CRH Medical Corporation

578 – 999 Canada Place
Vancouver, BC
V6C 3E1

Three and Nine Months Ended September 30, 2017 Financial Report

Trading Information:	TSE (Symbol "CRH")
	NYSE MKT (Symbol "CRHM")
For Information Contact:	Richard Bear, Chief Financial Officer
Email:	info@crhmedcorp.com
Web:	www.crhmedcorp.com

For further information about CRH Medical Corporation, please visit the Company website at www.crhmedcorp.com or www.sedar.com or email us at info@crhmedcorp.com.

CRH MEDICAL CORPORATION

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017

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 and nine months ended September 30, 2017 and 2016 and the annual consolidated financial statements and the corresponding notes thereto for the year ended December 31, 2016. 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 November 1, 2017.

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 within the meaning of applicable securities legislation concerning profitability; growth strategies; anticipated trends in our industry; our future financing plans; our anticipated needs for working capital and other events or conditions that may occur in the future. These forward-looking statements may include statements regarding perceived merit of our products and services, budgets, capital expenditures, operating costs, cash flow estimates and similar statements relating to our products, services, timelines, strategic plans, including our plans and expectations relating to the CRH O'Regan System, our anesthesiology operations, or other statements that are not statements of fact. These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management.

Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, identified by words or phrases such as "expects", "is expected", "anticipates", "believes", "plans", "projects", "estimates", "assumes", "intends", "strategy", "goals", "objectives", "potential", "possible" or variations thereof or stating that certain actions, events, conditions or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of historical fact and may be forward-looking statements. Readers are cautioned regarding statements discussing profitability; growth strategies; anticipated trends in our industry; our future financing plans; our anticipated needs for working capital; and other events or conditions that may occur in the future. 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, and assumes no obligation to update them. 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 statements are based on a number of assumptions and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors and material assumptions include, among others: our need to raise additional capital to fund future operations; risks related to various restrictive covenants and events of default under our credit facilities; risks associated with incurring substantially more debt, which could further exacerbate the risks associated with increased leverage; the risk of ASCs or other customers terminating or choosing not to renew their agreements; the Centers for Medicare & Medicaid Services ("CMS") may review and reduce the reimbursement of anesthesia procedure codes relevant to GI procedures; the risk of a significant number of our affiliated physicians leaving our affiliated ASCs; the ability to enforce the non-competition and other restrictive covenants in our agreements; risks related to changing regulations or regulatory interpretations; the ability to successfully recruit and retain qualified anesthesiologists or other independent contractors; risks related to failure to manage third-party service providers; the continuing development of our products and provision of our services depends upon us maintaining strong relationships with physicians; the ability to successfully identify and complete corporate transactions on favorable terms or achieve anticipated synergies relating to any acquisitions or alliances, which could result in unforeseen operating difficulties and expenditures or require significant management resources and significant charges; our senior management has been key to our growth, and we may be adversely affected if we lose any member of our senior management; the ability to effectively undertake or manage our growth initiatives; risks associated with the failure to manage growth; patient Protection and Affordable Care Act ("ACA") reform in the United States may have an adverse effect on our business, financial conditions, results of operations and cash flows and the trading price of our securities; changing legislative and regulatory requirements and healthcare spending and pricing pressures may adversely affect our business; the policies of health insurance carriers may affect the amount of revenue the Company receives; risks associated with operating in an industry that is subject to extensive federal, state, and local regulation, and changes in law and regulatory interpretations; competition in our industry; unfavorable changes or conditions could occur in the states where our operations are concentrated; changes in federal or state laws, rules, regulations, or interpretations of such federal or state laws, rules or regulations, which may require the Company 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 offenses and potential sanctions; the risk that government authorities or other parties may assert that our business practices violate antitrust laws; risks associated with significant price and volume fluctuations of our common shares; risks related to losing our foreign private issuer status under United States federal securities laws; 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; continuing unfavorable economic conditions could have an adverse effect on our business; changes in the medical industry and the economy may affect the Company's business; 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; health and safety risks in our industry; 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, recalls and other liabilities, which may adversely affect our operations; various risks associated with governmental investigations into marketing and other business practices in our industry; the risk of regulatory investigations, claims, lawsuits, and other proceedings; the risk that we are unable to adequately protect or enforce our intellectual property; the Company's ability to successfully market its products and services; risks related to evolving regulation of corporate governance and public disclosure; risks related to criminal or civil sanctions in connection with a failure to comply with privacy regulations regarding the use and disclosure of patient information; the risk that our employees and third-party contractors may not appropriately record or document services that they provide; write-offs of intangible assets; exposure to adverse movements in foreign currency exchange rates; risks associated with the failure of our employees and business partners to appropriately secure and protect confidential information in their possession; dependence on complex information systems; and, conflicts of interest arising among the Company's officers and directors as a result of their involvement with other companies. This list is not exhaustive of the factors that may affect any of our forward-looking statements. Forward-looking statements are statements about the future and are inherently uncertain, and our actual achievements or other future events or conditions may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors, including, without limitation, those referred to in this report and elsewhere. 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 fourteen 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

	Q3 2017	YTD 2017	Q3 2016	YTD 2016
Anesthesia services revenue	$ 20,480,288	$ 59,510,491	$ 19,446,645	$ 44,813,732
Product sales revenue	2,864,742	8,428,735	2,661,492	7,718,797
Total revenue	**23,345,030**	**67,939,226**	**22,108,137**	**52,532,529**
Total operating expenses, including:	**19,693,388**	**55,603,897**	**15,513,604**	**36,950,838**
Depreciation and amortization expense	5,918,773	16,610,537	4,742,354	10,187,781
Stock based compensation expense	967,686	2,655,173	297,729	851,288
Operating income	**3,651,642**	**12,335,329**	**6,594,533**	**15,581,691**
Net and comprehensive income	**$ 3,447,889**	**$ 7,369,880**	**$ 5,025,521**	**$ 9,722,146**
Attributable to:				
Shareholders of the Company	2,228,486	3,276,711	2,869,515	7,094,285
Non-controlling interest[1]	1,219,403	4,093,169	2,156,006	2,627,861
Earnings (loss) per share attributable to shareholders:				
Basic	$ 0.030	$ 0.044	$ 0.040	$ 0.099
Diluted	$ 0.030	$ 0.043	$ 0.039	$ 0.096
Total assets	$ 208,801,515	$ 208,801,515	$ 167,819,365	$ 167,819,365
Total non-current liabilities	$ 75,639,718	$ 75,639,718	$ 59,951,271	$ 59,951,271
Total liabilities	$ 84,897,669	$ 84,897,669	$ 74,503,905	$ 74,503,905

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

	Q3 2017	YTD 2017	Q3 2016	YTD 2016
Total Adjusted operating expenses[2]	**$ 12,450,936**	**35,767,285**	**$ 10,452,800**	**$ 25,542,794**
Adjusted operating EBITDA[3] – non-controlling interest[1]	3,118,745	9,325,151	2,533,055	4,900,000
Adjusted operating EBITDA[3] - shareholders of the Company	**7,775,349**	**22,846,790**	**9,122,282**	**22,089,735**
Adjusted operating EBITDA[3] - total	**$ 10,894,094**	**32,171,941**	**$ 11,655,337**	**$ 26,989,735**

[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.

RECENT EVENTS

In June 2017, the Company amended its Scotia Facility to provide financing of up to $100,000,000, from $55,000,000, via a revolving and term facility. In conjunction with the amendment to the Scotia Facility, the company repaid and extinguished its Crown note, consolidating all of the Company's debt facilities into one.

The increase in the Scotia Facility has aided in facilitating the Company's goal of consolidating the highly fragmented gastroenterology anesthesia provider business by enabling the Company to complete an additional four acquisitions in the third quarter of 2017 on top of the two acquisitions completed earlier in the year. Acquisitions completed in 2017 are highlighted below, along with recent events impacting the Company:

Alamo Sedation Associates, LLC ("ASA") – September 2017

On September 28, 2017, a subsidiary of the Company entered into an asset purchase agreement to acquire 100% of certain assets of an anesthesia services provider in Texas. The purchase consideration, paid via cash, for the acquisition was $3,500,000. The preliminary estimate of the fair value of the exclusive professional service agreement which was acquired as part of this acquisition is $3,500,000.

Raleigh Sedation Associates, LLC ("RSA") – September 2017

On September 21, 2017, a subsidiary of the Company entered into an agreement of contribution, merger and sale to acquire a 51% interest in Raleigh Sedation Associates, LLC ("RSA") and Blue Ridge Sedation Associates, PLLC ("BRSA"). In combination, these entities provide gastroenterology anesthesia services in North Carolina. The purchase consideration, paid via cash, for the acquisition of the Company's 51% interest was $7,248,960. The preliminary estimate of the fair value of the exclusive professional service agreement which was acquired as part of this acquisition is $14,213,647.

Central Colorado Anesthesia Associates, LLC ("CCAA") – September 2017

On September 11, 2017, a subsidiary of the Company entered into an asset contribution and exchange agreement to acquire a 51% interest in Central Colorado Anesthesia Associates, LLC ("CCAA"), a gastroenterology anesthesia services provider in Colorado. The purchase consideration, paid via cash, for the acquisition of the Company's 51% interest was $7,888,919. The preliminary estimate of the fair value of the exclusive professional service agreement which was acquired as part of this acquisition is $15,468,469.

Hurricane Irma – September 2017

As a result of Hurricane Irma, our operations in Florida, especially those located in Cape Coral and Ft. Meyers, were impacted. We estimate that we would have serviced an additional 1,000 cases were it not for the hurricane; this would equate to approximately $420,000 of revenue.

West Florida Anesthesia Associates, LLC ("WFAA") – August 2017

On August 1, 2017, a subsidiary of the Company entered into an asset contribution and exchange agreement to acquire a 55% interest in West Florida Anesthesia Associates, LLC ("WFAA"), a gastroenterology anesthesia services provider in Ft Meyers, Florida. The purchase consideration, paid via cash, for the acquisition of the Company's 55% interest was $5,840,000. The preliminary estimate of the fair value of the exclusive professional service agreement which was acquired as part of this acquisition is $10,618,182.

CMS 2018 Medicare Physician Fee Schedule Proposed Rule – July 2017

The CMS 2018 Medicare Physician Fee Schedule Proposed Rule was announced on July 13, 2017 and updates payment policies, payment rates, and other provisions for services furnished under the Medicare Physician Fee Schedule on or after January 1, 2018.

The Proposed Rule changes 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 will have the net effect of decreasing the amount CRH will likely bill and collect for anesthesia services provided in conjunction with a lower endoscopy. At this point, the Company expects that the new billing codes will be adopted by all commercial and federal payors effective January 1, 2018.

When announced, the Company analyzed the impact of the new codes on its business and determined that if the new codes were implemented as proposed, anesthesia revenue would decrease by approximately 8.5% and total revenue would decrease by approximately 7.5%. In addition, our total adjusted operating EBITDA[1] would decrease by approximately 13.5%. We believe that this would decrease our total adjusted operating EBITDA[1] margin from 53% to approximately 47%.

As a result of this potential decrease in revenues and adjusted operating EBITDA[1], the Company has reviewed the exclusive professional services agreements for impairment triggers, and performed impairment testing accordingly on certain agreements; no impairment was identified as of September 30, 2017. The value of the company's exclusive professional services agreements are sensitive to assumptions underlying revenue growth. Future declines in revenue may require additional impairment analysis.

Scotia Facility – June 2017

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 $501,565. As at September 30, 2017, the Company had drawn $64,200,000 on the amended facility (2016 - $29,000,000).

Crown Extinguishment – June 2017

In conjunction with an increase to the Scotia Facility, the Company repaid in full the principal owing on the Crown Note of CAD$22,500,000 ($17,043,750), with related interest, prepayment penalties and other extinguishment costs of CAD$1,568,384 ($1,188,051). As a result of the extinguishment of the Crown Note, the Company recorded finance expense of $1,789,882 during the quarter ended June 30, 2017.

Osceola Gastroenterology Anesthesia Associates, LLC ("OGAA") – March 2017

In March 2017, a subsidiary of the Company entered into a membership interest purchase agreement to acquire a 60% interest in Osceola Gastroenterology Anesthesia Associates, LLC ("OGAA"), a gastroenterology anesthesia services provider in Kissimmee, Florida. The purchase consideration, paid via cash, for the acquisition of the Company's 60% interest was $3,401,819. The preliminary estimate of the fair value of the exclusive professional service agreement which was acquired as part of this acquisition is $5,669,698.

[1] 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.

Puget Sound Gastroenterology – March 2017

In March 2017, the Company entered into an exclusive agreement to develop and manage a monitored anesthesia care program with Puget Sound Gastroenterology, located in Washington State. Under the terms of the agreement, CRH has the option to acquire a 51% interest in the newly created anesthesia business at a future date, but no sooner than 12 months from March 2017 and up to June 30, 2019. Until such time as the option to purchase is exercised, the Company will not recognize any material revenue or expense from this transaction.

DDAB, LLC ("DDAB") – February 2017

In February 2017, a subsidiary of the Company entered into a membership purchase interest purchase agreement to acquire a 51% interest in DDAB, LLC ("DDAB"), a gastroenterology anesthesia services provider in Decatur, Georgia. The purchase consideration, paid via cash, for the acquisition of the Company's 51% interest was $4,089,791 plus contingent consideration of $1,183,779, which was paid in the third quarter of 2017. The preliminary estimate of the fair value of the exclusive professional service agreement which was acquired as part of this acquisition is $10,340,333.

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

	Q3 2017	YTD 2017	Q3 2016	YTD 2016
Anesthesia services revenue	$ 20,480,288	59,510,491	$ 19,446,645	$ 44,813,732
Product sales revenue	2,864,742	8,428,735	2,661,492	7,718,797
Total revenue	**23,345,030**	**67,939,226**	**22,108,137**	**52,532,529**
Adjusted operating expenses[1]				
Anesthesia services	10,362,959	29,671,929	8,794,079	20,275,129
Product sales	1,094,305	3,273,259	974,257	2,976,377
Corporate	993,672	2,822,097	684,464	2,291,288
Total Adjusted operating expenses[1]	**$ 12,450,936**	**35,767,285**	**$ 10,452,800**	**$ 25,542,794**
Adjusted operating EBITDA[2] – non-controlling interest[3]	3,118,745	9,325,151	2,533,055	4,900,000
Adjusted operating EBITDA[2] - shareholders of the Company	**7,775,349**	**22,846,790**	**9,122,282**	**22,089,735**
Adjusted operating EBITDA[2] - total	**$ 10,894,094**	**32,171,941**	**$ 11,655,337**	**$ 26,989,735**
Adjusted Operating EBITDA[2] per share attributable to shareholders:				
Basic	$ 0.105	0.310	$ 0.127	$ 0.309
Diluted	$ 0.103	0.302	$ 0.123	$ 0.298

[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.

RESULTS OF OPERATIONS – three and nine months ended September 30, 2017

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 quarter ended September 30, 2017 were $23,345,030 compared to $22,108,137 for the quarter ended September 30, 2016. The increase is mainly attributable to revenue contributions from the anesthesia businesses acquired by the Company in February and March of 2017, along with recent acquisitions in the third quarter of 2017. Revenues for the nine months ended September 30, 2017 were $67,939,226, an increase of $15,406,697 when compared to the nine months ended September 30, 2016.

Revenues from anesthesia services for the quarter ended September 30, 2017 were $20,480,288 compared to $19,446,645 for the third quarter of 2016. The increase was primarily due to the Company's anesthesia acquisitions throughout 2017; however, there were a number of factors which impacted the change between the third quarter of 2017 and the third quarter of 2016. The increase in revenue from the prior period is reflective of the following:

- growth through acquisitions contributed $2.7 million of the increase when comparing the two periods;
- despite growth in the number of cases serviced compared to 2016, a change in our payor mix and rates within our commercial payors contributed a decrease in revenue of $1.8 million when compared to revenues from 2016. Again, this is largely isolated within our GAA location. Excluding the impact of this change in payor mix in GAA, organic volume growth would have contributed approximately $0.1 million;
- a positive adjustment as a result of changes in revenue estimates relating to prior periods of $0.1 million, when compared to the third quarter of 2016; and
- revenue growth from our exclusive agreement to develop and manage a monitored anesthesia care program with Puget Sound Gastroenterology of approximately $0.2 million (see recent events).

Anesthesia revenues for the nine months ended September 30, 2017 were $59,510,491 compared to $44,813,732 for the nine months ended September 30, 2016. The increase in revenue from the prior period is reflective of the following:

- increased revenue from acquisitions, both those completed mid-2016 and in 2017, of $18.1 million;
- despite growth in the number of cases serviced compared to 2016, a change in our payor mix and rates within our commercial payors contributed a decrease in revenue of $3.9 million when compared to revenues from 2016. Again, this is largely isolated within our GAA location. Excluding the impact of this change in payor mix in GAA, organic volume growth would have contributed approximately $1.5 million;
- a positive adjustment as a result of changes in revenue estimates relating to prior periods of $0.1 million, when compared to the 2016 year to date period; and
- revenue growth from our exclusive agreement with Puget Sound Gastroenterology of approximately $0.4 million (see recent events).

During the three and nine months ended September 30, 2017, there were the following factors that impacted revenue which also impacted operating income and adjusted operating EBITDA when compared to both the previous year and previous quarter:

- Revenue is affected by changes in the percentage of patient cases covered by commercial insurance versus federal insurance and commercial payor mix changes that result from the annual process that insured individuals and companies go through when renewing their health insurance policies. Changes in payor mix could have a positive or negative impact on revenues. The commercial payor mix changes described above primarily relate to one payor at GAA. Any future payor mix changes related to this payor are expected to not be material; and

- Estimates are required in the determination of anesthesia services revenue. Each quarter we review our estimated revenue assumptions and make changes in estimates as required based on actual revenue collected. In the third quarter of 2017, we had a small negative adjustment of $100,000 related to changes in revenue estimates; this relatively small adjustment is reflective of the Company's stable platform of entities and our growing experience in estimating revenue rates per unit. In the nine months ended September 30, 2017, we experienced a positive revenue adjustment in relation to our revenue estimates of approximately $0.8 million. This largely results from estimates adjusted in the first quarter of this year. Adjustments to our anesthesia revenues impact not only revenue, but also operating income and adjusted operating EBITDA.

In the quarter ended September 30, 2017, the anesthesia services segment serviced 49,113 patient cases compared to 42,203 patient cases during the quarter ended September 30, 2016. Year to date patient cases total 137,664 compared to 95,979 cases in the nine months ended September 30, 2016.

The tables below summarizes our approximate payor mix as a percentage of all patient cases for the three and nine months ended September 30, 2017 and 2016.

	Three months ended			**Nine months ended**		
Payor	**September 30, 2017**	**September 30, 2016**	**Change**	**September 30, 2017**	**September 30, 2016**	**Change**
Federal	38.6%	35.3%	9.3%	38.3%	38.8%	(1.3%)
Commercial	61.4%	64.7%	(5.1%)	61.7%	61.2%	0.8%
Total	**100.0%**	**100.0%**		**100.0%**	**100.0%**	

The payor mix for the three and nine months ended September 30, 2017 includes acquisitions completed during 2017 and as a result is not directly comparable to the three and nine months ended September 30, 2016. As we acquire anesthesia providers, these providers may have different payor mix profiles and impact our overall payor mix above.

Due to the inherent nature of commercial health insurance plans and patient deductibles, the anesthesia business is impacted by the seasonality of patient cases, with patient cases highest in the last quarter of the year.

The Company expects revenue from anesthesia services to continue to increase through organic growth in patient cases and deployment of available capital for future acquisitions. After considering the expected decrease in revenues as a result of the CMS proposed rule beginning January 1, 2018, the Company expects annual anesthesia services revenue to continue to increase primarily through acquisitions and through organic growth of previously acquired businesses as the U.S. government continues to encourage colonoscopy as a means of improving healthcare for its citizens, as well as reducing overall cost via early diagnosis and treatment of colon cancer. Seasonality is driven by both patient cases and seasonal payor mix. As a result, revenue per patient will fluctuate quarterly.

Revenues from product sales for the quarter ended September 30, 2017 were $2,864,742 compared to $2,661,492 for the third quarter of 2016. The increase in product sales is the result of the continuing successful execution of the Company's direct to physician program that allows physicians to purchase our hemorrhoid banding technology, treatment protocols, marketing and operational experience. Revenues from product sales for the nine months ended September 30, 2017 were $8,428,735 compared to $7,718,797 for the nine months ended September 30, 2016. As of September 30, 2017, the Company has trained 2,620 physicians to use the O'Regan System, representing 1,011 clinical practices. This compares to 2,355 physicians trained, representing 902 clinical practices, as of September 30, 2016.

In the future, the Company expects revenue from product sales to continue to increase, as it has historically, as we expand our physician network and increase physician use of our technology.

Total adjusted operating expenses

For the three months ended September 30, 2017, total adjusted operating expenses were $12,450,936 compared to $10,452,800 for the quarter ended September 30, 2016. For the nine months ended September 30, 2017, total adjusted operating expenses were $35,767,285 compared to $25,542,794 for the nine months ended September 30, 2016. 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 quarter ended September 30, 2017 were $10,362,959, compared to $8,794,079 for the three months ended September 30, 2016. 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 fourteen further acquisitions completed in 2015, 2016 and in the nine months ended September 30, 2017. As a result, the third quarter of 2017 is not directly comparable to 2016, with the majority of the increase relating to operating expenses for acquired companies and as a result of infrastructure investments made by the Company throughout 2017. As the Company works toward its acquisition strategy, it has invested in resources and infrastructure to support its initiatives. The investment in resource and infrastructure contributed approximately $300,000 in anesthesia adjusted operating expenses in the quarter. 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. Anesthesia services adjusted operating expenses for the nine months ended September 30, 2017 were $29,671,929 compared to $20,275,129 for the nine months ended September 30, 2016. Similar to the third quarter of 2017, the first nine months of 2017 is not comparable to the first nine months of 2016 due to the timing of acquisitions. Investments in infrastructure and resources contributed approximately $1.1 million to anesthesia services adjusted operating expenses in the year to date period.

Product sales adjusted operating expenses for the quarter ended September 30, 2017 were $1,094,305 compared to $974,257 for the quarter ended September 30, 2016. The increase in product sales adjusted operating expenses compared to 2016 is a reflection of higher employee related costs as a result of increased sales activity as well as an increase in professional fees related to continuing efforts to distribute our product in China. 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. Product sales adjusted operating expenses for the nine months ended September 30, 2017 were $3,273,259 compared to $2,976,377 for the nine months ended September 30, 2016.

Corporate adjusted operating expenses for the quarter ended September 30, 2017 were $993,672 compared to $684,464 for the quarter ended September 30, 2016. The increase in corporate adjusted operating expense is a reflection of higher professional fees and employee related costs, and, in general, is reflective of the increasing complexity of our business which is also increasing our compliance costs. Corporate adjusted operating expenses for the nine months ended September 30, 2017 were $2,822,097 compared to $2,291,288 for the nine months ended September 30, 2016.

Operating Income

Operating income for the quarter ended September 30, 2017 was $3,651,642 compared to $6,594,533 for the same period in 2016. Contributing to the decrease in operating income for the quarter is a decrease in total adjusted operating EBITDA of $761,243 in combination with incremental costs related to the amortization of acquired professional service agreements relating to acquisitions completed in 2016 and 2017 of $1,184,413, an increase in stock based compensation expense of $669,598 and an increase in acquisition expenses of $335,272. Fluctuations in revenue will not necessarily result in correlating fluctuations in operating expenses due to the fixed nature of these costs.

Operating income for the nine months ended September 30, 2017 was $12,335,329 compared to $15,581,691 for the nine months ended September 30, 2016. Contributing to the decrease in operating income for the nine months is an increase in total adjusted operating EBITDA of $5,182,206 less incremental costs related to the amortization of acquired professional service agreements relating to acquisitions completed in 2016 and 2017 of $6,442,391, an increase in stock based compensation expense of $1,803,885 and an increase in acquisition expenses of $201,928.

Anesthesia operating income for the quarter ended September 30, 2017 was $3,762,432, a decrease of $2,116,879 from the same period in 2016. This decrease is primarily reflective of the incremental costs related to the amortization of acquired professional service agreements relating to acquisitions completed in 2016 and 2017 and the decline in operating EBITDA in the quarter. Anesthesia operating income for the nine months ended September 30, 2017 was $12,350,751 compared to $13,969,503 for the nine months ended September 30, 2016.

Product operating income for the quarter ended September 30, 2017 was $1,665,510, an increase of $83,096 from the same period in 2016. The increase is primarily a result of the increased revenue in the quarter ended September 30, 2017, offset by increases in employee related expenses and professional fees. Product operating income for the nine months ended September 30, 2017 was $4,838,896 compared to $4,439,190 for the nine months ended September 30, 2016.

Adjusted operating EBITDA

Adjusted operating EBITDA attributable to shareholders of the Company for the quarter ended September 30, 2017 was $7,775,349, a decrease of $1,346,933 from the quarter ended September 30, 2016. The decrease in adjusted operating EBITDA attributable to shareholders is primarily a reflection of the negative revenue rate and payor mix variances recorded in the quarter in respect of the Company's anesthesia providers acquired prior to 2016. Adjusted operating EBITDA attributable to shareholders of the Company for the nine months ended September 30, 2017 was $22,846,790, an increase of $757,054 from the same period in 2016.

Adjusted operating EBITDA attributable to non-controlling interest was $3,118,745 for the quarter ended September 30, 2017. This comprises the non-controlling interests' share of revenues of $5,203,954 and adjusted operating expenses of $2,085,209. Adjusted operating EBITDA attributable to non-controlling interest was $9,325,151 for the nine months ended September 30, 2017. This comprises the non-controlling interests' share of revenues of $16,032,296 and adjusted operating expenses of $6,707,145.

Total adjusted operating EBITDA was $10,894,094 for the quarter ended September 30, 2017, a decrease of $761,243 from the same period in 2016. Total adjusted operating EBITDA was $32,171,941 for the nine months ended September 30, 2017, an increase of $5,182,206 from the same period in 2016.

Net finance (income) / expense

As a result of the Company's debt facilities, the Company has recorded a net finance recovery of $399,566 for the quarter ended September 30, 2017, compared to finance expense of $1,381,487 for the quarter ended September 30, 2016. The Company recorded net finance expense of $4,417,597 for the nine months ended September 30, 2017, compared to net finance expense of $3,247,869 for the nine months ended September 30, 2016. 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 is denominated in Canadian dollars and the related cross currency swap the Company entered into on the Crown debt on January 21, 2016. The cross currency swap locked in the repayment of the Crown debt principal and interest at a Canadian dollar to U.S. dollar rate of 1.448. On June 26, 2017, the Company paid off and extinguished its Crown debt and settled the related cross currency swap. As a result of the extinguishment of the Crown debt and the amendment of the Scotia facility, the Company recorded finance expense of $2,044,867 during the nine months ended September 30, 2017.

Cash interest paid in the quarter ended September 30, 2017 was $270,528 compared to $1,057,726 in the quarter ended September 30, 2016. Cash interest paid in the nine months ended September 30, 2017 was $1,973,285, compared to cash interest of $2,426,529. Additionally, the Company paid prepayment penalties and other cash extinguishment costs of $700,553; these costs are related to the extinguishment of the Crown debt in the second quarter of 2017. At September 30, 2017, the Company owed $64.2 million under the amended Scotia Facility as compared to $36.5 million owed at September 30, 2016. The Company anticipates that, in future, cash interest will be less than costs incurred historically due to the extinguishment of the Crown debt and due to the new credit facility.

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 September 30, 2016, the Company recorded an exchange gain of $23,655 in relation to the Crown note and the cross currency swap. Finance expense, excluding fair value adjustments and exchange gains was $459,062, compared to $1,367,278 for the quarter ended September 30, 2016. The fair value adjustment recorded in the quarter (recovery of $858,628) resulted from changes in estimates underlying the Company's earn-out obligation.

In the nine months ended September 30, 2017, after excluding the impact of foreign exchange and the finance expense recorded as a result of extinguishing the Crown debt and modifying the Scotia facility, finance expense was $2,284,686 compared to finance expense of $4,274,298 recorded in the same period in 2016. Finance expense, excluding fair value adjustments, the impact of foreign exchange and extinguishment losses, was $3,099,211, compared to $3,932,573 for the nine months ended September 30, 2016.

	Three months ended		Nine months ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Finance income:				
Foreign exchange (gain)	$ -	$ (23,655)	$ -	$ (1,026,429)
Net change in fair value of financial liabilities at fair value through earnings	(858,628)		(814,565)	
Total finance income	$ (858,628)	$ (23,655)	$ (814,565)	$ (1,026,429)
Finance expense:				
Interest and accretion expense on borrowings	$ 270,528	$ 1,131,089	$ 2,419,296	$ 2,948,811
Accretion expense on earn-out obligation and deferred consideration	146,737	146,916	462,241	416,348
Amortization of deferred financing fees	41,797	74,273	192,202	540,199
Net change in fair value of financial liabilities at fair value through earnings	-	37,864	-	341,725
Foreign exchange loss	-	-	88,084	-
Extinguishment of notes payable and bank indebtedness	-	-	2,044,867	-
Other	-	15,000	25,472	27,215
Total finance expense	$ 459,062	$ 1,405,142	$ 5,232,162	$ 4,274,298
Net finance expense	$ (399,566)	$ 1,381,487	$ 4,417,597	$ 3,247,869

Income tax expense

For the quarter ended September 30, 2017, the Company recorded an income tax recovery of $603,319 compared to income tax expense of $187,525 for the quarter ended September 30, 2016. Income tax expense relates only to income attributable to the Company's shareholders. The Company recorded an income tax expense of $547,852 in the nine months ended September 30, 2017 compared to $2,611,676 recorded in the nine months ended September 30, 2016. Throughout 2016, the effective tax rate in respect of this income was 28%. We expect our tax rate to fluctuate quarterly due to the impact of seasonality in our business.

Net and comprehensive income

For the quarter ended September 30, 2017, the Company recorded net and comprehensive income attributable to shareholders of the Company of $2,228,486 compared to net and comprehensive income attributable to shareholders of $2,869,515 for the quarter ended September 30, 2016. The decrease quarter over quarter is largely a reflection of the decreased operating income in the quarter, offset by a decrease in finance costs as compared to the third quarter of 2016. Finance expense is 100% allocable to shareholders.

For the nine months ended September 30, 2017, the Company recorded net and comprehensive income attributable to shareholders of the Company of $3,276,711 compared to $7,094,285 for the same period in 2016. The decrease period over period is largely a reflection of increased finance as well as a decline in operating income. In the nine months ended September 30, 2017, the Company's net finance expense was $4,417,591 compared to net finance expense of $3,247,869 in the nine months ended September 30, 2016.

Net and comprehensive income attributable to non-controlling interest was $1,219,403 for the quarter ended September 30, 2017. This is a decrease of $936,603 from the third quarter of 2016 and reflects the business model adopted by CRH whereby recent acquisitions, though controlled by CRH, attribute a portion of income earned to non-controlling interests. Net and comprehensive income attributable to non-controlling interests was $4,093,169 for the nine months ended September 30, 2017, an increase of $1,465,308 from the same period in 2016.

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, 2016.

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)	Q3 '17	Q2 '17	Q1 '17	Q4 '16	Q3 '16	Q2 '16	Q1 '16	Q4 '15
Anesthesia services revenue	20,480	19,268	19,763	23,008	19,447	13,930	11,437	11,330
Product sales revenue	2,865	2,788	2,776	2,814	2,661	2,657	2,400	2,608
Total revenue	**23,345**	**22,055**	**22,539**	**25,822**	**22,108**	**16,587**	**13,837**	**13,938**
Total operating expense	**19,693**	**18,317**	**17,593**	**16,649**	**15,514**	**11,546**	**9,891**	**9,265**
Adjusted operating expenses[1]								
Anesthesia services[1]	10,363	9,840	9,469	9,492	8,794	6,158	5,323	5,061
Product sales[1]	1,094	1,142	1,037	1,083	974	1,004	998	950
Corporate[1]	994	844	985	746	685	853	754	664
Total adjusted operating expenses[1]	**12,451**	**11,825**	**11,491**	**11,321**	**10,453**	**8,015**	**7,075**	**6,675**
Operating income	**3,652**	**3,738**	**4,946**	**9,173**	**6,595**	**5,041**	**3,946**	**4,673**
Adjusted operating EBITDA[2] - non-controlling interest[4]	3,119	2,878	3,329	4,219	2,533	1,518	848	465
Adjusted operating EBITDA[2] - shareholders of the Company	**7,775**	**7,352**	**7,719**	**10,281**	**9,122**	**7,054**	**5,914**	**6,797**
Adjusted operating EBITDA[2] - total	**10,894**	**10,230**	**11,048**	**14,500**	**11,655**	**8,572**	**6,762**	**7,264**
Net finance (income) expense	(400)	3,571	1,246	1,175	1,381	2,156	(289)	5,914
Income tax expense (recovery)[3]	603	(453)	397	1,643	188	1,219	1,204	(1,541)
Net income	**3,448**	**620**	**3,302**	**6,354**	**5,026**	**1,666**	**3,031**	**299**
Attributable to:								
Shareholders of the Company	2,228	(494)	1,542	3,470	2,870	1,269	2,956	154
Non-controlling interest[4]	1,219	1,114	1,760	2,884	2,156	397	75	145
Adjusted Operating EBITDA[2] per share attributable to shareholders								
Basic	0.105	0.099	0.106	0.142	0.127	0.099	0.083	0.096
Diluted	0.103	0.097	0.102	0.138	0.123	0.095	0.080	0.092
Earnings (loss) per share attributable to shareholders								
Basic	0.030	(0.007)	0.021	0.048	0.040	0.018	0.041	0.002
Diluted	0.030	(0.007)	0.020	0.047	0.039	0.017	0.040	0.002

[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.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2017, the Company had $10,361,977 in cash and cash equivalents compared to $9,507,004 at the end of 2016. The increase in cash and equivalents is primarily a reflection of cash generated from operations and debt financing activities, less cash used to finance acquisitions during the first nine months of 2017, less repayment of debt in the period.

Working capital was $13,083,449 compared to working capital of $9,657,303 at December 31, 2016. 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 September 30, 2017 was 39 days. At December 31, 2016, the average number of days receivables outstanding was 34 days.

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 September 30, 2017, 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 September 30, 2017, the Company owed $64.2 million under the facility.

The Company's credit facilities are described as follows:

Crown Capital Fund III Management Inc. ("Crown Note")

On December 1, 2014, the Company entered into an agreement to borrow funds in the form of a subordinated note payable from Crown Capital Fund III Management Inc. At inception, the original amount of the note payable was CAD$22,500,000 (USD$19,863,000). The note bore interest at 12% per annum with a decrease to 10% upon repayment and performance in full of the Company's obligations under its senior credit agreement (see Scotia Facility). Interest on the note was payable on a quarterly basis beginning March 31, 2015, with the payment of the principal scheduled for June 1, 2018. In compensation for its services, the Company paid Crown a combination of cash CAD$1,350,000 (USD$1,191,780) and shares (2,000,000 common shares) in addition to reimbursement of legal costs in relation to issuance of the note. The Crown note was subordinate to the Scotia Facility. The note was classified as an other financial liability and recorded at amortized cost.

In conjunction with an increase to the Scotia Facility, noted below, the Company repaid in full the principal owing on the Crown Note of CAD$22,500,000 ($17,043,750), with related interest, prepayment penalties and other extinguishment costs of CAD$1,568,384 ($1,188,051). As a result of the extinguishment of the Crown Note, the Company recorded finance expense of $1,789,882 representing the difference between the carrying value of the loan at extinguishment and the consideration transferred to extinguish its financial obligations under the Crown Note.

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 $501,565. As at September 30, 2017, the Company had drawn $64,200,000 on the amended facility (2016 - $29,000,000). 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. 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 September 30, 2017, interest on the facility is calculated at LIBOR plus 2.50% on the revolving portion of the facility and LIBOR plus 2.0% on the term portion of the facility. The Facility is secured by the assets of the Company. The Company is required to maintain the following financial covenants in respect of the Facility:

Financial Covenant	**Required Ratio**
Total funded debt ratio	2.75:1.00
Fixed charge coverage ratio	1.15:1.00

The Company is in compliance with all covenants at September 30, 2017.

Cash provided by operating activities for the quarter ended September 30, 2017 was $10,105,062 compared to $11,210,965 for the same period in fiscal 2016. Cash provided by operating activities for the nine months ended September 30, 2017 was $27,846,640 compared to $22,352,851 in the same period in fiscal 2016.

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, 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 2016 Management Discussion and Analysis, available on SEDAR at www.sedar.com, except as noted below:

- As a result of the amendment of the Scotia Facility on June 26, 2017, the Company's quarterly principal payments are $625,000.

OUTSTANDING SHARE CAPITAL

As at September 30, 2017, there were 74,127,238 common shares issued and outstanding for a total of $54,297,467 in share capital.

As at September 30, 2017, there were 1,413,437 options outstanding at a weighted-average exercise price of $0.53 per share, of which 1,256,252 were exercisable into common shares at a weighted-average exercise price of $0.53 per share. As at September 30, 2017, there were 2,260,000 share units issued and outstanding.

As at November 1, 2017 there were 74,127,238 common shares issued and outstanding for a total of $54,297,467 in share capital. There are 1,413,437 options outstanding at a weighted-average exercise price of $0.52 per share, of which 1,328,127 are exercisable into common shares at a weighted average price of $0.52 per share. As at November 1, 2017, there are 2,260,000 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 September 30, 2017, 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. There have been no changes to the Company's identification of related parties, as defined under IAS 24, Related Party Disclosures.

For the three and nine months ended September 30, 2017, 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 third quarter of 2017, 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 acquisitions completed in the first quarter and third quarter of 2017. Prior to its acquisition by the Company, DDAB, OGAA, WFAA, CCAA, RSA and ASA were privately held companies. Revenues totaling $2,652,762 and net earnings before tax of $286,734 from these acquisitions were included in our consolidated interim financial statements for the quarter ended September 30, 2017.

CRITICAL ACCOUNTING ESTIMATES

There were no significant changes to the Company's critical accounting estimates during the quarter ended September 30, 2017, except as relating to the Company's payment in respect of the DDAB contingent consideration. Refer to note 4 within the Company's interim financial statements for the period ended September 30, 2017 and 2016.

CRH's critical accounting estimates are described in its MD&A for the year ended December 31, 2016, 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, 2017 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, 2016. Management is in the process of evaluating the impact of IFRS 15, *Revenue from Contracts with Customers* and IFRS 16, *Leases,* on the Company and has not yet determined the impact.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, trade and other receivables, derivative assets, trade and other payables, employee benefit obligations, short term advances, loans, notes payable, deferred consideration, contingent consideration and the Company's earn-out obligation. The fair values of these financial instruments, except the derivative asset, notes payable balances, deferred consideration, and the earn-out obligation, approximate carrying value because of their short-term nature. The earn-out obligation and derivative asset are classified as financial instruments 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, employee benefit obligations and short term advances 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 derivative asset, contingent consideration and earn-out obligation are 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, 2016, nor has there been a significant change in the composition of its financial instruments since December 31, 2016.

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 and nine months ended September 30, 2017 and the consolidated financial statements and accompanying notes to the financial statements for the year ended December 31, 2016.

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	2017			2016				2015	
(USD in thousands)	Sep	Jun	Mar	Dec	Sep	Jun	Mar	Dec	Sep
Adjusted operating EBITDA attributable to:									
Shareholders of the Company	7,775	7,352	7,719	10,281	9,122	7,054	5,914	6,797	5,758
Non-controlling interest	3,119	2,878	3,328	4,219	2,533	1,518	848	465	142
Total adjusted operating EBITDA	**10,894**	**10,230**	**11,047**	**14,500**	**11,655**	**8,572**	**6,762**	**7,263**	**5,900**
Amortization expense	(5,897)	(5,603)	(5,059)	(4,715)	(4,711)	(2,925)	(2,475)	(2,188)	(1,745)
Depreciation and related expense	(22)	(20)	(13)	(30)	(31)	(30)	(15)	(18)	(17)
Stock based compensation	(968)	(781)	(906)	(525)	(297)	(290)	(264)	(261)	(1,001)
Acquisition expenses	(355)	(88)	(127)	(58)	(21)	(286)	(62)	(123)	(221)
Impairment of inventory	-	-	-	-	-	-	-	-	(241)
Impairment of intangible assets	-	-	-	-	-	-	-	-	(390)
Operating income	**3,652**	**3,738**	**4,946**	**9,172**	**6,595**	**5,041**	**3,946**	**4,673**	**2,285**
Net finance income (expense)	400	(3,571)	(1,246)	(1,175)	(1,381)	(2,156)	289	(5,914)	(1,013)
Income tax (expense) recovery	(604)	453	(397)	(1,643)	(188)	(1,219)	(1,205)	1,541	442
Net and comprehensive income (loss)	**3,448**	**620**	**3,302**	**6,354**	**5,026**	**1,666**	**3,030**	**300**	**1,714**

Adjusted operating expenses

For the three months ended	2017			2016				2015	
(USD in thousands)	Sep	Jun	Mar	Dec	Sep	Jun	Mar	Dec	Sep
Anesthesia services - adjusted operating expense	**10,362**	**9,840**	**9,469**	**9,492**	**8,794**	**6,158**	**5,323**	**5,061**	**4,023**
Amortization expense	5,897	5,603	5,056	4,715	4,711	2,925	2,475	2,188	1,745
Depreciation and related expense	2	3	2	1	3	2	2	4	3
Stock based compensation	100	106	149	120	38	27	17	12	13
Acquisition expenses	356	87	127	58	21	286	62	123	221
Impairment of intangible assets	-	-	-	-	-	-	-	-	390
Anesthesia services expense	**16,718**	**15,639**	**14,803**	**14,386**	**13,567**	**9,398**	**7,879**	**7,389**	**6,395**
Product sales - adjusted operating expense	**1,094**	**1,142**	**1,037**	**1,083**	**974**	**1,004**	**998**	**950**	**888**
Amortization expense	1	1	5	-	-	-	-	-	-
Depreciation and related expense	14	12	8	15	15	15	1	1	1
Stock based compensation	90	76	110	125	90	99	84	81	106
Impairment of inventory	-	-	-	-	-	-	-	-	241
Product sales expense	**1,199**	**1,231**	**1,160**	**1,223**	**1,079**	**1,118**	**1,083**	**1,031**	**1,236**
Corporate - adjusted operating expenses	**994**	**844**	**985**	**746**	**684**	**853**	**754**	**664**	**798**
Amortization expense	-	-	(4)	-	-	-	-	-	-
Depreciation and related expense	6	5	3	14	14	13	13	14	14
Stock based compensation	777	599	647	280	169	164	162	167	882
Acquisition expenses	-	-	-	-	-	-	-	-	-
Corporate expense	**1,776**	**1,448**	**1,630**	**1,040**	**867**	**1,030**	**929**	**845**	**1,694**
Total adjusted operating expense	**12,451**	**11,825**	**11,491**	**11,321**	**10,453**	**8,015**	**7,075**	**6,675**	**5,709**
Total operating expense	**19,693**	**18,317**	**17,593**	**16,649**	**15,514**	**11,546**	**9,891**	**9,265**	**9,325**

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

CRH MEDICAL CORPORATION

(Unaudited)

Three and nine months ended September 30, 2017 and 2016

CRH MEDICAL CORPORATION

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

As at September 30, 2017 and December 31, 2016

	Notes	September 30, 2017	December 31, 2016
Assets			
Current assets:			
Cash and cash equivalents		$ 10,361,977	$ 9,507,004
Trade and other receivables		10,041,461	9,836,739
Current tax assets		1,088,870	1,551,140
Prepaid expenses and deposits		456,383	550,811
Inventories		392,709	300,760
		22,341,400	21,746,454
Non-current assets:			
Property and equipment		380,836	324,198
Intangible assets	4	176,915,032	133,667,311
Derivative asset	8	-	1,261,298
Deferred tax assets		9,164,247	6,539,621
		186,460,115	141,792,428
Total assets		$ 208,801,515	$ 163,538,882
Liabilities			
Current liabilities:			
Trade and other payables		$ 4,286,151	$ 3,229,685
Employee benefits		376,494	226,874
Current tax liabilities		254,299	2,067,671
Notes payable and bank indebtedness	9	3,007,812	5,791,787
Deferred consideration	4	898,195	773,134
Member loan	4	435,000	-
		9,257,951	12,089,151
Non-current liabilities:			
Deferred consideration	4	2,207,127	3,133,694
Notes payable	9	60,734,278	38,138,774
Earn-out obligation	12	12,698,313	13,149,130
Deferred tax liability		-	101,846
		75,639,718	54,523,444
Equity			
Share capital		54,297,467	52,706,484
Contributed surplus		8,185,692	7,142,964
Accumulated other comprehensive loss		(66,772)	(66,772)
Retained earnings		4,009,866	733,155
Total equity attributable to shareholders of the Company		66,426,253	60,515,831
Non-controlling interest		57,477,593	36,410,456
Total equity		123,903,846	96,926,287
Total liabilities and equity		$ 208,801,515	$ 163,538,882

See accompanying notes to condensed consolidated interim financial statements.

Approved on behalf of the Board:

(signed) "Edward Wright" Director
Edward Wright

(signed) "Anthony Holler" Director
Anthony Holler

CRH MEDICAL CORPORATION

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

Three and nine month periods ended September 30, 2017 and 2016

	Notes	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Revenue:					
Anesthesia services	13	$ 20,480,288	$ 19,446,645	$ 59,510,491	$ 44,813,732
Product sales	13	2,864,742	2,661,492	8,428,735	7,718,797
		23,345,030	22,108,137	67,939,226	52,532,529
Expenses:					
Anesthesia services expense	5	16,717,856	13,567,334	47,159,740	30,844,229
Product sales expense	6	1,199,232	1,079,078	3,589,839	3,279,607
Corporate expense	7	1,776,300	867,192	4,854,318	2,827,002
		19,693,388	15,513,604	55,603,897	36,950,838
Operating income		3,651,642	6,594,533	12,335,329	15,581,691
Finance income	11	(858,628)	(23,655)	(814,565)	(1,026,429)
Finance expense	11	459,062	1,405,142	5,232,162	4,274,298
Income before tax		4,051,208	5,213,046	7,917,732	12,333,822
Income tax expense		603,319	187,525	547,852	2,611,676
Net and comprehensive income		$ 3,447,889	$ 5,025,521	$ 7,369,880	$ 9,722,146
Attributable to:					
Shareholders of the Company		$ 2,228,486	$ 2,869,515	$ 3,276,711	$ 7,094,285
Non-controlling interest		1,219,403	2,156,006	4,093,169	2,627,861
		$ 3,447,889	$ 5,025,521	$ 7,369,880	$ 9,722,146
Earnings per share attributable to shareholders:					
Basic	10(d)	$ 0.030	$ 0.040	$ 0.044	$ 0.099
Diluted	10(d)	$ 0.030	$ 0.039	$ 0.043	$ 0.096
Weighted average shares outstanding:					
Basic		74,109,738	71,958,864	73,691,799	71,579,028
Diluted		75,479,962	74,310,547	75,693,122	74,156,576

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)

Nine months ended September 30, 2017 and 2016

	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive loss	Retained earnings (deficit)	Non-controlling interest	Total equity
Balance as at January 1, 2016	71,206,547	$ 51,066,044	$ 6,556,951	$ (66,772)	$ (9,831,078)	$ 9,249,220	$ 56,974,365
Total net and comprehensive income for the period	-	-	-	-	7,094,285	2,627,861	9,722,146
Transactions with owners, recorded directly in equity:							
Stock-based compensation expense	-	-	851,288	-	-	-	851,288
Common shares purchased on exercise of options	938,750	720,272	(309,075)	-	-	-	411,197
Common shares issued on vesting of share units	80,000	229,378	(229,378)	-	-	-	-
Exercise of broker warrants (note 10)	100,705	366,988	(103,897)	-	-	-	263,091
Distribution to non-controlling interest	-	-	-	-	-	(2,240,949)	(2,240,949)
Acquisition of non-controlling interest (note 4)	-	-	-	-	-	27,334,322	27,334,322
Balance as at September 30, 2016	72,326,002	$ 52,382,682	$ 6,765,889	$ (66,772)	$ (2,736,793)	$ 36,970,454	$ 93,315,460
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	-	-	-	-	3,276,711	4,093,169	7,369,880
Transactions with owners, recorded directly in equity:							
Stock-based compensation expense	-	-	2,655,173	-	-	-	2,655,173
Common shares purchased on exercise of options	178,750	79,369	(33,812)	-	-	-	45,557
Common shares issued on vesting of share units	1,202,549	1,511,614	(1,578,633)	-	-	-	(67,019)
Distribution to non-controlling interest	-	-	-	-	-	(9,683,093)	(9,683,093)
Acquisition of non-controlling interest (note 4)	-	-	-	-	-	26,657,061	26,657,061
Balance as at September 30, 2017	74,127,238	$ 54,297,467	$ 8,185,692	$ (66,772)	$ 4,009,866	$ 57,477,593	$ 123,903,846

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 and nine month periods ended September 30, 2017 and 2016

	Notes	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Cash provided by (used in)					
Operating activities:					
Net income		$ 3,447,889	$ 5,025,521	$ 7,369,880	$ 9,722,146
Adjustments for:					
Depreciation of property, equipment and intangibles		5,918,773	4,742,354	16,610,537	10,187,781
Stock based compensation expense		967,686	297,729	2,655,173	851,288
Unrealized foreign exchange (gain) loss		(44,145)	60,111	43,296	(994,995)
Finance expense (recovery)		(399,562)	1,405,142	4,329,513	4,274,298
Income tax expense		603,319	187,525	547,852	2,611,676
Operating activity before changes in operating assets and liabilities		10,493,960	11,718,382	31,556,251	26,652,194
Taxes paid		(707,673)	(341,427)	(4,560,184)	(3,069,565)
Change in trade and other receivables		(457,734)	111,996	(204,722)	(1,885,191)
Change in prepaid expenses and deposits		243,500	92,726	94,428	187,893
Change in inventories		(35,440)	(6,343)	(91,949)	(34,129)
Change in trade and other payables		538,518	(403,398)	903,196	336,789
Change in employee benefits		29,931	44,029	149,620	64,860
Change in advance		-	(5,000)	-	100,000
Cash provided by operating activities		10,105,062	11,210,965	27,846,640	22,352,851
Financing activities					
Proceeds (repayment) of member loans		375,000	-	435,000	(164,094)
Payment of deferred consideration		-	-	(900,000)	-
Proceeds on bank indebtedness	9	21,500,000	-	68,200,000	26,000,000
Repayment of notes payable and bank indebtedness	9	-	(3,250,000)	(50,043,750)	(6,500,000)
Repayment of interest on notes payable and bank indebtedness		(270,528)	(1,057,726)	(2,673,838)	(2,426,529)
Payment of financing fees		-	(15,000)	(354,565)	(579,460)
Proceeds on settlement of derivative asset		-	-	1,313,874	-
Distribution to non-controlling interest		(3,429,881)	(932,631)	(9,683,093)	(2,240,949)
Proceeds from the exercise of broker warrants		-	141,996	-	263,091
Proceeds from the issuance of shares relating to stock based compensation		-	256,122	(21,462)	411,197
Cash provided by (used in) financing activities		18,174,591	(4,857,239)	6,272,166	14,763,256
Investing activities					
Acquisition of property and equipment		(95,584)	(4,025)	(116,558)	(108,166)
Acquisition of anesthesia services providers	4	(25,661,658)	-	(33,153,268)	(30,062,239)
Cash used in investing activities		(25,757,242)	(4,025)	(33,269,826)	(30,170,405)
Effects of foreign exchange on cash and cash equivalents		5,094	(2,276)	5,993	7,027
Increase in cash and cash equivalents		2,527,505	6,347,425	854,973	6,952,729
Cash and cash equivalents, beginning of period		7,834,472	4,177,648	9,507,004	3,572,344
Cash and cash equivalents, end of period		$ 10,361,977	$ 10,525,073	$ 10,361,977	$ 10,525,073

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, 2016. 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.

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on November 1, 2017.

(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 recoverability of trade receivables, 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, 2016 annual consolidated financial statements.

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, 2016. Management is in the process of evaluating the impact of IFRS 15, *Revenue from Contracts with Customers* and IFRS 16, *Leases,* on the Company and has not yet determined the impact.

(Expressed in United States dollars)

4. Business combinations:

During the nine months ended September 30, 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 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.

	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	$ 14,213,647	$ 3,500,000	$ 59,798,339
Pre-close trade receivables	525,000	-	-	-	-	-	525,000
Pre-close trade payables	(525,000)	-	-	-	-	-	(525,000)
Prepaid expenses and deposits	-	-	11,990	-	-	-	11,990
Fair value of net identifiable assets and liabilities acquired	$ 10,340,333	$ 5,669,698	$ 10,618,182	$ 15,468,469	$ 14,213,647	$ 3,500,000	$ 59,810,329
Exclusive professional services agreements – amortization term	4.5 years	5 years	15 years	7 years	5 years	7 years	
Acquisition costs expensed							$ 570,900

The value of the acquired intangible assets, being exclusive professional services agreements, have been determined on a provisional basis and relates to the acquisition of exclusive professional services agreements to provide professional anesthesia services. The amortization terms for the agreements are based upon contractual terms within the acquisition agreements and professional services agreements.

4. Business combinations (continued):

DDAB

In February 2017, a subsidiary of the Company entered into a membership interest purchase agreement to acquire 51% of the ownership interest in DDAB, LLC (“DDAB”), an anesthesia services provider in Georgia. The estimated purchase price under the agreement was $4,089,791 and was paid via cash. The purchase price was adjusted seven months following the acquisition date for actual cash collections in the months up to purchase. Contingent consideration of $1,183,779 was paid in the third quarter of 2017 with respect to the purchase price adjustment. As part of the transaction, the Company also entered into an operating agreement between it and the non-controlling interest shareholders of DDAB which governs the operation of the acquired business. As a result of the 51% ownership interest acquired and the operating agreement, the Company has acquired control of DDAB and, as a result, 100% of the financial results of DDAB have been included in the Company’s consolidated financial statements from the date of acquisition, being February 1, 2017. The non-controlling interest of $5,066,763 was determined based on 49% of the fair value of DDAB’s net identifiable assets as estimated by the Company.

In conjunction with the acquisition, the non-controlling interest shareholder of DDAB provided a working capital advance to DDAB totaling $71,819 at March 31, 2017. The working capital advance was repaid as of September 30, 2017.

OGAA

In March 2017, a subsidiary of the Company entered into a membership interest purchase agreement to acquire 60% of the ownership interest in Osceola Gastroenterology Anesthesia Associates, LLC (“OGAA”), an anesthesia services provider in Florida. The total purchase price under the agreement was $3,401,819 and was paid via cash. As part of the transaction, the Company also entered into an operating agreement between it and the non-controlling interest shareholders of OGAA which governs the operation of the acquired entity. As a result of the 60% ownership interest acquired and the operating agreement, the Company has acquired control of OGAA and, as a result, 100% of the financial results of OGAA have been included in the Company’s consolidated financial statements from the date of acquisition, being March 15, 2017. The non-controlling interest of $2,267,879 was determined based on 40% of the fair value of OGAA’s net identifiable assets as estimated by the Company.

In conjunction with the acquisition, both the Company and the non-controlling interest shareholder contributed loans of $90,000 and $60,000, respectively. The loans were repaid as of September 30, 2017.

4. Business combinations (continued):

WFAA

In August 2017, a subsidiary of the Company entered into an asset contribution and exchange agreement to acquire 55% of the ownership interest in West Florida Anesthesia Associates, LLC ("WFAA"), an anesthesia services provider in Florida. The total purchase price under the agreement was $5,840,000 and was paid via cash. As part of the transaction, the Company also entered into an operating agreement between it and the non-controlling interest shareholders of WFAA which governs the operation of the acquired entity. As a result of the 55% ownership interest acquired and the operating agreement, the Company has acquired control of WFAA and, as a result, 100% of the financial results of WFAA have been included in the Company's consolidated financial statements from the date of acquisition, being August 1, 2017. The non-controlling interest of $4,778,182 was determined based on 45% of the fair value of WFAA's net identifiable assets as estimated by the Company.

In conjunction with the acquisition, both the Company and the non-controlling interest shareholder contributed loans of $82,500 and $67,500, respectively. The terms of the loans are such that they will be repaid first, prior to any future distributions and are non-interest bearing.

CCAA

In September 2017, a subsidiary of the Company entered into an asset contribution and exchange agreement to acquire 51% of the ownership interest in Central Colorado Anesthesia Associates, LLC ("CCAA"), an anesthesia services provider in Colorado. The total purchase price under the agreement was $7,888,919 and was paid via cash. As part of the transaction, the Company also entered into an operating agreement between it and the non-controlling interest shareholders of CCAA which governs the operation of the acquired entity. As a result of the 51% ownership interest acquired and the operating agreement, the Company has acquired control of CCAA and, as a result, 100% of the financial results of CCAA have been included in the Company's consolidated financial statements from the date of acquisition, being September 11, 2017. The non-controlling interest of $7,579,550 was determined based on 49% of the fair value of CCAA's net identifiable assets as estimated by the Company.

In conjunction with the acquisition, both the Company and the non-controlling interest shareholder contributed loans of $178,500 and $171,500, respectively. The terms of the loans are such that they will be repaid first, prior to any future distributions and are non-interest bearing.

(Expressed in United States dollars)

4. Business combinations (continued):

RSA

In September 2017, a subsidiary of the Company entered into an agreement of contribution, merger and sale which resulted in the acquisition of a 51% ownership interest in Raleigh Sedation Associates, LLC ("RSA") and Blue Ridge Anesthesia Associates, LLC ("BRSA"). Combined, these entities provide anesthesia services in North Carolina. The total purchase price under the agreement was $7,248,960 and was paid via cash. As part of the transaction, the Company also entered into an operating agreement between it and the non-controlling interest shareholders of RSA and BRSA which governs the operation of the acquired entities. As a result of the 51% ownership interest acquired and the operating agreements, the Company has acquired control of RSA and BRSA, and, as a result, 100% of the financial results of these entities have been included in the Company's consolidated financial statements from the date of acquisition, being September 21, 2017. The non-controlling interest of $6,964,687 was determined based on 49% of the fair value of RSA and BRSA's net identifiable assets as estimated by the Company.

In conjunction with the acquisition, both the Company and the non-controlling interest shareholder contributed loans of $204,000 and $196,000, respectively. The terms of the loans are such that they will be repaid first, prior to any future distributions and are non-interest bearing.

ASA

In September 2017, a subsidiary of the Company entered into an asset purchase agreement to purchase 100% of certain assets of an anesthesia services provider in the Texas. The total purchase price under the asset purchase agreement was $3,500,000 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 financial statements from the date of acquisition, being September 28, 2017.

In the three and nine months ended September 30, 2017, the above noted acquisitions contributed revenue and net earnings before tax as follows:

	Three months ended September 30, 2017						
	DDAB	OGAA	WFAA	CCAA	RSA	ASA	Total
Revenue	$ 965,853	$ 672,971	$ 466,525	$ 347,748	$ 179,623	$ 20,042	$ 2,652,762
Net earnings (loss) before tax	$ (103,399)	$ 59,623	$ 170,557	$ 130,223	$ 21,653	$ 8,077	$ 286,734
Amortization	$ 627,597	$ 283,485	$ 117,846	$ 81,639	$ 71,068	$ 2,779	$ 1,184,414

	Nine months ended September 30, 2017						
	DDAB	OGAA	WFAA	CCAA	RSA	ASA	Total
Revenue	$ 2,348,724	$ 1,333,786	$ 466,525	$ 347,748	$ 179,623	$ 20,042	$ 4,696,448
Net earnings (loss) before tax	$ (276,196)	$ 60,829	$ 170,557	$ 130,223	$ 21,653	$ 8,077	$ 115,143
Amortization	$ 1,531,901	$ 614,217	$ 117,846	$ 81,639	$ 71,068	$ 2,779	$ 2,419,450

(Expressed in United States dollars)

4. Business combinations (continued):

The following unaudited supplemental pro forma financial information presents information as if the acquisitions had been completed on January 1, 2017. 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 2017. The pro forma financial information (unaudited) presented includes amortization charges for acquired intangible assets based on the values assigned in the purchase price allocation. Were the acquisitions completed on January 1, 2017, revenue for the Company would have been approximately $82.0 million and net income before tax would have been approximately $11.6 million.

Pro Forma Information (unaudited)	Nine months ended September 30, 2017						
	DDAB	OGAA	WFAA	CCAA	RSA	ASA	Total
Revenue	$ 2,642,315	$ 1,846,781	$ 2,099,363	$ 4,941,682	$ 5,388,690	$ 1,803,780	$ 18,722,611
Net earnings before tax	$ (310,721)	$ 84,225	$ 767,597	$ 1,850,537	$ 649,590	$ 726,930	$ 3,768,158
Amortization	$ 1,723,389	$ 850,455	$ 530,310	$ 1,160,135	$ 2,132,047	$ 375,000	$ 6,771,336

During the period ended September 30, 2016, the Company completed three 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
Austin Gastroenterology Anesthesia Associates, PLLC (“AGAA”)	May 2016	$16,821,896
Community Anesthesia, PLLC (“Community”)	June 2016	$13,636,639
Arapahoe Gastroenterology Anesthesia Associates, LLC (“Arapahoe”)	June 2016	$ 3,700,000

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

(Expressed in United States dollars)

4. Business combinations (continued):

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.

	AGAA	Community	Arapahoe	Total
Cash	$ 13,000,000	$ 13,636,639	$ 3,700,000	$ 30,336,639
Deferred consideration	3,821,895	-	-	3,821,895
Purchase consideration	16,821,895	13,636,639	3,700,000	34,158,534
Non-controlling interest	16,162,214	7,342,806	3,554,902	27,059,922
	$ 32,984,109	$ 20,979,445	$ 7,254,902	$ 61,218,456
Assets and liabilities acquired:				
Exclusive professional services agreements	32,984,109	20,979,445	$ 7,254,902	$ 61,218,456
Pre-close trade receivables	-	917,998	-	917,998
Pre-close trade payables	-	(917,998)	-	(917,998)
Fair value of net identifiable assets and liabilities acquired	$ 32,984,109	$ 20,979,445	$ 7,254,902	$ 61,218,456
Exclusive professional services agreements – amortization term	10 years	5 years	5 years	
Acquisition costs expensed in relation to above acquisitions				$ 348,251

As a result of the above business combinations completed in 2016, the Company recognized intangible assets totaling $61,218,456 during the year ended December 31, 2016, along with non-controlling interest of $27,059,922.

(Expressed in United States dollars)

5. Anesthesia services expense:

For the three and nine month periods ended September 30:

	Three months ended		Nine months ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Employee related	$ 7,106,062	$ 5,816,173	$ 20,321,355	$ 13,070,840
Depreciation and amortization	5,898,442	4,714,227	16,561,085	10,118,306
Bad debt expense	1,186,283	1,127,938	3,483,824	2,561,087
Office related	1,648,749	1,500,809	4,671,734	3,666,342
Acquisition expense	355,992	20,720	570,900	368,972
Medical supplies	150,528	194,262	430,749	554,311
Stock-based compensation	100,463	38,308	355,825	81,823
Professional fees	113,917	64,500	350,352	248,462
Insurance	57,751	35,313	173,338	66,496
Travel and entertainment	99,669	54,564	240,578	106,770
Corporate related expenses	-	520	-	820
	$ 16,717,856	$ 13,567,334	$ 47,159,740	$ 30,844,229

6. Product sales expense:

For the three and nine month periods ended September 30:

	Three months ended		Nine months ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Employee related	$ 415,654	$ 364,718	$ 1,241,756	$ 1,084,815
Product cost and support	512,584	485,383	1,509,507	1,457,825
Professional fees	84,721	49,003	303,273	193,494
Office related	73,881	60,575	206,757	187,436
Stock-based compensation	90,371	90,212	276,880	272,976
Insurance	4,540	13,776	11,952	41,330
Depreciation and amortization	14,557	14,610	39,702	30,253
Foreign exchange	2,924	801	12	11,478
	$ 1,199,232	$ 1,079,078	$ 3,589,839	$ 3,279,607

(Expressed in United States dollars)

7. Corporate expense:

For the three and nine month periods ended September 30:

	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Employee related	$ 425,096	$ 321,848	$ 1,238,550	$ 960,096
Professional expenses	233,774	106,201	628,804	456,769
Corporate	126,404	110,611	364,988	347,939
Stock-based compensation	776,854	169,210	2,022,470	496,490
Travel and entertainment	69,812	42,887	179,726	192,526
Office related	53,700	44,133	150,742	131,427
Insurance	79,916	58,326	232,936	184,026
Depreciation and amortization	5,775	13,518	9,751	39,222
Foreign exchange	4,969	458	26,351	18,507
	$ 1,776,300	$ 867,192	$ 4,854,318	$ 2,827,002

8. Derivative asset:

On January 21, 2016, the Company entered into a cross currency swap with the Bank of Nova Scotia (“Scotia”) to lock in the Canadian dollar to U.S. dollar foreign exchange rate on its Canadian dollar denominated Crown Note (note 9) at 1.448. Under the cross currency swap, Scotia was committed to payments on the principal amount of the Crown Note of CAD$22,500,000 at a rate of 12% while the Company was committed to payments on the principal amount of the Crown Note of $15,538,674 at 13.17%.

The Company accounted for the cross currency swap as a derivative financial instrument at fair value through profit or loss and recorded the fair value of the instrument on the balance sheet with changes in the fair value of the instrument recorded through earnings in the period (note 12). In conjunction with the extinguishment of the Crown Note (note 9), the cross currency swap was settled. The Company received a payment of $1,313,874 as a result of settlement of the cross currency swap on June 26, 2017.

9. Notes payable:

September 30, 2017	Crown Note	Scotia Facility	Total
Current portion	$ -	3,007,812	$ 3,007,812
Non-current portion	-	60,734,278	60,734,278
Total loans and borrowings	$ -	63,742,090	$ 63,742,090

December 31, 2016	Crown Note	Scotia Facility	Total
Current portion	$ -	5,791,787	$ 5,791,787
Non-current portion	15,208,256	22,930,518	38,138,774
Total loans and borrowings	$ 15,208,256	28,722,305	$ 43,930,561

(Expressed in United States dollars)

9. Notes payable (continued):

Crown Capital Fund III Management Inc. ("Crown Note")
On December 1, 2014, the Company entered into an agreement to borrow funds in the form of a subordinated note payable from Crown Capital Fund III Management Inc. At inception, the original amount of the note payable was CAD$22,500,000 (USD$19,863,000). The note bore interest at 12% per annum with a decrease to 10% upon repayment and performance in full of the Company's obligations under its senior credit agreement (see Scotia Facility). Interest on the note was payable on a quarterly basis beginning March 31, 2015, with the payment of the principal scheduled for June 1, 2018. In compensation for its services, the Company paid Crown a combination of cash CAD$1,350,000 (USD$1,191,780) and shares (2,000,000 common shares) in addition to reimbursement of legal costs in relation to issuance of the note. The Crown note was subordinate to the Scotia Facility. The note was classified as an other financial liability and recorded at amortized cost.

In conjunction with an increase to the Scotia Facility in June 2017, noted below, the Company repaid in full the principal owing on the Crown Note of CAD$22,500,000 ($17,043,750), with related interest, prepayment penalties and other extinguishment costs of CAD$1,568,384 ($1,188,051). As a result of the extinguishment of the Crown Note, the Company recorded finance expense of $1,789,882 representing the difference between the carrying value of the loan at extinguishment and the consideration transferred to extinguish its financial obligations under the Crown Note.

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 $501,565. As at September 30, 2017, the Company had drawn $64,200,000 on the amended facility (2016 - $29,000,000). 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. 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 September 30, 2017, interest on the facility is calculated at LIBOR plus 2.50% on the revolving portion of the facility and LIBOR plus 2.0% on the term portion of the facility. The Facility is secured by the assets of the Company. The Company is required to maintain the following financial covenants in respect of the Facility:

Financial Covenant	Required Ratio
Total funded debt ratio	2.75:1.00
Fixed charge coverage ratio	1.15:1.00

(Expressed in United States dollars)

9. Notes payable (continued):

The Company is in compliance with all covenants at September 30, 2017.

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

	Minimum Principal
At September 30, 2017	
Not later than one year	$ 3,175,000
Between one and five years	$ 61,025,000
	$ 64,200,000

10. 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, there were no share transactions in the three and nine months ended September 30, 2017.

On March 29, 2016, the Company issued 46,851 common shares on the exercise of 46,851 broker warrants issued in connection with the Company's bought deal equity offering on March 25, 2015. Gross proceeds on exercise were $121,095 (CAD$159,293) and the fair value of the instruments exercised was $48,335 (CAD$60,502).

(b) Share unit plan:

In June 2017, the shareholders of the Company approved the 2017 Share Unit Plan. The 2017 Share Unit Plan is substantially similar to the Share Unit Plan adopted in 2014 and amends certain of the provisions in the 2014 plan to adhere to best practice corporate governance practices. 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, performance-based vesting conditions or a combination of the two. Once the share units vest, the participant is entitled to receive the equivalent number of underlying common shares.

(Expressed in United States dollars)

10. Share capital (continued):

(b) Share unit plan (continued):

A summary of the status of the plan as of September 30, 2017 and 2016 is as follows:

	Time based share units	Performance based share units
Outstanding, January 1, 2016	509,000	1,000,000
Issued	191,500	250,000
Vested	(80,000)	-
Forfeited	(50,000)	-
Expired	-	-
Outstanding, September 30, 2017	570,500	1,250,000
Outstanding, January 1, 2017	1,068,000	2,350,000
Issued	84,000	-
Vested	(212,000)	(1,000,000)
Forfeited	(30,000)	-
Expired	-	-
Outstanding, September 30, 2017	910,000	1,350,000

During the three and nine months ended September 30, 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 202,549 in respect of 212,000 time based share units which vested during the three and nine months ended September 30, 2017.

During the quarter ended September 30, 2017, the Company recognized $962,612 (2016 - $282,647) in compensation expense in relation to share units.

During the nine months ended September 30, 2017, the Company recognized $2,635,593 (2016 - $775,782) in compensation expense in relation to share units.

(c) Stock option plan:

During the quarter ended September 30, 2017, the Company recognized $5,074 (2016 - $15,082) in compensation expense in relation to stock options.

During the nine months ended September 30, 2017, the Company recognized $19,580 (2016 – $75,506) in compensation expense in relation to stock options.

(Expressed in United States dollars)

10. Share capital (continued):

(d) Earnings per share:

The calculation of basic earnings per share for the three months ended September 30, 2017 and 2016 is as follows.

	Three months ended September 30								
	2017				2016				
		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 (loss):										
Earnings (loss) per common share:										
Basic	$	2,228,486	74,109,738	$	0.030	$	2,869,515	71,958,864	$	0.040
Share options			1,171,417					2,035,477		
Share units			198,807					275,963		
Broker warrants			-					40,243		
Diluted	$	2,228,486	75,479,962	$	0.030	$	2,869,515	74,310,547	$	0.039

For the three months ended September 30, 2017, 242,020 options (2016 – 294,948) and 2,078,476 share units (2016 – 1,199,754) were excluded from the diluted weighted average number of common shares calculation.

The calculation of basic earnings per share for the nine months ended September 30, 2017 and 2016 is as follows.

	Nine months ended September 30									
	2017					2016				
		Net earnings	Weighted average number of common shares outstanding		Per share amount		Net earnings (loss)	Weighted average number of common shares outstanding		Per share amount
Net earnings:										
Earnings per common share:										
Basic	$	3,276,711	73,691,799	$	0.044	$	7,094,285	71,579,028	$	0.099
Share options			1,351,914					2,260,988		
Share units			649,409					252,141		
Broker warrants								64,419		
Diluted	$	3,276,711	75,693,122	$	0.043	$	7,094,285	74,156,576	$	0.096

(Expressed in United States dollars)

10. Share capital (continued):

(d) Earnings per share (continued):

For the nine months ended September 30, 2017, 135,610 options (2016 – 387,602) and 1,939,959 share units (2016 – 1,215,180) were excluded from the diluted weighted average number of common shares calculation.

The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

11. Net finance expense

Recognized in earnings in the three and nine months ended September 30:

	Three months ended		Nine months ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Finance income:				
Foreign exchange (gain)	$ -	$ (23,655)	$ -	$ (1,026,429)
Net change in fair value of financial liabilities at fair value through earnings	(858,628)		(814,565)	
Total finance income	$ (858,628)	$ (23,655)	$ (814,565)	$ (1,026,429)
Finance expense:				
Interest and accretion expense on borrowings	$ 270,528	$ 1,131,089	$ 2,419,296	$ 2,948,811
Accretion expense on earn-out obligation and deferred consideration	146,737	146,916	462,241	416,348
Amortization of deferred financing fees	41,797	74,273	192,202	540,199
Net change in fair value of financial liabilities at fair value through earnings	-	37,864	-	341,725
Foreign exchange loss	-	-	88,084	-
Extinguishment of notes payable and bank indebtedness	-	-	2,044,867	-
Other	-	15,000	25,472	27,215
Total finance expense	$ 459,062	$ 1,405,142	$ 5,232,162	$ 4,274,298
Net finance expense	$ (399,566)	$ 1,381,487	$ 4,417,597	$ 3,247,869

12. Financial instruments:

The Company's financial instruments consist of cash and cash equivalents, trade and other receivables, derivative assets, trade and other payables, employee benefit obligations, short term advances, loans, member loans, notes payable, deferred consideration, contingent consideration and the Company's earn-out obligation. The fair values of these financial instruments, except the derivative asset, notes payable balances, deferred consideration, and the earn-out obligation, approximate carrying value because of their short-term nature. The earn-out obligation and derivative asset are classified as financial instruments 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)

12. Financial instruments (continued):

The Company's derivative asset was carried at fair value as disclosed in note 8. The fair value of the derivative asset was determined using models to estimate the present value of expected future cash flows. The derivative asset was considered a Level 2 instrument because, while observable inputs were available, they were not quoted in an active market. As at September 30, 2017, the derivative had been settled.

The Company's earn-out obligation is measured at fair value on a recurring basis using significant unobservable inputs (Level 3). The Company has used a probability weighted valuation technique in calculating the fair value of the earn-out obligation. This valuation technique included 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 probability weighted valuation technique at each reporting period. During the three and nine months ended September 30, 2017, 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 probabilities underlying the timing and amount of payment. The downward adjustment of the discount rate from 3.80% at December 31, 2016 to 3.51% at September 30, 2017 and the amendment of probabilities resulted in a decrease of $814,565 to the fair value of the earn-out obligation. The impact of this adjustment was recorded through finance recovery in the period with a recovery of $858,628 recorded in the three months ended September 30, 2017, and expense of $29,200 recorded in the three months ended June 30, 2017 and an expense of $14,863 recorded in the three months ended March 31, 2017.

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 $167,234. A 10% change in the probability assessments used would change the fair value of the earn-out obligation by $455,243. During the three and nine months ended September 30, 2017, the Company recorded accretion expense of $118,366 and $363,748, respectively, 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, 2017	$ 13,149,130
Recorded in finance expense:	
Accretion expense	363,748
Fair value adjustment	(814,565)
Balance as at September 30, 2017	$ 12,698,313

13. 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 United States dollars, for the three and nine months ended September 30, 2017 and 2016 are as follows:

	Three months ended		Nine months ended	
Revenue:	**September 30, 2017**	**September 30, 2016**	**September 30, 2017**	**September 30, 2016**
Canada and other	$ 65,592	$ 77,470	$ 189,643	$ 178,044
United States	23,279,438	22,030,667	67,749,583	52,354,485
Total	$ 23,345,030	$ 22,108,137	$ 67,939,226	$ 52,532,529

The Company's property and equipment and intangible assets are located in the following geographic regions as at September 30, 2017 and December 31, 2016:

	2017	**2016**
Property and equipment:		
Canada	$ 369,860	$ 316,145
United States	10,976	8,053
Total	$ 380,836	$ 324,198
Intangible assets:		
Canada	$ 35,933	$ 31,934
United States	176,879,099	133,635,377
Total	$ 176,915,032	$ 133,667,311

(Expressed in United States dollars)

13. Segmented information (continued):

The financial measures reviewed by the Company's Chief Operating Decision Maker are presented below for the three and nine months ended September 30, 2017 and 2016. 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 September 30, 2017			
	Anesthesia services	Product sales	Other	Total
Revenue	$ 20,480,288	$ 2,864,742	$ -	$ 23,345,030
Operating costs	16,717,856	1,199,232	1,776,300	19,693,388
Operating income	$ 3,762,432	$ 1,665,510	$ (1,776,300)	$ 3,651,642

	Three months ended September 30, 2016			
	Anesthesia services	Product sales	Other	Total
Revenue	$ 19,446,645	$ 2,661,492	$ -	$ 22,108,137
Operating costs	13,567,334	1,079,078	867,192	15,513,604
Operating income	$ 5,879,311	$ 1,582,414	$ (867,192)	$ 6,594,533

	Nine months ended September 30, 2017			
	Anesthesia services	Product sales	Other	Total
Revenue	$ 59,510,491	$ 8,428,735	$ -	$ 67,939,226
Operating costs	47,159,740	3,589,839	4,854,318	55,603,897
Operating income	$ 12,350,751	$ 4,838,896	$ (4,854,318)	$ 12,335,329

	Nine months ended September 30, 2016			
	Anesthesia services	Product sales	Other	Total
Revenue	$ 44,813,732	$ 7,718,797	$ -	$ 52,532,529
Operating costs	30,844,229	3,279,607	2,827,002	36,950,838
Operating income	$ 13,969,503	$ 4,439,190	$ (2,827,002)	$ 15,581,691