CRH Medical Corporation

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Three Months Ended March 31, 2018
Financial Report

Trading Information:	TSE (Symbol "CRH")
	NYSE MKT (Symbol "CRHM")
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CRH MEDICAL CORPORATION

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2018

The following management discussion and analysis ("MD&A") should be read in conjunction with CRH Medical Corporation's (the "Company" or "CRH") unaudited condensed consolidated interim financial statements for the three months ended March 31, 2018 and 2017 and the annual consolidated financial statements and the corresponding notes thereto for the year ended December 31, 2017. The unaudited condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Unless otherwise specified, all financial data is presented in United States dollars. This MD&A is as of April 27, 2018.

Additional information related to the Company, including the Company's Annual Information Form is available on SEDAR at www.sedar.com.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Information included or incorporated by reference in this report may contain forward-looking statements. This information may involve known and unknown risks, uncertainties, and other factors which may cause our actual results, performance, or achievements to be materially different from the future results, performance, or achievements expressed or implied by any forward-looking statements. Forward-looking statements, which involve assumptions and describe our future plans, strategies, and expectations, are generally identifiable by use of the words "may," "will," "should," "expect," "anticipate," "estimate," "believe," "plan," "intend" or "project" or the negative of these words or other variations on these words or comparable terminology. Certain risks underlying our assumptions are highlighted below; if risks materialize, or if assumptions prove otherwise to be untrue, our results will differ from those suggested by our forward looking statements and our results and operations may be negatively affected. Forward looking statements in this report include statements regarding profitability, additional acquisitions, increasing revenue and Operating EBITDA, continued growth of our business in line with historical growth rates, trends in our industry, financing plans, our anticipated needs for working capital and leveraging our capabilities. Actual events or results may differ materially from those discussed in forward-looking statements. There can be no assurance that the forward-looking statements currently contained in this report will in fact occur. The Company bases its forward-looking statements on information currently available to it. The Company disclaims any intent or obligations to update or revise publicly any forward-looking statements whether as a result of new information, estimates or options, future events or results or otherwise, unless required to do so by law. Forward-looking information reflects current expectations of management regarding future events and operating performance as of the date of this document. Such information involves significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in forward-looking information, including, without limitation: our ability to identify and complete corporate transactions on favorable terms or achieve anticipated synergies relating to any acquisitions or alliances; our ability to manage growth and achieve our expansion strategy; changes to payment rates or methods of third-party payors, including United States government healthcare programs, changes to the United States laws and regulations that regulate payments for medical services, the failure of payment rates to increase as our costs increase, or changes to our payor mix; decreases in our revenue and profit margin under our fee for service contracts and arrangements, where we bear the risk of changes in volume, payor mix, Radiology, Anesthesiology and Pathology benefits, and third-party reimbursement rates; Ambulatory Surgical Centers or other customers may terminate or choose not to renew their agreements with us; our need to raise additional capital to fund future operations; the effect of various restrictive covenants and events of default under the Credit Facilities; we may still be able to incur substantially more debt, which could further exacerbate the risks associated with increased leverage; significant price and volume fluctuation of our share prices; the risk that we may write-off intangible assets; the operating margins and profitability of our anesthesia segment could be adversely affected if we are unable to maintain or increase anesthesia procedure volumes at our existing Ambulatory Surgical Centers; we may not be able to successfully recruit and retain qualified anesthesiologists or other independent contractors; adverse events related to our product or our services may subject us to risks associated with product liability, medical malpractice or other legal claims, insurance claims, product recalls and other liabilities, which may adversely affect our operations; our industry's health and safety risks; Affordable Care Act reform in the United States may have an adverse effect on our business, financial condition, results of operations and cash flows and the trading price of our securities, financial condition, results of operations and cash flows and the trading price of our securities; failure to manage third-party service providers may adversely affect our ability to maintain the quality of service that we provide; income tax audits and changes in our effective income tax rate could affect our results of operations; our dependence on suppliers could have a material adverse effect on our business, financial condition and results of operations; unfavorable economic conditions could have an adverse effect on our business; we may be subject to a variety of regulatory investigations, claims, lawsuits, and other proceedings; if we are unable to adequately protect or enforce our intellectual property, our competitive position could be impaired; we may not be successful in marketing our products and services; our employees and third-party contractors may not appropriately record or document services that they provide; failure to timely or accurately bill for services could have a negative impact on our net revenue, bad debt expense and cash flow; we may be unable to enforce the non-competition and other restrictive covenants in our agreements; our senior management has been key to our growth, and we may be adversely affected if we lose any member of our senior management; our industry is already competitive and could become more competitive; if there is a change in federal or state laws, rules, regulations, or in interpretations of such federal or state laws, rules or regulations, we may be required to redeem our physician partners' ownership interests in anesthesia companies under the savings clause in our joint venture operating agreements; changes in the United States federal Anti-Kickback Statute and Stark Law and/or similar state laws, rules, and regulations could result in criminal offences and potential sanctions; our employees and business partners may not appropriately secure and protect confidential information in their possession; we are dependent on complex information systems; we may be subject to criminal or civil sanctions if we fail to comply with privacy regulations regarding the protection, use and disclosure of patient information; we have a legal responsibility to the minority owners of the entities through which we own our anesthesia services business, which may conflict with our interests and prevent us from acting solely in our own best interests; a significant number of our affiliated physicians could leave our affiliated Ambulatory Surgical Centers; if regulations or regulatory interpretations change, we may be obligated to re-negotiate agreements of our anesthesiologists or other contractors; the continuing development of our products and provision of our services depends upon us maintaining strong relationships with physicians; we operate in an industry that is subject to extensive federal, state, and local regulation, and changes in law and regulatory interpretations; unfavorable changes or conditions could occur in the states where our operations are concentrated; government authorities or other parties may assert that our business practices violate antitrust laws; if we were to lose our foreign private issuer status under United States federal securities laws, we would likely incur additional expenses associated with compliance with United States securities laws applicable to United States domestic issuers; significant shareholders of the Company could influence our business operations, and sales of our shares by such significant shareholders could influence our share price; anti-takeover provisions could discourage a third party from making a takeover offer that could be beneficial to our shareholders; changes in the medical industry and the economy may affect the Company’s business; our industry is the subject of numerous governmental investigations into marketing and other business practices which could result in the commencement of civil and/or criminal proceedings, substantial fines, penalties, and/or administrative remedies, divert the attention of our management, and have an adverse effect on our financial condition and results of operations; evolving regulation of corporate governance and public disclosure may result in additional expenses and continuing uncertainty; we may face exposure to adverse movements in foreign currency exchange rates.

For a complete discussion of the Company's business including the assumptions and risks set out above, see the Company's annual information form which is available on SEDAR at www.sedar.com.

OVERVIEW

CRH Medical Corporation (“CRH”) is a North American company focused on providing gastroenterologists (“GI’s”) with innovative services and products for the treatment of gastrointestinal (“GI”) diseases. In 2014, CRH acquired a full service gastroenterology anesthesia company, Gastroenterology Anesthesia Associates, LLC (“GAA”), which provides anesthesia services for patients undergoing endoscopic procedures. CRH has complemented this transaction with fifteen additional acquisitions of GI anesthesia companies since GAA.

According to the Centers for Disease Control and Prevention (“CDS”), colorectal cancer is the second leading cause of cancer-related deaths in the United States and recent research indicates that the incidence of colon cancer in young adults is on the rise. The CDS has implemented campaigns to raise awareness of GI health and drive colorectal cancer screening rates among at risk populations. Colon cancer is treatable if detected early and screening colonoscopies are the most effective way to detect colon cancer in its early stages. Anesthesia-assisted endoscopies are the standard of care for colonoscopies and upper endoscopies.

CRH’s goal is to establish itself as the premier provider of innovative products and essential services to GI’s throughout the United States. The Company’s CRH O’Regan System distribution strategy focuses on physician education, patient outcomes, and patient awareness. The O’Regan System is a single use, disposable, hemorrhoid banding technology that is safe and highly effective in treating hemorrhoid grades I – IV. CRH distributes the CRH O’Regan System, treatment protocols, operational and marketing expertise as a complete, turnkey package directly to physicians, allowing CRH to create meaningful relationships with the physicians it serves.

The Company has financed its cash requirements primarily from revenues generated from the sale of its product directly to physicians, GI anesthesia revenue, equity financings, debt financings and a revolving and term credit facility. The Company’s ability to maintain the carrying value of its assets is dependent on successfully marketing its products and services, obtaining reasonable rates for anesthesia services and maintaining future profitable operations, the outcome of which cannot be predicted at this time. The Company has also stated its intention to acquire or develop additional GI anesthesia businesses. In the future, it may be necessary for the Company to raise additional funds for the continuing development of its business plan, including additional acquisitions.

For further information about CRH Medical Corporation, including the Company’s Annual Information Form, please visit the Company website at www.crhmedcorp.com or www.sedar.com, or email us at ir@crhmedcorp.com.

SELECTED IFRS FINANCIAL INFORMATION

	Q1 2018	Q1 2017 (restated[4])
Anesthesia services revenue	$ 22,108,625	$ 18,592,336
Product sales revenue	2,556,876	2,776,315
Total revenue	**24,665,501**	**21,368,651**
Total operating expenses, including:	**20,205,352**	**16,423,049**
Depreciation and amortization expense	7,106,474	5,068,951
Stock based compensation expense	828,496	906,374
Operating income	**4,460,149**	**4,945,602**
Net and comprehensive income	**$ 3,181,651**	**$ 3,302,118**
Attributable to:		
Shareholders of the Company	1,427,867	1,541,856
Non-controlling interest[1]	1,753,784	1,760,262
Earnings per share attributable to shareholders:		
Basic	$ 0.020	$ 0.021
Diluted	$ 0.019	$ 0.020
Total assets	$ 192,380,422	$ 172,775,554
Total non-current liabilities	$ 61,913,744	$ 56,392,559
Total liabilities	$ 70,736,550	$ 69,509,684

NON-IFRS FINANCIAL MEASURES

In addition to results reported in accordance with IFRS, the Company uses certain non-IFRS financial measures as supplemental indicators of its financial and operating performance. These non-IFRS financial measures include Adjusted operating EBITDA and Adjusted operating expenses. The Company believes these supplementary financial measures reflect the Company's ongoing business in a manner that allows for meaningful period-to-period comparisons and analysis of trends in its business.

SELECTED FINANCIAL INFORMATION – NON-IFRS MEASURES

	Q1 2018	Q1 2017 (restated[4])
Total Adjusted operating expenses[2]	**$ 12,251,814**	**$ 10,320,844**
Adjusted operating EBITDA[3] – non-controlling interest[1]	4,182,351	3,328,502
Adjusted operating EBITDA[3] - shareholders of the Company	**8,231,336**	**7,719,306**
Adjusted operating EBITDA[3] - total	**$ 12,413,687**	**$ 11,047,808**

[1] Non-controlling interest reflects the ownership interest of persons holding non-controlling interests in non-wholly owned subsidiaries of the Company.

[2] Adjusted operating expenses: This is a non-IFRS measure defined as operating expenses before acquisition related expenses, stock based compensation, depreciation, amortization and asset impairment charges. Refer to the end of this document for the reconciliation of reported financial results to non-IFRS measures.

[3] Adjusted operating EBITDA: This is a non-IFRS measure defined as operating income before interest, taxes, depreciation, amortization, stock based compensation, acquisition related expenses and asset impairment charges. Refer to the end of this document for the reconciliation of reported financial results to non-IFRS measures.

[4] On adoption of IFRS 15, the Company restated prior year revenue and operating expenses. The restatement had no impact on net income. Refer to note 3 of the unaudited interim financial statements for the three months ended March 31, 2018.

RECENT EVENTS

In the first quarter of 2018, the Company's financial results reflect the impact of the CMS 2018 Medicare Final Physician Fee Schedule and the acquisition of an additional anesthesia services provider.

CMS 2018 Medicare Final Physician Fee Schedule – January 2018

The final CMS 2018 Medicare Physician Fee Schedule was announced on November 2, 2017 and updated the payment policies, payment rates, and other provisions for services furnished under the Medicare Physician Fee Schedule on or after January 1, 2018.

The Medicare Final Physician Fee Schedule changed the billing structure for CRH's primary billing code for anesthesia provided in conjunction with a lower endoscopy by eliminating the existing billing code and replacing it with two new billing codes. The new billing codes had the net effect of decreasing the amount CRH billed and collected for anesthesia services provided in conjunction with a lower endoscopy.

When the original fee schedules were announced, the Company analyzed the impact of the new codes on its business and had determined that if the new codes were implemented as proposed based on our then current financial results, anesthesia revenue per case would decrease by approximately 12%. Actual experience in the three months ended March 31, 2018 was a decrease in revenue per case of approximately 10.5%.

Shreveport Sedation Associates, LLC ("SSA") – March 2018

On March 19, 2018, a subsidiary of the Company entered into an asset purchase agreement to acquire 100% of certain assets of an anesthesia services provider in Louisiana. The purchase consideration, paid via cash, for the acquisition was $9,404,148. The fair value of the exclusive professional service agreement which was acquired as part of this acquisition was $9,300,000. The Company also acquired a prepaid asset as part of the acquisition.

NON-IFRS FINANCIAL MEASURES

In addition to results reported in accordance with IFRS, the Company uses certain non-IFRS financial measures as supplemental indicators of its financial and operating performance. These non-IFRS financial measures include Adjusted operating EBITDA and Adjusted operating expenses. The Company believes these supplementary financial measures reflect the Company's ongoing business in a manner that allows for meaningful period-to-period comparisons and analysis of trends in its business.

The Company defines Adjusted operating EBITDA as operating earnings before interest, taxes, depreciation, amortization, stock based compensation, acquisition related expenses and asset impairment charges. Adjusted operating EBITDA is presented on a basis consistent with the Company's internal management reports. The Company discloses Adjusted operating EBITDA to capture the profitability of its business before the impact of items not considered in management's evaluation of operating unit performance.

The Company defines Adjusted operating expenses as operating expenses before expenses related to acquisitions, stock based compensation, depreciation, amortization and asset impairment charges. Adjusted operating expenses is presented on a basis consistent with the Company's internal management reports. The Company discloses Adjusted operating expenses to capture the non-operational expenses of the business before the impact of items not considered by management to impact operating decisions. The Company also discloses Adjusted operating expenses by segment.

Adjusted operating EBITDA and Adjusted operating expenses do not have any standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other companies. The Company cautions readers to consider these non-IFRS financial measures in addition to, and not as an alternative for, measures calculated in accordance with IFRS.

Refer to the end of this document for the reconciliation of reported financial results to non-IFRS measures.

SELECTED FINANCIAL INFORMATION – IFRS and NON-IFRS MEASURES

	Q1 2018	Q1 2017 (restated[4])
Anesthesia services revenue	$ 22,108,625	$ 18,592,336
Product sales revenue	2,556,876	2,776,315
Total revenue	**24,665,501**	**21,368,651**
Adjusted operating expenses[1]		
Anesthesia services	10,416,049	8,299,328
Product sales	1,092,835	1,036,979
Corporate	742,930	984,537
Total Adjusted operating expenses[1]	**$ 12,251,814**	**$ 10,320,844**
Adjusted operating EBITDA[2] – non-controlling interest[3]	4,182,351	3,328,502
Adjusted operating EBITDA[2] - shareholders of the Company	**8,231,336**	**7,719,306**
Adjusted operating EBITDA[2] – total	**$ 12,413,687**	**$ 11,047,808**
Adjusted Operating EBITDA[2] per share attributable to shareholders:		
Basic	$ 0.113	$ 0.106
Diluted	$ 0.111	$ 0.102

[1] Adjusted operating expenses: This is a non-IFRS measure defined as operating expenses before acquisition related expenses, stock based compensation, depreciation, amortization and asset impairment charges. Refer to the end of this document for the reconciliation of reported financial results to non-IFRS measures.

[2] Adjusted operating EBITDA: This is a non-IFRS measure defined as operating income before interest, taxes, depreciation, amortization, stock based compensation, acquisition related expenses and asset impairment charges. Refer to the end of this document for the reconciliation of reported financial results to non-IFRS measures.

[3] Non-controlling interest reflects the ownership interest of persons holding non-controlling interests in non-wholly owned subsidiaries of the Company.

[4] On adoption of IFRS 15, the Company restated prior year revenue and operating expenses. The restatement had no impact on net income or adjusted operating EBITDA. Refer to note 3 of the unaudited interim financial statements for the three months ended March 31, 2018.

RESULTS OF OPERATIONS – three months ended March 31, 2018

Except where otherwise indicated, all financial information discussed below is 100% of the consolidated results of the Company and includes both the Company's interest in subsidiaries, as well as the interest of persons holding non-controlling interests in non-wholly owned subsidiaries of the Company.

Revenue

Revenues for the three months ended March 31, 2018 were $24,665,501 compared to $21,368,651 for the three months ended March 31, 2017.

Revenues from anesthesia services for the three months ended March 31, 2018 were $22,108,625 compared to $18,592,336 for the three months ended March 31, 2017. As noted below, the increase was primarily due to the Company's anesthesia acquisitions completed mid-year in 2017; however, there were a number of factors which impacted the change in revenue between the first quarter of 2018 and the first quarter of 2017. The $3.5 million increase in revenue from the prior period is reflective of the following:

- growth through acquisitions completed in 2017 and 2018 contributed $7.4 million of the increase when comparing the two periods. This is comprised of growth from acquisitions completed in 2017 ($7.3 million) and growth from acquisitions completed in 2018 ($0.1 million);
- the impact of the CMS final fee schedule resulted in a decrease in revenue of approximately $2.0 million when compared to the first quarter of 2017;
- executing contracts with non-contracted payors, primarily related to entities acquired in 2016, decreased revenue by $1.4 million when compared to the first quarter of 2017;
- the change in payor mix between federal and commercial decreased revenue by approximately $0.1 million;
- a negative adjustment as a result of the change in the impact of revenue estimates of $0.7 million, which includes $0.3 million of non-recurring items, when compared to 2017; and
- revenue growth from our exclusive agreement to develop and manage a monitored anesthesia care program with Puget Sound Gastroenterology of approximately $0.3 million.

As adjusted operating expenses are largely fixed in nature, changes in revenue primarily drive changes in operating income and adjusted operating EBITDA.

In the three months ended March 31, 2018, the anesthesia services segment serviced 57,657 patient cases compared to 42,363 patient cases during the three months March 31, 2017.

The tables below summarizes our approximate payor mix as a percentage of all patient cases for three months ended March 31, 2018 and 2017.

	Three months ended		
Payor	**March 31, 2018**	**March 31, 2017**	**Change**
Federal	40.5%	38.4%	5.5%
Commercial	59.5%	61.6%	(3.4%)
Total	**100.0%**	**100.0%**	

The payor mix for the three months ended March 31, 2018 includes acquisitions that were completed mid-year in 2017 and 2018 and as a result is not directly comparable to the payor mix for the three months ended March 31, 2017. As we acquire anesthesia providers, these providers may have different payor mix profiles and impact our overall payor mix above.

The table below summarizes our approximate payor mix as a percentage of all patient cases for the three months ended March 31, 2018 and 2017, but excludes patient cases related to acquisitions completed in 2017 and 2018.

	Three months ended		
Payor	**March 31, 2018**	**March 31, 2017**	**Change**
Federal	39.5%	37.8%	4.5%
Commercial	60.5%	62.2%	(2.7%)
Total	**100.0%**	**100.0%**	

We had previously reported that the CMS final rule, implemented effective January 1, 2018, would impact our revenue per case by approximately 12.0%. Actual results to date have shown an impact of approximately 10.5%. In addition, we had reported at year end that the revenue per case we receive from our commercial payors would decrease approximately 5% as we contract with payors for acquisitions completed prior to December 31, 2017. During the first quarter of 2018 the Company did not enter into any material contracts with commercial payors. We expect the total impact to revenue from these reductions in the anesthesia revenue per case to be offset through organic growth in patient cases and revenue generated through the deployment of available capital for future acquisitions as we progress through the year.

Seasonality is driven by both patient cases and seasonal payor mix. As a result, revenue per patient will fluctuate quarterly. The seasonality of patient cases for fiscal 2017 is provided below for organic patient cases; it excludes patient cases relating to acquisitions completed in 2017. The Company expects similar seasonality in 2018.

Seasonality	**Q4**	**Q3**	**Q2**	**Q1**
Patient cases	26.9%	24.9%	24.4%	23.8%

Revenues from product sales for the three months ended March 31, 2018 were $2,556,876 compared to $2,776,315 for the first quarter of 2017. The first quarter of 2017 reflected higher than normal quarterly sales for this segment; hence the decrease when compared to 2018. The Company continues to successfully execute on the Company's direct to physician program that allows physicians to purchase our hemorrhoid banding technology, treatment protocols, marketing and operational experience. As of March 31, 2018, the Company has trained 2,744 physicians to use the O'Regan System, representing 1,054 clinical practices. This compares to 2,490 physicians trained, representing 963 clinical practices, as of March 31, 2017.

Total adjusted operating expenses

For the three months ended March 31, 2018, total adjusted operating expenses were $12,251,814 compared to $10,320,844 for the three months ended March 31, 2017. Increases in adjusted operating expenses are primarily related to adjusted operating expenses in the anesthesia services business. Factors impacting the fluctuation of total adjusted operating expenses are consistent with those impacting operating expenses.

Anesthesia services adjusted operating expenses for the three months ended March 31, 2018 were $10,416,049, compared to $8,299,328 for the three months ended March 31, 2017. Anesthesia services adjusted operating expenses primarily include labor related costs for Certified Registered Nurse Anesthetists and MD anesthesiologists, medical drugs and supplies, and billing and management related expenses. The Company's first anesthesia acquisition was in the fourth quarter of 2014, with fifteen further acquisitions completed in 2015, 2016, 2017 and 2018. As a result, the first quarter of 2018 is not directly comparable to 2017, with the majority of the increase relating to operating expenses for acquired companies. Though quarterly revenue may fluctuate significantly, quarterly adjusted operating expenses, which are primarily employee related costs, due to their fixed nature, are not expected to fluctuate materially. These expenses are primarily impacted by the Company's acquisition strategy.

Product sales adjusted operating expenses for the three months ended March 31, 2018 were $1,092,835 compared to $1,036,979 for the three months ended March 31, 2017. Though sales have decreased from the first quarter of 2017, costs have not decreased as much of the cost base for the product segment is fixed. Employment and related costs have remained consistent with the first quarter of 2017, with the increase relating to higher product support costs, specifically travel costs relating to marketing and training. Product sales expenses primarily include employee wages, product cost and support, marketing programs, office expenses, professional fees, and insurance. In the future, the Company expects adjusted operating expenses to increase as the Company continues to invest in activities aimed at increasing demand for training and use of the CRH O'Regan System.

Corporate adjusted operating expenses for the three months ended March 31, 2018 were $742,930 compared to $984,537 for the three months ended March 31, 2017. The decrease in corporate adjusted operating expense is a reflection of lower professional fees, employee related costs, and travel expenses when compared to the first quarter of 2017. The reduction in professional fees reflects decreased corporate activity in 2018; similarly travel expenses reflect the same. The decrease in employee related costs is reflective of the additional employer payroll liabilities incurred in 2017 as a result of the vesting of restricted share units.

Operating Income

Operating income for the three months ended March 31, 2018 was $4,460,149 compared to $4,945,602 for the same period in 2017. Contributing to the decrease in operating income for the period is an increase in total adjusted operating EBITDA of $1,365,879, offset by the following:

- incremental costs related to the amortization of acquired professional service agreements relating to acquisitions completed in 2017 and 2018 of $1,937,127; and
- a decrease in stock based compensation expense of $77,878.

Fluctuations in revenue will not necessarily result in correlating fluctuations in operating expenses due to the fixed nature of these costs and as such will impact operating income.

Anesthesia operating income for the three months ended March 31, 2018 was $4,466,575 a decrease of $492,586 from the same period in 2017. This decrease is primarily reflective of the incremental costs related to the amortization of acquired professional service agreements relating to acquisitions completed in 2017 and 2018, offset by the increase in operating EBITDA for anesthesia in the period.

Product operating income for the three months ended March 31, 2018 was $1,340,222, a decrease of $276,134 from the same period in 2017. The decrease is primarily a result of the decreased revenue in the first quarter of 2018 when compared to 2017.

Adjusted operating EBITDA

Adjusted operating EBITDA attributable to shareholders of the Company for the three months ended March 31, 2018 was $8,231,336, an increase of $512,030 from the three months ended March 31, 2018. The increase in adjusted operating EBITDA attributable to shareholders is primarily a reflection of the contributions from acquisitions completed in 2017, offset by the impacts of the CMS final rule, and the impact of moving from non-contracted to in contract status for commercial payors.

Adjusted operating EBITDA attributable to non-controlling interest was $4,182,351 for the three months ended March 31, 2018. This comprises the non-controlling interests' share of revenues of $6,942,480 and adjusted operating expenses of $2,760,129.

Total adjusted operating EBITDA was $12,413,687 for the three months ended March 31, 2018, an increase of $1,365,879 from the same period in 2017.

Net finance (income) / expense

As a result of the Company's debt facilities and long-term finance obligations, the Company has recorded a net finance expense of $584,513 for the three months ended March 31, 2018, compared to net finance expense of $1,246,215 for the three months ended March 31, 2017. Net finance expense is comprised of both interest and other debt related expenses, including fair value adjustments, as well as foreign exchange gains and losses on the Crown debt which was denominated in Canadian dollars. On June 26, 2017, the Company paid off and extinguished its Crown debt. As a result of the extinguishment of the Crown debt, the Company's cash interest is significantly lower than it has been in prior periods, with the difference between the first quarter of 2018 finance expense and the first quarter of 2017 finance expense reflective of this.

During the three months ended March 31, 2018, the Company recognized a fair value adjustment (recovery of $165,625) in respect of its earn-out obligation. The fair value adjustment resulted from changes in estimates underlying the Company's earn-out obligation. The changes in estimates underlying the Company's earn-out obligation were driven primarily by the changes in the discount rate utilized as well as the probabilities underlying payment.

The Company did not record any exchange gains or losses within finance income during the quarter as the Company did not hold any Canadian denominated debt in the period. In the quarter ended March 31, 2017, the Company recorded an exchange gain of $89,638 in relation to the Crown note. In the three months ended March 31, 2018, finance expense, excluding fair value adjustments and the impact of foreign exchange was $750,138, compared to $1,320,990 for the three months ended March 31, 2017.

Cash interest paid in the three months ended March 31, 2018 was $668,023 compared to $829,834 for the three months ended March 31, 2017. At March 31, 2018, the Company owed $60.0 million under the amended Scotia Facility as compared to $61.7 million owed at December 31, 2017. The Company anticipates that, in future, cash interest will fluctuate as the Company draws or repays on its Facility.

		Three months ended		
		March 31, 2018		March 31, 2017
Finance income:				
Foreign exchange (gain)	$	-	$	(89,638)
Net change in fair value of financial liabilities at fair value through earnings		(165,625)		-
Total finance income	$	(165,625)	$	(89,638)
Finance expense:				
Interest and accretion expense on borrowings	$	668,024	$	1,086,675
Accretion expense on earn-out obligation and deferred consideration		44,981		159,574
Amortization of deferred financing fees		37,133		74,274
Net change in fair value of financial liabilities at fair value through earnings		-		14,863
Other		-		467
Total finance expense	$	750,138	$	1,335,853
Net finance expense	$	584,513	$	1,246,215

Income tax expense

For the three months ended March 31, 2018, the Company recorded an income tax expense of $693,985 compared to income tax expense of $397,269 for the three months ended March 31, 2017. Income tax expense relates only to income attributable to the Company's shareholders. The effective tax rate experienced in the first quarter of 2018 is reflective of expectations for the effective tax rate for the remainder of the year.

Net and comprehensive income

For the three months ended March 31, 2018, the Company recorded net and comprehensive income attributable to shareholders of the Company of $1,427,867 compared to net and comprehensive income attributable to shareholders of $1,541,856 for the three months ended March 31, 2017. The decrease year over year is largely a reflection of the decreased operating income in the year.

Net and comprehensive income attributable to non-controlling interest was $1,753,784 for the three months ended March 31, 2018. This is consistent with the net and comprehensive income attributable to non-controlling interest in the first quarter of 2017.

SUMMARY OF QUARTERLY RESULTS (Unaudited)

The following table sets forth certain unaudited consolidated statements of operations data for each of the eight most recent quarters that, in management's opinion, have been prepared on a basis consistent with the audited consolidated financial statements for the year ended December 31, 2017, except where restated in accordance with the adoption of IFRS 15. Refer to footnote 6.

Seasonality impacts quarterly anesthesia and product revenues. With our expenses primarily fixed, adjusted operating EBITDA margins will fluctuate quarterly with operating EBITDA margins being greater during the fourth quarter of each year and operating EBITDA margins being less during the first quarter of each year. Seasonality also impacts net income as net income will fluctuate with fluctuations in adjusted operating EBITDA.

(in 000's of US$, except EPS)	Q1 '18	Q4 '17[6]	Q3 '17[6]	Q2 '17[6]	Q1 '17[6]	Q4 '16[6]	Q3 '16[6]	Q2 '16[6]
Anesthesia services revenue	22,109	27,478	19,294	18,140	18,592	21,637	18,319	13,150
Product sales revenue	2,557	3,072	2,865	2,788	2,776	2,814	2,661	2,657
Total revenue	**24,666**	**30,550**	**22,159**	**20,928**	**21,369**	**24,451**	**20,980**	**15,807**
Total operating expense	**20,205**	**28,332**	**18,507**	**17,190**	**16,423**	**15,278**	**14,386**	**10,766**
Adjusted operating expenses[1]								
Anesthesia services[1]	10,416	11,411	9,177	8,712	8,299	8,121	7,666	5,378
Product sales[1]	1,093	1,295	1,094	1,142	1,037	1,083	974	1,004
Corporate[1]	743	882	994	844	985	746	685	853
Product sales – adjusted margin[5]	57%	58%	62%	59%	63%	61%	63%	62%
Anesthesia services – adjusted margin[5]	53%	58%	52%	52%	55%	62%	58%	59%
Total adjusted operating expenses[1]	**12,252**	**13,588**	**11,265**	**10,698**	**10,320**	**9,950**	**9,325**	**7,235**
Operating income	**4,460**	**2,219**	**3,652**	**3,738**	**4,946**	**9,173**	**6,595**	**5,041**
Adjusted operating EBITDA[2] - non-controlling interest[4]	4,182	5,473	3,119	2,878	3,329	4,219	2,533	1,518
Adjusted operating EBITDA[2] - shareholders of the Company	**8,231**	**11,490**	**7,775**	**7,352**	**7,719**	**10,281**	**9,122**	**7,054**
Adjusted operating EBITDA[2] - total	**12,414**	**16,963**	**10,894**	**10,230**	**11,048**	**14,500**	**11,655**	**8,572**
Net finance (income) expense	585	(9,834)	(400)	3,571	1,246	1,175	1,381	2,156
Income tax expense (recovery)[3]	694	5,755	603	(453)	397	1,643	188	1,219
Net income	**3,182**	**6,298**	**3,448**	**620**	**3,302**	**6,354**	**5,026**	**1,666**
Attributable to:								
Shareholders of the Company	1,428	3,282	2,228	(494)	1,542	3,470	2,870	1,269
Non-controlling interest[4]	1,754	3,016	1,219	1,114	1,760	2,884	2,156	397
Adjusted Operating EBITDA[2] per share attributable to shareholders								
Basic	0.113	0.156	0.105	0.099	0.106	0.142	0.127	0.099
Diluted	0.111	0.153	0.103	0.097	0.102	0.138	0.123	0.095
Earnings (loss) per share attributable to shareholders								
Basic	0.020	0.044	0.030	(0.007)	0.021	0.048	0.040	0.018
Diluted	0.019	0.044	0.030	(0.007)	0.020	0.047	0.039	0.017

[1] Adjusted operating expenses: This is a non-IFRS measure defined as operating expenses before acquisition related expenses, stock based compensation, depreciation, amortization and asset impairment charges. Refer to the end of this document for the reconciliation of reported financial results to non-IFRS measures.
[2] Adjusted operating EBITDA: This is a non-IFRS measure defined as operating earnings before interest, taxes, depreciation, amortization, stock based compensation, acquisition related corporate expenses and asset impairment charges. Refer to the end of this document for the reconciliation of reporting financial results to non-IFRS measures.
[3] Income tax expense for the three months ended September 30, 2016 includes an immaterial adjustment related to the prior quarters in 2016 associated with the non-controlling interests' share of income tax expense.
[4] Non-controlling interest reflects the ownership interest of persons holding non-controlling interests in non-wholly owned subsidiaries of the Company.
[5] Gross margin calculated with reference to sales less adjusted operating expenses
[6] Restated as a result of the adoption of IFRS 15 effective January 1, 2018. The adoption of IFRS 15 and the restatement of comparative figures impacted anesthesia revenue and anesthesia operating expense, but had no impact on net income or adjusted operating EBITDA. Refer to note 3 of the unaudited interim financial statements for the three months ended March 31, 2018 for the impact of IFRS 15 adoption.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2018, the Company had $4,832,332 in cash and cash equivalents compared to $12,486,884 at the end of 2017. The decrease in cash and equivalents is primarily a reflection of cash generated from operations, less cash used to finance normal course issuer bid repurchases, the SSA acquisition and debt repayments during the three months ended March 31, 2018.

Working capital was $11,409,331 compared to working capital of $20,102,948 at December 31, 2017. The Company expects to meet its short-term obligations, including short-term obligations in respect of its notes payable and deferred consideration through cash earned through operating activities. The average number of days receivables outstanding at March 31, 2018 was 51 days. At December 31, 2017, the average number of days receivables outstanding was 42 days. Traditionally, the receipt of payments is slower in the first quarter of the year as patients have not met insurance deductibles. Also impacting the days receivable outstanding as of March 31, 2018 is the implementation of the new CMS billing codes which resulted in delays in the processing of payments by payors.

The Company has financed its operations primarily from revenues generated from product sales and anesthesia services and through equity and debt financings and a revolving credit facility. As of March 31, 2018, the Company has raised approximately $51 million from the sale and issuance of equity securities. The Company also obtained debt financing of $52 million via senior and subordinated credit facilities with Crown, Bloom Burton and Knight in 2014 and entered into a revolving credit facility with the Bank of Nova Scotia for $33 million in 2015, which was subsequently increased to $55 million in 2016. Most recently, the Company amended its debt facility with the Bank of Nova Scotia, increasing its facility to $100 million on June 26, 2017. As at March 3, 2018, the Company owed $60.0 million under the facility.

The Company's credit facility as at March 31, 2018 is described as follows:

The Bank of Nova Scotia ("Scotia Facility")

On November 24, 2015, the Company entered into a credit facility with the Bank of Nova Scotia. The facility, which had a maturity date of April 30, 2018, provided financing of up to $55,000,000, after amendment on June 15, 2016. In conjunction with the 2016 amendment, the Company paid $390,400 in fees to the Bank of Nova Scotia and legal counsel.

On June 26, 2017, the Company amended the Scotia Facility to provide financing of up to $100,000,000 via a revolving and term facility. The amended facility has a maturity date of June 26, 2020. In conjunction with this amendment, the Company incurred fees of $445,598. The amendment was determined to be a substantial modification and the Company extinguished the previous Scotia facility and wrote off deferred financing costs related to the previous facility of $173,511. As at March 31, 2018, the Company had drawn $60,000,000 on the amended facility (2017 - $61,700,000). The Facility is repayable in full at maturity, with scheduled principal repayments on a quarterly basis beginning September 30, 2017 based on the initial principal issued under the term facility. The facility bears interest at a floating rate based on the US prime rate, LIBOR or bankers' acceptance rates plus an applicable margin. At March 31, 2018, interest on the facility is calculated at LIBOR plus 2.50% on the revolving portion and term portion of the facility. The Facility is secured by the assets of the Company. As at March 31, 2018 the Company is required to maintain the following financial covenants in respect of the Facility:

Financial Covenant	Required Ratio
Total funded debt ratio	2.50:1.00
Fixed charge coverage ratio	1.15:1.00

The Company is in compliance with all covenants at March 31, 2018.

Cash provided by operating activities for the three months March 31, 2018 was $11,859,575 compared to $7,991,021 in the same period in fiscal 2017. Cash provided by operating activities is reflective of adjusted operating EBITDA earned in the period.

The Company's near-term cash requirements relate primarily to interest payments, quarterly principal payments in respect of the Scotia Facility, annual payments in respect of the deferred consideration in relation to the Austin acquisition, purchases under the Company's normal course issuer bid, operations, working capital and general corporate purposes, including further acquisitions. Based on the current business plan, the Company believes cash and cash equivalents and the availability of its revolving credit facility will be sufficient to fund the Company's operating, debt repayment and capital requirements for at least the next 12 months. The Company updates its forecasts on a regular basis and will consider additional financing sources as appropriate.

There were no significant changes in the Company's contractual commitments compared with those set forth in the Company's 2017 Management Discussion and Analysis, available on SEDAR at www.sedar.com.

OUTSTANDING SHARE CAPITAL

As at March 31, 2018, there were 72,907,288 common shares issued and outstanding for a total of $54,029,910 in share capital.

As at March 31, 2018, there were 1,344,687 options outstanding at a weighted-average exercise price of $0.53 per share, of which 1,344,687 were exercisable into common shares at a weighted-average exercise price of $0.53 per share. As at March 31, 2018, there were 2,576,500 share units issued and outstanding.

As at April 27, 2018 there were 72,636,188 common shares issued and outstanding for a total of $53,899,763 in share capital. There are 1,344,687 options outstanding at a weighted-average exercise price of $0.53 per share, of which 1,344,687 are exercisable into common shares at a weighted average price of $0.53 per share. As at April 27, 2018, there are 2,576,500 share units issued and outstanding.

OFF BALANCE SHEET ARRANGEMENTS

The Company has no material undisclosed off-balance sheet arrangements that have or are reasonably likely to have, a current or future effect on our results of operations or financial condition.

PROPOSED TRANSACTIONS

As at March 31, 2018, the Board of Directors had not committed to proceed with any proposed asset or business acquisitions or dispositions that are not disclosed herein.

TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its wholly owned subsidiaries and entities over which the Company has control have been eliminated on consolidation.

For the three months ended March 31, 2018, the Company had related party transactions with key management personnel pertaining to the ordinary course of their employment or directorship arrangements. In addition, the Company made product sales to companies owned or controlled by one of the Company's Directors.

DISCLOSURE CONTROLS AND PROCEDURES (DCP) AND INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICFR)

The Company's disclosure controls and procedures are designed to provide reasonable assurance that material information required to be disclosed in the prescribed filings and reports filed with the Canadian securities regulatory authorities is recorded, processed, summarized and reported on a timely basis. The Company's controls are also designed to provide reasonable assurance that information required to be disclosed is assimilated and communicated to senior management in a timely manner so that appropriate decisions can be made regarding public disclosure.

Management has also designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements in accordance with International Financial Reporting Standards. Management, including the Company's Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate ICFR, which has been developed based on the framework established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO (2013)).

During the first quarter of 2018, there were no significant changes in the Company's internal controls over financial reporting that have materially affected or are reasonably likely to affect the Company's internal controls over financial reporting.

As permitted by National Instrument 52-109, the evaluation of the design of disclosure controls and procedures and internal controls over financial reporting does not include controls, policies and procedures covering the Company's acquisition completed in the first quarter of 2018. Prior to its acquisition by the Company, SSA was a privately held company. Revenues totaling $134,862 and net income before tax of $60,538 from this acquisition was included in our consolidated interim financial statements for the quarter ended March 31, 2018.

CRITICAL ACCOUNTING ESTIMATES

There were no significant changes to the Company's critical accounting estimates during the quarter ended March 31, 2018, except as it relates to the Company's adoption of IFRS 15, as described below.

The Company has not early adopted any amendment, standard or interpretation that has been issued by the IASB but is not yet effective. Amendments, standards and interpretations that are issued but not yet effective are described in the Company's annual financial statements for the period ended December 31, 2017. The Company has initially adopted IFRS 15, *Revenue from Contacts with Customers* as at January 1, 2018. A number of other new standards are effective from January 1, 2018, including IFRS 9, *Financial Instruments*, but they do not have a material effect on the Company's financial statements.

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced IAS 18, *Revenue*, IAS 11, *Construction Contracts* and related interpretations. The two permitted transition methods under the new standard are the full retrospective method, in which case the standard is applied to each prior reporting period presented and the cumulative effect of apply the standard is recognized in the earliest period show, or the modified retrospective method, in which case the cumulative effect of applying the standard would be recognized in retained earnings at January 1, 2018, the date of initial application. Effective January 1, 2018, the Company adopted IFRS 15 using the full retrospective method.

The Company recognizes revenue upon a transfer of control of the asset to the customer. For anesthesia services, a transfer of control occurs upon completion of service to the customer (patient). For product sales, a transfer of control occurs upon shipment of product to the customer (physician). Control of goods passes to the customer (physician) upon shipment primarily because the customer obtains both legal title to the goods and an obligation to pay for the goods upon shipment. Each contract, whether for anesthesia services or product sales, contains only a single performance obligation since physicians who purchase ligators are not the ones performing endoscopies or colonoscopies that require anesthesia.

IFRS 15 requires management to estimate the transaction price including any implicit price concessions. IFRS 15 also requires that changes to the transaction price be recorded as adjustments to revenue. Under IFRS 15, where there are implicit price concessions arising from the credit approval process, this is considered to be variable consideration. Variable consideration of this type is accounted for as adjustments to revenue recorded. Essentially the impact to the Company of adopting IFRS 15 is that revenue is reduced by the net uncollectible amounts which were previously recorded as bad debt expense. This only impacts the Company's anesthesia services revenue. The net impact of adoption of IFRS 15 is a reduction in anesthesia services revenue and a corresponding reduction in anesthesia services expense with no impact to net income. There was no impact to the Company's other operating segments.

In adopting IFRS 15, the Company has elected to make use of the following practical expedients:

- incremental costs of obtaining a contract are recognised as an expense when incurred because the amortisation period of the asset that the Company otherwise would have recognised is one year or less; and
- the promised amount of consideration has not been adjusted for the effects of a significant financing component because, at contract inception, the period between when the Company transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

The following table summarizes the impact of adopting IFRS 15 on the Company's interim statement of operations and comprehensive income. Due to the nature of the adjustments, there was no impact to the consolidate balance sheet, statement of changes in equity or statement of cash flows.

For the three months ended March 31, 2017	Note	As reported	Adjustments	Amounts without adoption of IFRS 15
Revenue:				
Anesthesia services	a	$ 18,592,336	$ 1,170,096	$ 19,762,432
Product sales		2,776,315	-	2,776,315
		21,368,651	1,170,096	22,538,747
Expenses:				
Anesthesia services expense	a	13,633,175	1,170,096	14,803,271
Product sales expense		1,159,959	-	1,159,959
Corporate expense		1,629,915	-	1,629,915
		16,423,049	1,170,096	17,593,145
Operating income		4,945,602	-	4,945,602
Finance income		(89,638)	-	(89,638)
Finance expense		1,335,853	-	1,335,853
Income before tax		3,699,387	-	3,699,387
Income tax expense		397,269	-	397,269
Net and comprehensive income		$ 3,302,118	-	$ 3,302,118
Attributable to:				
Shareholders of the Company		$ 1,541,856	-	$ 1,541,856
Non-controlling interest		1,760,262	-	1,760,262
		$ 3,302,118	-	$ 3,302,118

a Under IFRS 15, where there are implicit price concessions arising from the credit approval process, this is considered to be variable consideration. Variable consideration of this type is accounted for as adjustments to revenue recorded. This only impacts the Company's anesthesia services revenue. Previously, collection risk was recorded as bad debt expense. The impact of the adoption of IFRS 15 serves to reduce revenue recorded historically by the bad debt expense recorded in the anesthesia services segment.

CRH's critical accounting estimates are described in its MD&A for the year ended December 31, 2017, filed under the Company's profile on www.sedar.com.

FUTURE CHANGES IN ACCOUNTING POLICIES

All accounting standards effective for periods beginning on or after January 1, 2018 have been adopted by the Company. New accounting pronouncements issued but not yet effective are described in note 3 to the annual consolidated financial statements for the year ended December 31, 2017. There are no new standards issued subsequent to December 31, 2017 which are considered to have an impact on the Company.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, trade and other receivables, trade and other payables, employee benefit obligations, member loans, notes payable, deferred consideration and the Company's earn-out obligation. The fair values of these financial instruments except the notes payable balances, deferred consideration, and the earn-out obligation, approximate carrying value because of their short-term nature. The earn-out obligation is classified as a financial instrument recorded at fair value through earnings. The fair value of the Scotia Facility approximates carrying value as it is a floating rate instrument. The carrying value of the deferred consideration approximates fair value as the discount rate used is reflective of the underlying credit risk of the Company.

Cash and cash equivalents and trade and other receivables are classified as loans and receivables, which are measured at amortized cost. Trade and other payables and employee benefit obligations are classified as other financial liabilities, which are measured at amortized cost. Notes payable balances and deferred consideration are also measured at amortized cost. The Company's earn-out obligation is measured at fair value.

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk and market risk. There have been no significant changes to those risks impacting the Company since December 31, 2017, nor has there been a significant change in the composition of its financial instruments since December 31, 2017.

LEGAL PROCEEDINGS

The Company is a party to a variety of agreements in the ordinary course of business under which it may be obligated to indemnify third parties with respect to certain matters. These obligations include, but are not limited to contracts entered into with physicians where the Company agrees, under certain circumstances, to indemnify a third party, against losses arising from matters including but not limited to medical malpractice and product liability. The impact of any such future claims, if made, on future financial results is not subject to reasonable estimation because considerable uncertainty exists as to final outcome of these potential claims

NON-IFRS MEASUREMENTS

The following are non-IFRS measures and investors are cautioned not to place undue reliance on them and are urged to read all IFRS accounting disclosures present in the condensed consolidated interim financial statements and accompanying notes for the condensed consolidated interim financial statements for the three months ended March 31, 2018 and the consolidated financial statements and accompanying notes to the financial statements for the year ended December 31, 2017.

The Company uses certain non-IFRS financial measures as supplemental indicators of its financial and operating performance. These non-IFRS financial measures include adjusted operating EBITDA and adjusted operating expenses. The Company believes these supplementary financial measures reflect the Company's ongoing business in a manner that allows for meaningful period-to-period comparisons and analysis of trends in its business. These non-IFRS measures do not have any standardized meaning prescribed under IFRS and are therefore unlikely to be comparable to similar measures presented by other companies.

The Company defines adjusted operating EBITDA as operating earnings before interest, taxes, depreciation, amortization, stock based compensation, acquisition related expenses and asset impairment charges. Adjusted operating EBITDA is presented on a basis consistent with the Company's internal management reports. The Company discloses adjusted operating EBITDA to capture the profitability of its business before the impact of items not considered in management's evaluation of operating unit performance.

The Company defines adjusted operating expenses as operating expenses before acquisition related expenses, stock based compensation, depreciation, amortization and asset impairment charges. Adjusted operating expenses are presented on a basis consistent with the Company's internal management reports.

The non-IFRS measures are reconciled to reported IFRS figures in the tables below:

Adjusted operating EBITDA

For the three months ended	2018	2017				2016			
(USD in thousands)	Mar	Dec	Sep	Jun	Mar	Dec	Sep	Jun	Mar
Adjusted operating EBITDA attributable to:									
Shareholders of the Company	8,231	11,489	7,775	7,352	7,719	10,281	9,122	7,054	5,914
Non-controlling interest	4,182	5,473	3,119	2,878	3,328	4,219	2,533	1,518	848
Total adjusted operating EBITDA	**12,414**	**16,963**	**10,894**	**10,230**	**11,047**	**14,500**	**11,655**	**8,572**	**6,762**
Amortization expense	(6,994)	(7,169)	(5,897)	(5,603)	(5,059)	(4,715)	(4,711)	(2,925)	(2,475)
Depreciation and related expense	(23)	(25)	(22)	(20)	(13)	(30)	(31)	(30)	(15)
Stock based compensation	(828)	(799)	(968)	(781)	(906)	(525)	(297)	(290)	(264)
Acquisition expenses	(109)	(97)	(355)	(88)	(127)	(58)	(21)	(286)	(62)
Impairment of inventory	-	-	-	-	-	-	-	-	-
Impairment of intangible assets	-	(6,653)	-	-	-	-	-	-	-
Operating income	**4,460**	**2,219**	**3,652**	**3,738**	**4,946**	**9,172**	**6,595**	**5,041**	**3,946**
Net finance income (expense)	(585)	9,834	400	(3,571)	(1,246)	(1,175)	(1,381)	(2,156)	289
Income tax (expense) recovery	(694)	(5,755)	(604)	453	(397)	(1,643)	(188)	(1,219)	(1,205)
Net and comprehensive income	**3,182**	**6,298**	**3,448**	**620**	**3,302**	**6,354**	**5,026**	**1,666**	**3,030**

Adjusted operating expenses[1]

For the three months ended	2018	2017				2016			
(USD in thousands)	Mar	Dec	Sep	Jun	Mar	Dec	Sep	Jun	Mar
Anesthesia services - adjusted operating expense	**10,416**	**11,411**	**9,177**	**8,712**	**8,299**	**8,121**	**7,666**	**5,378**	**4,670**
Amortization expense	6,993	7,169	5,897	5,603	5,056	4,715	4,711	2,925	2,475
Depreciation and related expense	1	3	2	3	2	1	3	2	2
Stock based compensation	123	71	100	106	149	120	38	27	17
Acquisition expenses	109	97	356	87	127	58	21	286	62
Impairment of intangible assets	-	6,653	-	-	-	-	-	-	-
Anesthesia services expense	**17,642**	**25,404**	**15,532**	**14,511**	**13,633**	**13,014**	**12,439**	**8,618**	**7,226**
Product sales - adjusted operating expense	**1,093**	**1,295**	**1,094**	**1,142**	**1,037**	**1,083**	**974**	**1,004**	**998**
Amortization expense	1	1	1	1	5	-	-	-	-
Depreciation and related expense	16	16	14	12	8	15	15	15	1
Stock based compensation	107	95	90	76	110	125	90	99	84
Impairment of inventory	-	-	-	-	-	-	-	-	-
Product sales expense	**1,217**	**1,408**	**1,199**	**1,231**	**1,160**	**1,223**	**1,079**	**1,118**	**1,083**
Corporate - adjusted operating expenses	**743**	**882**	**994**	**844**	**985**	**746**	**684**	**853**	**754**
Amortization expense	-	-	-	-	(4)	-	-	-	-
Depreciation and related expense	5	6	6	5	3	14	14	13	13
Stock based compensation	599	633	777	599	647	280	169	164	162
Corporate expense	**1,347**	**1,521**	**1,776**	**1,448**	**1,630**	**1,040**	**867**	**1,030**	**929**
Total adjusted operating expense	**12,252**	**13,588**	**11,265**	**10,698**	**10,321**	**9,950**	**9,325**	**7,235**	**6,422**
Total operating expense	**20,205**	**28,332**	**18,507**	**17,190**	**16,423**	**15,278**	**14,386**	**10,766**	**9,238**

[1] Fiscal years 2017 and 2016 are restated for the adoption of IFRS 15, effective January 1, 2018. Refer to note 3 of the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2018.

Condensed Consolidated Interim Financial Statements
(Expressed in United States dollars)

CRH MEDICAL CORPORATION

(Unaudited)

Three months ended March 31, 2018 and 2017

CRH MEDICAL CORPORATION

Condensed Consolidated Balance Sheets
(Unaudited)
(Expressed in United States dollars)

As at March 31, 2018 and December 31, 2017

	Notes		March 31, 2018		December 31, 2017
Assets					
Current assets:					
Cash and cash equivalents		$	4,832,332	$	12,486,884
Trade and other receivables			13,970,432		15,486,312
Prepaid expenses and deposits			941,123		889,882
Inventories			488,250		423,445
			20,232,137		29,286,523
Non-current assets:					
Property and equipment			347,042		364,366
Intangible assets	4		165,398,937		163,092,606
Deferred tax assets			6,402,306		5,707,383
			172,148,285		169,164,355
Total assets		$	192,380,422	$	198,450,878
Liabilities					
Current liabilities:					
Trade and other payables		$	4,362,342	$	5,661,844
Employee benefits			565,899		500,754
Current tax liabilities			1,252,380		577,553
Notes payable and bank indebtedness	8		1,726,468		1,101,468
Deferred consideration			915,717		906,956
Member loan			-		435,000
			8,822,806		9,183,575
Non-current liabilities:					
Deferred consideration			2,246,348		2,226,737
Notes payable and bank indebtedness	8		57,940,984		60,228,851
Earn-out obligation	11		1,726,412		1,875,427
			61,913,744		64,331,015
Equity					
Share capital			54,029,910		53,925,537
Contributed surplus			8,962,639		8,390,026
Accumulated other comprehensive loss			(66,772)		(66,772)
Retained earnings			6,461,445		5,410,181
Total equity attributable to shareholders of the Company			69,387,222		67,658,972
Non-controlling interest			52,256,650		57,277,316
Total equity			121,643,872		124,936,288
Total liabilities and equity		$	192,380,422	$	198,450,878

See accompanying notes to condensed consolidated interim financial statements.

Approved on behalf of the Board:

(signed) "Edward Wright"	Director	(signed) "Anthony Holler"	Director
Edward Wright		Anthony Holler	

CRH MEDICAL CORPORATION

Condensed Consolidated Interim Statements of Operations and Comprehensive Income
(Unaudited)
(Expressed in United States dollars)

Three months ended March 31, 2018 and 2017

	Notes	Three months ended March 31, 2018	Three months ended March 31, 2017 (restated – note 3)
Revenue:			
Anesthesia services	12	$ 22,108,625	$ 18,592,336
Product sales	12	2,556,876	2,776,315
		24,665,501	21,368,651
Expenses:			
Anesthesia services expense	5	17,642,050	13,633,175
Product sales expense	6	1,216,654	1,159,959
Corporate expense	7	1,346,648	1,629,915
		20,205,352	16,423,049
Operating income		4,460,149	4,945,602
Finance income	10	(165,625)	(89,638)
Finance expense	10	750,138	1,335,853
Income before tax		3,875,636	3,699,387
Income tax expense		693,985	397,269
Net and comprehensive income		$ 3,181,651	$ 3,302,118
Attributable to:			
Shareholders of the Company		$ 1,427,867	$ 1,541,856
Non-controlling interest		1,753,784	1,760,262
		$ 3,181,651	$ 3,302,118
Earnings per share attributable to shareholders:			
Basic	9(e)	$ 0.020	$ 0.021
Diluted	9(e)	$ 0.019	$ 0.020
Weighted average shares outstanding:			
Basic		72,881,491	72,925,319
Diluted		74,196,994	75,702,637

See accompanying notes to condensed consolidated interim financial statements.

CRH MEDICAL CORPORATION

Condensed Consolidated Interim Statements of Changes in Equity
(Unaudited)
(Expressed in United States dollars)

Three months ended March 31, 2018 and 2017

	Number of shares		Share capital		Contributed surplus		Accumulated other comprehensive loss		Retained earnings		Non-controlling interest		Total equity
Balance as at January 1, 2017	72,745,939	$	52,706,484	$	7,142,964	$	(66,772)	$	733,155	$	36,410,456	$	96,926,287
Total net and comprehensive income for the period	-		-		-		-		1,541,856		1,760,262		3,302,118
Transactions with owners, recorded directly in equity:													
Stock-based compensation expense	-		-		906,374		-		-		-		906,374
Common shares purchased on exercise of options	60,000		21,815		(9,408)		-		-		-		12,407
Common shares issued on vesting of share units	1,113,549		1,006,238		(1,073,259)		-		-		-		(67,021)
Distribution to non-controlling interest	-		-		-		-		-		(4,011,581)		(4,011,581)
Acquisition of non-controlling interest (note 4)	-		-		-		-		-		6,197,286		6,197,286
Balance as at March 31, 2017	73,919,488	$	53,734,537	$	6,966,671	$	(66,772)	$	2,275,011	$	40,356,423	$	103,265,870
Balance as at January 1, 2018	73,018,588		53,925,537		8,390,026		(66,772)		5,410,181		57,277,316		124,936,288
Total net and comprehensive income for the period	-		-		-		-		1,427,867		1,753,784		3,181,651
Transactions with owners, recorded directly in equity:													
Stock-based compensation expense	-		-		828,496		-		-		-		828,496
Common shares issued on vesting of share units	60,000		255,883		(255,883)		-		-		-		-
Common shares repurchased in connection with normal course issuer bid and cancelled (note 9(d))	(98,900)		(72,458)		-		-		(180,107)		-		(252,565)
Cancellation of treasury shares	(72,400)		-		-		-		-		-		-
Common shares repurchased in connection with normal course issuer bid and held as treasury shares (107,900 treasury shares) (note 9(d))	-		(79,052)		-		-		(196,496)		-		(275,548)
Distribution to non-controlling interest	-		-		-		-		-		(6,774,450)		(6,774,450)
Balance as at March 31, 2018	72,907,288	$	54,029,910	$	8,962,639	$	(66,772)	$	6,461,445	$	52,256,650	$	121,643,872

See accompanying notes to condensed consolidated interim financial statements.

CRH MEDICAL CORPORATION

Condensed Consolidated Interim Statements of Cash Flows
(Unaudited)
(Expressed in United States dollars)

Three months ended March 31, 2018 and 2017

	Notes	Three months ended March 31, 2018	Three months ended March 31, 2017
Cash provided by (used in)			
Operating activities:			
Net income		$ 3,181,651	$ 3,302,118
Adjustments for:			
Depreciation of property, equipment and intangibles		7,016,474	5,068,951
Stock based compensation expense		828,496	906,374
Unrealized foreign exchange (gain) loss		7,232	(88,969)
Finance expense		584,513	1,335,853
Income tax expense		693,985	397,269
Operating activity before changes in operating assets and liabilities		12,312,351	10,921,596
Taxes paid		(712,512)	(2,940,171)
Change in trade and other receivables		1,515,880	225,201
Change in prepaid expenses and deposits		(155,389)	(194,669)
Change in inventories		(64,805)	(109,992)
Change in trade and other payables		(1,101,094)	3,300
Change in employee benefits		65,144	85,855
Cash provided by operating activities		11,859,575	7,991,021
Financing activities			
Proceeds from member loans		-	60,000
Repayment of member loans		(435,000)	-
Proceeds on working capital advance		-	71,819
Proceeds from bank indebtedness	8	9,300,000	4,000,000
Repayment of bank indebtedness	8	(11,000,000)	-
Repayment of interest on notes payable and bank indebtedness		(668,023)	(829,834)
Distribution to non-controlling interest		(6,774,450)	(4,011,581)
Proceeds from the issuance of shares relating to stock based compensation		-	(54,614)
Repurchase of shares for cancellation	9(d)	(528,113)	-
Cash used in financing activities		(10,105,586)	(764,210)
Investing activities			
Acquisition of property and equipment		(5,480)	(9,415)
Acquisition of anesthesia services providers	4	(9,404,148)	(7,491,610)
Cash used in investing activities		(9,409,628)	(7,501,025)
Effects of foreign exchange on cash and cash equivalents		1,087	(550)
Decrease in cash and cash equivalents		(7,654,552)	(274,764)
Cash and cash equivalents, beginning of period		12,486,884	9,507,004
Cash and cash equivalents, end of period		$ 4,832,332	$ 9,232,240

See accompanying notes to condensed consolidated interim financial statements.

1. Reporting entity:

CRH Medical Corporation (“CRH” or “the Company”) was incorporated on April 21, 2001 and is incorporated under the Business Corporations Act (British Columbia). The Company provides anesthesiology services to gastroenterologists in the United States through its subsidiaries and also specializes in the treatment of hemorrhoids utilizing its treatment protocol and patented proprietary technology.

CRH principally operates in the United States and is headquartered from its registered offices located at Unit 578, 999 Canada Place, Vancouver, British Columbia, Canada.

2. Basis of preparation:

(a) Statement of compliance:

These unaudited condensed consolidated interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). Accordingly, these condensed consolidated interim financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including International Accounting Standard 34, Interim Financial Reporting (“IAS 34”). These condensed consolidated interim financial statements do not include all the information and note disclosures required by IFRS for annual financial statements and therefore should be read in conjunction with the Company’s audited consolidated financial statements and the notes thereto for the year ended December 31, 2017. In management’s opinion, all adjustments considered necessary for fair presentation have been included in these financial statements. Interim results are not necessarily indicative of the results expected for the fiscal year.

This is the first set of the Company’s financial statements where IFRS 15 and IFRS 9 have been applied. Changes to significant accounting policies are described in Note 3.

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on April 27, 2018.

(b) Basis of measurement:

The Company’s condensed consolidated interim financial statements have been prepared on a going concern and historical cost basis except for certain financial instruments which are recorded at fair value.

(c) Functional and presentation currency:

These condensed consolidated interim financial statements are presented in United States dollars, which is the Company’s presentational currency. The functional currency of the Company’s parent company and subsidiaries is the United States dollar.

2. Basis of preparation (continued):

(d) Use of estimates, assumptions and judgments:

The preparation of the Company's condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies, the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Significant areas requiring the use of management estimates relate to the assessment for impairment and useful lives of intangible assets, determining the fair value of share units, estimates supporting reported anesthesia revenues, the valuation of certain long term liabilities, including liabilities relating to contingent and deferred consideration, the vesting term for share units with market and performance based performance targets, the valuation of acquired intangibles, the valuation of deferred tax assets and the allocation of purchase consideration to the fair value of assets acquired and liabilities assumed.

Significant judgments made by management in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements includes the determination of functional currency and the accounting classification of financial instruments. In conjunction with the Company's business acquisitions, these judgments also include the Company's determination of control for the purposes of consolidation and the Company's definition of a business.

Reported amounts and note disclosures reflect the overall economic conditions that are most likely to occur and anticipated measures management intends to take. Actual results could differ from those estimates.

(e) Comparative information:

Certain comparative information has been reclassified to conform with the presentation adopted in the current fiscal year.

3. Significant accounting policies:

These condensed consolidated interim financial statements have been prepared using the significant accounting policies and methods of computation consistent with those applied in the Company's December 31, 2017 annual consolidated financial statements, except as discussed below relating to the adoption of IFRS 15.

The Company has not early adopted any amendment, standard or interpretation that has been issued by the IASB but is not yet effective. Amendments, standards and interpretations that are issued but not yet effective are described in the Company's annual financial statements for the period ended December 31, 2017. The Company has initially adopted IFRS 15, *Revenue from Contracts with Customers* as at January 1, 2018. A number of other new standards are effective from January 1, 2018, including IFRS 9, *Financial Instruments*, but they do not have a material effect on the Company's financial statements.

3. Significant accounting policies (continued):

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced IAS 18, *Revenue*, IAS 11, *Construction Contracts* and related interpretations. The two permitted transition methods under the new standard are the full retrospective method, in which case the standard is applied to each prior reporting period presented and the cumulative effect of applying the standard is recognized in the earliest period show, or the modified retrospective method, in which case the cumulative effect of applying the standard would be recognized in retained earnings at January 1, 2018, the date of initial application. Effective January 1, 2018, the Company adopted IFRS 15 using the full retrospective method.

The Company recognizes revenue upon a transfer of control of the asset to the customer. For anesthesia services, a transfer of control occurs upon completion of service to the customer (patient). For product sales, a transfer of control occurs upon shipment of product to the customer (physician). Control of goods passes to the customer (physician) upon shipment primarily because the customer obtains both legal title to the goods and an obligation to pay for the goods upon shipment. Each contract, whether for anesthesia services or product sales, contains only a single performance obligation since physicians who purchase ligators are not the ones performing endoscopies or colonoscopies that require anesthesia.

IFRS 15 requires management to estimate the transaction price including any implicit price concessions. IFRS 15 also requires that changes to the transaction price be recorded as adjustments to revenue. Under IFRS 15, where there are implicit price concessions arising from the credit approval process, this is considered to be variable consideration. Variable consideration of this type is accounted for as adjustments to revenue recorded. Essentially the impact to the Company of adopting IFRS 15 is that revenue is reduced by the net uncollectible amounts which were previously recorded as bad debt expense. This only impacts the Company's anesthesia services revenue. The net impact of adoption of IFRS 15 is a reduction in anesthesia services revenue and a corresponding reduction in anesthesia services expense with no impact to net income. There was no impact to the Company's other operating segments.

In adopting IFRS 15, the Company has elected to make use of the following practical expedients:

- incremental costs of obtaining a contract are recognised as an expense when incurred because the amortisation period of the asset that the Company otherwise would have recognised is one year or less; and
- the promised amount of consideration has not been adjusted for the effects of a significant financing component because, at contract inception, the period between when the Company transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

(Expressed in United States dollars)

3. Significant accounting policies (continued):

The following table summarizes the impact of adopting IFRS 15 on the Company's interim statement of operations and comprehensive income. Due to the nature of the adjustments, there was no impact to the consolidate balance sheet, statement of changes in equity or statement of cash flows.

For the three months ended March 31, 2017	Note	As reported	Adjustments	Amounts without adoption of IFRS 15
Revenue:				
Anesthesia services	a	$ 18,592,336	$ 1,170,096	$ 19,762,432
Product sales		2,776,315	-	2,776,315
		21,368,651	1,170,096	22,538,747
Expenses:				
Anesthesia services expense	a	13,633,175	1,170,096	14,803,271
Product sales expense		1,159,959	-	1,159,959
Corporate expense		1,629,915	-	1,629,915
		16,423,049	1,170,096	17,593,145
Operating income		4,945,602	-	4,945,602
Finance income		(89,638)	-	(89,638)
Finance expense		1,335,853	-	1,335,853
Income before tax		3,699,387	-	3,699,387
Income tax expense		397,269	-	397,269
Net and comprehensive income		$ 3,302,118	-	$ 3,302,118
Attributable to:				
Shareholders of the Company		$ 1,541,856	-	$ 1,541,856
Non-controlling interest		1,760,262	-	1,760,262
		$ 3,302,118	-	$ 3,302,118

a Under IFRS 15, where there are implicit price concessions arising from the credit approval process, this is considered to be variable consideration. Variable consideration of this type is accounted for as adjustments to revenue recorded. This only impacts the Company's anesthesia services revenue. Previously, collection risk was recorded as bad debt expense. The impact of the adoption of IFRS 15 serves to reduce revenue recorded historically by the bad debt expense recorded in the anesthesia services segment.

(Expressed in United States dollars)

4. Business combinations:

During the three months ended March 31, 2018, the Company completed one business combination. The business combination completed in the period has been included in the anesthesia segment of the Company and represents the following:

Acquired Operation	Date Acquired	Consideration
Shreveport Sedation Associates LLC ("SSA")	March 2018	$9,404,148

The results of operations of the acquired businesses have been included in the Company's consolidated financial statements from the date of acquisition.

The following table summarizes the fair value of the consideration transferred and the preliminary estimated fair values of the assets and liabilities acquired at the acquisition date. Certain of the estimates of fair value, most notably the professional services agreements, are preliminary and may be subject to further adjustments.

	SSA	Total
Cash	$ 9,404,148	$ 9,404,148
Purchase consideration	$ 9,404,148	9,404,148
Non-controlling interest	-	-
	$ 9,404,148	$ 9,404,148
Assets and liabilities acquired:		
Exclusive professional services agreements	$ 9,300,000	$ 9,300,000
Prepaid expenses and deposits	104,148	104,148
Fair value of net identifiable assets and liabilities acquired	$ 9,404,148	$ 9,404,148
Exclusive professional services agreements – amortization term	7 years	
Acquisition costs expensed		$ 108,569

The value of the acquired intangible asset, being an exclusive professional services agreement, has been determined on a provisional basis and relates to the acquisition of an exclusive professional services agreement to provide professional anesthesia services. The amortization term for the agreement is based upon contractual terms within the acquisition agreement and professional services agreement.

(Expressed in United States dollars)

4. Business combinations (continued):

SSA

In March 2018, a subsidiary of the Company entered into an asset purchase agreement to purchase 100% of certain assets of an anesthesia services provider in the Louisiana. The total purchase price under the asset purchase agreement was $9,404,148 and was paid via cash. The Company has obtained control over the business through its contractual ability to direct the relevant activities of the assets acquired. The results of the operation of these assets has been included in the Company's consolidated interim financial statements from the date of acquisition, being March 19, 2018.

In the three months ended March 31, 2018, the above noted acquisition contributed revenue and net earnings before tax as follows:

	Three months ended March 31, 2018	
	SSA	Total
Revenue	$ 134,862	$ 134,862
Net earnings before tax	$ 60,538	$ 60,538
Amortization	$ 47,976	$ 47,976

The following unaudited supplemental pro forma financial information presents information as if the acquisitions had been completed on January 1, 2018. The pro forma financial information presented below (unaudited) is for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisitions had taken place at the beginning of fiscal 2018. The pro forma financial information (unaudited) presented includes amortization charges for acquired intangible assets based on the values assigned in the purchase price allocation. Had the acquisition been completed on January 1, 2018, revenue for the Company would have been approximately $25.5 million and net income before tax would have been approximately $4.2 million.

	Three months ended March 31, 2018	
Pro Forma Information (unaudited)		
	SSA	Total
Revenue	$ 964,782	$ 964,782
Net earnings before tax	$ 433,080	$ 433,080
Amortization	$ 110,714	$ 110,714

(Expressed in United States dollars)

4. Business combinations (continued):

During the year ended December 31, 2017, the Company completed six business combinations. All business combinations completed during the period have been included in the anesthesia segment of the Company and include the following:

Acquired Operation	Date Acquired	Consideration
DDAB, LLC ("DDAB")	February 2017	$5,273,570
Osceola Gastroenterology Anesthesia Associates, LLC ("OGAA")	March 2017	$3,401,819
West Florida Anesthesia Associates, LLC ("WFAA")	August 2017	$5,840,000
Central Colorado Anesthesia Associates, LLC ("CCAA")	September 2017	$7,888,919
Raleigh Sedation Associates, LLC & Blue Ridge Sedation Associates, PLLC ("RSA")	September 2017	$7,248,960
Alamo Sedation Associates, LLC ("ASA")	September 2017	$3,500,000

The results of operations of the acquired businesses have been included in the Company's consolidated financial statements from the date of acquisition.

The following table summarizes the fair value of the consideration transferred and the fair values of the assets and liabilities acquired at the acquisition date. Certain of the estimates of fair value, most notably the professional services agreements, are preliminary and may be subject to further adjustments.

	DDAB	OGAA	WFAA	CCAA	RSA	ASA	Total
Cash	$ 4,089,791	$ 3,401,819	$ 5,840,000	$ 7,888,919	$ 7,248,960	$ 3,500,000	$ 31,969,489
Contingent consideration	1,183,779	-	-	-	-	-	1,183,779
Purchase consideration	$ 5,273,570	$ 3,401,819	$ 5,840,000	$ 7,888,919	$ 7,248,960	$ 3,500,000	33,153,268
Non-controlling interest	5,066,763	2,267,879	4,778,182	7,579,550	6,964,687	-	26,657,061
	$ 10,340,333	$ 5,669,698	$ 10,618,182	$ 15,468,469	$ 14,213,647	$ 3,500,000	$ 59,810,329
Assets and liabilities acquired:							
Exclusive professional services agreements	10,340,333	$ 5,669,698	$ 10,606,192	$ 15,468,469	$ 14,213,648	$ 3,500,000	$ 59,798,340
Pre-close trade receivables	525,000	-	-	-	-	-	525,000
Pre-close trade payables	(525,000)	-	-	-	-	-	(525,000)
Prepaid expenses and deposits	-	-	11,889	-	-	-	11,889
Fair value of net identifiable assets and liabilities acquired	$ 10,340,333	$ 5,669,698	$ 10,618,081	$ 15,468,469	$ 14,213,648	$ 3,500,000	$ 59,810,229
Exclusive professional services agreements – amortization term	4.5 years	5 years	15 years	7 years	5 years	7 years	
Acquisition costs expensed							$ 570,900

As a result of the above business combinations completed in 2017, the Company recognized intangible assets totaling $59,798,340 during the year ended December 31, 2017, along with non-controlling interest of $26,657,061.

(Expressed in United States dollars)

5. Anesthesia services expense:

For the three months ended March 31:

	Three months ended March 31, 2018	March 31, 2017 (restated – note 3)
Employee related	$ 8,117,005	$ 6,389,420
Depreciation and amortization	6,994,393	5,057,576
Office related	1,824,790	1,512,519
Acquisition expense	108,569	126,881
Medical supplies	190,936	172,682
Stock-based compensation	123,039	149,391
Professional fees	105,584	102,609
Insurance	76,220	56,677
Travel and entertainment	101,514	65,420
	$ 17,642,050	$ 13,633,175

6. Product sales expense:

For the three months ended March 31:

	Three months ended March 31, 2018	March 31, 2017
Employee related	$ 430,171	$ 413,912
Product cost and support	539,223	479,171
Professional fees	24,172	83,198
Office related	89,094	61,485
Stock-based compensation	106,802	110,459
Insurance	9,759	5,106
Depreciation and amortization	17,017	12,521
Foreign exchange	416	(5,893)
	$ 1,216,654	$ 1,159,959

(Expressed in United States dollars)

7. Corporate expense:

For the three months ended March 31:

	Three months ended March 31, 2018	Three months ended March 31, 2017
Employee related	$ 369,194	$ 441,785
Professional expenses	136,835	247,115
Corporate	101,835	100,841
Stock-based compensation	598,654	646,524
Travel and entertainment	9,964	50,791
Office related	69,326	44,438
Insurance	69,317	75,132
Depreciation and amortization	5,064	(1,146)
Foreign exchange	(13,541)	24,435
	$ 1,346,648	$ 1,629,915

8. Notes payable:

March 31, 2018	Scotia Facility
Current portion	$ 1,726,468
Non-current portion	57,940,984
Total loans and borrowings	$ 59,667,452

December 31, 2017	Scotia Facility
Current portion	$ 1,101,468
Non-current portion	60,228,851
Total loans and borrowings	$ 61,330,319

The Bank of Nova Scotia ("Scotia Facility")

On November 24, 2015, the Company entered into a credit facility with the Bank of Nova Scotia. The facility, which had a maturity date of April 30, 2018, provided financing of up to $55,000,000, after amendment on June 15, 2016. In conjunction with the 2016 amendment, the Company paid $390,400 in fees to the Bank of Nova Scotia and legal counsel.

(Expressed in United States dollars)

8. Notes payable (continued):

On June 26, 2017, the Company amended the Scotia Facility to provide financing of up to $100,000,000 via a revolving and term facility. The amended facility has a maturity date of June 26, 2020. In conjunction with this amendment, the Company incurred fees of $445,598. The amendment was determined to be a substantial modification and the Company extinguished the previous Scotia facility and wrote off deferred financing costs related to the previous facility of $173,511. As at March 31, 2018, the Company had drawn $60,000,000 on the amended facility (2017 - $61,700,000). The Facility is repayable in full at maturity, with scheduled principal repayments on a quarterly basis beginning September 30, 2017 based on the initial principal issued under the term facility. The facility bears interest at a floating rate based on the US prime rate, LIBOR or bankers' acceptance rates plus an applicable margin. At March 31, 2018, interest on the facility is calculated at LIBOR plus 2.50% on the revolving portion and term portion of the facility. The Facility is secured by the assets of the Company. As at March 31, 2018 the Company is required to maintain the following financial covenants in respect of the Facility:

Financial Covenant	Required Ratio
Total funded debt ratio	2.50:1.00
Fixed charge coverage ratio	1.15:1.00

The Company is in compliance with all covenants at March 31, 2018.

The consolidated minimum loan payments (principal) for all loan agreements in the future are as follows:

	Minimum Principal
At March 31, 2018	
Not later than one year	$ 1,875,000
Between one to three years	$ 58,125,000
Between four to five years	$ -
Thereafter	$ -
	$ 60,000,000

9. Share capital:

(a) Issued and outstanding – common shares:

Other than in connection with shares issued in respect of the Company's share unit and share option plans and in connection with the Company's normal course issuer bid (note 9(d)), there were no share transactions in the three months ended March 31, 2018.

(Expressed in United States dollars)

9. Share capital (continued):

(b) Share unit plan:

In June 2017, the shareholders of the Company approved a Share Unit Plan. Employees, directors and eligible consultants of the Company and its designated subsidiaries are eligible to participate in the Share Unit Plan. In accordance with the terms of the plan, the Company will approve those employees, directors and eligible consultants who are entitled to receive share units and the number of share units to be awarded to each participant. Each share unit awarded conditionally entitles the participant to receive one common share of the Company upon attainment of the share unit vesting criteria. The vesting of share units is conditional upon the expiry of time-based vesting conditions or performance-based vesting conditions. Once the share units vest, the participant is entitled to receive the equivalent number of underlying common shares.

A summary of the status of the plan as of March 31, 2018 and 2017 is as follows:

	Time based share units	Performance based share units
Outstanding, January 1, 2017	1,068,000	2,350,000
Issued	-	-
Vested	(123,000)	(1,000,000)
Forfeited	(20,000)	-
Expired	-	-
Outstanding, March 31, 2017	925,000	1,350,000
Outstanding, January 1, 2018	1,036,500	1,350,000
Issued	100,000	150,000
Vested	(60,000)	-
Forfeited	-	-
Expired	-	-
Outstanding, March 31, 2018	1,076,500	1,500,000

During the three months ended March 31, 2018, 60,000 time based share units vested. The Company also issued 100,000 time based share units and 150,000 performance based share units. The weighted average fair value per unit for both the time based share units and performance based share units granted in the period was $2.78 (CAD$3.58) per unit based on the market value of the underlying shares at the date of issuance.

During the quarter ended March 31, 2017, 1,000,000 of those units which vested upon the Company meeting certain market based performance targets vested. Upon vesting, the Company issued 1,000,000 common shares. The Company also issued net shares of 113,549 in respect of 123,000 time based share units which vested during the quarter.

During the quarter ended March 31, 2018, the Company recognized $828,027 (2017 - $897,996) in compensation expense in relation to share units.

9. Share capital (continued):

(c) Stock option plan:

During the quarter ended March 31, 2018, the Company recognized $469 (2017 - $8,378) in compensation expense in relation to stock options.

(d) Normal Course Issuer Bid:

On November 6, 2017, the Board of Directors of the Company approved a normal course issuer bid to purchase outstanding shares of the Company. The Company may purchase up to 7,120,185 shares pursuant to the bid, representing no more than 10.0% of the Company's shares outstanding on October 31, 2017. All purchases of shares under the bid are made pursuant to an Automated Share Purchase Plan. Subject to any block purchases made in accordance with the rules of the TSX, the bid is subject to a daily repurchase maximum of 103,902 shares. Shares are purchased at the market price of the shares at the time of purchase and are purchased on behalf of the Company by a registered investment dealer through the facilities of the TSX or alternative Canadian and US marketplaces.

In the three months ended March 31, 2018, the Company repurchased 206,800 of its shares for a total cost, including transaction fees, of $529,823 (CAD$672,898). As March 31, 2018, 98,900 of these shares had been cancelled with the remaining 107,900 shares cancelled on April 6, 2018.

(Expressed in United States dollars)

9. Share capital (continued):

(e) Earnings per share:

The calculation of basic earnings per share for the three months ended March 31, 2018 and 2017 is as follows.

	Three months ended March 31					
	2018			2017		
	Net earnings	Weighted average number of common shares outstanding	Per share amount	Net earnings	Weighted average number of common shares outstanding	Per share amount
Net earnings:						
Earnings per common share:						
Basic	$ 1,427,867	72,881,491	$ 0.020	$ 1,541,856	72,925,319	$ 0.021
Share options		1,083,715			1,468,131	
Share units		231,788			1,309,187	
Diluted	$ 1,427,867	74,196,994	$ 0.019	$ 1,541,856	75,702,637	$ 0.020

For the three months ended March 31, 2018, 260,972 options (2017 – 112,173) and 2,122,801 share units (2017 – 1,914,602) were excluded from the diluted weighted average number of common shares calculation.

(Expressed in United States dollars)

10. Net finance expense

Recognized in earnings in the three months ended March 31:

	Three months ended	
	March 31, 2018	March 31, 2017
Finance income:		
Foreign exchange (gain)	$ -	$ (89,638)
Net change in fair value of financial liabilities at fair value through earnings	(165,625)	-
Total finance income	$ (165,625)	$ (89,638)
Finance expense:		
Interest and accretion expense on borrowings	$ 668,024	$ 1,086,675
Accretion expense on earn-out obligation and deferred consideration	44,981	159,574
Amortization of deferred financing fees	37,133	74,274
Net change in fair value of financial liabilities at fair value through earnings	-	14,863
Other	-	467
Total finance expense	$ 750,138	$ 1,335,853
Net finance expense	$ 584,513	$ 1,246,215

11. Financial instruments:

The Company's financial instruments consist of cash and cash equivalents, trade and other receivables, trade and other payables, employee benefit obligations, loans, member loans, notes payable, deferred consideration, and the Company's earn-out obligation. The fair values of these financial instruments, except the notes payable balances, deferred consideration, and the earn-out obligation, approximate carrying value because of their short-term nature. The earn-out obligation is classified as a financial instrument recorded at fair value through earnings. The fair value of the Scotia Facility approximates carrying value as it is a floating rate instrument. The carrying value of the deferred consideration approximates fair value as the discount rate used is reflective of the underlying credit risk of the Company.

An established fair value hierarchy requires the Company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is available and significant to the fair value measurement. There are three levels of inputs that may be used to measure fair value:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(Expressed in United States dollars)

11. Financial instruments (continued):

The Company's earn-out obligation is measured at fair value on a recurring basis using significant unobservable inputs (Level 3). The Company measures the fair value of the earn-out obligation based on its best estimate of the cash outflows payable in respect of the earn-out obligation. This valuation technique includes inputs relating to estimated cash outflows under the arrangement and the use of a discount rate appropriate to the Company. The Company evaluates the inputs into the valuation technique at each reporting period. During the three months ended March 31, 2018, the Company revised its assumptions underlying the discount rate used in the calculation of the fair value of the earn-out obligation to account for changes in the underlying credit risk of the Company as well as the estimates underlying the timing and amount of payment. The upward adjustment of the discount rate from 3.59% at December 31, 2017 to 4.10% at March 31, 2018 and the amendment of cash outflow estimates underlying the earn-out resulted in a decrease of $165,625 to the fair value of the earn-out obligation. The impact of this adjustment was recorded through finance recovery in the period.

The fair value measurements are sensitive to the discount rate used in calculating the fair values as well as the probability assessments used. A 1% increase in the discount rate would reduce the fair value of the earn-out obligation by $20,534. During the three months ended March 31, 2018, the Company recorded accretion expense of $16,610 in relation to this liability, reflecting the change in fair value of the liabilities that is attributable to credit risk.

Reconciliation of level 3 fair values:

	Earn-out Obligation
Balance as at January 1, 2018	$ 1,875,427
Recorded in finance expense:	
Accretion expense	16,610
Fair value adjustment	(165,625)
Balance as at March 31, 2018	$ 1,726,412

12. Segmented information:

The Company operates in two industry segments: the sale of medical products and the provision of anesthesia services. The revenues relating to geographic segments based on customer location, in U.S. dollars, for the three months ended March 31, 2018 and 2017 are as follows:

	Three months ended	
Revenue:	March 31, 2018	March 31, 2017 (restated – note 3)
Canada and other	$ 70,970	$ 61,196
United States	24,594,531	21,307,455
Total	$ 24,665,501	$ 21,368,651

The Company's revenues are disaggregated below into revenue categories which differ in terms of the economic factors which impact the amount, timing and uncertainty of revenue and cash flows.

	Three months ended	
Revenue:	March 31, 2018	March 31, 2017
Commercial Insurers	$ 19,131,424	$ 16,626,778
Federal Insurers	2,710,994	1,965,558
Physicians	2,556,876	2,776,315
Other	266,207	-
Total	$ 24,665,501	$ 21,368,651

The Company's property and equipment and intangible assets are located in the following geographic regions as at March 31, 2018 and December 31, 2017:

	2018	2017
Property and equipment:		
Canada	$ 327,190	$ 347,676
United States	19,852	16,690
Total	$ 347,042	$ 364,366
Intangible assets:		
Canada	$ 34,616	$ 35,181
United States	165,364,321	163,057,425
Total	$ 165,398,937	$ 163,092,606

(Expressed in United States dollars)

12. Segmented information (continued):

The financial measures reviewed by the Company's Chief Operating Decision Maker are presented below for the three months ended March 31, 2018 and 2017. The Company does not allocate expenses related to corporate activities. These expenses are presented within "Other" to allow for reconciliation to reported measures.

	Three months ended March 31, 2018			
	Anesthesia services	**Product sales**	**Other**	**Total**
Revenue	$ 22,108,625	$ 2,556,876	$ -	$ 24,665,501
Operating costs	17,642,050	1,216,654	1,346,648	20,205,352
Operating income	$ 4,466,575	$ 1,340,222	$ (1,346,648)	$ 4,460,149

	Three months ended March 31, 2017			
	Anesthesia services (restated – note 3)	**Product sales**	**Other**	**Total**
Revenue	$ 18,592,336	$ 2,776,315	$ -	$ 21,368,651
Operating costs	13,633,175	1,159,959	1,629,915	16,423,049
Operating income	$ 4,959,161	$ 1,616,356	$ (1,629,915)	$ 4,945,602