



**Protech Home Medical Corp.  
(formerly Patient Home Monitoring Corp.)**

**Condensed Consolidated Interim Financial Statements**

**2018 Second Quarter**

For the Three Months Ended  
March 31, 2018 and 2017  
(UNAUDITED)

(Expressed in Canadian dollars)

**TABLE OF CONTENTS**

Consolidated Statements of Financial Position	Page 3
Consolidated Statements of Loss and Comprehensive Loss	Page 4
Consolidated Statements of Changes in Shareholders' Equity	Page 5
Consolidated Statements of Cash Flows	Page 6
Notes to the Consolidated Financial Statements	Pages 7-19

---

## **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of these condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Protech Home Medical Corp., formerly Patient Home Monitoring Corp., (the "Company") have been prepared by and are the responsibility of the Company's management and approved by the Board of Directors of the Company.

The Company's independent auditor has not performed a review of these unaudited condensed consolidated interim financial statements in accordance with standards established by the Canadian Institute of Chartered Professional Accountants for a review of interim financial statements by an entity's auditor.

**PROTECH HOME MEDICAL CORP.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**  
**(UNAUDITED)**

*(Expressed in thousands of Canadian Dollars, except per share amounts)*

	Notes	As at March 31, 2018	As at September 30, 2017
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		\$ 3,964	\$ 3,391
Accounts receivable		9,118	9,519
Inventory	3	9,514	9,787
Prepaid expenses and other current assets		593	822
<b>Total current assets</b>		<b>23,189</b>	<b>23,519</b>
<b>Assets held for distribution</b>	13	<b>-</b>	<b>77,427</b>
<b>Long-term</b>			
Property and equipment, net	4	18,110	20,631
Goodwill	5	1,831	1,773
Intangible assets, net	5	3,560	3,762
Deposits		114	105
<b>Total long-term assets</b>		<b>23,615</b>	<b>26,271</b>
<b>TOTAL ASSETS</b>		<b>\$ 46,804</b>	<b>\$ 127,217</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade payables		\$ 8,086	\$ 8,254
Accrued liabilities		1,911	1,343
Financial lease payable	6	7,464	6,751
Purchase price payable		45	341
Conversion liability warrants	7	24	262
<b>Total current liabilities</b>		<b>17,530</b>	<b>16,951</b>
<b>Liabilities held for distribution</b>	13	<b>-</b>	<b>11,983</b>
<b>Long-Term Liabilities</b>			
Long-term debt	6	10,477	9,258
<b>Total long-term liabilities</b>		<b>10,477</b>	<b>9,258</b>
<b>TOTAL LIABILITIES</b>		<b>28,007</b>	<b>38,192</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	8	193,951	193,459
Contributed surplus		18,581	17,153
Accumulated other comprehensive income		12,276	9,924
Accumulated deficit		(206,011)	(131,511)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>18,797</b>	<b>89,025</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 46,804</b>	<b>\$ 127,217</b>
<b>Commitments and Contingency (Note 9)</b>			
<b>Going Concern (Note 1(b))</b>			

APPROVED ON BEHALF OF THE BOARD:

signed "Mark Greenberg"

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

**PROTECH HOME MEDICAL CORP.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF INCOME (LOSS) AND**  
**COMPREHENSIVE INCOME (LOSS)**  
**(UNAUDITED)**

*(Expressed in thousands of Canadian Dollars, except per share amounts)*

		Three Months Ended March 31,		Six Months Ended March 31,	
		2018	2017	2018	2017
<b>Revenue</b>					
Sale of medical equipment and supplies		\$ 7,041	\$ 5,225	\$ 13,317	\$ 11,203
Patient monitoring services		11,683	13,339	23,932	26,136
<b>Total Revenue</b>		<b>\$ 18,274</b>	<b>\$ 18,564</b>	<b>\$ 37,249</b>	<b>\$ 37,339</b>
Cost of revenue	10	5,171	4,906	11,052	10,330
<b>Gross margin</b>		<b>\$ 13,553</b>	<b>\$ 13,658</b>	<b>\$ 26,197</b>	<b>\$ 27,009</b>
Selling, general and administrative	10	11,329	11,369	22,463	23,322
Depreciation	4	3,890	3,280	7,951	5,790
Amortization of intangible assets	5	155	1,086	322	2,229
Stock-based compensation	8	1,225	(2,987)	1,669	(2,814)
Other expense (income)		(15)	12	(8)	12
Loss (gain) from distribution on spin-off	2	194	-	(21,509)	-
Gain on disposal of property and equipment		(5)	-	(24)	-
<b>Net gain (loss) from continuing operations before financing expenses, taxes and discontinued operations</b>		<b>\$ (3,220)</b>	<b>\$ 898</b>	<b>\$ 15,333</b>	<b>\$ (1,530)</b>
<b>Financing expenses</b>					
Interest on subordinated debentures		529	359	740	696
Other interest expense (income)		82	18	157	36
Loss (gain) on derivative financial liability	8	(99)	159	(238)	33
<b>Net gain (loss) from continuing operations before taxes</b>		<b>\$ (3,732)</b>	<b>\$ 362</b>	<b>\$ 14,674</b>	<b>\$ (2,295)</b>
Provision for income taxes		90	144	89	632
<b>Net gain (loss) from continuing operations after taxes and before discontinued operations</b>		<b>\$ (3,822)</b>	<b>\$ 218</b>	<b>\$ 14,585</b>	<b>\$ (2,927)</b>
<b>Discontinued operations:</b>					
Net income (loss) from assets and liabilities held for distribution	13	-	(198)	4,205	(1,103)
<b>Combined operations:</b>					
<b>Net gain (loss) after taxes</b>		<b>\$ (3,822)</b>	<b>\$ 20</b>	<b>\$ 18,790</b>	<b>\$ (4,030)</b>
<b>Other comprehensive income (loss)</b>					
Cumulative translation adjustment		725	(1,256)	787	1,706
<b>Comprehensive income (loss)</b>		<b>\$ (3,097)</b>	<b>\$ (1,236)</b>	<b>\$ 19,577</b>	<b>\$ (2,324)</b>
<b>Net income (loss) per share</b>					
Basic – continuing operations	12	\$ (0.010)	\$ 0.000	\$ 0.039	\$ (0.008)
Basic – discontinued operations	12	0.000	(0.000)	0.011	(0.003)
Diluted – continuing operations	12	(0.010)	0.001	0.035	(0.008)
Diluted – discontinued operations	12	0.000	(0.000)	0.010	(0.003)
Weighted average number of common shares outstanding:					
Basic		379,096	377,613	378,473	376,494
Diluted		379,096	406,078	412,948	376,494

**PROTECH HOME MEDICAL CORP.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF**  
**CHANGES IN SHAREHOLDERS' EQUITY**  
**(UNAUDITED)**

*(Expressed in thousands of Canadian Dollars)*

	Number of Shares (000's)	Capital stock	Contributed surplus	Deficit	Accumulated other comprehensive income (loss)	
Balance September 30, 2016	375,398	\$193,058	\$ 18,656	\$(107,752)	\$15,960	\$119,922
Conversion of class A shares	2,262	385	-	-	-	385
Options and warrants exercised	2		4	-	-	4
Stock based compensation - options	-	-	(2,814)	-	-	(2,814)
Net loss	-	-	-	(4,030)	-	(4,030)
Other comprehensive loss	-	-	-	-	1,706	1,706
Balance March 31, 2017	377,662	\$193,443	\$15,846	\$(111,782)	\$17,666	\$115,173
Balance September 30, 2017	377,696	\$193,459	\$ 17,153	\$(131,511)	\$9,924	\$89,025
Cancellation of shares (Note 8)	(379,096)	-	-	-	-	-
Options and warrants exercised	1,400	492	(240)	-	-	252
Reissue of common shares	379,096		(212)			(212)
Stock based compensation options (Note 8)	-	-	1,880	-	-	1,880
Spin-off adjustment	-	-	-	(93,290)	1,565	(91,725)
Net income	-	-	-	18,790	-	18,790
Other comprehensive loss	-	-	-	-	787	787
Balance March 31, 2018	379,096	\$193,951	\$18,581	\$(206,011)	\$12,276	\$18,797

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

**PROTECH HOME MEDICAL CORP.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

*(Expressed in thousands of Canadian Dollars)*

	Notes	Six months ended March 31, 2018	Six months ended March 31, 2017
<b>Operating activities</b>			
Net income (loss) from continuing operations		\$ 14,585	\$ (2,927)
Adjustments to reconcile net loss			
Items not affecting cash			
Depreciation and amortization		8,273	8,019
Accretion expense	6	416	372
Change in value of derivative financial liability		(238)	33
Gain from distribution of spin-off	13	(21,509)	-
Gain on disposal of property and equipment		(24)	-
Stock based compensation	7	1,669	(2,814)
Bad debt expense	10	5,283	5,379
Change in Working Capital:			
Net increase in accounts receivable, excluding bad debt expense		(4,883)	(8,540)
Net (increase) decrease in inventory		457	(763)
Net decrease in other current assets		237	183
Net increase (decrease) in trade payables and accrued liabilities		(325)	2,888
<b>Net cash flow received in operating activities</b>		<b>3,941</b>	<b>1,830</b>
<b>Investing activities</b>			
Purchase of property and equipment		(4,891)	(4,038)
Cash proceeds from sale of property and equipment		26	-
Net investing activities from assets and liabilities held for distribution		-	-
<b>Net cash flow used in investing activities</b>		<b>(4,865)</b>	<b>(4,038)</b>
<b>Financing activities</b>			
Proceeds from issuance of common shares		1,352	
Payment of finance lease liabilities, net		(5,429)	(2,475)
Proceeds from options and warrants exercised		252	4
Borrowings on lease liabilities		6,604	4,982
Cancellation of shares		(1,352)	-
<b>Net cash flow received in financing activities</b>		<b>1,427</b>	<b>2,511</b>
<b>Net increase in cash and cash equivalents</b>		<b>503</b>	<b>303</b>
Effect of exchange rate changes on cash held in foreign currencies		70	(46)
<b>Cash, beginning of year</b>		<b>3,391</b>	<b>3,364</b>
<b>Cash, end of year</b>		<b>\$ 3,964</b>	<b>\$ 3,621</b>

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

---

**PROTECH HOME MEDICAL CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED**  
**INTERIM FINANCIAL STATEMENTS**  
**(UNAUDITED)**

**March 31, 2018 and 2017**

*(Tabular dollar amounts expressed in thousands of Canadian Dollars, except per share amounts)*

---

## **1. Nature of operations**

### **(a) Reporting entity**

Protech Home Medical Corp. ("PHM Corp" or the "Company") was incorporated under the Business Corporations Act (Alberta) on March 5th, 1993. On December 30, 2013, the Company was continued into British Columbia, Canada. The address of the registered office is 5626 Larch St. Suite 202, Vancouver, BC V6M 4E1 (Canada). The head office is located at 1019 Town Drive, Wilder, Kentucky (USA). The Company's main revenue source is in providing in-home monitoring equipment, supplies and services to patients in the United States. The Company has also embarked on an acquisition strategy for additional revenue and profit growth.

The Company's shares are traded on the TSX Venture Exchange under the symbol PHM. The stock is also traded over the counter under the symbol PHMZF.

On December 21, 2017 the Company executed Asset and Share Purchase Agreements as well as an Arrangement Agreement ("Arrangement") with Viemed Healthcare, Inc. ("Viemed"), currently a wholly owned subsidiary of the Company which was spun-out as a separate public company that will own a 100% interest in Home Sleep Delivered, L.L.C. and Sleep Management, L.L.C. The statements and the notes reflect the Viemed entity as a discontinued operation, see Note 14.

### **(b) Going concern**

These consolidated financial statements have been prepared on a going concern basis. The application of the going concern basis of presentation assumes that the Company will continue its operations for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of operation. If this assumption was not appropriate, adjustments to these condensed consolidated financial statements may be necessary.

During the quarter ended March 31, 2018, the Company incurred a net loss from continuing operations of \$3,822,000 (2017 - \$218,000 net gain). During the six months ended March 31, 2018, the Company incurred a net gain from continuing operations of \$14,585,000 (2017 - \$2,927,000 net loss) and generated positive cash flows from operations of \$3,941,000 (2017 - \$1,830,000 positive cash flow).

In assessing whether the going concern assumption is appropriate, Management considers all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. This assessment is based upon planned actions that may or may not occur for several reasons including the Company's own resources and external market conditions.

The Company's ability to continue as a going concern, realize its assets and discharge its liabilities in the normal course of business, meet its corporate administrative expenses, and support the operations of its subsidiaries in fiscal 2018, is dependent upon Management's ability to execute on their plans to increase number of patients they service, improve margins, improve collection ratios and control costs.

These consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these consolidated financial statements, then adjustments would be necessary to the carrying amounts of assets and liabilities, the reported expenses and the classifications used in the consolidated statements of financial position.

## **2. Summary of significant accounting policies**

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

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. These condensed consolidated interim financial statements do not include all the disclosures required in annual consolidated financial statements and should be read in conjunction with the Company's audited consolidated financial statements for the years ended September 30, 2017 and 2016.

---

**PROTECH HOME MEDICAL CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED**  
**INTERIM FINANCIAL STATEMENTS**  
**(UNAUDITED)**

**March 31, 2018 and 2017**

*(Tabular dollar amounts expressed in thousands of Canadian Dollars, except per share amounts)*

---

The Company has followed the same basis of presentation, accounting policies and method of computation for these condensed consolidated interim financial statements as disclosed in the annual audited consolidated financial statements for the years ended September 30, 2017 and 2016.

The unaudited condensed consolidated interim financial statements were approved and authorized for issuance by the Board of Directors on May 15, 2018.

These unaudited condensed consolidated interim financial statements, which are presented in Canadian dollars, have been prepared under the historical cost convention, as modified by the measurement at fair values of certain financial assets and financial liabilities.

**(b) Accounting standards issued but not yet effective**

- i. IFRS 16 Leases - In January 2016, the IASB issued a new IFRS on lease accounting which was incorporated into Part I of the CPA Canada Handbook – Accounting by the ACSB in June 2016. IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 introduces a single lessee accounting model that requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Lease assets and liabilities are initially recognized on a present value basis and subsequently, similarly to other non-financial assets and financial liabilities, respectively. The lessor accounting requirements are substantially unchanged and, accordingly, continue to require classification and measurement as either operating or finance leases. The new standard also introduces detailed disclosure requirements for both the lessee and lessor. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that also apply IFRS 15 Revenue from Contracts with Customers. The Company has yet to assess the impact of the new standard on its results of operations, financial position and disclosures.

**(c) Plan of Arrangement**

The Arrangement involving Viemed, a newly incorporated company was completed after a shareholder vote, as of close of business on December 21, 2017. Under this Arrangement agreement, all shareholders received one new PHM common share (a “New PHM Share”) and one-tenth (1/10) of one common share of Viemed (a “Viemed Share”) for each common share of PHM held by such Shareholder immediately prior to the completion of the Arrangement. Also in connection with the Arrangement, (a) for each stock option of PHM held, each option holder that remains employed or engaged by PHM will receive one option to purchase one New PHM Share (a “New PHM Option”) and PHM option holders employed or engaged by Viemed received one New PHM Option (which expired three months following completion of the Arrangement) and one tenth (1/10) of one option to purchase from Viemed one Viemed Share, and (b) for each common share purchase warrant of PHM held, each warrant holder received one warrant to purchase from PHM one New PHM Share (a “New PHM Warrant”) and one tenth (1/10) of one warrant to purchase from Viemed one Viemed Share. The New PHM Options were issued pursuant to the PHM stock option plan which was approved by Shareholders at an annual and special meeting of Shareholders held on December 15, 2017. At the meeting, the Shareholders also approved the adoption of a restricted share unit and deferred share unit plan. Pursuant to the PHM stock option plan and restricted share unit and deferred share unit plan, PHM may reserve up to an aggregate of 75,819,279 PHM Shares pursuant to awards granted under the plans.

Upon completion of the Arrangement and at the time of listing, PHM had a total of 379,096,396 Common Shares, 26,005,058 common share purchase warrants and 17,906,179 (8,388,978 of which held by option holders employed or engaged by Viemed that expired on March 21, 2017) stock options outstanding.

The New PHM Shares commenced trading on the TSX Venture Exchange (the “TSXV”) on December 22, 2017 under the stock symbol “PHM”, and PHM’s outstanding 7.5% non-convertible unsecured subordinated debentures maturing on December 31, 2019, continued to trade under the symbol “PHM.DB”.

The Company accounted for the distribution in accordance with IFRS 17, Distribution of Non-Cash Assets to Owners, which required the assets being distributed to be recognized at fair value. The Company used significant judgement related to the fair value measurement of assets and liabilities distributed pursuant to the Arrangement. The estimates required management to exercise judgement concerning valuation approaches and methods, estimates of future cash flows, and discount rates. The distribution amount being the fair value of Viemed of \$93,290,000 was set up as a distribution liability with a corresponding charge to deficit and accumulated comprehensive income (loss).



**PROTECH HOME MEDICAL CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED**  
**INTERIM FINANCIAL STATEMENTS**  
**(UNAUDITED)**

**March 31, 2018 and 2017**

*(Tabular dollar amounts expressed in thousands of Canadian Dollars, except per share amounts)*

The assets and liabilities which were distributed to the Company's shareholders in connection with the spin-off of Viemed on December 21, 2017 pursuant to the Arrangement comprised of cash of \$7,856,000, accounts receivable of \$11,811,000, prepaid and other assets of \$2,829,000, property and equipment of \$27,323,000, intangibles of \$18,761,000, goodwill of \$18,005,000 accounts payable and accrued liabilities of \$8,390,000 and capital lease payables of \$6,608,000. Total carrying value of net assets distributed on spin off was \$71,587,000. A net gain of \$21,509,000 was recorded on the spin-out after taking into account transaction expenses.

**(d) Discontinued operating and assets held for distribution**

A non-current asset or a group of assets and liabilities is held for distribution when its carrying amount will be recovered principally through its divestiture and not by continuing utilization. To meet this definition, the asset must be available for immediate sale, and divestiture must be highly probable. These assets and liabilities are recognized as assets held for distribution and liabilities associated with assets held for distribution, without offset. The related assets recorded as assets held for distribution are valued at the lower of fair value, net of divestiture fees, and cost less accumulated depreciation and impairment losses, and are no longer depreciated.

An operation is qualified as discontinued when it represents a separate major line of business and the criteria for classification as an asset held for distribution have been met, or when the Company has sold the asset.

Discontinued operations are presented on a single line of the statement of income (loss) and comprehensive income (loss) for the periods reported, comprising the earnings after tax of discontinued operations until divestiture and the gain or loss after tax on sale or fair value measurement, less costs to sell the assets and liabilities making up the discontinued operations are presented on one separate line of the statement of consolidated cash flows for the periods presented.

**3. Inventory**

	As at March 31, 2018	As at September 30, 2017
Serialized	\$ 4,906	\$ 5,147
Non-serialized	4,608	4,640
Total inventory	\$ 9,514	\$ 9,787

	For three months ended March 31, 2018	For six months ended March 31, 2018	For three months ended March 31, 2017	For six months ended March 31, 2017
Inventory expensed in cost of revenue	\$ 4,892	\$ 10,341	\$ 4,201	\$ 9,065

**4. Property and equipment**

Property and equipment is stated at cost less accumulated depreciation. Major renewals and improvements are charged to the property accounts, while maintenance, and repairs, which do not extend the useful life of the respective assets, are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets.

**PROTECH HOME MEDICAL CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED**  
**INTERIM FINANCIAL STATEMENTS**  
**(UNAUDITED)**

**March 31, 2018 and 2017**

*(Tabular dollar amounts expressed in thousands of Canadian Dollars, except per share amounts)*

The estimated useful lives of the assets are as follows:

<u>Description</u>	<u>Estimated Useful Lives</u>
Monitoring equipment	1-5 years
Computer equipment	5 years
Vehicles	5 years
Office furniture and fixtures	5 - 10 years
Leasehold improvements	Life of Lease

Depreciation of monitoring equipment commences once it has been deployed to a patient's address and put in use. Property and equipment and other non-current assets with definite useful lives are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

<u>Cost</u>	<u>Monitoring equipment</u>	<u>Computer equipment</u>	<u>Office furniture and fixtures</u>	<u>Leasehold improvements</u>	<u>Monitoring equipment not placed in service</u>	<u>Vehicles</u>	<u>Total</u>
<b>Balance September 30, 2016</b>	<b>\$ 43,816</b>	<b>\$ 1,817</b>	<b>\$ 707</b>	<b>\$ 868</b>	<b>\$ -</b>	<b>\$ 3,132</b>	<b>\$ 50,340</b>
Additions	25,410	130	91	228	-	1,014	26,873
Assets held for distribution	(25,101)	(596)	(269)	(189)	-	(1,492)	(27,647)
Disposals	(6,089)	(87)	(12)	(2)	-	(208)	(6,398)
Foreign exchange	(3,070)	(89)	(39)	(54)	-	(192)	(3,444)
<b>Balance September 30, 2017</b>	<b>\$ 34,966</b>	<b>\$ 1,175</b>	<b>\$ 478</b>	<b>\$ 851</b>	<b>\$ -</b>	<b>\$ 2,254</b>	<b>\$ 39,724</b>
Additions	4,192	49	58	41	-	551	4,891
Disposals	(5,333)	(117)	-	-	-	(39)	(5,489)
Foreign exchange	1,160	39	16	28	-	75	1,318
<b>Balance March 31, 2018</b>	<b>\$ 34,985</b>	<b>\$ 1,146</b>	<b>\$ 552</b>	<b>\$ 920</b>	<b>\$ -</b>	<b>\$ 2,841</b>	<b>\$ 40,444</b>
<u>Accumulated Depreciation</u>	<u>Monitoring equipment</u>	<u>Computer equipment</u>	<u>Office furniture and fixtures</u>	<u>Leasehold improvements</u>	<u>Monitoring equipment not placed in service</u>	<u>Vehicles</u>	<u>Total</u>
<b>Balance September 30, 2016</b>	<b>\$ 14,089</b>	<b>\$ 597</b>	<b>\$ 146</b>	<b>\$ 125</b>	<b>\$ -</b>	<b>\$ 939</b>	<b>\$ 15,896</b>
Depreciation	10,060	297	111	86	-	648	11,202
Assets held for distribution	(3,536)	(218)	(71)	(57)	-	(600)	(4,482)
Disposals	(4,996)	(87)	(12)	(2)	-	(148)	(5,245)
Foreign exchange	1,579	32	14	11	-	86	1,722
<b>Balance September 30, 2017</b>	<b>\$ 17,196</b>	<b>\$ 621</b>	<b>\$ 188</b>	<b>\$ 163</b>	<b>\$ -</b>	<b>\$ 925</b>	<b>\$ 19,093</b>
Depreciation	7,550	127	49	41	-	184	7,951
Disposals	(5,322)	(117)	-	-	-	-	(5,439)
Foreign exchange	696	23	8	6	-	(4)	729
<b>Balance March 31, 2018</b>	<b>\$ 20,120</b>	<b>\$ 654</b>	<b>\$ 245</b>	<b>\$ 210</b>	<b>\$ -</b>	<b>\$ 1,105</b>	<b>\$ 22,334</b>

**PROTECH HOME MEDICAL CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED**  
**INTERIM FINANCIAL STATEMENTS**  
**(UNAUDITED)**

**March 31, 2018 and 2017**

*(Tabular dollar amounts expressed in thousands of Canadian Dollars, except per share amounts)*

<b>Net Book Value</b>	<b>Monitoring equipment</b>	<b>Computer equipment</b>	<b>Office furniture and fixtures</b>	<b>Leasehold improvements</b>	<b>Monitoring equipment not placed in service</b>	<b>Vehicles</b>	<b>Total</b>
Balance September 30, 2016	\$ 29,727	\$ 1,220	\$ 561	\$ 743	\$ -	\$ 2,193	\$ 34,444
Balance September 30, 2017	\$ 17,770	\$ 554	\$ 290	\$ 688	\$ -	\$ 1,329	\$ 20,631
Balance March 31, 2018	\$ 14,865	\$ 492	\$ 307	\$ 710	\$ -	\$ 1,736	\$ 18,110

## 5. Goodwill and intangible assets

The Company has recorded various intangible assets consisting primarily of non-compete agreements, trademarks, customer contracts and customer relationships.

Non-compete agreements are the value associated with the non-compete agreements entered by the sellers of purchased companies.

Trademarks are the purchase price allocation for the value associated with the trade name of the acquired company.

Customer contracts are comprised of the purchase price allocation of the present value of expected future customer billings based on the statistical life of a customer.

Customer relationships are the value given in the purchase price allocation to the long-term associations with referral sources such as doctors, medical centers, etc.

Finite life intangible assets are amortized on a straight-line basis over the estimated useful lives of the related assets as follows:

<u>Description</u>	<u>Estimated Useful Lives</u>
Non-compete agreements	3 - 5 Years
Trademarks	8 - 10 Years
Customer contracts	1 - 2 Years
Customer relationships	8 - 10 Years

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Statements of Net Loss and Comprehensive Loss when the asset is derecognized.

The Company reviews the estimates for useful lives on an annual basis, or more frequently if events during the year indicate that a change may be required, with consideration given to technological obsolescence and other relevant business factors. A change in management's estimate could impact depreciation/amortization expense and the carrying value of property and equipment and intangible assets.

**PROTECH HOME MEDICAL CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED**  
**INTERIM FINANCIAL STATEMENTS**  
**(UNAUDITED)**

**March 31, 2018 and 2017**

*(Tabular dollar amounts expressed in thousands of Canadian Dollars, except per share amounts)*

<b>Cost</b>	<b>Goodwill</b>	<b>Non- complete agreements</b>	<b>Brand</b>	<b>Customer contracts</b>	<b>Customer relationships</b>	<b>Sub-total intangibles with finite lives</b>	<b>Total</b>
<b>Balance September 30, 2016</b>	\$ 24,384	\$ 3,442	\$ 8,185	\$ 26,037	\$ 37,935	\$ 75,599	\$ 99,983
Additions	-	-	-	-	34	34	34
Assets held for distribution	(17,612)	(1,680)	(3,020)	(16,060)	(15,623)	(36,383)	(53,995)
Impairment	(3,815)	(533)	(2,345)	(77)	(5,773)	(8,728)	(12,544)
Effect of changes in exchange rates	(1,184)	(584)	(1,146)	(5,247)	(5,712)	(12,689)	(13,873)
<b>Balance September 30, 2017</b>	\$ 1,773	\$ 645	\$ 1,674	\$ 4,653	\$ 10,861	\$ 17,833	\$ 19,606
Effects of changes in exchange rates	58	21	56	154	89	320	378
<b>Balance March 31, 2018</b>	\$ 1,831	\$ 666	\$ 1,730	\$ 4,807	\$ 10,950	\$ 18,153	\$ 19,984

<b>Accumulation amortization</b>	<b>Goodwill</b>	<b>Non- complete agreements</b>	<b>Brand</b>	<b>Customer contracts</b>	<b>Customer relationships</b>	<b>Sub-total intangibles with finite lives</b>	<b>Total</b>
<b>Balance September 30, 2016</b>	\$ -	\$ 887	\$ 1,070	\$ 16,593	\$ 9,891	\$ 28,441	\$ 28,441
Additions	-	238	418	2,354	1,237	4,247	4,247
Assets held for distribution	-	(978)	(879)	(20,043)	(4,549)	(26,449)	(26,449)
Effect of changes in exchange rates	-	362	301	5,737	1,432	7,832	7,832
<b>Balance September 30, 2017</b>	\$ -	\$ 509	\$ 910	\$ 4,641	\$ 8,011	\$ 14,071	\$ 14,071
Additions	-	23	50	7	242	322	322
Effect of changes in exchange rates	-	17	31	159	(7)	200	200
<b>Balance March 31, 2018</b>	\$ -	\$ 549	\$ 991	\$ 4,807	\$ 8,246	\$ 14,593	\$ 14,593

<b>Net carrying amount</b>	<b>Goodwill</b>	<b>Non-competitive agreements</b>	<b>Brand</b>	<b>Customer contracts</b>	<b>Customer relationships</b>	<b>Sub-total intangibles with finite lives</b>	<b>Total</b>
Balance September 30, 2016	\$ 24,384	\$ 2,555	\$ 7,115	\$ 9,444	\$ 28,044	\$ 47,158	\$ 71,542
Balance September 30, 2017	\$ 1,773	\$ 136	\$ 764	\$ 12	\$ 2,850	\$ 3,762	\$ 5,535
Balance March 31, 2018	\$ 1,831	\$ 117	\$ 739	\$ -	\$ 2,704	\$ 3,560	\$ 5,391

**PROTECH HOME MEDICAL CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED**  
**INTERIM FINANCIAL STATEMENTS**  
**(UNAUDITED)**

**March 31, 2018 and 2017**

*(Tabular dollar amounts expressed in thousands of Canadian Dollars, except per share amounts)*

**6. Long-term debt and finance leases**

	At March 31, 2018	At September 30, 2017
Finance lease obligations (a)	\$ 11,217	\$ 9,701
Unsecured subordinate debentures (b)	6,724	6,308
Total Long-term debt	17,941	16,009
Less:		
Current portion of finance lease obligations	(7,464)	(6,751)
Total current portion of long-term debt	(7,464)	(6,751)
Net long-term debt	\$ 10,477	\$ 9,258

(a) Various finance leases for equipment with an implied interest rate at fixed rates between 0.0% - 11.5%, due between 2018 and 2023.

(b) On August 27, 2014, the Company issued \$8,625,000 in 7.5% Non-convertible Unsecured Subordinated Debentures due December 31, 2019. In connection with the new debt issued on August 27, 2014 the Company issued broker warrants to purchase 5,744,250 common shares. Each warrant entitles the holder to purchase one common share of the Company at a price of \$0.45 until August 27, 2019. As the Warrants had no assigned value, the value was calculated using Black-Scholes. The initial value of the Warrants of \$2,576,000, together with transaction cost of \$1,505,000, is netted against the carrying value of the debentures and accreted to interest expense using the effective interest rate method.

**7. Financial instruments**

Financial assets are classified as fair value through profit and loss ("FVTPL"), available for sale, held to maturity or loans and receivables. Financial liabilities are classified as either FVTPL or other liabilities. Initially, all financial assets and financial liabilities must be recorded on the Consolidated Statements of Financial Position at fair value with subsequent measurement determined by the classification of each financial asset and liability. Transaction costs related to FVTPL securities are expensed as incurred. Transaction costs related to other financial instruments are included in the carrying value of the instrument and then amortized using the effective interest method over the expected life of the instrument. Financial assets held to maturity, loans and receivables and financial liabilities other than FVTPL assets and liabilities are measured at amortized cost using the effective interest rate method. Available for sale financial assets are measured at fair value with changes in fair value reported in other comprehensive income until the financial asset is disposed of or becomes impaired.

***Issuance of Warrants***

There were no additional warrants issued during the three months and six months ended March 31, 2018. See Note 8 for the exchange of warrants.

***Conversion Liability Warrants***

	Values
Balance September 30, 2016	\$ 250
Exercised warrants	(4)
Change in fair value	16
Balance September 30, 2017	\$ 262
Exercised warrants	-
Change in fair value	(238)
Balance March 31, 2018	\$ 24

**PROTECH HOME MEDICAL CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED**  
**INTERIM FINANCIAL STATEMENTS**  
**(UNAUDITED)**

**March 31, 2018 and 2017**

*(Tabular dollar amounts expressed in thousands of Canadian Dollars, except per share amounts)*

## 8. Share capital

### *Capital*

The Company considers its share capital to be shareholders' equity, which is comprised of share capital, contributed surplus, accumulated other comprehensive loss and current year retained earnings, in the amount of \$18,797,000 as at March 31, 2018.

The Company raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure. Funds are primarily secured through equity capital, convertible debentures raised by way of private placements and debt instruments.

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

The Company invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly rated financial instruments, such as cash, and short-term guarantee deposits, held with major Canadian and US financial institutions.

### *(a) Warrants outstanding and exercisable*

As of the spin out date of December 21, 2017 (see Note13), the PHM warrants and broker warrants were ceased to represent the right to acquire PHM shares and they were replaced with New PHM warrants and Viemed warrants, which represent the right, upon exercise thereof, to acquire, the number of new PHM shares and Viemed shares, respectively, that a PHM warrant holder would have been entitled to receive. The exercise price of the new PHM share pursuant to the new PHM warrants was equal to the exercise price of the applicable PHM warrant or PHM broker warrant in effect prior to the effective date multiplied by the new PHM exercise price ratio.

Year issued	Date of expiry	Type	Number of warrants (000's)	Weighted average exercise price (\$)
2014	27-Aug-19	Warrant	1,788	0.19
2015	4-May-18	Broker Warrant	1,794	0.63
2015	4-May-18	Warrant	22,423	0.76
<b>Total</b>			<b>26,005</b>	<b>0.712</b>

### **Warrants Continuity Schedule**

	Number of warrants (000's)	Weighted average exercise price
Balance September 30, 2016	26,904	\$ 1.68
Exercised	(2)	1.80
Expired	(897)	1.50
Balance September 30, 2017	26,005	\$ 1.69
Revalued due to spin out	-	(.98)
Balance March 31, 2018	26,005	\$ .71

**PROTECH HOME MEDICAL CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED**  
**INTERIM FINANCIAL STATEMENTS**  
**(UNAUDITED)**

**March 31, 2018 and 2017**

*(Tabular dollar amounts expressed in thousands of Canadian Dollars, except per share amounts)*

**(b) Options**

The Company has a stock option plan, which it uses for grants to directors, officers, employees and consultants. Options granted under the plan are non-assignable and may be granted for a term not exceeding ten years. Stock options generally either vest immediately or annually over a three-year period.

As of the spin out date of December 21, 2017 (see Note 13), all PHM options were cancelled and each PHM option holder who is still employed as a PHM employee received one (1) new PHM share for each share already held, with the same expiry date and vesting terms of the one exchanged. These new PHM shares have exercise price equal to the exercise price of the new PHM option multiplied by the new PHM exercise price ratio. All Viemed employees who owned a PHM option received a new PHM option equal to the fully-vested old PHM option registered at the time of spin out, with an expiry date on the date that is three months from the spin out date, with an exercise price per the new PHM share equal to the exercise price of the applicable PHM option multiplied by the new PHM exercise price ratio. All PHM option holders also received eligible Viemed options immediately before the spin out date equal to one-tenth (1/10) of a Viemed option, with each whole Viemed options entitling the holder to the purchase from Viemed one (1) Viemed share for every PHM share with the same expiry date and vesting terms as the PHM option.

A summary of stock options is provided below:

	Number of options (000's)		Weighted average exercise price
Balance September 30, 2016	25,063	\$	0.90
Issued	7,000		0.18
Exercised	(33)		0.26
Forfeited	(12,970)		0.71
Balance September 30, 2017	19,060	\$	0.52
Balance September 30, 2017	19,060	\$	0.52
Issued <sup>1</sup>	15,744		0.23
Cancelled <sup>2</sup>	(17,405)		0.19
Exercised	(1,400)		0.18
Forfeited	(12,323)		0.10
Balance March 31, 2018	3,676	\$	0.26

<sup>1</sup> Issuance of "New PHM Option" as mentioned in Note 2(c)

<sup>2</sup> Cancellation of old PHM Option as mentioned in Note 2(c)

The Company had 12,323,000 of stock options forfeited during the six months ended March 31, 2018 with a weighted average exercise price of \$0.10. As of March 31, 2018, the Company had 722,000 vested, exercisable stock options with a weighted average exercise price of \$0.26. As of September 30, 2017, the Company had 6,045,000 vested, exercisable stock options with a weighted average exercise price of \$0.58.

**(c) Stock-based compensation**

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

For the three months ended March 31, 2018 and 2017, the Company recorded stock-based compensation expense of \$1,225,000 and (\$2,987,000) respectively. For the six-month period ending March 31, 2018 and 2017, the Company recorded stock-based compensation expenses of \$1,669,000 and (\$2,814,000) respectively. The amount of stock compensation expense for the six

**PROTECH HOME MEDICAL CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED**  
**INTERIM FINANCIAL STATEMENTS**  
**(UNAUDITED)**

**March 31, 2018 and 2017**

*(Tabular dollar amounts expressed in thousands of Canadian Dollars, except per share amounts)*

months ended March 31, 2018 includes a gain on fair market value of \$212,000 due to the issuance of new stock options related to the spin out transaction.

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

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017	Six Months Ended March 31, 2018	Six Months Ended March 31, 2017
Share price	N/A	\$0.18	\$ .072 - \$.714	\$0.18
Risk-free interest rate	N/A	1.46%	1.66 – 1.96%	1.46%
Expected volatility	N/A	123%	70.11 – 118.84%	123%
Expected life of option	N/A	10 years	1 – 10 years	10 years
Expected dividend yield	N/A	Nil	Nil	Nil

## 9. Commitments and Contingencies

### Operating Leases

Leases under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lesser of its fair value and the present value of the minimum lease payments. After initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset. The associated lease liability is drawn down over the life of the lease by allocating a portion of each lease payment to the liability with the remainder being recognized as finance charges. Leases that do not transfer the risks and rewards of ownership to the Company are treated as operating leases and are expensed as incurred.

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

Less than 1 year	\$	1,509
Between 1 and 4 years		2,660
Five years or more		258
Total	\$	4,427

### Contingencies

The Company's Cal Cardio subsidiary has been named, along with eight other providers of home Coumadin monitoring services, in an action under the False Claims Act, which allows an individual known as a relator to bring an action in the name of the US. The False Claims Act provides incentive to relators by granting them a percentage of any award or settlement amount. The complaint alleges that testing Prothrombin Time/International Normalized Ratio levels monthly is the most common interval and the generally accepted standard, that the defendants intentionally developed marketing practices and mandatory testing minimums that encouraged more frequent and medically unnecessary testing, resulting in fraudulent claims to the US government, and seeks damages for what the relator claims was unnecessary testing. Cal Cardio's response to the complaint is not yet due. The Company intends to deny the material allegations of the complaint and vigorously contest the allegations. As part of its defense, the Company will point to the facts that (1) the studies considered by Centers for Medicare and Medicaid Services when home testing was first authorized compared weekly testing to monthly testing, and Medicare authorized weekly testing after considering study results showing superior patient health outcomes with weekly testing, and (2) the testing frequency for a patient is prescribed by the physician, not by the Company. It is uncertain at this time to determine the outcome of this lawsuit or our potential liability, if any.



**PROTECH HOME MEDICAL CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED**  
**INTERIM FINANCIAL STATEMENTS**  
**(UNAUDITED)**

**March 31, 2018 and 2017**

*(Tabular dollar amounts expressed in thousands of Canadian Dollars, except per share amounts)*

**10. Selling, general and administrative**

	Three months ended		Six months ended	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Payroll & employee benefits	\$ 5,957	\$ 5,794	\$ 11,794	\$ 11,308
Facilities related expenses	974	862	1,994	2,102
Bad debt expense	2,371	2,099	5,283	4,547
Billing	354	355	646	734
Auto expense	281	281	446	603
Professional fees	501	814	946	1,614
Utilities	166	192	359	381
Patient acquisition	168	251	433	642
Other	557	721	562	1,391
<b>Total</b>	<b>\$ 11,329</b>	<b>\$ 11,369</b>	<b>\$ 22,463</b>	<b>\$ 23,322</b>

**11. Income (Loss) per share**

Income (loss) per common share is calculated using the weighted average number of common shares outstanding during the period. Diluted income (loss) per share amounts are calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares by assuming the proceeds received from the exercise of stock options and warrants are used to purchase common shares at the prevailing market rate. There is no impact on diluted income (loss) per share because it is antidilutive. For the purpose of income (loss) per common share calculations, the exchangeable Class A common shares of a subsidiary are treated as though they were exchanged.

Income (loss) per share is based on the consolidated income (loss) for the quarter divided by the weighted average number of shares outstanding during the period. Diluted income (loss) per share is computed in accordance with the treasury stock method and based on the weighted average number of shares and dilutive share equivalents.

The following reflects the earnings and share data used in the basic and diluted income (loss) per share computations:

	Three months ended		Six months ended	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Net income (loss) after taxes for continued operations	\$ (3,822)	\$ 218	\$ 14,585	\$ (2,927)
Net income (loss) after taxes for discontinued operations	-	(198)	4,205	(1,103)
Basic weighted average number of shares	379,096	377,613	378,473	376,494
Diluted weighted average number of shares	379,096	406,078	412,948	376,494
Basic -continuing operations	\$ (0.010)	\$ 0.001	\$ 0.039	\$ (0.008)
Basic – discontinuing operations	0.000	(0.000)	0.011	(0.003)
Diluted – continuing operations	(0.010)	0.001	0.035	(0.008)
Diluted – discontinuing operations	0.000	(0.000)	0.010	(0.003)

**PROTECH HOME MEDICAL CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED**  
**INTERIM FINANCIAL STATEMENTS**  
**(UNAUDITED)**

**March 31, 2018 and 2017**

*(Tabular dollar amounts expressed in thousands of Canadian Dollars, except per share amounts)*

The outstanding warrants and stock options whose effect were anti-dilutive were excluded from the calculation of the above diluted income (loss) per share for the three and six months ended March 31, 2018 as well as the three months ended March 31, 2017.

## 12. Related party transactions

On October 1, 2015, the Company entered into a market rate, seven-year, four separate lease agreements for office/warehouse space and retail space with a rental company affiliated with the Company's Chief Executive Officer. There are four separate leases, for four different locations, with a combined area of approximately 61,820 sq. Ft. Rental payments under this lease agreement are approximately US \$43,000 per month, plus taxes, utilities and maintenance. The expense has been recorded as general and administrative expenses.

All transactions are calculated at share prices derived from exchange and any amounts outstanding are unsecured and non-interest bearing.

Management personnel also participate in the Company's share option program, see Note 8 to reference the compensation amount below. In addition to the above agreements, the Company paid or accrued key management personnel the following:

	Three months ended March 31, 2018	Three months ended March 31, 2017	Six months ended March 31, 2018	Six months ended March 31, 2017
Salaries and Benefits	\$ 104	\$ 46	\$ 208	\$ 91
Stock-Based Compensation	\$ 4	\$ 7	\$ 9	\$ 17
Total	\$ 108	\$ 53	\$ 217	\$ 108

## 13. Discontinued Operations

On December 21, 2017 the Company received shareholder approval on the Asset and Share Purchase Agreements as well as an Arrangement Agreement with Viemed Healthcare, Inc. ("Viemed"). As of December 31, 2017, the Viemed company's assets and liabilities were spun out and classified as a separate disposal group held for distribution and as discontinued operation.

As of December 31, 2017, Viemed was fully disposed of and there were no assets or liabilities held for distribution. The major classes of assets and liabilities of Viemed classified as held for distribution as at September 30, 2017 are as follows:

	Year Ended September 30, 2017
Cash	\$ 9,077
Accounts receivable	6,186
Inventory	2,007
Prepaid and other	424
Fixed assets	23,165
Goodwill and intangibles	36,568
Assets held for distribution	\$ 77,427
Accounts payable and accrued liabilities	\$ 4,957
Financial leases payable	7,026
Liabilities held for distribution	\$ 11,983

---

**PROTECH HOME MEDICAL CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED**  
**INTERIM FINANCIAL STATEMENTS**  
**(UNAUDITED)**

**March 31, 2018 and 2017**

*(Tabular dollar amounts expressed in thousands of Canadian Dollars, except per share amounts)*

---

Net income (loss) on discontinued operations, net of income taxes, is as follows:

	Three months ended March 31, 2018	Three months ended March 31, 2017	Six months ended March 31, 2018	Six months ended March 31, 2017
Revenue	-	\$ 13,271	\$ 15,005	\$ 25,530
Cost of revenue	-	1,157	1,216	2,522
Gross margin	-	\$ 12,114	\$ 13,789	\$ 23,008
Expenses:				
Selling, G&A	-	8,027	8,055	15,692
Depreciation	-	702	815	1,300
Amortization	-	3,384	617	6,796
Goodwill and intangible Impairment	-	-	-	-
Other expense (income)	-	200	113	325
Income tax recovery	-	(1)	(16)	(2)
Net income (loss from discontinued operations)	-	\$ (198)	\$ 4,205	\$ (1,103)

---

## 14. Segment Reporting

As of December 21, 2017, the Company approved the arrangement agreement of Viemed (see Note 13) and therefore, is classified as a discontinued operation. Because of the agreement, PHM is classified as one segment.