

Consolidated Financial Statements of

**AIM HEALTH GROUP INC.**

(formerly Orior Technologies Inc.)

For the three months ended March 31, 2009 and 2008

(Unaudited)

# AIM HEALTH GROUP INC.

## Consolidated Balance Sheets

	March 31 2009 (Unaudited)	December 31 2008
<b>Assets</b>		
<b>Current assets</b>		
Accounts receivable	\$ 8,796,475	\$ 4,701,043
Prepaid expenses and supplies	1,718,989	934,364
	<u>10,515,464</u>	<u>5,635,407</u>
Property and equipment	4,189,828	3,534,691
Goodwill and intangibles	9,681,682	4,670,369
	<u>\$ 24,386,974</u>	<u>\$ 13,840,467</u>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities</b>		
Bank indebtedness (Note 3)	\$ 916,132	\$ 1,313,120
Accounts payable and accrued liabilities (Note 2)	6,053,421	2,677,100
Deferred revenue	370,422	-
Current portion of long-term debt	286,220	467,991
Current portion of promissory note payable (Note 6)	186,089	-
Current portion of debentures payable (Note 7)	1,876,012	-
	<u>9,688,296</u>	<u>4,458,211</u>
Long-term debt	68,986	-
Lease inducement	718,370	651,266
Advances from an affiliated company (Note 5)	457,718	727,718
Promissory note payable (Note 6)	108,271	-
Debentures payables (Note 7)	-	1,842,197
Convertible debenture (Note 8)	3,045,940	-
	<u>14,087,581</u>	<u>7,679,392</u>
<b>Shareholders' equity</b>		
Share capital (Note 9)		
Equity component of convertible debenture (Note 8)	51,184	-
Common shares	11,514,361	7,726,786
Contributed surplus	102,943	75,219
Warrants	233,000	233,000
Deficit	(1,602,095)	(1,873,930)
	<u>10,299,393</u>	<u>6,161,075</u>
<b>Subsequent event (Note 4)</b>	<u>\$ 24,386,974</u>	<u>\$ 13,840,467</u>
<b>Contingencies (Note 11)</b>		

See accompanying notes to unaudited consolidated financial statements.

# AIM HEALTH GROUP INC.

## Consolidated Statements of Earnings and Comprehensive Income (Unaudited)

	Three months ended March 31	
	2009	2008
	unaudited	
<b>Revenue</b>	\$ 13,091,911	\$ 7,932,798
<b>Operating Expense</b>	10,877,796	6,093,315
<b>Earnings before the undernoted</b>	<u>2,214,115</u>	<u>1,839,483</u>
<b>Other Expenses</b>		
General and administrative	721,386	845,294
Location and equipment leases	820,426	745,379
Interest expense		
Long term debt	77,291	116,133
Bank indebtedness	31,279	8,237
Accretion expense relating to convertible notes, debentures and warrants	90,942	45,077
Amortization of property and equipment	188,232	120,063
Stock compensation expense	12,724	-
	<u>1,942,280</u>	<u>1,880,183</u>
<b>Income (loss) before income taxes and non-controlling interest</b>	<u>271,835</u>	<u>(40,700)</u>
<b>Future income taxes expense (recovery)</b>	<u>-</u>	<u>(12,210)</u>
<b>Income (loss) before non-controlling interest</b>	271,835	(28,490)
<b>Non-controlling interest</b>	-	(3,704)
<b>Net income (loss) and comprehensive income (loss)</b>	<u>\$ 271,835</u>	<u>\$ (32,194)</u>
<b>Net income (loss) per common share (Note 12) :</b>		
Basic and fully diluted:	<u>\$ 0.00</u>	<u>\$ (2.01)</u>

See accompanying notes to unaudited consolidated financial statements.

# AIM HEALTH GROUP INC.

## Consolidated Statements of Cash Flow

	Three months ended March 31	
	2009	2008
	unaudited	
<b>Cash provided by (used in):</b>		
<b>Operations:</b>		
Net income (loss)	\$ 271,835	\$ (32,194)
Items not involving cash:		
Amortization of property and equipment	188,232	120,063
Future income tax recovery	-	(12,210)
Lease inducements	67,104	(22,405)
Stock-based compensation	12,724	-
Accretion expense relating to convertible notes, debentures and warrants	90,942	45,077
Non-controlling interest	-	(3,704)
	<u>630,837</u>	<u>94,627</u>
Change in non-cash operating working capital:		
Accounts receivable	(981,478)	(67,614)
Prepaid expenses and supplies	(171,382)	(71,681)
Accounts payable and accrued liabilities	(1,825,426)	(303,092)
Deferred revenue	(27,841)	-
	<u>(2,375,290)</u>	<u>(347,760)</u>
<b>Financing:</b>		
Decrease in bank indebtedness	(396,988)	(959,125)
Decrease in long-term debt	(112,785)	(125,621)
Decrease of debenture payable	-	(50,661)
Decrease in advances from affiliated company	(270,000)	-
Proceeds from issuance of shares	-	2,033,069
Decrease in advance from shareholders	-	(309,142)
	<u>(779,773)</u>	<u>588,520</u>
<b>Investments:</b>		
Additions to property and equipment, net of lease inducements	74,550	(240,760)
	<u>74,550</u>	<u>(240,760)</u>
<b>Increase in cash from MedEmerg acquisition (Note 2)</b>	<u>3,080,513</u>	<u>-</u>
<b>Increase in cash, being cash end of the period</b>	<u>\$ -</u>	<u>\$ -</u>
<b>Supplemental cash flow information:</b>		
Interest paid, net	\$ 108,570	\$ 124,370

See accompanying notes to unaudited consolidated financial statements.

# AIM HEALTH GROUP INC.

## Consolidated Statements of Shareholders' Equity

	<u>March 31</u> <u>2009</u>	<u>March 31</u> <u>2008</u>
	unaudited	
Total shareholders' equity, beginning of period		
Equity component of convertible debenture	\$ 51,184	\$ -
Common shares, beginning of period	7,726,786	2,953,339
Issuance to MedEmerg shareholders (Note 2)	3,787,575	-
Orior share capital prior to RTO	-	945,425
Common shares, end of period	11,514,361	3,898,764
Contributed surplus, beginning of period	75,219	-
Value of MedEmerg options at time of acquisition	15,000	-
Stock-based compensation expense	12,724	-
Contributed surplus, end of period	102,943	-
Warrants, beginning of period	233,000	-
Warrants transferred	-	233,000
Warrants, end of period	233,000	233,000
Retained earnings (deficit), beginning of period	(1,873,930)	105,621
Net income (loss) and comprehensive income (loss)	271,835	(32,194)
Retained earnings (deficit), end of period	(1,602,095)	73,427
<b>Total shareholders' equity, end of period</b>	<b>\$ 10,299,393</b>	<b>\$ 4,205,190</b>

See accompanying notes to unaudited consolidated financial statements.

# AIM HEALTH GROUP INC.

## Notes to Consolidated Condensed Financial Statements

For the three months ended March 31, 2009 and 2008  
**(Unaudited)**

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AIM Health Group Inc. (the "Company") (formerly Orior Technologies Inc.) was incorporated on July 13, 2005 under the Ontario Business Corporations Act and provides healthcare services primarily in the province of Ontario. On May 1, 2008, the Company completed a transaction whereby it acquired all of the issued and outstanding shares of AIM Health Group Ltd. ("AIM") in exchange for 33,333,333 common shares of the Company.

On January 20, 2009, the Company acquired Med-Emerg International Inc. ("MedEmerg") in an all-stock transaction. These financial statements reflect the operations of the Company for the three months ended March 31, 2009 and the results of MedEmerg from January 20, 2009 to March 31, 2009.

The Company's shares trade on the TSX Venture Exchange under the symbol AHG.

### 1. Significant accounting policies:

#### (a) Basis of presentation:

These interim unaudited consolidated condensed financial statements do not contain all disclosures required by Canadian generally accepted accounting principles ("GAAP") for annual financial statements. As a result, these interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the year ended December 31, 2008. These interim unaudited consolidated financial statements include the accounts of the Company and all of its subsidiaries. All intercompany transactions and balances have been eliminated on consolidation.

In the opinion of management, the unaudited interim consolidated, condensed financial statements reflect all adjustments, which consist only of normal and recurring adjustments, necessary to present fairly the financial position at March 31, 2009 and the results of operations and cash flows for the three month period ended March 31, 2009.

#### (b) Goodwill and intangible assets

In February 2008, the CICA issued Handbook Section 3064, Goodwill and Intangible Assets, replacing section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. This section established standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The new standard was effective for the Company's interim and annual financial statements commencing January 1, 2009. The Company determined that there is no impact of this new standard on its consolidated financial statements.

#### (c) Future Accounting Standards:

- (i) In February 2008, the Canadian Accounting Standards Board confirmed that the use of International Financial Reporting Standards ("IFRS") will be required for Canadian publicly accountable enterprises for years beginning on or after January 1, 2011. The Company is currently evaluating the impact of adopting IFRS.
- (ii) In January 2009, the CICA issued Handbook Section 1601, Consolidated Financial Statements, which replaces the existing standards. This section establishes the

# AIM HEALTH GROUP INC.

## Notes to Consolidated Condensed Financial Statements

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**(Unaudited)**

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standards for preparing consolidated financial statements and is effective for 2011. Earlier adoption is permitted. The Company will evaluate the impact of adopting this standard on future business combinations.

- (iii) In January 2009, the CICA issued Handbook Section 1582, "Business combinations," which replaces the existing standards. This section establishes the standards for the accounting of business combinations, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. This standard is equivalent to the IFRS on business combinations. This standard is applied prospectively to business combinations with acquisition dates on or after January 1, 2011.
- (iv) In January 2009, the CICA issued Handbook Section 1602, Non-controlling interests, which establishes standards for the accounting of non-controlling interests of a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. This standard is equivalent to the International Financial Reporting Standards on consolidated and separate financial statements. This standard is effective for 2011. Earlier adoption is permitted. The Company will evaluate the impact of adopting this standard on future business acquisitions.

### **2. Business acquisitions:**

In January 2009, the Company completed a transaction to acquire MedEmerg in an all-stock transaction. MedEmerg provides infusion, emergency doctor staffing and pain services in Canada. The transaction was completed by way of a court-approved Plan of Arrangement (the "Plan") under the Ontario Business Corporations Act. Pursuant to the Plan, the Company issued 0.78091 of a common share for each MedEmerg common share or 45,509,632 common shares in aggregate. In addition, Calian Technologies Inc. ("Calian"), the sole holder of Series I Special Shares of MedEmerg, exchanged all of such shares for a convertible debenture (note 8). The former shareholders of the Company will control 57% of the newly combined consolidated entity, and accordingly the transaction will be accounted for as a purchase of MedEmerg.

The cost of the purchase of \$3,947,575 is based on the fair value of the assets in of MedEmerg acquired by the Company. The following is a preliminary summary of the transaction:

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## Notes to Consolidated Condensed Financial Statements

For the three months ended March 31, 2009 and 2008  
**(Unaudited)**

	<u>Fair Value</u>
Assets acquired:	
Cash and cash equivalents	\$ 3,080,513
Accounts receivable	3,113,954
Prepaid expenses and other	613,243
Property and equipment	917,919
Goodwill	5,011,313
	<u>12,736,942</u>
Less Liabilities assumed	
Accounts payable and accrued liabilities	5,058,787
Deferred revenue	398,263
Note payable	292,320
Convertible debenture	2,988,813
Equity component of convertible debenture	51,184
	<u>8,789,367</u>
<u>Fair Value of Net Assets Acquired</u>	<u>\$ 3,947,575</u>

Included in accounts payable and accrued liabilities at March 31, 2009 are lease termination costs of duplicate facilities, severance and one-time costs of approximately \$1,000,000 stemming from the acquisition of MedEmerg. These costs will be paid over the next year.

The purchase consideration has been allocated on a preliminary basis to the fair value of assets acquired and liabilities assumed based on management's best estimates and taking into account all relevant information available at the time the Statements were prepared. Management expects that the actual amounts for each of the fair values of the assets and liabilities acquired will vary from the pro forma amounts.

### Consideration:

45,509,632 AIM Common Shares at average price of \$ 0.083	\$ 3,787,575
Stock options at fair value	15,000
Estimated transaction costs	145,000
	<u>\$ 3,947,575</u>

### 3. Bank indebtedness:

At March 31, 2009 and throughout the three month period then ended, the Company had an available operating line of credit of \$3,500,000 payable on demand, bearing interest at prime plus 0.75% and secured by a general security agreement on the Company's assets, an assignment of fire insurance and a personal guarantee of a shareholder limited to \$600,000. The Company is subject to certain financial and non-financial covenants. As at March 31, 2009, the Company was not in compliance with all financial covenants relating to trailing cash flow. Subsequent to March 31, 2009 the Company received a waiver from the bank for the violation of the covenants and has entered into a new

# AIM HEALTH GROUP INC.

## Notes to Consolidated Condensed Financial Statements

For the three months ended March 31, 2009 and 2008  
**(Unaudited)**

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agreement with its bank. The terms of the new agreement include an available operating line of credit of \$2,500,000 and an interest rate of prime plus 3.35%.

#### 4. Advances from shareholders:

The amounts advanced from the shareholders bear annual interest at a rate of 10%, are due on demand and are unsecured. These shareholders have formally indicated that payment of the principal and interest would not be demanded prior to January 1, 2010. Interest for the three months ended March 31, 2009 was nil (2008 - \$36,079). As at March 31, 2009, the remaining balance outstanding of \$75,000 has been included in accounts payable.

#### 5. Advances from an affiliated company and related party transactions:

The Chief Executive Officer and the Chief Financial Officer of the Company control an affiliated company, 2031086 Ontario Inc. The advances from 2031086 Ontario Inc. are due on demand, bear interest at 10% and are unsecured. Interest for the three months ended March 31, 2009 was \$13,693 (2008 - \$18,193). The affiliated company has formally indicated that repayment will not be demanded prior to March 1, 2010.

The rehabilitation clinic located in Strathroy, Ontario is leased from a company controlled by the Chief Executive Officer of the Company. Total rent paid for the three months ended March 31, 2009 was \$12,000 (2008 - \$12,000).

These transactions are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

#### 6. Promissory note payable:

The promissory note payable is comprised of the following:

	<u>March 31,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>
	<u>unaudited</u>	
Promissory note payable	\$ 294,360	\$ -
Less: current portion	186,089	-
	<u>\$ 108,271</u>	<u>\$ -</u>

The Promissory Note Payable is unsecured. The principal amount along with interest at the rate of 5% per annum is payable in eight quarterly payments of \$36,496 (US\$30,000) over two years commencing November 1, 2008, along with interest at the rate of 5% per annum. At the Company's option it may defer payments such that only two payments are made on August 1, 2009 and August 1, 2010. In the event that any payments are deferred, interest shall accrue on the unpaid amounts at the rate of 5% per annum. To-date, the Company has elected to defer payments of principal and interest.

# AIM HEALTH GROUP INC.

## Notes to Consolidated Condensed Financial Statements

For the three months ended March 31, 2009 and 2008  
**(Unaudited)**

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### 7. Debentures payable:

On March 2, 2007, the Company entered into an agreement with BEST Funds. Under the terms of this agreement, the Company received \$2,000,000 in subordinated debenture financing. The principal terms of the subordinated debentures are that they bear interest payable quarterly at 10% per annum, and have a term of three years, with principal due upon maturity of the loan. The Company may repay the principal without notice or penalty at any time.

As a financing incentive, Best Funds received warrants to purchase common shares of the Company. The warrants were exercisable at the holder's option into common shares of the Company. Upon the completion of the going public transaction these warrants were exchanged for warrants in the public company. As part of the go public transaction, the put rights of the warrants expired and the unexercised warrants were transferred to equity. The warrants, after exchange into warrants in the public company, were issued as follows:

- (i) 269 old warrants were exchanged for 666,666 new warrants to purchase 666,666 common shares of the Company at a cost of \$0.0001 per share; These zero cost warrants were exercised as part of the going public transaction which are recorded in share capital;
- (ii) 269 old warrants were exchanged for 666,666 new warrants to purchase 666,666 common shares of the Company at a cost of \$0.35 per share; and
- (iii) 403 old warrants were exchanged for 1,000,000 new warrants to purchase 1,000,000 common shares of the Company at a cost of \$0.45 per share.

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	<u>March 31,</u> <u>2009</u> <u>unaudited</u>	<u>December 31,</u> <u>2008</u>
Proceeds from debentures	\$ 2,000,000	\$ 2,000,000
Less fair value of warrants	233,000	233,000
	<u>1,767,000</u>	<u>1,767,000</u>
Less financing costs	172,780	172,780
	1,594,220	1,594,220
Accumulated accretion and interest	281,792	247,977
	<u>\$ 1,876,012</u>	<u>\$ 1,842,197</u>

Security for the Subordinated Debentures includes a fixed and floating charge on all assets of the Company and an assignment of key man life insurance in the total amount of \$1,000,000 for each of two shareholders. The Company incurred \$172,780 as costs of this financing and these costs were recorded as a reduction in the proceeds received on the financing, and amortized over the term of the debenture using the effective interest rate method.

The fair value of the warrants was calculated using the following assumptions: December 31, 2007: volatility 60%, risk-free interest rate 4.07% and expected life of warrants three years. No warrants were issued in three months ended March 31, 2009.

# AIM HEALTH GROUP INC.

## Notes to Consolidated Condensed Financial Statements

For the three months ended March 31, 2009 and 2008  
**(Unaudited)**

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### 8. Convertible debenture:

Pursuant to the acquisition of MedEmerg, Calian, the sole holder of the Series I Special Shares of MedEmerg, exchanged such shares for a convertible debenture (the "Convertible Debenture") issued by the Company, with a face value of \$3,896,900. The Convertible Debenture is due on July 11, 2011 and is payable in cash or common shares. The holder has the right to receive payment of \$1,000,000 on January 1, 2011, unless the holder waives such prepayment. The Convertible Debenture is non-interest bearing and is secured by a continuing, specific and fixed security interest in the Company and all of its property and assets.

The Convertible Debenture is subordinate to the Company's existing senior bank lender and existing providers of long-term debt, not to exceed \$2,727,000.

The Convertible Debenture may be converted at the option of the holder at any time prior to maturity into common shares of the Company. Subject to certain conditions, the Company may also convert the Convertible Debenture into common shares of the Company at a price of \$0.57031 if the volume weighted average trading price ("VWAP") exceeds \$0.656 for more than 60 days; or at maturity at a price equal to 95% of the VWAP for the 60 days preceding maturity.

The liability component of the Convertible Debenture is calculated as the present value of the principal amount, discounted at a rate of 11%, which is equivalent to what reasonably would have been charged for a similar interest bearing instrument. The Convertible Debenture is accreted to its face value over the life of the instrument, by charges to interest expense.

The equity element of the Convertible Debenture of \$51,184 reflects the value of the conversion option, being the difference between the face value of the Convertible Debenture and the fair value of the liability.

	<u>March 31,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>
	<u>unaudited</u>	
Proceeds of convertible debenture	\$ 3,896,900	\$ -
Less equity component of convertible debenture	51,184	-
Less discount to reflect implicit interest rate	856,903	-
	<hr/>	<hr/>
Fair value of convertible debenture	2,988,813	-
Accumulated accretion	57,127	-
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	\$ 3,045,940	\$ -
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### 9. Share capital:

Authorized:  
Unlimited number of common shares

# AIM HEALTH GROUP INC.

## Notes to Consolidated Condensed Financial Statements

For the three months ended March 31, 2009 and 2008  
(Unaudited)

Issued and outstanding:

(i) Common shares:

	Number	Amount
Balance, December 31, 2008	60,326,759	\$ 7,726,786
Issued on acquisition of MedEmerg (Note 2)	45,509,632	3,787,575
<b>Balance, March 31, 2009</b>	<b>105,836,391</b>	<b>\$ 11,514,361</b>

(ii) Stock options:

The Board of Directors approved the granting of stock options to certain employees and consultants on an individual basis under which a maximum number of common shares equal to 10% of the issue and outstanding shares may be reserved for issue under the plan. In addition, options may not be granted to an individual to purchase in excess of 5% of the then outstanding shares.

The vesting period of these options has been determined by the Board of Directors and generally will range from immediate to three years from the date of grant. The following table summarizes options outstanding:

Expiry Date	Exercise Price	Balance		Balance	Remaining Contractual Life (years)
		December 31, 2008	Granted		
September 28, 2011	\$ 0.20	735,000	-	735,000	2.5
April 20, 2013	\$ 0.23	2,440,000	-	2,440,000	4.1
January 20, 2014	\$ 0.23	-	125,000	125,000	4.8
		3,175,000	125,000	3,300,000	
Weighted average exercise price		\$ 0.223	\$ 0.230	\$ 0.223	
Weighted average grant date fair value of options		\$ 0.061	\$ 0.046	\$ 0.061	

The fair value of the options granted during the first three months of 2009 was calculated using the following assumptions: volatility 60%, risk-free interest rate 4% and expected life of option five years.

# AIM HEALTH GROUP INC.

## Notes to Consolidated Condensed Financial Statements

For the three months ended March 31, 2009 and 2008  
**(Unaudited)**

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The fair value of the options granted during the year ended December 31, 2008 was calculated using the following assumptions: volatility 60%, risk-free interest rate 4% and expected life of option five years.

The fair value of the options granted during the year ended December 31, 2007 was calculated using the following assumptions: December 31, 2007: volatility 50%, risk-free interest rate 4.5% and expected life of option two years.

Included in stock-based compensation expense for the three months ended March 31, 2009 is \$12,724 (2008 – nil) relating to stock options.

### 10. Income (loss) per share:

The computations for basic and diluted income (loss) and comprehensive income (loss) per share are as follows:

	Three Months Ended March 31, 2009                      2008 unaudited	
<b>Net income (loss) and comprehensive income (loss)</b>	\$ 271,835	\$ (32,194)
Weighted average number of common shares outstanding:	95,672,573	16,049
<b>Income (loss) per share basic and fully diluted:</b>	<b>\$ 0.00</b>	<b>\$ (2.01)</b>

Warrants to purchase 1,666,666 common shares from \$0.35 to \$0.45 are not included in the computation of diluted earnings per share because the exercise price was greater than the average market price of the common shares for the year.

Options to purchase 3,300,000 common shares from \$0.20 to \$0.23 are not included in the computation of diluted earnings per share because the exercise price was greater than the average market price of the common shares for the year.

### 11. 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. In the opinion of the Company's management, these claims and lawsuits in the aggregate, even if adversely settled, would not have a material impact on the Company.

# **AIM HEALTH GROUP INC.**

Notes to Consolidated Condensed Financial Statements

For the three months ended March 31, 2009 and 2008

**(Unaudited)**

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## **12. Comparative figures:**

Certain 2008 comparative figures have been reclassified to conform to the financial statement presentation adopted in 2009.

## **Management's discussion and analysis (MD&A)**

### ***Introduction***

This Management's Discussion and Analysis (MD&A) provides management's perspective on our Company, our performance and our strategy for the future.

### ***Review and approval by the Board of Directors***

The Board of Directors, on the recommendation of its Audit Committee, approved the contents of this MD&A on May 21, 2009.

### ***Overview***

The following Management's Discussion and Analysis of Results and Financial Condition ("MD&A") of AIM Health Group Inc. ("AIM" or the "Company") is for the three months ended March 31, 2009 (the "Quarter"). This MD&A has been prepared as at May 20, 2009 and should be read in conjunction with our audited financial statements for the year ended December 31, 2008 and the attached interim unaudited financial statements for the three months ended March 31, 2009. These interim financial statements are prepared in accordance with Canadian generally accepted accounting principles and have not been subject to a review by the Company's auditors. Additional information, including the Company's Annual Audited Financial Statements, Annual Information Form and Management Information Circular, are available on SEDAR's website at [www.sedar.com](http://www.sedar.com). External economic and industry factors remain substantially unchanged, unless otherwise noted.

AIM is a Canadian healthcare company, providing patient care and health related consulting services for Employers, Unions, Hospitals, Pharmaceutical Companies, Insurers and the General Public. We provide these services through a growing network of more than 70 community-based sites, most of which are in Ontario. The focal point of our infrastructure is a growing network of Health and Wellness Centres.

AIM's healthcare services are comprised of (i) medical and complementary alternative medical care generally provided in a growing network of Health and Wellness Centres, (ii) Infusion Services ("Infusions") where we provide intravenous infusions and subcutaneous injections to patients suffering from rheumatoid arthritis, Crohn's disease, ITP and other inflammatory diseases, (iii) Pharmaceutical Research ("PIRC") services where we provide clinical research services in community and hospital based sites (iv) Chronic pain management services where we provide medically-based care for more than 60,000 treatments annually, (v) Hospital and Institutional healthcare staffing, where we provide physician staffing to Canadian hospitals, prisons and other institutions, and (vi) Workplace Health Solutions ("WHCS") where we are a one-stop solution for more than 80 employers in Canada addressing various occupational health issues.

AIM is listed for trading on the TSX Venture Exchange under the symbol AHG.

### ***Forward-Looking Information***

Certain statements contained in this MD&A include statements which contain words such as "anticipate", "could", "should", "expect", "seek", "may", "intend", "likely", "will", "believe" and similar expressions, statements relating to matters that are not historical facts, and statements of beliefs, intentions and expectations about development, results and events which will or may occur in the future. Such statements constitute "forward-looking information" within the meaning of applicable Canadian securities legislation and are based on certain assumptions and analysis made by us derived from our experience and perceptions. Forward-looking information in this MD&A includes, but is not limited to: expected cash provided by continuing operations; future capital expenditures; including the amount and nature thereof;

trends and developments in the healthcare industry; business strategy and outlook; expansion and growth of business and operations; accounting policies; credit risks; anticipated acquisitions; and other such matters.

All such forward-looking information is based on certain assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate in the circumstances. The risks, uncertainties, and assumptions are difficult to predict and may affect operations, and may include, without limitation: equipment and labour shortages and inflationary costs; general economic conditions; industry conditions; changes in applicable environmental, taxation and other laws and regulations as well as how such laws and regulations are interpreted and enforced; operating risks; risks inherent in the ability to generate sufficient cash flow from operations to meet current and future obligations; increased competition; stock market volatility; opportunities available to or pursued by AIM Health Group; ability to maintain current and obtain additional financing; and other factors, many of which are beyond our control. The foregoing factors are not exhaustive and are further discussed herein under the heading “Trends, Risks and Uncertainties”.

Actual results, performance or achievements could differ materially from those expressed in, or implied by, this forward-looking information and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking information will transpire or occur, or if any of them do so, what benefits will be derived therefrom. Except as required by law, AIM Health Group disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

The forward-looking information contained herein is expressly qualified by this cautionary statement.

### ***Introduction***

AIM is a Canadian healthcare services company, providing patient care and health related consulting services for Employers, Unions, Hospitals, Pharmaceutical Companies, Insurers and the General Public.

The Canadian HealthCare Industry is significantly influenced by publicly funded services, which are generally delivered through costly hospital based delivery systems. Due to increasing funding constraints on the public sector, publicly funded healthcare services are fragmented and generally reactive in nature.

AIM has a range of services that are complementary to and supportive of the public system, and has commenced the development of a community based delivery infrastructure which we refer to as our Health and Wellness Centres. The existing eight Centres (HWC), are state of the art facilities providing medical (Family Medicine, Walk-In Medical) and complementary alternative medicine (“CAM”) services including, Physiotherapy, Psychological, Chiropractic, Pharmacy, Massage Therapy, and Nutrition Counseling. Specialty services delivered in the HWC’s include infusions and chronic pain management. Our infrastructure also includes a network of more than 70 community and hospital based sites, and our services are delivered by our more than 700 employees and medical consultants.

Services are generally delivered through our infrastructure. As of May 20, 2009 our key service lines are:

1. Walk-In and Family practice medicine;
2. Rehabilitation and Wellness Services;
3. Infusion Services;
4. Pharmaceutical Research;
5. Chronic Pain Management;

6. Hospital / Institutional Physician Staffing; and
7. Occupational Health and Medical Management.

Some of these services are described in more detail below:

### **Infusion Services**

Many of today's drugs are complex molecules that require different patient delivery formats which are described as subcutaneous, intramuscular or infusion therapies. AIM is Canada's leading provider of community-based intravenous infusions, providing more than 26,000 infusions annually through its network of 36 clinical sites.

### **Pharmaceutical Research**

Prior to the introduction of new drugs into the market place, pharmaceutical companies require clinical research sites to conduct studies to establish the efficacy of the new drug therapies. AIM is one of Canada's fastest growing clinical research management organizations; we provide pharmaceutical research services to pharmaceutical companies in community and hospital-based sites. Currently AIM has more than 30 sites that provide research services and we are involved in over 40 clinical trials at various stages. This service line has tripled its revenues in the last two years and is expanding into more sites, specialties and regions.

### **Chronic Pain Management**

Chronic pain afflicts 20% of the population. Led by some of the top Canadian pain management medical specialists, the Company has developed standardized approaches to patient evaluation, interdisciplinary medical and cognitive program-based therapy and physician training. AIM has positioned itself to be the national standard for chronic pain management best practices and currently provides more than 60,000 treatments annually.

### **Hospital / Institutional Physician Staffing**

The Company's MedEmerg staffing solutions group assists hospital's emergency departments and other institutional clients in meeting their physician staffing needs. We currently have contracts with more than 30 hospitals, nine correctional facilities and two mental health facilities.

### **Occupational Health and Medical Management**

Every year employers in Canada spend more than \$6.5 billion on costs associated with employee injury. AIM helps to manage both occupational and non-occupational illnesses and injuries, with a goal of returning employees back to the work environment quickly and safely. Our core services include: independent medical and functional assessments; prevention and wellness programs; medical and rehabilitation treatment programs; and assistance with claims management.

### ***Corporate Development***

In January 2009, the Company completed a transaction to acquire Med-Emerg International Inc. ("MedEmerg") in an all-stock transaction. MedEmerg provides infusion, emergency doctor staffing and pain services in Canada. The transaction was completed by way of a court-approved Plan of Arrangement

(the “Plan”) under the OBCA. Pursuant to the Plan, the Company issued 0.78091 of a common share for each MedEmerg common share or 45,509,632 common shares in aggregate. In addition, Calian Technologies Inc. (“Calian”), the sole holder of Series I Special Shares of MedEmerg, exchanged all of such shares for a convertible debenture. The former shareholders of the Company will control 57% of the newly combined consolidated entity, and accordingly the transaction will be accounted for as a purchase of MedEmerg. This transaction allows AIM to provide more complementary services through its HWC infrastructure.

### *Selected Financial Data*

The following table sets out selected financial information for the Company for the periods indicated:

<b>Financial Position</b>		
	<b>As at March 31, 2009</b>	<b>As at December 31, 2008</b>
Current assets	10,515,464	5,635,407
Current liabilities	9,688,296	4,458,211
Working capital	<u>827,168</u>	<u>1,177,196</u>
Property and equipment	4,189,828	3,534,691
Goodwill	9,681,682	4,670,369
Long-term liabilities	(4,399,285)	(3,221,181)
	<u>10,299,393</u>	<u>6,161,075</u>
Share capital	11,850,304	8,035,005
Deficit	(1,602,095)	(1,873,930)
	<u>10,248,209</u>	<u>6,161,075</u>

	<b>Q2 2007</b>	<b>Q3 2007</b>	<b>Q4 2007</b>	<b>Q1 2008</b>	<b>Q2 2008</b>	<b>Q3 2008</b>	<b>Q4 2008</b>	<b>Q1 2009</b>
	(Three months ended June 30, 2007) (unaudited)	(Three months ended September 30, 2007) (unaudited)	(Three months ended December 31, 2007) (unaudited)	(Three months ended March 31, 2008) (unaudited)	(Three months ended June 30, 2008) (unaudited)	(Three months ended September 30, 2008) (unaudited)	(Three months ended December 31, 2008) (unaudited)	(Three months ended March 31, 2009) (unaudited)
Revenue	6,886,144	7,218,296	7,976,081	7,932,798	6,986,384	7,031,236	7,468,538	13,091,911
EBITDA	192,994	317,292	31,298	248,810	167,150	230,862	(974,719)	672,303
Net Income (loss)	(77,013)	62,473	(212,467)	(32,194)	(118,223)	12,319	(2,792,453)	271,835
Net earnings per share								
Basic	(5.74)	4.65	(15.82)	(0.01)	0.00	0.00	(0.06)	0.00
Diluted	(5.74)	4.50	(15.38)	(0.01)	0.00	0.00	(0.06)	0.00

During the first Quarter, the Company had EBITDA of \$672,303, an increase of approximately \$425,000 compared to EBITDA of \$248,810 for the same period in 2008. The increase relates to increased contribution from the service lines, driven largely by the recently acquired MedEmerg business; and by a significant reduction in general and administrative expenses as a percentage of the sales.

During the Quarter, the Company earned net income of \$271,835 compared to a loss of \$32,194 for the same period in 2008, an increase of approximately \$300,000. This improved performance is largely attributable to the above referenced improved service line revenues, partially offset by increased amortization charged in the Quarter resulting from the expansion of the Health and Wellness Centres.

### **Working Capital Changes**

The working capital position of the Company decreased during the Quarter by approximately \$350,000 to \$827,168 from \$1,177,196 as at December 31, 2008. Working capital was primarily affected by:

- Cash provided through the acquisition of MedEmerg of \$3,080,000; and
- Cash generated by operations of approximately \$620,000.

The increases above were primarily offset by:

- The accrual of a number of one-time costs of approximately \$1 million primarily for duplicate facilities and severance costs relating to the MedEmerg transaction; and
- The reclassification of the \$2 million debenture payable due in March 2010 into current liabilities;

### **Results of Operations – First Quarter Fiscal 2009**

#### **Revenues**

Since 2006, we have focussed on the development of more profitable services to be delivered through our new Health and Wellness Centre infrastructure. The acquisition of MedEmerg in January has assisted with this development and it is anticipated that revenues will continue to be enhanced as we further integrate the operations of MedEmerg with our Health and Wellness Centres.

Revenues for the Quarter increased to \$13,091,911 compared to revenues of \$7,932,798 from the same period in 2008 representing an overall increase of approximately \$5,160,000 or 65%.

The following provides additional detail on revenue sources by service line:

#### *Medical, Rehab and Complementary Services*

Medical, Rehab and Complementary Services are primarily provided through Health and Wellness Centres which are currently a business development focus, and through standalone rehab and medical clinics. The first Health and Wellness Centre was opened as a proto-type centre in 2005 in London, Ontario. The implemented aspects of the Health and Wellness

business plan are generating profit in accordance with the business plan. Similar sites are now running in Hamilton, Brampton, Orleans (Ottawa) and four other locations in London, The Company is in the process of building two new Health and Wellness Centres in Ottawa and Mississauga. New centres typically incur losses during the ramp-up phase until a normal complement of doctors is on site.

Medical, Rehab and Complementary Services revenues for the Quarter of approximately \$5,910,000 decreased approximately 2% or \$115,000 from the same period in 2008. This occurred as certain non-performing clinics were closed and the Company continued to focus on larger, integrated Health and Wellness Centres.

#### *Pharmaceutical Research Services (“PIRC”)*

PIRC provides drug trial research services on behalf of pharmaceutical companies. PIRC was created in July 2002 and has demonstrated steady ongoing growth from 15 active or pending site and trial combinations in 2006 to over 90 at the end of the Quarter. When PIRC was launched, its trials were largely hospital-based, orthopaedic trials. Over time we have expanded to other areas of clinical research and to include community-based trials. Currently PIRC has a network of more than 200 physicians to select from, representing a patient pool with over 200,000 patient files.

PIRC service revenues decreased to approximately \$1,365,000 for the Quarter from approximately \$1,616,000 for 2008. This decrease of \$251,000 or 16% is a result of a 39% reduction of revenues at our hospital sites, partially offset by increased revenues at your community-based sites. During the later part of 2008, a significant hospital-based study approached completion. With this, revenues from the study diminished significantly in the Quarter. At the end of the Quarter, PIRC had its largest ever backlog of clinical trials, which will be completed over the next 40 months.

#### *Workplace Services (“WHCS”)*

WHCS has invested substantial time and money in new product and service development, including a corporate medical assessment service. Programs have been developed and are now being delivered on wellness, prevention issues, stress and lifestyle management, as well as specialty services such as mental health, cancer management and corporate medical services.

During the second quarter of 2008, WHCS hired Dr. Mike Sehl to act as the divisional medical director and he promptly assisted in the signing of two new corporate contracts.

During the Quarter WHCS obtained new corporate contracts which we believe will continue to grow revenues in future quarters. Revenue from WHCS services increased to \$536,500 for the Quarter from \$381,500 for Fiscal 2007. This represents an increase in revenues of \$155,000 or 41%. This increase was a result of new contracts won in 2008 and 2009.

### *Pain Management Services (“CPM”)*

As part of the MedEmerg acquisition, AIM acquired CPM Health Centres Inc. (“CPM”). CPM was launched in November 2004 with the acquisition of the Scarborough Pain Clinic. Since then 10 more clinics have been opened, most recently in Brampton, Ontario in January, 2008. These stand alone clinics are, where feasible, are being integrated into the Health and Wellness Centres.

In August of 2005, Dr. Roman Jovey, the then President of the Canadian Pain Society, joined CPM as its Medical Director. Over the last 16 years, Dr. Jovey has developed an international reputation in the field of chronic, non-cancer pain, using pharmacotherapy. In addition to maintaining a private practice, Dr. Jovey also consults with the pharmaceutical industry and educational institutions on medical educational programs related to pain. In his capacity as Medical Director for pain services, Dr. Jovey oversees the clinical aspects of CPM and assists in the training of new physicians.

CPM had approximately 9,450 patient visits in the Quarter and revenues of approximately \$2,140,000. There were no corresponding revenues in 2008 as the Company assumed this service line as a result of the January 2009 acquisition of Med-Emerg.

### *Infusion Services (“Infusions”)*

AIM has provided Infusion services for several years. With the acquisition of MedEmerg, AIM expanded its network of Infusion sites from two to 36, in Ontario and Quebec. Historically, Infusion services were limited to infusions of Remicade™, an anti-inflammatory therapy that is approved in Canada for rheumatoid arthritis, Crohn’s disease, ankylosing spondylitis, ulcerative colitis, psoriatic arthritis and psoriasis. During the Quarter, the Company began providing infusion services for certain oncological drug therapies. It is AIM’s plan to expand its Infusion services across Canada and to provide an expanding portfolio of drug therapies.

In the Quarter, revenues increased from approximately \$88,000 in 2008 to approximately \$1,290,000 representing the significant impact of the Infusion operations from MedEmerg. Patient visits increased from approximately 350 in 2008 to approximately 5,500 in the Quarter.

### *Staffing Solutions (“Staffing”)*

With the acquisition of MedEmerg, AIM now provides physician-staffing services to more than 30 healthcare facilities across Ontario, including rural and urban hospitals as well as tertiary care centers and corrections facilities. The Company believes that on-going physician shortages and continuing demand for improved levels of care will continue to drive its Staffing business.

Dr. Jim Ducharme leads the clinical aspect of Staffing Solutions. Dr. Ducharme is a nationally recognized emergency medicine specialist and is a past president of the Canadian Association of

Emergency Physicians. Dr. Ducharme brings a very broad perspective of the challenges facing emergency departments today and he is an important asset in the Company's future growth of the Staffing business. Dr Ducharme was instrumental in the Company's development of a training program designed for Ontario's family physicians. In concert with the College of Family Physicians, the Company developed and hosted training sessions designed to re-introduce family physicians to the ER.

Staffing revenues were approximately \$1,200,000 in the Quarter, which was in line with the Company's expectations. There were no corresponding revenues in 2008.

### **Gross margin**

In the Quarter, the Company's gross margin (revenues less all operating expenses) increased to 17% from 5% in Q4 of 2008. It was, however, less than the 23% gross margin for the same period in 2008. The decrease relative to the first quarter of 2008 reflects the start-up costs of our new Health and Wellness Centres in Hamilton, Ottawa and London. The Company continues to actively recruit physicians for the Health and Wellness Centres and it has begun to integrate the operations of the MedEmerg business into the centres as well. Both initiatives will increase the utilization, and hence profitability of the Health and Wellness Centres.

The following table illustrates the gross margin trend that the Company has experienced over the previous 8 quarters:

	Q2 2007 (Three months ended June 30, 2007) (unaudited)	Q3 2007 (Three months ended September 30, 2007) (unaudited)	Q4 2007 (Three months ended December 31, 2007) (unaudited)	Q1 2008 (Three months ended March 31, 2008) (unaudited)	Q2 2008 (Three months ended June 30, 2008) (unaudited)	Q3 2008 (Three months ended September 30, 2008) (unaudited)	Q4 2008 (Three months ended December 31, 2008) (unaudited)	Q1 2009 (Three months ended March 31, 2009) (unaudited)
Revenues	6,886,144	7,218,296	7,976,081	7,932,798	6,986,384	7,031,236	7,468,538	13,091,911
Operating expense	5,533,605	5,690,354	6,722,239	6,093,315	5,340,771	5,488,120	7,111,839	10,877,796
Gross margin	1,352,539	1,527,942	1,253,842	1,839,483	1,645,613	1,543,116	356,699	2,214,115
Gross margin %	20%	21%	16%	23%	24%	22%	5%	17%

General and administrative expenses for the Quarter were \$721,386 compared to \$845,294 for the same period in 2008, representing a decrease of approximately \$125,000 or 15%. The expenses are approximately 16% higher than recent quarters reflecting some of the additional costs absorbed on the acquisition of MedEmerg. The expenses are lower than the first quarter of 2008, when expenses were elevated because of costs associated with the reverse takeover of Orior.

Location and equipment lease expenses for the Quarter was \$820,426 compared to \$745,379 in 2008 representing an increase of approximately \$75,000 or 10%. The increase in location and equipment lease expense relates to the impact of costs associated with the opening of new and larger Health and Wellness Centres.

## **Other Expenses**

Interest expense on long-term debt for the Quarter was \$77,291 compared to \$116,133 in first quarter of 2008, representing a decrease of approximately \$40,000. The decrease in long-term debt interest primarily relates to the conversion of certain convertible notes to equity in April 2008 and a general reduction in long-term debt.

For the Quarter the interest and charges on bank indebtedness increased to \$31,279 from \$8,237 in the first quarter of 2008. The increase reflects the increased utilization of the bank facility combined with certain charges associated with the renegotiation of the facility.

Accretion and interest expense on convertible notes, debenture and warrants for the Quarter increased \$38,465 to \$90,942, reflecting the impact of the accretion of the recently issued convertible debenture.

Amortization of property and equipment for the Quarter continues to increase compared to the prior periods as the Company expands its Health and Wellness Centres. During the Quarter, amortization costs were \$188,232 compared to \$120,063, in the first quarter of 2008.

The Company reported income before taxes and non-controlling interest for the Quarter of \$271,835 compared to a loss in the same period in 2008 at approximately \$41,000.

The Company reported income after income taxes and non-controlling interests of \$271,835 in the Quarter, compared to a loss of \$32,194 in the same period in 2008. The Company acquired the remainder of non-controlling interests in second half of 2008 and in the fourth quarter of 2008, the Company fully provided for the benefit of future income tax assets.

## **Cash Flow**

During the Quarter, the Company generated approximately \$630,000 from operations. As noted above, the cash flow from operations and the cash acquired through the acquisition of MedEmerg of \$3,080,000 were deployed as follows:

- To reduce accounts payable, largely arising from the acquisition, of approximately \$1,800,000;
- To reduce indebtedness of approximately \$800,000;
- To finance accounts receivable of approximately \$1,080,000; and
- To finance equipment and related costs associated with the Health and Wellness Centres of approximately \$170,000.

The Company currently has adequate working capital to meet its operational needs.

## **Liquidity and Capital Resources**

The Company's working capital ratio (defined as current assets divided by current liabilities) is 1.09 to 1 compared to 1.26 to 1 at December 31, 2008, representing working capital of \$827,168

and \$1,171,196, respectively. While the working capital ratio declined somewhat in the quarter, it primarily did so because of the accrual of a number of one-time costs of approximately \$1 million primarily for duplicate facilities and severance relating to the Med-Emerg transaction, and the reclassification of the \$2 million debenture payable due in March 2010 into current liabilities. In the absence of these two items, working capital position actually improved dramatically in the quarter.

At March 31, 2009 and throughout the Quarter then ended, the Company had an available operating line of credit of \$3,500,000 payable on demand, bearing interest at prime plus 0.75% and secured by a general security agreement on the Company's assets, an assignment of fire insurance and a personal guarantee of a shareholder limited to \$600,000. Subsequent to March 31, 2009 the Company entered into a new agreement with its bank. The terms of the new agreement include an available operating line of credit of \$2,500,000 and an interest rate of prime plus 3.35%.

As at March 31, 2009, the \$3,500,000 facility had been drawn upon by \$1,500,000

AIM, through its positive working capital and access to operating credit facilities, has the ability to meet its operational working capital requirements.

The following chart summarizes the contractual obligations of AIM Health Group:

Contractual Obligation	Payment Due by Period				
	Total	Less than 1 year	1 - 3 years	4 - 5 years	After five years
Long-term debt	274,992	274,992	-	-	-
Obligations under capital lease	64,949	64,949	-	-	-
Advances from affiliated company	727,718	-	727,718	-	-
Debentures payable	1,842,197	-	1,842,197	-	-
Operating leases	21,297,965	3,110,640	5,363,787	3,915,092	8,908,446
Interest	291,412	258,079	33,333	-	-
<b>Total</b>	<b>24,499,233</b>	<b>3,708,660</b>	<b>7,967,035</b>	<b>3,915,092</b>	<b>8,908,446</b>

### **Off Balance Sheet Arrangements**

The Company has no off-balance sheet financing arrangements, other than operating leases detailed above.

### **Trends, Risks and Uncertainties**

The Company is exposed to a number of risks and uncertainties that could impact future results. The nature of the Company's business is such that it is affected by general economic conditions and competitive factors, both from domestic and non-domestic sources. The Company's actual operating results may be very different from those expected as of the date of the MD&A. The following risks should be considered when evaluating the business of the Company.

## **Current Economic Environment**

The current economic climate provides challenges to all companies as individuals and companies worldwide adjust their purchasing and spending habits to account for the new economic climate. The majority of the Company's revenues are generated from insurance companies, OHIP, and pharmaceutical companies. The Company believes, given the current economic climate, it is difficult to predict the future spending patterns. The Company continues to monitor its revenues and expenses carefully.

## **Recruitment of doctors**

The recruitment of physicians is critical for the success of the Company's business plan. The Company believes that it has a competitive advantage to medical clinic competitors in its Health and Wellness Centres because it brings the largest array of non-medicare healthcare opportunities to the physicians. This work is generally more lucrative for the physicians and makes the recruitment process for physicians easier. The Company's broad base and depth of knowledge and medical community relationships make it difficult for new competitors to successfully enter the marketplace. In addition, a well-funded competitor would require time and substantial capital to replicate the services and infrastructure developed by the Company.

## **Regulatory Issues**

The current laws in Canada do not permit private healthcare to compete in all areas of the market place with public healthcare. The Company is in compliance with all laws in its current business model. While the Company believes that private health services should be complementary to the public Medicare system, it is uncertain what political forces will drive future legislation in Canada. The current public sentiment is that the public wants more healthcare services regardless of whether the services are funded by the public sector. All of the Company's medical personnel, both physicians and registered nurses, have the requisite professional licenses from their respective governing professional bodies. Notwithstanding the fact that the Company operates in markets that are not regulated, any change in governmental regulation and licensing requirements or interpretation relating to healthcare services could have an adverse impact on the scope of the Company's activities.

## **Control by Principal Shareholder**

Dr. Lu Barbuto beneficially owns approximately 22.5% of the outstanding shares. As a result, he may be able to exercise control or significant influence over the matters requiring shareholder approval, including the election of directors and the approval of significant corporate transactions. Such concentration of ownership may have the effect of delaying or preventing a change in control of the Company.

## **Cash Flow Risk**

The Company anticipates substantial capital expenditures, particularly as it builds new Health and Wellness Centres, to achieve its growth objectives. The Company has a positive earnings and cash flow budget for Fiscal 2009 however, there can be no assurance that the Company will continue to have positive cash flow in the future.

## **Uncertainty of Liquidity and Capital Requirements**

The Company's future capital requirements will depend on many factors, including the rate of growth of its client base, the costs of expanding into new markets, the growth of the market for health services and the costs of administering the Company. 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 equity securities) to fund all or a part of particular programs, which could entail dilution of the Company's shares. 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, including marketing of its products and services, or obtain funds through arrangements with corporate partners that may require the Company to relinquish rights to certain assets. There can be no assurance that the Company will be able to raise additional capital if its capital resources are exhausted.

## **Insurance**

All physicians working for the Company are covered by their own malpractice insurance policies. In addition, the Company maintains liability insurance in amounts it believes are sufficient to cover the Company's arising risk out of its operations. Some claims, however, could exceed the scope of its coverage or the coverage of particular claims could be denied. 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. Litigation could adversely affect the Company's existing and potential client relationships, create adverse public relations and divert management's time and resources from the operation of the business.

## **Management**

The Company's success is dependent on its senior management team. The experience and talents of these individuals will be a significant factor in the Company's continued growth and success. The loss of one or more of these individuals without adequate replacement could have a material adverse effect on the Company's operations and business prospects.

## **Confidentiality of Personal and Health Information**

The collection, use and disclosure of patient personal and health information are subject to substantial regulation by federal and, in most cases, by provincial governments. These laws provide that the individual's consent is required prior to the collection, use and disclosure of the information collected from them (with limited prescribed exceptions), that the collected information be protected with reasonable security measures and that the individual have access to the information so collected in order to ensure its accuracy. In addition, future legislation may affect the dissemination of health information that is not individually identifiable. Physicians and other persons providing patient information to the Company are also required to comply with these laws and regulations. If a client's privacy is violated, or if the Company is found to have violated any law or regulation, it could be liable for damages or for criminal fines or penalties.

## **Risks of Future Legal Proceedings**

Any alleged failure by the Company to comply with laws and regulations may lead to the imposition of fines and penalties or the denial, revocation or delay in the renewal of permits and licenses issued by governmental authorities. A significant judgement against the Company or the imposition of a significant fine or penalty could have a material adverse effect on the Company's business, financial condition and results of operations. Moreover, the Company may from time to time be notified of claims that it may be infringing patents, copyrights or other intellectual property rights owned by other third parties. Any litigation could result in substantial costs and diversion of resources and could have a material adverse effect on the Company's business, financial conditions and results of operations.

## **Absence of Dividends**

The Company does not anticipate paying dividends in the foreseeable future. The Company's current intention is to reinvest its earnings to finance its business. There can be no assurance that the Company's Board of Directors will ever declare cash dividends, which action is exclusively within their discretion.

## **Volatility of Share Price**

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

## **Potential Fluctuations in Financial Results and Forecasting**

The Company's revenues and operating results may vary significantly from quarter to quarter. As a result, quarter to quarter comparisons of the Company's revenues and operating results may not be meaningful. There is no guarantee that the Company will be able to accurately predict future revenues or results of operations. In that eventuality, it is possible that in one or more future quarters the Company's operating results will fall below the expectations of securities analysts and investors. If this happens, the trading price of the Company's shares might be materially and adversely affected.

## **Acquisitions**

The Company has acquired and anticipates that it will continue to acquire complementary businesses, assets, technologies, services or products and/or enter into joint venture relationships to accomplish such purpose. The completion of such transactions poses additional risks to the Company's business. The benefit to the Company of these acquisitions is highly dependent on its ability to integrate the acquired businesses and their technologies, employees and products.

## **Related Party Transactions**

Other than as follows, the Company has not acquired any assets or been provided any services from any director, officer, insider or promoter of AIM Health Group:

- 2031086 Ontario Inc. has provided a short-term loan to AIM totalling \$457,718 as at March 31, 2009. This loan bears interest at 10% per annum. 2031086 Ontario Inc. has indicated that payment will not be demanded prior to January 1, 2010.
- The lease for a rehabilitation clinic located in Strathroy, Ontario is leased from a company controlled by the Chief Executive Officer of AIM. Total rent paid was \$12,000 for the Quarter (2008 - \$12,000).

All related party transactions were in the normal course of business and were measured at the exchange amount.

The interest rates noted above are substantially more than that charged by the Company's primary bank but less than a higher risk loan. The lenders and the Company considered market rates for a loan that was in a security position behind the primary bank but ahead of equity and other liabilities and supported by quality assets and expected cash flow. The Company also had discussions with its primary lender in terms of reasonable market terms. It was agreed that 10% was an approximation of fair market value.

The annual lease cost of the Strathroy lease is \$48,000 and the clinic is approximately 3,000 square feet translating to a per square foot rate of \$16. The rate approximates local lease conditions.

## **Disclosure of Outstanding Share Data**

As at March 31, 2009 the Company had the following securities issued and outstanding:

<u>105,836,391</u>	Common shares
735,000	Stock options with an exercise price of \$0.20
2,565,000	Stock options with an exercise price of \$0.23
666,666	Warrants with an exercise price of \$0.35
<u>1,000,000</u>	Warrants with an exercise price of \$0.45
4,966,666	Total stock options and warrants
<hr/>	
<u>110,803,057</u>	Total number of outstanding securities

## **Critical Accounting Estimates**

The Company's discussion and analysis of its results of operations and financial position is based upon the consolidated financial statements, which have been prepared in accordance with Canadian GAAP. The preparation of the consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and the related disclosure of contingent assets and liabilities. The Company's

management bases its estimates on historical experience and various other assumptions that are believed to be reasonable in the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities. On an ongoing basis, management evaluates these estimates. However, actual results may differ from these estimates under different assumptions of conditions.

Management believes the following critical accounting policies affect the more significant judgments and estimates used in the preparation of the consolidated financial statements of the Company:

#### *Business Combination Accounting*

The accounting for the Qualifying Transaction between the Orior and AIM has been accounted for as a reverse takeover transaction, whereby AIM is considered to be the acquirer for accounting purposes. If this method of accounting was not considered to be appropriate then the carrying value of many assets on the balance sheet would be materially different.

#### *Impairment of Goodwill and Long-lived Assets*

Goodwill is subject to an annual impairment test or more frequently when an event or circumstance occurs that more likely than not reduces the fair value of a reporting unit or indefinite life intangible below its carrying value.

We are required to evaluate goodwill annually or whenever events or changes in circumstances indicate that we may not recover the carrying amount. Absent any triggering events during the year, we conduct our goodwill assessment in the fourth quarter of the year to correspond with our planning cycle. We test impairment, using the two-step method, at the reporting unit level by comparing the reporting unit's carrying amount to its fair value. Goodwill is not amortized and is tested for impairment annually, or more frequently, if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit is compared with its fair value. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and the second step of the impairment test is unnecessary. The second step is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case, the implied fair value of the reporting unit's goodwill, determined in the same manner as the value of goodwill is determined in a business combination, is compared with its carrying amount to measure the amount of the impairment loss, if any. In the fourth quarter of each year, we perform our annual goodwill assessment and determined that there was no impairment for the year.

#### *Revenue recognition:*

Revenue from health services, which include medical services, rehabilitation services, pharmaceutical research and services for corporate clients is recognized when services are performed, fees are determinable and collectability is reasonably assured.

Revenue from the sale of retail products such as orthotics, braces and splints is recognized at point of sale.

Under various operating agreements with managed clinics, the Company is required to provide marketing, new program development, and billing and collection services. A pre-determined portion of the revenues is allocated to the Company for its services. The Company is not responsible for any of the managed clinics' operating expenditures. Revenue from these operating agreements is only recognized for the Company's portion of such revenues and is recognized when services are performed, fees are determinable and collectability is reasonably assured.

#### *Allowance for Doubtful Accounts*

The Company expects that a certain portion of required customer payments will not be made, and we maintain an allowance for these doubtful accounts based on our estimate of the likelihood of recovering accounts receivable, incorporating current and expected collection trends. In the event that economic conditions change, our accounts receivable insurance situation changes, or actual results or specific industry trends differ from our expectations, the Company will adjust its allowance for doubtful accounts and bad debt expense accordingly.

#### **Changes in Accounting Policies**

No changes in accounting policies affecting the Company in the Quarter have occurred.

#### **Financial and Other Instruments**

The Company is exposed to financial market risks including interest rates on its debt obligations. The interest rate on some of the Company's debt is variable and therefore subject to interest rate risk. The Company's credit facilities bear interest based on bank prime.

#### **Financial Risk Management**

##### *Credit risk*

The Company, in the normal course of business, monitors the financial condition of its customers and reviews the credit history of each new customer. Other than receivables from the Ontario Ministry of Health, the Company does not have a significant exposure to any individual customer or counter party. The Company establishes an allowance for doubtful accounts that corresponds to the credit risk of specific customers, historical trends and economic circumstances. The Company does not believe that it is exposed to an unusual level of customer credit risk.

The Company establishes an allowance for doubtful accounts that represents its estimate of incurred losses in respect of trade receivables. The main components of this allowance are a specific loss component that relates to individual significant exposures, and an overall loss component established based on historical trends and other information.

### *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company monitors collection efforts to ensure sufficient cash flows are generated from operations to meet current debt requirements. The Company has a revolving credit facility that permits the Company to borrow funds up to \$3.5 million, subject to standard borrowing base calculations. At March 31, 2009, the Company had a substantial undrawn availability under its revolving loan facility. The Company monitors cash flow on a daily basis and in aggregate through its annual budgeting process. The Company expects that cash flow from operations during the year ended December 31, 2009 together with the availability under the revolving credit facility will be adequate to fund on-going investments in working capital and normal capital expenditures.

The carrying value of long-term debt and debenture payable approximate fair value as the terms and conditions for similar type of borrowing arrangement are comparable to current market conditions for similar items.

The fair value of advances from shareholders and advances from affiliated company and are not readily obtainable due to the lack of comparable information.

### **Recently Issued Pronouncements**

#### *International Financial Reporting Standards*

The CICA plans to merge Canadian GAAP with International Financial Reporting Standards (IFRS) over a transition period expected to end in 2011. The impact of the transition to IFRS on the Company's financial statements is not yet determinable.

#### *Business Combinations*

In January 2009, the CICA issued Handbook Section 1582, Business Combinations, which replaced the existing standards. This section establishes the standards for the accounting of business combinations, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. This standard is equivalent to the International Financial Reporting Standards on business combinations. This standard is applied prospectively to business combinations with acquisition dates on or after January 1, 2011. Earlier adoption is permitted. We will evaluate the impact of adopting this standard for future business combinations.

In January 2009, the CICA issued Handbook Section 1601, Consolidated Financial Statements, which replaced the existing standards. This section establishes the standards for preparing consolidated financial statements and is effective for 2011. Earlier adoption is permitted. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

In January 2009, the CICA issued Handbook Section 1602, Non-controlling Interests, which established standards for the accounting of non-controlling interests of a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. This standard is equivalent to the International Financial Reporting Standards on consolidated and separate financial statements. This standard is effective for 2011. Earlier adoption is permitted. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

*Credit Risk and Fair Value of Financial Assets and Financial Liabilities*

In January 2009, the CICA issued EIC 173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities which clarified that the credit risk of counterparties should be taken into account in determining the fair value of derivative instruments. EIC 173 is to be applied retrospectively without restatement of prior periods to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods ending on or after the date of issuance of this Abstract. We are currently evaluating the impact of adopting this standard on our consolidated financial statements.

**Non-GAAP Measures**

The Company uses EBITDA as a performance measurement both internally and externally. These measurements do not have any standardized meaning and are not recognized under Canadian generally accepted accounting principles and are therefore unlikely to be comparable to similar measures presented by other issuers. EBITDA is defined by the Company as earnings before interest, taxes, depreciation, amortization, normalized further for stock-based compensation is a widely accepted measure of operating cash flows that the Company believes may be used to measure its ability to service debt.

The following table reconciles EBITDA to Net income and comprehensive income in the Quarter:

EBITDA	\$ 672,303
Deduct	
Interest expense	108,570
Accretion expense relating to convertible notes, debentures and warrants	90,942
Amortization of property and equipment	188,232
Stock compensation expense	12,724
<b>Net income and comprehensive income for the quarter</b>	<b>\$271,835</b>

## **Outlook**

The Company seeks to capitalize on the growing market demand for healthcare services, both through organic growth but also through acquisitions. During the first part of 2009, the strategic priority will be the continued integration of the Company with MedEmerg. Key integration activities will include rationalization of common costs, identifying service line expansion opportunities from each other's businesses, and integration of more services such as pain management and infusions into the Health and Wellness Centre infrastructure.

The Company expects to continue to:

- (i) expand its delivery infrastructure by opening new Health and Wellness Centres and broadening the range of services in such centres;
- (ii) grow the various services provided; and
- (iii) look for attractive acquisition targets that provide for strategic opportunities of new services, programs or personnel, add to the Company's critical mass in any of its divisions or increase the Company's geographic coverage.

The Company continues to develop new Health and Wellness Centres and to convert older model pure medical and rehabilitation clinics into new Health and Wellness Centres. It is expected that both revenues and profitability will improve as older centres are converted, new Health and Wellness Centre built and more services, including those acquired in the MedEmerg transaction, continue to be rolled out. An ambitious expansion plan is in place for 2009. The newest Health and Wellness Centre in Ottawa, Ontario began operations in May 2009. There is also another Health and Wellness Centres in Mississauga that is scheduled to open in July 2009.

## **Report on Internal Control Over Financial Reporting**

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

## **Disclosure Controls and Procedures**

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Chief Executive Officer (CEO)/President and Chief Financial Officer (CFO), on a timely basis so that appropriate decisions can be made regarding public disclosure. As at March 31, 2009, the Company's management, with the participation of the CEO/President and CFO, has evaluated the effectiveness of the Company's disclosure controls and procedures and has concluded that such controls and procedures are effective.

**Additional Information**

Additional information on the Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com) .

Toronto, Ontario  
May 21, 2009