3, 2012, the Company issued 1,000,000 common shares to the CEO of the Company. These shares are held by the Company and released to the CEO as freely tradeable over a four year period whereby 200,000 shares were released on both January 1, 2013 and January 1, 2014, 300,000 shares were released on January 1, 2015 and 300,000 shares will be released on January 1, 2016.

Summary of Quarterly Results

	Q2 2015 $	Q1 2015 $	Q4 2014 $	Q3 2014 $
(thousands of Canadian Dollars)				
Revenue	90,981	83,249	77,910	75,288
Adjusted EBITDA from continuing operations	9,628	7,393	7,198	7,267
Adjusted EBITDA per share from continuing operations:				
Basic	$0.06	$0.05	$0.05	$0.05
Diluted	$0.04	$0.03	$0.03	$0.03
Net loss from continuing operations	(6,999)	(11,801)	(8,009)	(6,854)
Earnings per share from continuing operations				
Basic	$(0.04)	$(0.08)	$(0.05)	$(0.04)
Diluted	$(0.04)	$(0.08)	$(0.05)	$(0.04)
Adjusted EBITDA	9,614	7,352	7,824	7,222
Adjusted EBITDA per share:				
Basic	$0.06	$0.05	$0.05	$0.05
Diluted	$0.04	$0.03	$0.03	$0.03
Net (loss) income	(7,054)	(12,336)	(8,036)	743
Earnings per share				
Basic[3]	$(0.04)	$(0.08)	$(0.06)	$—
Diluted[3]	$(0.04)	$(0.08)	$(0.06)	$—

	Q2 2014 [4, 5] $	Q1 2014 [4] $	Q4 2013 [4] $	Q3 2013 [4] $
Revenue	78,730	74,817	72,589	68,962
Adjusted EBITDA from continuing operations	7,765	6,910	5,920	6,286
Adjusted EBITDA per share from continuing operations:				
Basic	$0.06	$0.05	$0.04	$0.05
Diluted	$0.03	$0.04	$0.03	$0.03
Net loss from continuing operations	(8,715)	(8,393)	(20,320)	(5,408)
Earnings per share from continuing operations:				
Basic	($0.06)	$(0.06)	$(0.15)	$(0.04)
Diluted	($0.06)	$(0.06)	$(0.15)	$(0.04)
Adjusted EBITDA	8,237	6,717	6,186	8,559
Adjusted EBITDA per share				
Basic	$0.05	$0.05	$0.05	$0.06
Diluted	$0.04	$0.04	$0.03	$0.05
Net loss	(21,952)	(27,958)	(39,257)	(40,590)
Earnings per share				
Basic[3]	$(0.15)	$(0.21)	$(0.30)	$(0.31)
Diluted[3]	$(0.15)	$(0.21)	$(0.30)	$(0.31)

[4] Adjusted EBITDA includes a restatement of previously reported amounts in order to reflect the impact of discontinued operations for business that were divested in 2014. The results for the two quarters in 2013 include the impact of discontinued operations related to the Windsor Endoscopy Centre and Sleep Clinic as the impact is not considered material.
[5] Included in net loss from continuing operations is an adjustment of $1,523 for income tax expense between continuing operations and discontinued operations for the three month period ended June 30, 2014.



The Company has achieved strong, steady growth across its core operations over the past several quarters, driven by both organic growth and through accretive acquisitions in 2014 and 2015. Consolidated Revenue from continuing operations has increased by $12.3 million, or 15.6%, from the second quarter of 2014 compared to the second quarter of 2015. Adjusted EBITDA has also increased by 24.0% during this period.

The volatility in net earnings quarter over quarter is largely due to the fluctuations in contingent consideration, transaction and restructuring costs and impairments. The Company is required to value the contingent consideration liabilities pursuant to its business combination activities. The Company's common share price has fluctuated significantly, affecting the quantum at which the contingent consideration liabilities are valued at the end of each reporting period. Transaction and restructuring costs are expensed as incurred. Transaction and restructuring costs tend to be proportionate with the size of any acquisitions completed and any restructuring initiatives leading to fluctuations in charges against earnings in certain quarters in 2013, 2014 and 2015.

The Company continues to see year-over-year increases in both Revenue and Adjusted EBITDA from continuing operations following the strategic realignment of its business model and divestiture of non-core businesses during the second half of 2014. Excluding the second quarter results of 2014, which are consistent with expectations of being seasonally stronger, there has been an upward trend in Revenue and Adjusted EBITDA from continuing operations.

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 June 30, 2015, 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. They 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 June 30, 2015. 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.

There have been no significant changes to the Company's ICFR over the three month period ended June 30, 2015, which has materially affected, or is reasonably likely to materially affect the Company's ICFR. Based on their evaluation of these controls for the three month period ended June 30, 2015, the CEO and CFO have concluded that these controls are operating effectively.

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, the recognition of contingent consideration and the valuation of deferred tax assets and tax provisions.

Collectability of receivables

The Company assesses the collectability of receivables on an ongoing basis. A provision for the impairment of receivables involves significant 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 August 31 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. Management has determined, using the above-noted valuation methods, that there were no triggering events for continuing operations in the second quarter of 2015.

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 business being acquired 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 assessing the realization 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 $26.4 million which the Company has not recorded at June 30, 2015.

Off-Balance Sheet Arrangements

As at June 30, 2015, 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).

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 borrowings of the Company are secured by its lenders by a general security agreement over substantially all of the assets of the Company. Should the Company not meet its covenants or obligations under these borrowing agreements when due, there is the risk that its lenders may realize on its security and liquidate the assets of the Company.

The Company intends to redeem the prefered partnerships by June 2017. The Company's ability to make the redemption payment is dependent on the Company's free cash flow and the completion of alternative financing arrangements with more favorable terms. There can be no certainty that the Company can generate the cash requirements to make this redemption prior to June 2017, however the Company has no legal obligation to redeem the preferred partnership units until 2084. If the Company determines that this intention will not be met as reported, the Company will establish a new timeline for the redemption of the preferred partnership units.

Government Regulation and Funding

The Company operates businesses in an environment in which insurance regulation, policy and tariff decisions play a key role. Changes in regulation and tariff structures related to third party disability management services, or their interpretation and application, could adversely affect the business, financial condition and results of operation of the Company.

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.

Management of the Company recently became aware of 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, but had been adjourned until March 2, 2015 to allow for settlement discussions. On February 24, 2015 the Ministry of Health in British Columbia announced a further adjournment to be determined on a future date. 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.

Pharmacy Industry Regulation

With the acquisition of Pharmacare, the Company is reliant on prescription drug sales for a more 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 and the professional or dispensing fees that may be charged on prescription drug sales to patients eligible under the public drug plan. 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.

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. These changes may have a material adverse impact on the Company's business, sales and profitability. In addition, the Company could incur significant costs in the course of complying with any changes in the regulatory regime affecting prescription drugs. Non-compliance with any such 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.

Credit Risk and Economic Dependence

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. Where the Company has material contracts with a counterparty to provide products and/or services, the termination of such contracts could have an impact on the financial results of an operating segment.

Acquisitions and Integration

The Company expects to make acquisitions of various sizes that fit particular niches within Centric Health's overall corporate strategy of developing a portfolio of integrated healthcare businesses. 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.

Litigation

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.

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 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.

Referrals

The success of Centric Health's assessments operations is currently dependent upon insurance company referrals of patients for assessment and rehabilitation procedures and treatments. These referrals come through preferred provider and other service agreements established through competitive tendering processes. If a sufficiently large number of service agreements were discontinued, the business, financial condition and results of operations of Centric Health could be adversely affected.

In addition, 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.

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. The businesses operating in the Physiotherapy, Rehabilitation and Assessments segment also compete for the provision of consulting services from independent healthcare professionals. 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. The Company has entered into agreements with Long Term Care and Retirement homes for the provision of pharmacy services. As these agreements reach their conclusion, there can be no assurances that the counterparties will renew or extend these agreements.

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.

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 Ebola 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.

Litigation and Insurance

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. Centric Health 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.

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. Any further issuance of shares may dilute the interests of existing shareholders.

Unpredictability and Volatility of Share Price

Market prices for securities of healthcare services companies may be volatile. Factors such as announcements of new contracts, innovations, new commercial and medical products, patents, the development of proprietary rights by the Company or others, regulatory actions, publications, quarterly financial results of the Company or of competitors of the Company, public concerns over health, future sales of securities by the Company or by current shareholders and other factors could have a significant effect on the market price and volatility of the common shares of the Company.

The securities markets have experienced significant price and volume fluctuations from time to time in recent years that often have been unrelated or disproportionate to the operating performance of particular issuers. These broad fluctuations may adversely affect the market price of the Company's shares.

Significant Shareholders

There are significant shareholders of the Company that may be long-term holders of the common shares in the Company. As such, the trading volumes in the common shares of the Company and liquidity may be low. 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 on 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.

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. EBITDA and Adjusted EBITDA are as follows for the three and six month periods ended June 30, 2015 and 2014:

	For the three month periods ended June 30,		For the six month periods ended June 30,	
	2015	2014	**2015**	2014
(thousands of Canadian Dollars)	**$**	$	**$**	$
Net loss from continuing operations	**(6,999)**	(8,715)	**(18,800)**	(17,108)
Depreciation and amortization	**6,626**	6,192	**13,090**	12,600
Interest expense	**8,953**	8,169	**17,309**	16,440
Amortization of lease incentives	**(49)**	**85**	**33**	**103**
Income tax (recovery) expense	**1,300**	(1,489)	**994**	(1,912)
EBITDA from continuing operations	**9,831**	4,242	**12,626**	10,123
Transaction and restructuring costs	**2,477**	676	**5,199**	1,691
Change in fair value of contingent consideration liability	**(374)**	664	**51**	647
Impairments	**—**	—	**—**	—
Share-based compensation expense	**270**	487	**712**	910
Change in fair value of derivative financial instruments	**(2,576)**	1,694	**(1,567)**	1,301
Gain on disposal of property and equipment	**—**	2	**—**	2
Adjusted EBITDA from continuing operations	**9,628**	7,765	**17,021**	14,674
Adjusted EBITDA from discontinued operations	**(14)**	471	**(55)**	276
Adjusted EBITDA	**9,614**	8,237	**16,966**	14,950
Basic weighted average number of shares	**159,937**	140,458	**157,535**	137,010
Adjusted EBITDA per share from continuing operations (basic)	**$0.06**	$0.06	**$0.11**	$0.11
Adjusted EBITDA per share (basic)	**$0.06**	$0.05	**$0.11**	$0.11
Fully diluted weighted average number of shares	**218,175**	196,362	**215,773**	192,791
Adjusted EBITDA per share from continuing operations (diluted)	**$0.04**	$0.03	**$0.08**	$0.08
Adjusted EBITDA per share (diluted)	**$0.04**	$0.04	**$0.08**	$0.08

$ millions of Canadian dollars (except for per share amounts, and where otherwise noted)

Adjusted EBITDA by segment has been determined as follows for the three and six month periods ended June 30, 2015 and 2014:

	For the three month period ended June 30, 2015				
	Physiotherapy, Rehabilitation and Assessments $	**Specialty Pharmacy $**	**Surgical and Medical Centres $**	**Corporate $**	**Total $**
Net income (loss) from continuing operations before interest expense and income taxes	2,467	2,541	(104)	(1,650)	**3,254**
Depreciation and amortization	4,090	1,541	823	172	**6,626**
Amortization of lease incentives	(25)	(4)	(1)	(19)	**(49)**
EBITDA from continuing operations	**6,532**	**4,078**	**718**	**(1,497)**	**9,831**
Transaction and restructuring costs	415	459	58	1,545	**2,477**
Change in fair value of contingent consideration liability	—	—	—	(374)	**(374)**
Share-based compensation expense	—	—	—	270	**270**
Change in fair value of derivative financial instruments	—	—	—	(2,576)	**(2,576)**
Adjusted EBITDA from continuing operations	**6,947**	**4,537**	**776**	**(2,632)**	**9,628**

	For the six month period ended June 30, 2015 (restated)				
	Physiotherapy, Rehabilitation and Assessments $	**Specialty Pharmacy $**	**Surgical and Medical Centres $**	**Corporate $**	**Total $**
Net income (loss) from continuing operations before interest expense and income taxes	4,458	3,211	(139)	(8,027)	**(497)**
Depreciation and amortization	8,140	2,993	1,615	342	**13,090**
Amortization of lease incentives	98	(9)	(38)	(18)	**33**
EBITDA from continuing operations	**12,696**	**6,195**	**1,438**	**(7,703)**	**12,626**
Transaction and restructuring costs	749	1,854	(29)	2,625	**5,199**
Change in fair value of contingent consideration liability	—	—	—	51	**51**
Share-based compensation expense	—	—	—	712	**712**
Change in fair value of derivative financial instruments	—	—	—	(1,567)	**(1,567)**
Adjusted EBITDA from continuing operations	**13,445**	**8,049**	**1,409**	**(5,882)**	**17,021**

$ millions of Canadian dollars (except for per share amounts, and where otherwise noted)

	For the three month period ended June 30, 2014 (restated)				
	Physiotherapy, Rehabilitation and Assessments $	**Specialty Pharmacy $**	**Surgical and Medical Centres $**	**Corporate $**	**Total $**
Net income (loss) from continuing operations before interest expense and income taxes	2,926	1,272	330	(6,563)	**(2,035)**
Depreciation and amortization	4,019	1,475	546	152	**6,192**
Amortization of lease incentives	95	7	(12)	(5)	**85**
EBITDA from continuing operations	**7,040**	**2,754**	**864**	**(6,416)**	**4,242**
Transaction and restructuring costs	(6)	5	215	462	**676**
Gain on disposal of PPE	—	2	—	—	**2**
Change in fair value of contingent consideration liability	—	—	—	664	**664**
Share-based compensation expense	—	—	—	487	**487**
Change in fair value of derivative financial instruments	—	—	—	1,694	**1,694**
Adjusted EBITDA from continuing operations	**7,034**	**2,761**	**1,079**	**(3,109)**	**7,765**

	For the six month period ended June 30, 2014 (restated)				
	Physiotherapy, Rehabilitation and Assessments $	**Specialty Pharmacy $**	**Surgical and Medical Centres $**	**Corporate $**	**Total $**
Net income (loss) from continuing operations before interest expense and income taxes	4,798	2,665	473	(10,516)	**(2,580)**
Depreciation and amortization	8,039	2,946	1,325	290	**12,600**
Amortization of lease incentives	107	28	(23)	(9)	**103**
EBITDA from continuing operations	**12,944**	**5,639**	**1,775**	**(10,235)**	**10,123**
Transaction and restructuring costs	97	9	218	1,367	**1,691**
Gain on disposal of PPE	—	2	—	—	**2**
Change in fair value of contingent consideration liability	—	—	—	647	**647**
Share-based compensation expense	—	—	—	910	**910**
Change in fair value of derivative financial instruments	—	—	—	1,301	**1,301**
Adjusted EBITDA from continuing operations	**13,041**	**5,650**	**1,993**	**(6,010)**	**14,674**

Proposed Transactions

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

Subsequent Events

On July 27, 2015, the Company announced that its Board of Directors (the "Board") has initiated a process to consider and evaluate strategic alternatives available to the Company following unsolicited interest in certain businesses of the Company. The Company has previously disclosed that it was exploring opportunities to maximize shareholder value which included additional divestitures of existing businesses. In light of the above mentioned circumstances, the Company has established a Special Committee composed of directors who are independent of management to oversee the strategic review process. In addition to a potential sale of the Company's businesses or assets or any combination thereof, some of the strategic alternatives may include, but are not limited to joint ventures, strategic financing, redemption or repurchase of securities as well as the continued execution of its business plan.

On July 29, 2015, the Company announced that A. Rik Ganderton will be appointed as an independent member of the Board of Directors of the Company, effective August 5, 2015. Mr. Ganderton will participate on the Audit, Human Resources and Compensation, and Nomination and Governance committees. He fills the vacancy left by Tom Magyarody’s departure which was previously announced.

Additional Information

Additional information about the Company, including the Company's Annual Information Form, can be found on the SEDAR website at www.sedar.com.

Unaudited Condensed Interim Consolidated Financial Statements
For the three and six month periods ended June 30, 2015 and 2014

(in thousands of Canadian dollars)

Dated: August 4, 2015

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Centric Health Corporation
Consolidated Statements of Financial Position
(in thousands of Canadian dollars)

	June 30, 2015 $	December 31, 2014 $
Assets		
Current assets		
Cash and cash equivalents	**2,450**	237
Restricted cash (note 2)	**2,880**	36,302
Trade and other receivables	**40,863**	35,043
Loans receivable (note 6)	**—**	11,484
Inventories (note 4)	**6,621**	5,175
Prepaid expenses	**1,933**	1,645
Assets held for sale (note 17)	**375**	—
	55,122	89,886
Non-current assets		
Property and equipment (note 5)	**22,149**	19,021
Goodwill and intangible assets (note 5)	**227,866**	196,501
Deferred income tax assets (note 15)	**8,755**	7,828
Total assets	**313,892**	313,236
Liabilities		
Current liabilities		
Trade payables and other amounts (note 7)	**43,793**	41,986
Current portion of borrowings (note 8)	**40,500**	15,000
Current portion of finance lease liabilities	**210**	115
Current portion of contingent consideration (note 3)	**3,915**	2,089
Derivative financial instruments	**—**	40
	88,418	59,230
Non-current liabilities		
Borrowings (note 8)	**220,501**	240,158
Preferred partnership units (note 9)	**36,753**	36,102
Finance lease liabilities	**461**	137
Contingent consideration (note 3)	**10,162**	2,056
Deferred income tax liabilities (note 15)	**4,570**	4,150
Deferred lease incentives	**3,271**	3,071
Derivative liability portion of convertible borrowings (note 8)	**561**	2,346
Total liabilities	**364,697**	347,250
Equity		
Share capital (note 11)	**107,549**	104,821
Warrants	**3,741**	3,694
Contributed surplus	**16,400**	16,440
Equity portion of convertible borrowings	**7,119**	7,119
Accumulated other comprehensive income	**—**	8
Deficit	**(186,578)**	(167,269)
Equity attributable to shareholders of Centric Health Corporation	**(51,769)**	(35,187)
Non-controlling interests	**964**	1,173
Total equity	**(50,805)**	(34,014)
Total liabilities and equity	**313,892**	313,236

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

Approved by the Board

"Dr. Jack Shevel"
Dr. Jack Shevel, Director

"Yazdi Bharucha"
Yazdi Bharucha, Director

Centric Health Corporation
Consolidated Statements of Income and Comprehensive Income
(in thousands of Canadian dollars, except per share amounts)

	For the three month periods ended June 30,		**For the six month periods ended June 30,**	
	2015	2014 (Restated - note 17)	**2015**	2014 (Restated - note 17)
	$	$	**$**	$
Revenue	**90,981**	78,730	**174,230**	153,547
Cost of healthcare services and supplies	**55,826**	47,008	**106,679**	92,015
General and administrative expenses (note 14)	**32,374**	30,723	**64,365**	60,473
Transaction, restructuring and other costs (note 3)	**2,477**	676	**5,199**	1,691
Income (loss) from operations	**304**	323	**(2,013)**	(632)
Interest expense (note 13)	**8,953**	8,169	**17,309**	16,440
Change in fair value of derivative financial instruments (note 8)	**(2,576)**	1,694	**(1,567)**	1,301
Change in fair value of contingent consideration liability (note 3)	**(374)**	664	**51**	647
Loss before income taxes	**(5,699)**	(10,204)	**(17,806)**	(19,020)
Income tax expense (recovery) (note 15)	**1,300**	(1,489)	**994**	(1,912)
Net loss from continuing operations	**(6,999)**	(8,715)	**(18,800)**	(17,108)
Loss from discontinued operations (note 17)	**(55)**	(13,237)	**(590)**	(32,803)
Net loss	**(7,054)**	(21,952)	**(19,390)**	(49,911)
Other comprehensive income:				
Amortization of deferred gain on interest rate swaps	**(3)**	(5)	**(8)**	(10)
Comprehensive loss	**(7,051)**	(21,947)	**(19,382)**	(49,901)
Net income (loss) attributable to:				
Shareholders of Centric Health Corporation	**(6,959)**	(22,073)	**(19,309)**	(50,168)
Non-controlling interests	**(95)**	121	**(81)**	257
Comprehensive income (loss) attributable to:				
Shareholders of Centric Health Corporation	**(6,956)**	(22,068)	**(19,301)**	(50,158)
Non-controlling interests	**(95)**	121	**(81)**	257
Basic and diluted earnings per common share attributable to shareholders of Centric Health Corporation:				
From continuing operations	**($0.04)**	($0.06)	**($0.12)**	($0.13)
From discontinued operations	**$—**	($0.09)	**$—**	($0.24)
From earnings for the period	**($0.04)**	($0.15)	**($0.12)**	($0.37)
Weighted average number of common shares outstanding (in thousands) (note 11)				
Basic and diluted	**159,937**	140,458	**157,535**	137,010

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

Centric Health Corporation
Consolidated Statements of Equity
(in thousands of Canadian dollars, except number of shares)

	Number of shares[1]	Share capital $	Warrants $	Contributed surplus $	Equity portion of convertible borrowings $	AOCI[2] $	Deficit $	Equity attributable to the shareholders of Centric Health Corporation $	Non-controlling interest $	Total $
Balance at December 31, 2013	**133,363,294**	**99,081**	**6,590**	**11,179**	**7,119**	**28**	**(109,822)**	**14,175**	**738**	**14,913**
Options and restricted share units vested and issued	838,788	284	—	(233)	—	—	—	51	—	51
Shares released from escrow or treasury and warrants issued as contingent consideration	336,904	129	—	—	—	—	—	129	—	129
Amortization of deferred gain on interest rate swap	—	—	—	—	—	(20)	—	(20)	—	(20)
Shares issued to GHIS on the exercise of warrants (note 12)	18,650,000	5,036	(2,981)	4,128	—	—	—	6,183	—	6,183
Extinguishment of convertible debt	—	—	(10)	10	—	—	—	—	—	—
Deferred compensation expense	200,000	291	95	1,356	—	—	—	1,742	—	1,742
Acquisition of non-controlling interest	—	—	—	—	—	—	—	—	506	506
Payments to non-controlling interests	—	—	—	—	—	—	—	—	(315)	(315)
Net (loss) income for the year	—	—	—	—	—	—	(57,447)	(57,447)	244	(57,203)
Balance at December 31, 2014	**153,388,986**	**104,821**	**3,694**	**16,440**	**7,119**	**8**	**(167,269)**	**(35,187)**	**1,173**	**(34,014)**
Balance at December 31, 2014	153,388,986	104,821	3,694	16,440	7,119	8	(167,269)	(35,187)	1,173	(34,014)
Issuance of shares	5,699,178	2,065	—	—	—	—	—	2,065	—	2,065
Options and restricted share units vested and issued	961,672	374	—	(374)	—	—	—	—	—	—
Amortization of deferred gain on interest rate swap	—	—	—	—	—	(8)	—	(8)	—	(8)
Deferred compensation expense	300,000	289	47	334	—	—	—	670	—	670
Payments to non-controlling interests	—	—	—	—	—	—	—	—	(128)	(128)
Net loss for the period	—	—	—	—	—	—	(19,309)	(19,309)	(81)	(19,390)
Balance at June 30, 2015	**160,349,836**	**107,549**	**3,741**	**16,400**	**7,119**	**—**	**(186,578)**	**(51,769)**	**964**	**(50,805)**

[1] Excludes 1,813,916 of contingent shares held in escrow and restricted shares as at June 30, 2015 (note 11).
[2]AOCI – Accumulated other comprehensive income. Balances have been recycled to net income.
The accompanying notes are an integral part of these consolidated financial statements.

Centric Health Corporation
Consolidated Statements of Cash Flows
(in thousands of Canadian dollars)

	For the three month periods ended June 30,		For the six month periods ended June 30,	
	2015	2014	**2015**	2014
Cash provided by (used in):	**$**	$	**$**	$
Operating activities				
Net loss for the period	**(7,054)**	(21,952)	**(19,390)**	(49,911)
Adjustments for:				
Interest expense (note 13)	**8,953**	8,169	**17,309**	16,440
Change in fair value of derivative financial instruments (note 8)	**(2,576)**	1,694	**(1,567)**	1,301
Loss (gain) on disposal of property and equipment	**—**	(11)	**369**	(11)
Depreciation of property and equipment (note 5)	**1,371**	1,671	**2,650**	3,479
Amortization of finite-life intangible assets (note 5)	**5,255**	6,511	**10,492**	13,062
Amortization of lease incentives and lease inducements	**(49)**	468	**33**	568
Income taxes paid	**(780)**	(715)	**(1,485)**	(3,031)
Income tax expense	**1,302**	605	**1,017**	674
Share-based compensation expense (note 14)	**270**	487	**712**	910
Transaction costs settled in shares	**—**	—	**500**	—
Impairments (note 17)	**—**	5,423	**—**	21,917
Change in the fair value of contingent consideration liability (note 3)	**(374)**	664	**51**	647
Gain on sale of business (note 17)	**—**	2,795	**—**	2,795
Net change in non-cash working capital items (note 19)	**6,379**	2,801	**4,015**	3,602
Cash provided by operating activities	**12,697**	8,610	**14,706**	12,442
Investing activities				
Proceeds from cash held in escrow used for acquisitions and debt repayment (notes 2 and 8)[3]	**—**	—	**26,000**	—
Proceeds on disposal of property and equipment	**—**	45	**—**	45
Acquisition of businesses (note 3)	**—**	(305)	**(26,000)**	(305)
Purchase of intangible assets (note 5)	**(312)**	(226)	**(312)**	(356)
Purchase of property and equipment (note 5)	**(1,716)**	(1,440)	**(2,868)**	(3,421)
Payment of contingent consideration (note 3)	**—**	(25)	**—**	(25)
Cash transferred as part of acquisitions (note 3)	**—**	(1,436)	**1,606**	(1,436)
Decrease in loans receivable from franchisees	**—**	27	**—**	70
Cash used in investing activities	**(2,028)**	(3,360)	**(1,574)**	(5,428)
Financing activities				
Bank indebtedness	**—**	663	**—**	(1,962)
Interest paid	**(12,570)**	(11,826)	**(12,859)**	(13,539)
Repayment of borrowings (note 8)	**(9,842)**	—	**(9,842)**	(80)
Proceeds from Revolving Facility	**7,000**	2,800	**12,000**	6,800
Repayment of finance leases	**(55)**	(47)	**(90)**	(84)
Payments to non-controlling interests	**(109)**	(34)	**(128)**	(132)
Issuance of common shares, warrants and convertible debt, net of issuance costs (note 11)	**—**	1,983	**—**	1,983
Cash used in financing activities	**(15,576)**	(6,461)	**(10,919)**	(7,014)
Increase (decrease) in cash and cash equivalents	**(4,907)**	(1,211)	**2,213**	—
Cash and cash equivalents, beginning of period	**7,357**	1,211	**237**	—
Cash and cash equivalents, end of period	**2,450**	—	**2,450**	—

[3]The proceeds from cash held in escrow includes the $10,000 return of funds from the Revolving Facility, offset by the $10,000 repayment of the second lien senior secured notes, for a net cash impact of $nil.

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

1. Significant Accounting Policies

Centric Health Corporation (collectively, “Centric Health” or “the Company” together with its subsidiaries) is incorporated under the *Canada Business Corporations Act*. The Company is listed on the Toronto Stock Exchange and is incorporated and domiciled in Canada. The Company’s principal business is providing healthcare services to its patients and customers in Canada. The address of the Company’s registered office is 20 Eglinton Avenue West, Suite 2100, Toronto, Ontario.

Basis of preparation

These condensed interim consolidated financial statements have been prepared by the Company in accordance with IAS 34 *Interim Financial Reporting* as outlined by International Financial Reporting Standards ("IFRS"), as set out in Part I of the Chartered Professional Accountants of Canada Handbook (“CPA Canada Handbook”). They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual consolidated financial statements as at and for the year ended December 31, 2014.

The accounting policies applied in these unaudited condensed interim consolidated financial statements are consistent with the significant accounting policies used in the preparation of the annual consolidated financial statements for the year ended December 31, 2014. The Company has consistently applied the same accounting policies throughout all periods presented, unless otherwise noted, as if these policies had always been in effect.

These condensed interim consolidated financial statements were approved by the Board of Directors (the "Board") on August 4, 2015.

2. Capital Management, Liquidity Risk and Financing

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 of Directors 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 Revolving Facility, second lien senior secured notes, convertible debts, preferred partnership units 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.

In August 2014, the Company sold its methadone pharmacy operations for gross proceeds of $20,000, and in September 2014, sold substantially all of its retail and home medical equipment operations for gross proceeds of $50,000.

Under the April 2013 trust indenture for the second lien senior secured notes, net proceeds from divestitures can be redeployed for permitted business acquisitions, capital expenditures, acquisitions of non-current assets, repayment of senior debt that is a permanent reduction of such debt, repayment of secured debt (subject to early redemption at the Company’s option), and redemption of up to $35,000 of preferred partnership units, once the target ratio of total secured debt to cash flow is achieved. The trust indenture for the second lien senior secured notes also requires the Company maintain a minimum of $25,000 Revolving Facility for working capital purposes.

2. Capital Management, Liquidity Risk and Financing - continued

On August 29, 2014, the Company repaid $10,000 of its Revolving Facility resulting in a permanent reduction in the capacity of the Revolving Facility from $50,000 to $40,000. On September 19, 2014, the Company made a temporary repayment of an additional $15,000 against the Revolving Facility which further reduced the capacity of the Revolving Facility to $25,000. However, the capacity on the Revolving Facility can be increased to $40,000 with an equivalent return of funds to the escrow cash account for the proceeds of sale from the non-core businesses as long as the Company is not in default under the Revolving Facility.

In February 2015, the Company obtained approval from both the second lien senior secured notes and Revolving Facility lenders to use $26,000 of this restricted cash to fund the cash cost of the acquisition of specialty pharmacy business Pharmacare Fulfillment Center Ltd. ("Pharmacare"). The acquisition was completed on March 2, 2015 as described in note 3.

On May 11, 2015, the lenders of the Revolving Facility amended the credit agreement, which was set to mature on June 9, 2015, for a one year extension with consistent terms and conditions. The facility's capacity has been increased to $35,000 from its previous temporary level of $25,000, an amount that effectively met the Company's operating needs. The amendment represents a $5,000 permanent reduction to the Revolving Facility's capacity as part of the Company's debt reduction strategy.

On June 25, 2015, the Company purchased an aggregate of 9,842 second lien senior secured notes for a total principal amount of $9,842 plus $158 in accrued and unpaid interest, representing $10,000 in total. The Company has now completed its planned $15,000 permanent debt reduction through this $5,000 permanent reduction to the Revolving Facility and the $9,842 redemption of the second lien senior secured notes.

As at June 30, 2015 the Company has restricted cash of $2,880, which decreased from the December 31, 2014 amount of $36,102 due to the cash payment on the Pharmacare acquisition, draws for capital expenditures and transaction and other costs. Restricted cash increased by $10,000 with the withdrawal of the $10,000 temporary reduction to the revolving facility offset by the use of that cash to repay $10,000 on the second lien senior secured notes. The Company intends to use the remaining restricted cash to reinvest in its core businesses through tuck-in acquisitions, further debt reductions and capital expenditures. The Company is in the process of discussing strategic alternatives with external advisers on the refinancing of the $15,000 convertible debentures due April 2016. Such alternatives could include repayment with new financing, extensions or other repayment alternatives as described in note 8.

With the successful completion of accretive acquisitions made during the first quarter of 2015 and the completion of the planned $15,000 debt reduction in the second quarter of 2015, the Company anticipates it will be in compliance with the covenants in its Revolving Facility during 2015 and continue to generate sufficient cash flow to meet its obligations as they come due through future organic growth, ongoing operational improvements and cost containment initiatives. There can be no assurance that the Company will be successful in achieving the results targets as set out in its operating plan for each of the quarters in 2015.

On July 27, 2015, the Company announced that its Board of Directors (the "Board") has initiated a process to consider and evaluate strategic alternatives available to the Company following unsolicited interest in certain businesses of the Company. The Company has previously disclosed that it was exploring opportunities to maximize shareholder value which included additional divestitures of existing businesses. In light of the above mentioned circumstances, the Company has established a Special Committee composed of directors who are independent of management to oversee the strategic review process. In addition to a potential sale of the Company's businesses or assets or any combination thereof, some of the strategic alternatives may include, but are not limited to joint ventures, strategic financing, redemption or repurchase of securities as well as the continued execution of its business plan.

2. Capital Management, Liquidity Risk and Financing - continued

Although the Company has initiated a strategic review process, there is no certainty that any transaction or alternative will be undertaken. The Company has not set a definitive schedule to complete its evaluation and, notwithstanding the above-mentioned alternatives, no decision on any particular alternative has been reached at this time. The Company does not intend to make further announcements or disclose developments with respect to this process unless the evaluation has been completed and the Board has approved a definitive transaction and the Company has entered into a definitive agreement or unless otherwise required by law or regulation or disclosure of which is deemed appropriate.

(in thousands of Canadian dollars)

3. Business Combinations

Pharmacare Fulfillment Center Ltd.

On March 2, 2015, the Company acquired 100% of the shares of Pharmacare, a leading Alberta-based specialty pharmacy business. Pharmacare provides medication dispensing services and clinical care programs to long-term care and retirement community residents across western Canada through an integrated distribution model.

The total purchase price consideration included a combination of $26,000 in cash, 4,347,826 common shares of the Company with a fair value of $1,565 at closing based on the listed share price of the Company of $0.36 per share and contingent consideration of $9,881, representing its acquisition date fair value, payable over a three year period based on the achievement of certain targets. The contingent consideration consists of $6,832 of performance cash that has been discounted using a risk-adjusted discount rate, $2,974 of performance shares that are based on the probability of meeting certain EBITDA targets, up to a maximum of 8,260,869 performance shares, and $75 in warrants that are based on the probability of out performing certain EBITDA targets, up to a maximum of 4,000,000 warrants. The warrants have an exercise price of $0.35 per share and will have a two-year term from the date on which they vest and become exercisable.

The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the date of the acquisition:

Purchase price	**Pharmacare $**
Cash consideration	26,000
Common shares	1,565
Contingent consideration	9,881
Total	**37,446**

Fair value of net assets acquired	**Pharmacare $**
Other current assets	3,289
Property and equipment	2,517
Goodwill and other intangibles	33,813
Less: Liabilities assumed	2,173
Total	**37,446**

The fair value of the assets acquired and liabilities assumed have been determined on a provisional basis. The Company will continue to review the fair values during the measurement period subject to the completion of an independent valuation.

In the three and six month periods ended June 30, 2015, Pharmacare contributed revenue of $7,147 and $9,511 and net income of $662 and $985 to the Company's results. If the acquisition had occurred on January 1, 2015, management estimates that for the three and six month periods revenue would have been $7,147 and $14,266 and net income would have been $662 and $1,477. In determining these amounts, management has assumed the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on January 1, 2015.

(in thousands of Canadian dollars)

3. Business Combinations - continued

Active Health Services Limited ("Active")

On February 2, 2015, the Company acquired 100% of the outstanding shares of Active, previously referred to as the Company's Seniors Wellness operations, which was sold to Lifespan Health and Wellness Limited in May 2014. Active provides rehabilitation and disability management services that focus on physiotherapy services to seniors in retirement, assisted-living and long-term care homes.

The total purchase price consideration was comprised of the settlement of the amounts owing under a promissory note previously issued in favour of the Company. The fair value of the consideration was considered to be the carrying value of the promissory note as of the date of closing.

Purchase price	**$**
Note receivable	12,000
Accretion on note receivable	(2,667)
Total	**9,333**

The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the date of the acquisition:

Fair value of net assets acquired	**$**
Cash	1,180
Other current assets	2,348
Property and equipment	753
Goodwill and other intangibles	6,513
Less: Liabilities assumed	1,461
Total	**9,333**

The fair value of the assets acquired and liabilities assumed have been determined on a provisional basis. The Company will continue to review the fair values during the measurement period subject to the completion of an independent valuation.

In the three and six month periods ended June 30, 2015, Active contributed revenue of $4,402 and $7,357 and net income of $140 and $222 to the Company's results. If the acquisition had occurred on January 1, 2015, management estimates that for the three and six month periods revenue would have been $4,402 and $8,828 and net income would have been $140 and $267. In determining these amounts, management has assumed the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on January 1, 2015.

Community Advantage Rehabilitation ("CAR")

On February 2, 2015, the Company acquired 100% of the outstanding shares of CAR, previously referred to as the Company's Home Care operations, which was sold to Lifespan Health and Wellness Limited in May 2014. CAR is engaged in the home care business, including the provision of assisted devices programs and other assessment services, physiotherapy services, occupational therapy and homecare assistance.

(in thousands of Canadian dollars)

3. Business Combinations - continued

The total purchase price consideration was comprised of the settlement of the amounts owing under a promissory note previously issued in favour of the Company. The fair value of the consideration was considered to be the carrying value of the promissory note as of the date of closing.

Purchase price	**$**
Note receivable	2,500
Accretion on note receivable	(327)
Total	**2,173**

The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the date of the acquisition:

Fair value of net assets acquired	**$**
Cash	426
Other current assets	494
Property and equipment	15
Goodwill and other intangibles	1,495
Less: Liabilities assumed	257
Total	**2,173**

The fair value of the assets acquired and liabilities assumed have been determined on a provisional basis. The Company will continue to review the fair values during the measurement period subject to the completion of an independent valuation.

In the three and six month periods ended June 30, 2015, CAR contributed revenue of $1,378 and $2,206 and net income of $104 and $154 to the Company's results. If the acquisition had occurred on January 1, 2015, management estimates that for the three and six month periods revenue would have been $1,378 and $2,648 and net income would have been $104 and $184. In determining these amounts, management has assumed the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on January 1, 2015.

Transaction, restructuring and other costs

Transaction and restructuring costs incurred, including legal, consulting and due diligence fees, directly related to business combinations as well as severance costs and start-up costs for new initiatives, and legal and consulting costs for business restructuring are expensed as incurred. Start-up costs for new initiatives are costs incurred by the Company for a new business initiative prior to this initiative generating any revenue. Restructuring costs include costs associated with closed clinic locations and other staffing reductions. Included in transaction costs for the three and six month periods ended June 30, 2015 are advisory fees of $160 and $340 (2014 - $175 and $175) related to Global Healthcare Investments and Solutions, Inc. ("GHIS"), a related party. This represents the portion of monthly fees which is associated with transaction related activities.

(in thousands of Canadian dollars)

3. Business Combinations - continued

Transaction, restructuring and other costs for the three and six month periods ended June 30, 2015 and 2014 consist of the following:

	For the three month periods ended June 30,		For the six month periods ended June 30,	
	2015	2014 (Restated - note 17)	**2015**	2014 (Restated - note 17)
	$	$	**$**	$
Transaction costs	**731**	208	**2,285**	211
Start-up costs	**42**	186	**61**	205
Restructuring and other costs	**1,704**	282	**2,853**	1,275
Total	**2,477**	676	**5,199**	**1,691**

At June 30, 2015, the Company had accrued liabilities from continuing operations related to restructuring and other costs of $1,618 (December 31, 2014 - $1,170) included in trade and other payables consisting of the following:

	Severance $	Closed Locations $	New Acquisitions $	Total $
Balance at December 31, 2014	712	458	—	**1,170**
Amount related to discontinued operations	(308)	—	—	**(308)**
Additions	1,539	—	1,427	**2,966**
Payments	(476)	(56)	(1,321)	**(1,853)**
Reversals	(280)	(77)	—	**(357)**
Balance at June 30, 2015	**1,187**	**325**	**106**	**1,618**

Contingent consideration

The fair value of contingent consideration is an estimate. The valuation model considers possible scenarios of forecast EBITDA, the amount to be paid under each scenario and the probability of each scenario. The fair value is dependent on certain inputs such as forecast EBITDA, risk adjusted discount rates and the Company's share price.

The continuity of the contingent consideration liability to be settled in cash, common shares and warrants is as follows:

	SmartShape $	Classic Care $	Pharmacare $	Other $	Total $
Balance at December 31, 2014:	1,882	1,862	—	401	**4,145**
Fair value at date of acquisition	—	—	9,881		**9,881**
Change in fair value during the period	30	(27)	391	31	**425**
Total contingent consideration at March 31, 2015	1,912	1,835	10,272	432	**14,451**
Change in fair value during the period	7	306	(702)	15	**(374)**
Total contingent consideration at June 30, 2015	**1,919**	**2,141**	**9,570**	**447**	**14,077**
Less: current portion	**328**	**—**	**3,389**	**198**	**3,915**
Non-current portion at June 30, 2015	**1,591**	**2,141**	**6,181**	**249**	**10,162**

3. Business Combinations - continued

In connection with the November 2011 purchase of Classic Care Pharmacy Corporation ("Classic Care"), a settlement for a dispute was reached with one of the vendors. As part of the settlement, the Company agreed to contingent payment terms, which may be payable depending on the Company's share price after the Company releases results for the second quarter of 2016 and can be settled in cash or shares, as specified in the terms of the settlement. As a result, the Company recorded a contingent consideration liability with a fair value as of June 30, 2015 of $2,141 (December 31, 2014 - $1,862).

On March 2, 2015, the Company recorded a contingent consideration liability as part of the consideration for the acquisition of Pharmacare in the amount of $9,881, which represents its fair value at the date of acquisition. The valuation method is based on a risk adjusted discount rate of 9.5%, a share price of the Company's common shares on June 30, 2015 ($0.30 per share) and amounts that may be payable depending on the Company's share price as specified in the purchase agreement. The valuation of the liability is dependent on actual EBITDA being greater than or equal to EBITDA targets of $6,750, $7,500 and $8,250 for each of the three earn-out years. At June 30, 2015, the Company estimated the probability of meeting these targets to be 100%. The fair value of the contingent consideration has decreased to $9,570 as of June 30, 2015.

4. Inventories

The Company's June 30, 2015 inventory balance of $6,621 (December 31, 2014 - $5,175) consisted of medical supplies and pharmaceutical products. Inventories are pledged as security as part of the Company's lending agreements as outlined in note 8. During the three and six month periods ended June 30, 2015, there were no inventory write downs.

Inventories that were expensed during the three and six month periods ended June 30, 2015 were $15,440 and $30,007 (2014 - $13,130 and $26,129).

(in thousands of Canadian dollars)

5. Goodwill, Intangible Assets and Property and Equipment

	Goodwill $	Intangible Assets $	Goodwill and Intangible Assets $	Property and Equipment $
Year ended December 31, 2014				
Cost				
Balance at December 31, 2013	286,190	192,286	478,476	47,270
Additions	266	911	1,177	7,084
Disposals	(5,653)	—	(5,653)	(68)
Disposals from sale of business	—	(25,822)	(25,822)	(17,492)
Purchase price allocation adjustment	(1,536)	2,840	1,304	—
Balance at December 31, 2014	279,267	170,215	449,482	36,794
Accumulated amortization and impairment losses				
Balance at December 31, 2013	(115,188)	(92,411)	(207,599)	(20,935)
Amortization charge	—	(21,051)	(21,051)	(4,866)
Disposals	—	—	—	26
Disposals from sale of business	—	—	—	9,382
Amortization of disposal group	—	(2,743)	(2,743)	(1,051)
Impairment	(20,465)	(1,123)	(21,588)	(329)
Balance at December 31, 2014	(135,653)	(117,328)	(252,981)	(17,773)
Period ended June 30, 2015				
Cost				
Balance at December 31, 2014	279,267	170,215	449,482	36,794
Additions	—	312	312	2,987
Acquisition of business	41,821	—	41,821	3,285
Disposals	—	—	—	(1,149)
Assets held for sale	—	(250)	(250)	(184)
Purchase price allocation adjustment	(26)	—	(26)	—
Balance at June 30, 2015	**321,062**	**170,277**	**491,339**	**41,733**
Accumulated amortization and impairment losses				
Balance at December 31, 2014	(135,653)	(117,328)	(252,981)	(17,773)
Amortization charge	—	(10,492)	(10,492)	(2,650)
Accumulated amortization of disposals	—	—	—	780
Accumulated amortization of assets held for sale	—	—	—	59
Balance at June 30, 2015	**(135,653)**	**(127,820)**	**(263,473)**	**(19,584)**
Net carrying value				
As at December 31, 2014	143,614	52,887	196,501	19,021
As at June 30, 2015	**185,409**	**42,457**	**227,866**	**22,149**

Included in the net carrying value of medical and physiotherapy equipment are assets under finance leases of $671 (December 31, 2014 - $262). During the three and six month periods ended June 30, 2015, additions of medical equipment acquired through finance leases were $119 (2014 - $nil).

(in thousands of Canadian dollars)

5. Goodwill, Intangible Assets and Property and Equipment - continued

The Company has $1,406 of indefinite life intangible assets at June 30, 2015 (December 31, 2014 - $1,656).

The Company did not identify any indicators of impairment during the three and six month periods ended June 30, 2015.

The Company did not reverse any impairment losses for definite life intangible assets for the three and six month periods ended June 30, 2015 and 2014.

6. Loans Receivable

The Company's loans receivable balances as at June 30, 2015 consisted of the following:

	Loans Receivable
	$
Balance at December 31, 2014	11,484
Accretion on notes receivable	22
Repayment on Active & CAR acquisition	(11,506)
Balance at June 30, 2015	**—**

On May 8, 2014, the Company completed agreements to sell 100% of the common shares of CAR and 100% of the common shares of Active. The purchase prices of $2,500 and $12,000 respectively were satisfied through the issuance of eight-year notes bearing interest at 7% per annum, payable monthly. The notes required only interest payments over their term. The Active note included a right to demand in favour of the Company, which required repayment by the borrower at any time with 60 days written notice. Upon closing, the Company entered into a transitional services agreement with the buyer to provide certain administrative services for a six month term, with services continuing on a month to month basis until terminated. The interest rate on the notes would increase to 9.8% for CAR and 9.5% for Active upon termination of the transitional services agreement. On February 2, 2015, the Company announced the acquisition of 100% of the shares of CAR and Active in exchange for full repayment of the amounts owing under the two promissory notes previously issued in favour of the Company.

7. Trade Payables and Other Amounts

Trade payables and other amounts at June 30, 2015 and December 31, 2014 are comprised of the following:

	June 30, 2015	December 31, 2014
	$	$
Trade payables	**20,066**	21,478
Accrued liabilities	**21,099**	18,074
Deferred revenue	**837**	1,084
Amounts payable to related parties (note 12)	**173**	180
Restructuring costs (note 3)	**1,618**	1,170
Total	**43,793**	41,986

(in thousands of Canadian dollars)

8. Borrowings

Borrowings consist of the following:

	June 30, 2015	December 31, 2014
	$	$
Second lien senior secured notes	**190,158**	200,000
Loan arrangement costs	**(3,200)**	(3,979)
Revolving Facility	**27,000**	15,000
Convertible debt	**53,308**	53,308
Unaccreted discount on convertible debt	**(9,651)**	(12,139)
Fair value of redemption features[4]	**—**	(220)
Related party convertible loan (note 12)	**5,000**	5,000
Unaccreted discount on related party convertible loan	**(1,614)**	(1,812)
Total borrowings	**261,001**	255,158
Less current portion of borrowings:		
Revolving Facility	**27,000**	15,000
Convertible debt - private placement net of unaccreted discount	**13,500**	—
Total current portion of borrowings	**40,500**	15,000
Total non-current portion of borrowings	**220,501**	240,158

[4] Fair value of redemption features are embedded derivatives in the private placement and second lien senior secured notes which are netted against the debt amount for presentation purposes.

On April 18, 2013, the Company completed a $200,000 public offering of second lien senior secured notes which bear interest at 8.625% with the principal due on April 18, 2018. There are no principal repayments required for the second lien senior secured notes prior to maturity. The second lien senior notes contain certain redemption features which are at the option of the Company commencing on April 18, 2016. These redemption features are considered embedded derivatives that have been valued at $nil at June 30, 2015 (December 31, 2014 - $nil). The second lien senior secured notes include certain restrictions on the Company's ability to take on additional indebtedness based on its financial performance. The Company used the proceeds from this offering to repay its Term Loan and Revolving Facility and repay $10,000 of preferred partnership units.

On June 25, 2015, the Company purchased an aggregate of 9,842 second lien senior secured notes for a total principal amount of $9,842 plus $158 in accrued and unpaid interest, representing an aggregate of $10,000, resulting in a permanent reduction on the balance of the second lien senior secured notes. As part of the repurchase, the Company recorded a loss on repurchase of notes for the three and six month periods ended June 30, 2015 of $166.

The Revolving Facility bears interest on a sliding scale from prime plus 1.5% to prime plus 3.75% for principal borrowed and a range of 0.63% to 1.19% for standby fees for amounts not borrowed. This Revolving Facility includes quarterly financial performance measurement covenants. In the first quarter of 2014, the Company and its senior lenders amended the Revolving Facility, which included amendments to certain financial performance covenants for 2014 and beyond. In the third quarter of 2014, the Company received a waiver from a financial performance covenant at the September 30, 2014 measurement date and amendments to certain financial performance covenants for the remaining measurement dates up to the date of maturity. In the fourth quarter of 2014, the lenders of the credit facility amended the credit agreement to extend the deadline to repay $15,000 of indebtedness under the credit facility from December 11, 2014 to April 30, 2015. The Company also received a waiver for a financial performance covenant for the reporting periods as of December 31, 2014 and March 31, 2015.

(in thousands of Canadian dollars)

8. Borrowings - continued

On May 11, 2015, the lenders of the Revolving Facility amended the credit agreement, which was set to mature on June 9, 2015, for a one year extension with consistent terms and conditions. The facility's capacity has been increased to $35,000 from its previous temporary level of $25,000, an amount that effectively met the Company's operating needs. The amendment represents a $5,000 permanent reduction to the Revolving Facility's capacity as part of the Company's debt reduction strategy.

The Company was in compliance with its financial performance covenants at June 30, 2015.

Substantially all of the Company's assets are pledged as security for the above borrowings with first security provided to the lenders of the Revolving Credit Facility, followed by holders of the second lien senior secured notes.

The Company's convertible debt as at June 30, 2015 and excluding related party convertible debt, consists of the following, of which the interest and principal can be settled in common shares at the option of the Company:

Debt instrument	Principal ($)	Maturity	Interest Rate
Directed share program	10,808	December 22, 2016	6.00%
Private placement	15,000	April 30, 2016	5.50%
Public debt	27,500	October 31, 2017	6.75%
Total	**53,308**		

On September 14, 2012, the Company completed a public offering of $25,000 subordinated, unsecured convertible notes. An additional $2,500 funds from over-allotments were received on October 3, 2012. The notes bear interest at 6.75% per annum, payable semi-annually and mature on October 31, 2017. Each note is convertible into common shares of the Company at the option of the holder at a strike price of $1.12 per share. The Company can also elect to settle the interest and principal amounts in common shares or cash on redemption which may occur no earlier than October 31, 2015. The convertible notes are subordinated to the Company's senior debt with its lenders and to the preferred partnership units.

The Company is in the process of discussing strategic alternatives with external advisers on the refinancing of the $15,000 convertible debentures due April 2016. Such alternatives could include repayment with new financing, extensions or other repayment alternatives.

The continuity of the unaccreted discount on convertible debt is as follows:

	June 30, 2015 **$**	December 31, 2014 $
Unaccreted discount on convertible borrowings, beginning of period	**12,139**	16,490
Accretion expense (note 13)	**(2,488)**	(4,351)
Unaccreted discount on convertible borrowings, end of period	**9,651**	12,139

The continuity of the redemption features are as follows:

	June 30, 2015 **$**	December 31, 2014 $
Redemption feature, beginning of period	**(220)**	—
Change in fair value of redemption features	**220**	(220)
Redemption features, end of period	**—**	(220)

(in thousands of Canadian dollars)

8. Borrowings - continued

The derivative liability portion of convertible borrowings is as follows:

	June 30, 2015 **$**	December 31, 2014 $
Derivative liability portion of convertible borrowings, beginning of period	**2,346**	1,720
Change in fair value of derivative liability portion of convertible borrowings	**(1,785)**	626
Derivative liability portion of convertible borrowings, end of period	**561**	2,346

The fair value of the derivative liability portion of convertible borrowings is based on a modified Black-Scholes valuation method. The key valuation assumptions at June 30, 2015 are as follows:

	Directed share program	**Public debt**	**Private placement redemption feature**
Expected volatility	50.55%	50.55%	50.55%
Risk-free interest rate	0.98%	0.94%	1.05%
Credit spread	66.33%	66.33%	66.33%

The change in fair value of derivative financial instruments for the three and six month periods ended June 30, 2015 and 2014 are as follows:

	For the three month periods ended June 30,		**For the six month periods ended June 30,**	
	2015 **$**	2014 $	**2015** **$**	2014 $
Change in fair value of interest rate swaps	**—**	(22)	**(2)**	(36)
Change in fair value of redemption feature	**—**	267	**220**	441
Change in fair value of derivative liability portion of convertible borrowings	**(2,576)**	1,449	**(1,785)**	896
Total	**(2,576)**	1,694	**(1,567)**	1,301

9. Preferred Partnership Units

The balance of $36,753 (December 31, 2014 - $36,102) represents preferred partnership units issued by LifeMark Health Limited Partnership to Alaris Income Growth Fund Partnership (“Alaris”). There were $65,500 of units that were assumed on the acquisition of LifeMark on June 9, 2011. On April 18, 2013, the Company repaid $22,500 of the preferred partnership units and on June 9, 2013 repaid $7,500 of the preferred partnership units. The principal balance grows at 4% annually from the third anniversary of June 9, 2014. The Company is not required to redeem the preferred partnership units until 2084. Alaris is entitled to annual distributions of $4,115 for the annual period commencing July 1, 2014 with annual increases of 4% at the end of each year thereafter. The Company intends on redeeming the preferred partnership units by June 9, 2017 and has presented this amount as a long-term liability. The Company is accreting to interest expense the amount expected to be payable on June 9, 2017 of $39,933.

(in thousands of Canadian dollars)

10. Financial Instruments and Fair Value Measurements

At June 30, 2015, the Company's financial instruments consisted of cash and cash equivalents, restricted cash, trade and other receivables, loans receivable, trade and other payables, contingent consideration, bank indebtedness, finance lease liabilities, borrowings, preferred partnership units, and derivative liabilities.

Fair value hierarchy
Financial instruments carried at fair value have been categorized under three levels of fair value hierarchy as follows:

- *Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities*
  Fair value is determined based on quoted prices of regularly and recently occurring transactions take place.
- *Level 2: Inputs that are observable for the assets or liabilities either directly or indirectly*
  This level of the hierarchy includes derivative financial instruments with major Canadian chartered banks.

  Level 3: Inputs for assets or liabilities that are not based on observable market data.
  This level of the hierarchy includes contingent consideration settled with the Company's shares and derivative liabilities associated with convertible loans.

Recurring fair value measurements at June 30, 2015 are as follows:

	Level 2 $	Level 3 $	Total $
Contingent consideration	—	14,077	**14,077**
Derivative liabilities associated with convertible loans	—	561	**561**
Total	**—**	**14,638**	**14,638**

Recurring fair value measurements at December 31, 2014 are as follows:

	Level 2 $	Level 3 $	Total $
Contingent consideration	—	4,145	**4,145**
Interest rate swap	40	—	**40**
Derivative liabilities associated with convertible loans	—	2,346	**2,346**
Loan redemption features	—	(220)	**(220)**
Total	**40**	**6,271**	**6,311**

There were no non-recurring fair value measurements at June 30, 2015. There were no financial instruments classified as level 1 at June 30, 2015 and 2014. There were no transfers between levels 1 and 2 during the three and six month periods ended June 30, 2015.

The level 2 fair value of derivative financial instruments relates to interest rate swap agreements and are based on the value of the swap agreement as compared to current market rates.

Details regarding level 3 fair value measurements for contingent consideration can be found in note 3 and for the derivative financial instruments related to derivative liability component of convertible debt in note 8.

There were no changes in the valuation techniques used during the three and six month periods ended June 30, 2015.

(in thousands of Canadian dollars)

10. Financial Instruments and Fair Value Measurements - continued

The carrying value of financial assets and financial liabilities from continuing operations that are measured at amortized cost is an approximation of the fair value for the following financial assets and financial liabilities unless otherwise disclosed below:

	June 30, 2015	December 31, 2014
	$	$
Financial assets measured at amortized cost		
Cash and cash equivalents	**2,450**	237
Restricted cash	**2,880**	36,302
Trade and other receivables	**40,863**	35,043
Loans receivable	**—**	11,484
Financial liabilities measured at amortized cost		
Trade payables and other amounts	**43,793**	41,986
Finance lease liability	**671**	252
Second lien senior secured notes	**186,958**	196,021
Convertible borrowings	**43,657**	41,169
Revolving facility	**27,000**	15,000
Related party convertible loan	**3,386**	3,188
Preferred partnership units	**36,753**	36,102

The fair value of the second lien senior secured notes at June 30, 2015 is $158,664 (December 31, 2014 - $171,000) and has a carrying value of $186,958 (December 31, 2014 - $196,021). The fair value of the second lien senior secured notes was determined by using a discounted cash flow method with a risk-adjusted discount rate (risk free rate of 1.01% and credit spread of 15.40%).

The fair value of the convertible borrowings, excluding Jamon, a related party, as at June 30, 2015 is $26,884 (December 31, 2014 - $26,539) and has a carrying value of $43,657 (December 31, 2014 - $41,169). The fair value of the convertible borrowings was determined by using a discounted cash flow method with a risk-adjusted discount rate (risk free rate of 0.941% to 1.046% and credit spread of 66.33%).

The fair value of the convertible borrowings owed to Jamon, a related party, as at June 30, 2015 is estimated to be its current redemption value of $5,000 and has a carrying value of $3,386 (December 31, 2014 - $3,188).

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. Trade receivables include amounts receivable from the sale of goods and services to the Workplace Safety and Insurance Board and other government agencies, employers, insurance companies and individual patients.

(in thousands of Canadian dollars)

10. Financial Instruments and Fair Value Measurements - continued

Trade and other receivables aging was as follows:

	June 30, 2015	December 31, 2014
	$	$
0 - 30 days	**32,931**	27,311
31-60 days	**4,430**	4,639
61-90 days	**2,082**	1,532
Over 90 days	**1,420**	1,561
	40,863	35,043

Included in trade and other receivables at June 30, 2015 are $6,870 (December 31, 2014 - $5,562) of amounts receivable from government funding related to product sales and services rendered.

The movement in the provision for impairment against trade and other receivables was as follows:

	June 30, 2015	December 31, 2014
	$	$
Provision, beginning of period	**392**	4,373
Amounts transferred to discontinued operations	**—**	(3,938)
Provision for receivables impairment	**141**	94
Receivables written off and unused amounts reversed	**—**	(137)
Provision, end of period	**533**	392

The Company's cash and cash equivalents and restricted cash are held through Canadian chartered banks. The Company is not exposed to significant credit risk arising from its financial instruments.

Liquidity Risk
Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash, another financial asset or equity instruments. The following table presents the contractual terms to maturity of the financial liabilities owned by the Company as at June 30, 2015:

	Total	2015	2016-17	2018-19	Thereafter
	$	$	$	$	$
Trade payables and other amounts	**43,793**	43,793	—	—	—
Second lien senior secured notes	**190,158**	—	—	190,158	—
Convertible borrowings	**53,308**	—	53,308	—	—
Related party convertible loan	**5,000**	—	—	5,000	—
Revolving Facility	**27,000**	—	27,000	—	—
Finance leases	**671**	143	445	83	—
Interest payments on borrowings	**52,711**	10,098	37,729	4,884	—
Operating leases	**49,434**	4,523	18,603	13,385	12,923
Preferred partnership units	**36,753**	—	—	—	36,753
	458,828	**58,557**	**137,085**	**213,510**	**49,676**

10. Financial Instruments and Fair Value Measurements - continued

The Company incurs interest on its Revolving Facility. Future interest to be paid on the revolving facility cannot be reasonably determined due to the ongoing fluctuation of the Revolving Facility balance.

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.

Interest Rate Risk
Interest rate risk is the risk borne by an interest-bearing asset or liability as a result of fluctuations in interest rates. The Company is exposed to interest rate risk through its floating rate Revolving Facility, whose interest rates are based on prime.

As at June 30, 2015, a 1% change in the variable interest rates on the average balances for the six month period ended June 30, 2015 would have resulted in an annualized change in interest expense of approximately $210 (December 31, 2014 - $190).

Currency Risk
Virtually all of the Company's transactions are denominated in Canadian dollars. At June 30, 2015 and December 31, 2014, the Company held no significant financial instruments that were denominated in a currency other than Canadian currency.

(in thousands of Canadian dollars)

11. Shareholders' Equity and Earnings per Share

Authorized share capital consists of an unlimited number of common shares. The number of common shares issued and outstanding is as follows:

For the period ended ($ thousands, except share amounts)	**June 30, 2015**		December 31, 2014	
Common shares	**Shares**	**Stated value $**	Shares	Stated value $
Balance, beginning of period	**153,388,986**	**104,821**	133,363,294	99,081
Issuance of shares	**5,699,178**	**2,065**	—	—
Issuance of shares as compensation	**300,000**	**289**	200,000	291
Shares released from escrow or issued from treasury for contingent consideration[5]	—	—	336,904	129
Shares issued to GHIS for the exercise of warrants (note 12)	—	—	18,650,000	5,036
Stock options and restricted share units exercised	**961,672**	**374**	838,788	284
Balance, end of period	**160,349,836**	**107,549**	153,388,986	104,821

[5]Consists of 136,425 common shares issued from treasury and 195,832 common shares released from escrow for the settlement of earnouts for two physiotherapy clinics for the year ended December 31, 2014.

The number of common shares considered to be issued for financial reporting purposes is exclusive of restricted shares issued, shares issued in trust or held in escrow pending the achievement of certain stated milestones or performance targets.

The total common shares in aggregate at June 30, 2015 are:

Type of common shares	
Freely tradeable	160,349,836
Escrowed and restricted	1,813,916
Total	**162,163,752**

Common shares related to contingent consideration held in escrow, as discussed in note 3, and restricted shares at June 30, 2015 are as follows:

Entity	**Escrowed and restricted shares**
London Scoping Centre	176,632
SmartShape	1,075,000
Other	262,284
Restricted compensation shares	300,000
Total	**1,813,916**

The continuity of restricted and escrowed shares for the six month period ended June 30, 2015 is as follows:

Escrowed and restricted shares	
Balance at beginning of the period	2,113,916
Released restricted shares	(300,000)
Total	**1,813,916**

(in thousands of Canadian dollars)

11. Shareholders' Equity and Earnings per Share - continued

Issuance of common shares and warrants
On September 3, 2012, the Company issued 1,000,000 common shares to the CEO of the Company. These shares are held by the Company and released to the CEO as freely tradeable over a four year period whereby 200,000 shares were released on both January 1, 2013 and January 1, 2014, 300,000 shares were released on January 1, 2015 and 300,000 shares will be released on January 1, 2016. These shares are being treated as share based compensation for accounting purposes.

On March 2, 2015, the Company issued 4,347,826 common shares as part of the consideration for the acquisition of Pharmacare. The shares became freely tradeable upon closing of the acquisition.

On March 18, 2015, the Company issued 1,351,352 common shares as part of a third party advisory services agreement related to the acquisition of Pharmacare. The shares were issued at the market price at the date immediately prior to the issuance of $0.37 per share. The shares are being treated as part of transaction costs related to the closing of the acquisition.

Issuance of stock options, warrants, deferred stock-based compensation
On March 31, 2015, the Company issued 1,000,000 stock options to management and employees as part of the acquisition of Pharmacare. All of the options were issued at a strike price of $0.40. The fair value of the options is $0.20 per option using the Black-Scholes pricing model with the following assumptions:

Dividend yield	Nil
Expected volatility	64% to 75%
Risk-free interest rate	0.59%
Expected life in years	3.8
Share price at date of issue	$0.40
Forfeiture rate	10%

The Company's outstanding and exercisable stock options are as follows:

For the period ended	**June 30, 2015**		December 31, 2014	
Common share options	**Options**	**Weighted average exercise price**	Options	Weighted average exercise price
Balance, beginning of period	**6,871,000**	**$1.45**	8,806,000	$1.37
Options granted	**1,000,000**	**0.40**	—	—
Options expired	**(150,000)**	**0.67**	(925,000)	0.93
Options canceled /forfeited	**(1,705,000)**	**1.11**	(1,010,000)	1.17
Balance, end of period	**6,016,000**	**$1.39**	6,871,000	$1.45
Exercisable, end of period	**3,944,625**	**$1.61**	4,619,500	$1.52

(in thousands of Canadian dollars)

11. Shareholders' Equity and Earnings per Share - continued

The weighted-average remaining contractual life and weighted-average exercise price of options outstanding as at June 30, 2015 are as follows:

	Options Outstanding			Options Exercisable	
Range of Exercise Price	**Number Outstanding**	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Life (years)**	**Number Exercisable**	**Weighted Average Exercise Price**
$0.39 - $0.50	1,170,000	$0.40	4.5	42,500	$0.39
$0.51 - $1.00	950,000	0.86	1.3	781,250	0.84
$1.01 - $1.88	3,896,000	1.82	1.2	3,120,875	1.81
	6,016,000	**$1.39**	**1.9**	**3,944,625**	**$1.61**

On March 18, 2015 the Company issued 835,000 restricted share units to management and employees which entitle the holders to 835,000 common shares of the Company. These restricted share units have been fair-valued based on the quoted market price on the date of issuance of $0.385 per share and vest over three years.

The Company's outstanding restricted share units are as follows:

For the periods ended	**June 30, 2015**	December 31, 2014
Restricted share units	**Units**	Units
Balance, beginning of period	**3,414,835**	1,583,548
Restricted share units granted	**835,000**	2,851,513
Restricted share units released	**(961,672)**	(838,788)
Restricted share units forfeited	**(365,677)**	(181,438)
Balance, end of period	**2,922,486**	3,414,835

The weighted-average remaining contractual life of restricted share units outstanding as at June 30, 2015 is 2 years.

The Company's outstanding and exercisable warrants are as follows:

For the periods ended	**June 30, 2015**		December 31, 2014	
Share purchase warrants	**Warrants**	**Weighted average exercise price**	Warrants	Weighted average exercise price
Balance, beginning of period	**12,694,427**	**$1.31**	33,177,310	$0.71
Warrants granted	—	—	17,117	1.56
Warrants exercised	—	—	(18,650,000)	0.33
Warrants expired	—	—	(1,850,000)	0.33
Balance, end of period	**12,694,427**	**$1.31**	12,694,427	$1.31
Exercisable, end of period	**10,948,264**	**$1.26**	10,948,264	$1.26

(in thousands of Canadian dollars)

11. Shareholders' Equity and Earnings per Share - continued

The weighted-average remaining contractual life and weighted-average exercise price of warrants outstanding as at June 30, 2015 are as follows:

Warrants Outstanding				Warrants Exercisable	
Range of Exercise Price	**Number Outstanding**	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Life (years)**	**Number Exercisable**	**Weighted Average Exercise Price**
$0.46 - $1.78	**12,694,427**	**$1.31**	**0.9**	**10,948,264**	**$1.26**

Earnings per share
Earnings per share has been calculated on the basis of profit or loss for the year divided by the weighted average number of common shares outstanding during the period. Diluted earnings per share, for all periods presented, was calculated based on the weighted average number of common shares outstanding and takes into account the effects of unvested shares, share options, warrants and convertible debt outstanding during the period. Loss per share is not adjusted for anti-dilutive instruments. The weighted average calculation is based on a time weighting factor that includes all share options, restricted share units, warrants and conversion features that were issued at prices lower than the market price of the Company's common shares at the respective period-ends.

The following table illustrates the basic and diluted weighted average shares outstanding for the three and six month periods ended June 30, 2015 and 2014:

	For the three month periods ended June 30,		For the six month periods ended June 30,	
	2015	2014	**2015**	2014
Basic and diluted weighted average shares outstanding	**159,936,654**	140,457,508	**157,534,634**	137,010,401

12. Related Party Transactions and Balances

In the normal course of operations, the Company has entered into certain related party transactions for consideration established with the related parties and are approved by the independent non-executive directors of the Company or are at market terms.

Related party transactions
Related party transactions, in addition to those entered into with Company directors and management, have been entered into with GHIS and entities controlled and related to the shareholders of GHIS including Jamon Investments LLC ("Jamon"), who own 59,551,287 shares or approximately 37% of the issued and outstanding common shares of the Company as at June 30, 2015. This ownership percentage disclosed assumes the issuance of 1,813,916 escrowed and restricted shares in the total common shares considered to be outstanding.

On May 28, 2014, GHIS exercised 18,650,000 common share purchase warrants at a strike price of $0.33 per common share. Of the gross consideration of $6,155, a reduction of $4,200 was made to settle the completion fees of $1,400 from the LifeMark acquisition and the financing fee of $2,800 related to specific 2011 financing activities previously due and payable to GHIS.

On March 21, 2013, GHIS and the Company negotiated an amended consulting agreement which eliminated the completion fees, removed the consulting fees for the year ended December 31, 2013, and amended the consulting fees to $75 per month from January 2014 to the completion of the agreement in June 2015. In light of management's leadership, the Company and GHIS have agreed not to renew the advisory agreement. The representatives of GHIS will continue to serve on the Board of Directors and various Sub Committees.

For the three and six month period ended June 30, 2015, the Company incurred $225 and $450 (2014 - $225 and $450) in GHIS consulting fees, $4 and $39 (2014 - $29 and $48) in GHIS travel related expenses and $75 and $150 (2014 - $84 and $167) in interest on related party amounts.

Included in trade payables and other amounts at June 30, 2015 are $301 (December 31, 2014 - $155) due to GHIS and $24 (December 31, 2014 - $25) for interest payable to Jamon.

The Company holds a lease agreement for the use of a medical office as part of its Performance Medical Group operations which is owned by a director of Performance Medical Group. The Company's lease expense for this location for the three and six month period ended June 30, 2015 was $29 and $59 (2014 - $29 and $59).

In June 2015, the Company entered into a service agreement with a corporation related to a member of senior management of the Company whereby the Company will fill prescriptions from a customer list that the corporation has rights to in exchange for a fixed fee per prescription. The fee is up to a maximum of $115 over a twelve month period. For the three and six month periods ended June 30, 2015, the Company recorded an expense of $12 and $12 (2014 - $nil and $nil) related to the fee owed to the corporation. Included in trade payables and other amounts at June 30, 2015 are $12 (December 31, 2014 - $nil) due to the corporation related to these services.

Related party loans
The Company has a promissory note with Jamon for $5,000 that bears interest at 6% with a conversion feature which is due April 30, 2018. The conversion price for the note is $0.46 per share and the conversion of the note is at the option of the holder. In addition to the promissory note, Jamon was issued a warrant to purchase 1,000,000 common shares of the Company at an exercise price of $0.46 per share which expires on April 30, 2018.

(in thousands of Canadian dollars)

12. Related Party Transactions and Balances - continued

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 $136 (December 31, 2014 - $136) has been included in trade and other receivables.

On August 14, 2012, the Company entered into a promissory note with the Company's CEO for $500 who is a director and officer of the Company. This promissory note bears interest at 4% per annum. The promissory note and related interest will be forgiven by the Company if the CEO is employed on the maturity date of September 3, 2016. If the CEO resigns prior to September 3, 2016, the promissory note and related interest is repayable on demand. In addition, a private placement for 782,227 common shares at a price of $0.64 per share and 782,227 warrants with an exercise price of $0.75 per share was completed with the CEO on August 14, 2012.

On September 3, 2012, the Company issued 1,000,000 common shares to the CEO of the Company. These shares are held by the Company and released to the CEO as freely tradeable over a four year period whereby 200,000 shares were released on both January 1, 2013 and January 1, 2014, 300,000 shares were released on January 1, 2015 and 300,000 shares will be released on January 1, 2016.

13. Interest Expense

Interest expense for the three and six month periods ended June 30, 2015 and 2014 is comprised of the following:

	For the three month periods ended June 30,		For the six month periods ended June 30,	
	2015 **$**	2014 $	**2015** **$**	2014 $
Interest on Term Loan, Revolving Facility and second lien senior secured notes	**4,869**	4,948	**9,525**	9,782
Amortization of loan arrangement fees	**297**	307	**614**	612
Interest on related party amounts	**75**	127	**149**	284
Accretion of related party loan discounts	**101**	82	**198**	184
Interest on capital leases	**10**	10	**17**	27
Amortization of deferred gain on interest rate swap	**(3)**	(5)	**(8)**	(10)
Interest on convertible debt	**828**	820	**1,649**	1,642
Accretion on convertible debt	**1,275**	1,044	**2,488**	2,101
Accretion on preferred partnership units	**332**	25	**651**	25
Accretion on Loans Receivable	—	(41)	**(22)**	(41)
Gain on settlement of swaps	**(14)**	—	**(14)**	—
Loss on repayment of borrowings	**166**	—	**166**	—
Interest expense before distributions for preferred partnership units	**7,936**	7,317	**15,412**	14,606
Distributions for preferred partnership units	**1,029**	1,002	**2,058**	1,991
Total interest expense	**8,965**	8,319	**17,470**	16,597
Interest income	**(12)**	(150)	**(161)**	(157)
Net interest expense	**8,953**	8,169	**17,309**	16,440

(in thousands of Canadian dollars)

14. General and Administrative Expenses

The components of general and administrative expenses are as follows:

	For the three month periods ended June 30,		For the six month periods ended June 30,	
	2015	2014 (Restated - note 17)	**2015**	2014 (Restated - note 17)
	$	$	**$**	$
Employee costs	**10,467**	10,534	**21,291**	20,551
Other operating expenses	**11,893**	10,599	**22,974**	20,604
Corporate office expenses	**3,118**	2,909	**6,298**	5,806
Depreciation and amortization	**6,626**	6,192	**13,090**	12,600
Share-based compensation expense	**270**	487	**712**	910
Loss on disposal of property and equipment	**—**	2	**—**	2
Total	**32,374**	30,723	**64,365**	60,473

15. Income Taxes

The total provision for income taxes varies from the amounts that would be computed by applying the statutory income tax rate of approximately 26.5% (2014 - 26.5%) to income taxes due to permanent differences. Permanent differences in the six month periods ended June 30, 2015 and 2014 arose as a result of impairment charges and contingent consideration as these amounts have been recorded for accounting purposes but will never be realized as a deduction for income tax purposes.

Deferred income tax assets and liabilities are presented based on a net basis by legal entity on the consolidated statement of financial position.

The Company's net deferred tax asset on the statement of financial position is as follows:

	June 30, 2015	December 31, 2014
	$	$
Deferred income tax asset	**8,755**	7,828
Deferred income tax liability	**(4,570)**	(4,150)
Net deferred income tax asset	**4,185**	3,678

Deferred tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable income is probable. As at June 30, 2015, the Company did not recognize deferred tax assets of $27,164 (December 31, 2014 - $19,572) in respect of losses amounting to $98,839 (December 31, 2014 - $91,223) 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.

(in thousands of Canadian dollars)

16. Segmented Information

The Company has organized its operations based on the various products and services that it offers. The consolidated operations of the Company comprise three reportable operating segments, referred to as: (i) Physiotherapy, Rehabilitation and Assessments; ii) Specialty Pharmacy; and (iii) Surgical and Medical Centres.

Certain general and administrative corporate costs have been allocated to the reportable segments based on the extent of corporate management's involvement in the reportable segment during the period. Those costs that generally represent the costs associated with a publicly-listed entity, as well as legal fees, advisory fees and acquisition-related services provided by independent third parties have been reported in the Corporate reportable segment.

	As at and for the three months ended June 30, 2015 (restated - note 17)					
	Physiotherapy, Rehabilitation and Assessments $	**Specialty Pharmacy $**	**Surgical and Medical Centres $**	**Corporate $**	**Assets/ Liabilities from Discontinued Operations $**	**Total $**
Revenue	49,829	31,215	9,937	—	—	**90,981**
Depreciation and amortization	4,090	1,541	823	172	—	**6,626**
Income (loss) before interest expense, income taxes and discontinued operations	2,467	2,541	(104)	(1,650)	—	**3,254**
Interest expense	—	—	—	8,953	—	**8,953**
Capital expenditures	503	420	376	214	—	**1,513**
Goodwill	108,564	64,983	11,862	—	—	**185,409**
Total assets	175,323	95,887	26,119	16,188	375	**313,892**
Total liabilities	13,878	6,591	5,220	339,008	—	**364,697**

	As at and for the six months ended June 30, 2015 (restated - note 17)					
	Physiotherapy, Rehabilitation and Assessments $	**Specialty Pharmacy $**	**Surgical and Medical Centres $**	**Corporate $**	**Assets/ Liabilities from Discontinued Operations $**	**Total $**
Revenue	96,411	58,224	19,595	—	—	**174,230**
Depreciation and amortization	8,140	2,993	1,615	342	—	**13,090**
Income (loss) before interest expense, income taxes and discontinued operations	4,458	3,211	(139)	(8,027)	—	**(497)**
Interest expense	—	—	—	17,309	—	**17,309**
Capital expenditures	1,563	476	841	242	—	**3,122**
Goodwill	108,564	64,983	11,862	—	—	**185,409**
Total assets	175,323	95,887	26,119	16,188	375	**313,892**
Total liabilities	13,878	6,591	5,220	339,008	—	**364,697**

[9] Included in the income before interest expense, income taxes and discontinued operations for the Corporate segment is $51 of a non-cash loss (2014 - $647 loss) from the net decrease in the fair value of the contingent consideration liability for the year, $5,199 (2014 - $1,691) in transaction and restructuring costs and $1,567 of non-cash gains (2014 - $1,301 loss) from the change in fair value of derivative financial instruments.

(in thousands of Canadian dollars)

16. Segmented Information - continued

	As at and for the three months ended June 30, 2014 (restated - note 17)					
	Physiotherapy, Rehabilitation and Assessments $	Specialty Pharmacy $	Surgical and Medical Centres $	Corporate $	Assets/ Liabilities from Discontinued Operations $	Total $
Revenue	45,627	23,792	9,311	—	—	**78,730**
Depreciation and amortization	4,019	1,475	546	152	—	**6,192**
Income (loss) before interest expense, income taxes and discontinued operations	2,926	1,272	330	(6,563)	—	**(2,035)**
Interest expense	—	—	—	8,169	—	**8,169**
Capital expenditures	391	236	373	216	—	**1,216**
Goodwill	100,953	30,802	13,443	—	221	**145,419**
Total assets	174,486	59,281	25,427	19,261	75,007	**353,462**
Total liabilities	9,627	5,779	5,656	335,229	25,113	**381,404**

	As at and for the six months ended June 30, 2014 (restated - note 17)					
	Physiotherapy, Rehabilitation and Assessments $	Specialty Pharmacy $	Surgical and Medical Centres $	Corporate $	Assets/ Liabilities from Discontinued Operations $	Total $
Revenue	88,696	47,019	17,832	—	—	**153,547**
Depreciation and amortization	8,039	2,946	1,325	290	—	**12,600**
Income (loss) before interest expense, income taxes and discontinued operations	4,798	2,665	473	(10,516)	—	**(2,580)**
Interest expense	—	—	—	16,440	—	**16,440**
Capital expenditures	964	714	827	316	—	**2,821**
Goodwill	100,953	30,802	13,443	—	221	**145,419**
Total assets	174,486	59,281	25,427	19,261	75,007	**353,462**
Total liabilities	9,627	5,779	5,656	335,229	25,113	**381,404**

(in thousands of Canadian dollars)

17. Discontinued Operations

Windsor Endoscopy Center ("WEC")

In March 2015, the Company decided to cease the operations at its surgical location in Windsor, Ontario, which was previously a part of the Surgical segment. The Company has included the results from WEC as part of discontinued operations on the consolidated statement of income and comprehensive income and has shown the remaining assets of $125, comprised of property, plan and equipment, as assets held for sale on the statement of financial position.

Sleep Clinic

In March 2015, the Company has committed to a plan to dispose of the operations of the Sleep Clinic. On July 16, 2015, the Company completed the sale of the operations. The Company has included the results from Sleep Clinic as part of discontinued operations on the consolidated statement of income and comprehensive income and has shown the remaining assets of $250, comprised of an intangible asset, as assets held for sale on the statement of financial position.

The cash flows from discontinued operations for the three and six month periods ended June 30, 2015 and 2014 are as follows:

	For the three month periods ended June 30,		**For the six month periods ended June 30,**	
	2015	2014	**2015**	2014
	$	$	**$**	$
Operating cash flows	**(129)**	4,972	(155)	6,657
Investing cash flows	—	(510)	(26)	(947)
Financing cash flows	—	(4)	—	20
Total Cash Flows	**(129)**	4,458	**(181)**	5,730

The results from discontinued operations, including the results recognized on the re-measurement of assets, for the three and six month periods ended June 30, 2015 and 2014 are as follows:

For the three month period ended June 30, 2015

	Retail and HME $	**Methadone Pharmacy $**	**Active $**	**CAR $**	**Sarnia $**	**WEC and Sleep $**	**Total $**
Revenues	—	—	—	—	—	67	**67**
Expenses	—	37	—	—	(5)	88	**120**
Depreciation and amortization	—	—	—	—	—	—	**—**
Impairments	—	—	—	—	—	—	**—**
(Loss) income before income taxes from discontinued operations	—	(37)	—	—	5	(21)	**(53)**
Income tax expense (recovery)	—	—	—	—	(12)	14	**2**
(Loss) income from discontinued operations	—	(37)	—	—	17	(35)	**(55)**

(in thousands of Canadian dollars)

17. Discontinued Operations - continued

For the three month period ended June 30, 2014

	Retail and HME $	Methadone Pharmacy $	Active $	CAR $	Sarnia $	WEC and Sleep $	Total $
Revenues	27,053	4,759	1,999	611	123	331	**34,876**
Expenses	28,606	4,116	5,576	(393)	430	293	**38,628**
Depreciation and amortization	1,517	258	43	2	156	16	**1,992**
Impairments	5,423	—	—	—	—	—	**5,423**
(Loss) income before income taxes from discontinued operations	(8,493)	385	(3,620)	1,002	(463)	22	**(11,167)**
Income tax expense (recovery)	1,798	100	42	(17)	1	146	**2,070**
(Loss) income from discontinued operations	(10,291)	285	(3,662)	1,019	(464)	(124)	**(13,237)**

For the six month period ended June 30, 2015

	Retail and HME $	Methadone Pharmacy $	Active $	CAR $	Sarnia $	WEC and Sleep $	Total $
Revenues	—	—	—	—	—	369	**369**
Expenses	—	59	—	—	(2)	467	**524**
Depreciation and amortization	—	—	—	—	—	52	**52**
Impairments	—	—	—	—	—	360	**360**
(Loss) income before income taxes from discontinued operations	—	(59)	—	—	2	(510)	**(567)**
Income tax expense (recovery)	—	34	—	—	(101)	90	**23**
(Loss) income from discontinued operations	—	(93)	—	—	103	(600)	**(590)**

For the six month period ended June 30, 2014

	Retail and HME $	Methadone Pharmacy $	Active $	CAR $	Sarnia $	WEC and Sleep $	Total $
Revenues	51,408	9,143	6,830	1,940	407	657	**70,385**
Expenses	54,348	7,890	10,215	730	960	623	**74,766**
Depreciation and amortization	3,025	532	148	5	201	32	**3,943**
Impairments	5,423	—	13,835	—	2,659	—	**21,917**
(Loss) income before income taxes from discontinued operations	(11,388)	721	(17,368)	1,205	(3,413)	2	**(30,241)**
Income tax expense (recovery)	1,352	100	(740)	181	1,523	146	**2,562**
(Loss) income from discontinued operations	(12,740)	621	(16,628)	1,024	(4,936)	(144)	**(32,803)**

There are no amounts included in the net loss from discontinued operations that are attributable to non-controlling interests for the six month periods ended June 30, 2015 and 2014.

(in thousands of Canadian dollars)

18. Contingencies

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. The Company believes that 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.

19. Supplementary Disclosure to the Consolidated Statements of Cash Flows

The net change in non-cash working capital comprises the following:

	For the three month periods ended June 30,		**For the six month periods ended June 30,**	
	2015	2014	**2015**	2014
	$	$	**$**	$
Trade and other receivables	**(1,272)**	(4,225)	**(1,385)**	(3,338)
Inventories	**(187)**	1,517	**96**	509
Prepaid expenses	**372**	60	**(216)**	(162)
Trade payables and other amounts	**7,466**	5,449	**5,520**	6,593
Total	**6,379**	2,801	**4,015**	3,602