CRH Medical Corporation

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Three months ended March 31, 2019
Financial Report

Trading Information:	TSE (Symbol "CRH")
	NYSE MKT (Symbol "CRHM")
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Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the attached financial statements and notes thereto included in Part I, Item 1 of the March 31, 2019 Quarterly Report on Form 10-Q, as well as our audited financial statements and related notes thereto and management's discussion and analysis of financial condition and results of operations for the year ended December 31, 2018 included in our Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission on March 13, 2019 and with the securities commissions in all provinces and territories of Canada on March 13, 2019. The March 31, 2019 Quarterly Report on Form 10-Q, including the following sections, contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. These statements are subject to risks and uncertainties that could cause actual results and events to differ materially from those expressed or implied by such forward-looking statements. As a result of many factors, including without limitation those set forth under "Risk Factors" under Item 1A of Part II below, and elsewhere in the March 31, 2019 Quarterly Report on Form 10-Q, our actual results may differ materially from those anticipated in these forward-looking statements. We caution the reader not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date of the March 31, 2019 Quarterly Report on Form 10-Q. We undertake no obligation to update forward-looking statements which reflect events or circumstances occurring after the date of the March 31, 2019 Quarterly Report on Form 10-Q. Throughout this discussion, unless the context specifies or implies otherwise, the terms "CRH," "we," "us," and "our" refer to CRH Medical Corporation and its subsidiaries.

Overview

CRH is a North American company focused on providing gastroenterologists ("GIs") 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 twenty additional acquisitions of GI anesthesia companies since GAA.

According to the Centers for Disease Control and Prevention ("CDC"), 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 CDC 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 GIs 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 financing and revolving and term credit facilities. 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.

Recent Events

Anesthesia Care Associates LLC ("ACA") – January 2019

On January 1, 2019, a subsidiary of the Company entered into a membership interest purchase agreement to acquire a 100% interest in Anesthesia Care Associates, LLC ("ACA"), a gastroenterology anesthesia services provider in Indiana. The purchase consideration, paid via cash, for the acquisition of the Company's 100% interest was $5,239,003. The allocated cost of the exclusive professional service agreement which was acquired as part of this acquisition was $5,355,028.

Arapahoe Gastroenterology Anesthesia Associates LLC ("Arapahoe") – April 2019

On April 3, 2019, a subsidiary of the Company entered into a membership interest purchase agreement to purchase the remaining 49% interest in Arapahoe Gastroenterology Anesthesia Associates LLC not held by the Company. The purchase consideration, paid via cash, for the acquisition of the remaining 49% interest was $2,300,000 plus 49% of Arapahoe's working capital as at March 31, 2019. Additionally, the Company also incurred deferred acquisition costs of $18,528.

Appointment of New CEO – April 2019

On April 9, 2019, the Company announced the appointment of Dr. Tushar Ramani as CEO of the Company, replacing outgoing CEO Edward Wright. Dr. Ramani, a 30-year veteran of the anesthesia industry, has also joined the Company's board as a director. Dr. Ramani brings with him extensive experience in both managing and providing healthcare services, growing companies and creating shareholder value.

Critical Accounting Policies and Estimates

There are no changes to our critical accounting policies and estimates from those disclosed in our annual MD&A contained in our Annual Report Form 10-K for the year ended December 31, 2018, except as noted below:

Equity Method Investment

The Company accounts for its investment in associated companies in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification 323, Investments – Equity Method and Joint Ventures ("ASC 323"). Results of equity investments are presented on a one-line basis. Investments in, and advances to, equity investments are presented on a one-line basis in the Company's consolidated balance sheets, net of allowance for losses, which represents the Company's best estimate of probable losses inherent in such assets. The Company's proportionate share of any equity investment net income or loss is presented on a one-line basis in the Company's consolidated statement of operations. Transactions between the Company and any associated companies are eliminated on a basis proportional to the Company's ownership interest

Recent Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the FASB or other standard setting bodies that are adopted by us as of the specified effective date. Unless otherwise discussed, we believe that the impact of recently issued standards that are not yet effective will not have a material impact on our financial position or results of operations upon adoption.

Please refer to Note 3 to our condensed consolidated interim financial statements included in Part I, Item 1, "Financial Statements" of this Quarterly Report on Form 10-Q for a description of recent accounting pronouncements applicable to our business. Of note, we have adopted ASU 2016-02 and ASU 2017-13, collectively the new leasing standard under US GAAP. This standard requires lessees to recognize most leases on the balance sheet. The Company adopted the standard using the modified retrospective method effective January 1, 2019 with nearly all operating classified leases classified as operating leases under this new standard with a right-of-use asset and a corresponding obligation recognized on the balance sheet at the adoption date.

Results of Operations

The following tables provide a detailed analysis of our results of operations and financial condition. For each of the periods indicated below, we present our revenues by business segment, as well as present key metrics, such as operating expenses, operating income and net and comprehensive income attributable to shareholders of the company and non-controlling interest, from our statements of operations.

The selected financial information provided below has been prepared in accordance with United States Generally Accepted Accounting Principles ("US GAAP") beginning December 31, 2018 on a retrospective basis. The Company's historical financial statements were previously presented under International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) up to and including the Company's September 30, 2018 interim report. The Company converted to US GAAP upon no longer meeting the definition of a foreign private issuer on June 30, 2018.

The conversion from IFRS to US GAAP resulted in adjustments to the Company's balance sheet and statement of operations for the year ended December 31, 2017 as well as adjustments to the company's interim balance sheets and statements of operations for the quarters ended March 31, 2018, June 30, 2018 and September 30, 2018. All financial data contained within this document has been restated and presented in accordance with US GAAP. A summary of the impact of conversion from IFRS to US GAAP on the Company's statement for the three months ended March 31, 2018 is presented below:

	Three months ended March 31, 2018		
	As previously reported (IFRS)	Adjustments	Restated (US GAAP)
Net and comprehensive income	$3,181,651	$ (24,220)	$3,157,431
Attributable to:			
Shareholders of the Company	1,427,867	(16,869)	1,410,998
Non-controlling interest	$1,753,784	$ (7,351)	$1,746,433

The primary driver of the IFRS to US GAAP adjustments was additional amortization relating to the capitalization of acquisition costs on the Company's acquisitions completed during the years ended December 31, 2018 and 2017 offset by an incremental decrease in stock based compensation expense related to the Company's performance based share units, and related tax impact. The conversion from IFRS to US GAAP had no impact on the Company's Adjusted Operating EBITDA[1].

[1] See "Use of Non-GAAP Financial Measures" below for a reconciliation of GAAP-based measures to Non-GAAP-based measures.

SELECTED US GAAP FINANCIAL INFORMATION

	Three months ended March 31,		
	2019	2018	% Change
Anesthesia services revenue	$26,692,966	$22,108,625	21%
Product sales revenue	2,426,124	2,556,876	(5%)
Total revenue	**29,119,090**	**24,665,501**	**18%**
Total operating expenses, including:	**25,294,241**	**20,226,242**	**25%**
Depreciation and amortization expense	8,667,984	7,219,277	20%
Stock based compensation expense	564,251	737,621	(24%)
Operating income	**3,824,849**	**4,439,259**	**(14%)**
Operating margin	**13.1%**	**18.0%**	**(27%)**
Income from equity investment	**(125,179)**	**—**	**NA**
Net finance expense (recovery)	**2,391,979**	**612,471**	**291%**
Tax expense	**167,259**	**669,357**	**(75%)**
Net and comprehensive income (loss)	**$ 1,390,790**	**$ 3,157,431**	**(56%)**
Attributable to:			
Shareholders of the Company	$ (76,968)	$ 1,410,998	(105%)
Non-controlling interest[1]	$ 1,467,758	$ 1,746,433	(16%)
Net cash provided by operating activities	$12,375,716	$11,282,588	10%
Distributions to non-controlling interest	(4,034,800)	(6,774,450)	(40%)
	$ 8,340,916	$ 4,508,138	85%
Earnings (loss) per share attributable to shareholders:			
Basic	$ (0.001)	$ 0.019	
Diluted	$ (0.001)	$ 0.019	

NON-GAAP FINANCIAL MEASURES

In addition to results reported in accordance with US GAAP, the Company uses certain non-GAAP financial measures as supplemental indicators of its financial and operating performance as we believe these non-GAAP measures will be useful to investors as this presentation is in line with how our management assesses our Company's performance. These non-GAAP financial measures include Adjusted operating EBITDA, Adjusted operating EBITDA margin 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.

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

SELECTED FINANCIAL INFORMATION – NON-GAAP MEASURES

	Three months ended March 31, 2019	2018	% Change
Total Adjusted operating expenses	**$16,041,949**	**$12,251,812**	**31%**
Adjusted operating EBITDA – non-controlling interest[2]	4,311,286	4,182,351	3%
Adjusted operating EBITDA – shareholders of the Company	**8,765,854**	**8,231,338**	**6%**
Adjusted operating EBITDA – total	**$13,077,141**	**$12,413,689**	**5%**
Adjusted operating EBITDA margin	**44.9%**	**50.3%**	

Results of Operations for the three months ended March 31, 2019 and 2018

Revenues for the three months ended March 31, 2019 were $29,119,090 compared to $24,665,501 for the three months ended March 31, 2018. The 18% increase is mainly attributable to revenue contributions from the anesthesia businesses acquired by the Company in 2019, along with acquisitions completed mid-year in fiscal 2018, offset by a decrease in revenues in the product business.

Revenues from anesthesia services for the three months ended March 31, 2019 were $26,692,966 compared to $22,108,625 for the three months ended March 31, 2018. As above, the increase was primarily due to the Company's anesthesia acquisitions throughout 2019 and 2018; however, there were additional factors which impacted the change in revenue between Q1 2019 and Q1 2018. The $4.6 million increase in revenue from the prior period is reflective of the following:

- growth through acquisitions completed in 2019 and 2018 contributed $5.9 million of the increase when comparing the two periods. This is comprised of growth from acquisitions completed in 2018 ($5.4 million) and growth from acquisitions completed in 2019 ($0.5 million);
- organic case growth in our entities acquired prior to 2018 of approximately $0.9 million;
- executing contracts with non-contracted payors and changes in payor mix, primarily related to entities acquired prior to 2018, decreased 2019 revenue by approximately $1.9 million when compared to 2018;
- revenues relating to our monitored anesthesia care program decreased by $0.1 million as a result of the acquisition of LWA mid-2018; and
- the Company incurred a negative adjustment as a result of a non-recurring change in estimate of approximately $0.3 million. Included within Q1 2019 revenue are positive revenue adjustments resulting from changes in estimates totaling $1.3 million.

As adjusted operating expenses[1] are largely fixed in nature, changes in revenue primary drive changes in operating income and adjusted operating EBITDA[1].

In the quarter ended March 31, 2019, the anesthesia services segment serviced 77,501 patient cases compared to 57,657 patient cases during the quarter ended March 31, 2018. Patient cases exclude any patient cases at the Company's equity held investment, TSA.

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1 See "Use of Non-GAAP Financial Measures" below for a reconciliation of GAAP-based measures to Non-GAAP-based measures.

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

The tables below summarize our payor mix as a percentage of all patient cases for the three months ended March 31, 2019 and 2018.

	Three months ended		
Payor	**March 31, 2019**	**March 31, 2018**	**Change**
Commercial	58.1%	57.5%	1.0%
Federal	41.9%	42.5%	(1.4%)
Total	**100.0%**	**100.0%**	

The payor mix for the three months ended March 31, 2019 includes acquisitions completed during 2018 and 2019 and as a result is not directly comparable to the three months ended March 31, 2018. As we acquire anesthesia providers, these providers may have different payor mix profiles and impact our overall payor mix above.

The table below summarizes our approximate payor mix as a percentage of all patient cases for the three months ended March 31, 2019 and 2018, but exclude patient cases related to acquisitions completed in 2019 and 2018 as inclusion of these acquisitions would reduce comparability of the data presented.

	Three months ended		
Payor	**March 31, 2019**	**March 31, 2018**	**Change**
Commercial	59.6%	57.5%	3.7%
Federal	40.4%	42.5%	(4.9%)
Total	**100.0%**	**100.0%**	

Seasonality is driven by both patient cases and seasonal payor mix. As a result, revenue per patient will fluctuate quarterly. The seasonality of patient cases for fiscal 2018 is provided below for organic patient cases; it excludes patient cases relating to acquisitions completed in 2018 and is representative of expectations for seasonality mix in 2019.

Seasonality	**Q1 2018**	**Q2 2018**	**Q3 2018**	**Q4 2018**
Patient cases	23.8%	25.2%	24.7%	26.3%

Revenues from product sales for the three months ended March 31, 2019 were $2,426,124 compared to $2,556,876 for the comparable period in 2018. The decrease in product sales is the result of decreased sales of the CRH O'Regan System at previously trained practices due to changes in practice emphasis and to a lesser extent the introduction of competitive products. At the end of 2018, we had initiated additional practice support initiatives, including a greater emphasis on re-training physicians in practices where usage has decreased. We continue to engage in re-training initiatives where usage has decreased. As of March 31, 2019, the Company has trained 2,999 physicians to use the O'Regan System, representing 1,139 clinical practices. This compares to 2,744 physicians trained, representing 1,054 clinical practices, as of March 31, 2018.

Total operating expenses

Total operating expense for the three months ended March 31, 2019 was $25,294,241 compared to $20,226,242 for the three months ended March 31, 2018. The increase in operating expenses is largely driven by increases seen in total adjusted operating expense (refer to the "Total adjusted operating expenses – Non-GAAP section below) as well as increases in amortization expense related to acquisitions completed in 2019 and throughout 2018, offset by a decrease in stock-based compensation expense.

Amortization expense increased by 20% from 2018. This is a result of acquisitions completed in 2018 and 2019 and the related intangible assets that were acquired. Stock-based compensation expense decreased by 24% when compared to 2018. This decrease is due to actual forfeitures experienced in Q1 2019 as well as the composition of employees receiving share units as compensation.

Total adjusted operating expenses – Non-GAAP[1]

For the three months ended March 31, 2019, total adjusted operating expenses were $16,041,949 compared to $12,251,812 for the three months ended March 31, 2018. Increases in adjusted operating expenses are primarily related to adjusted operating expenses in the anesthesia services business.

Anesthesia services adjusted operating expenses for the three months ended March 31, 2019 were $13,778,571, compared to $10,416,048 for the three months ended March 31, 2018. Anesthesia services adjusted operating expenses primarily include labor related costs for Certified Registered Nurse Anesthetists and MD anesthesiologists, billing and management related expenses, medical drugs and supplies, and other related expenses. The Company's first anesthesia acquisition was in the fourth quarter of 2014, with twenty further acquisitions completed in 2015, 2016, 2017, 2018 and 2019. As a result, the first quarter of 2019 is not directly comparable to the first quarter of 2018, with the majority of the increase relating to operating expenses for acquired companies. Though revenue may fluctuate, adjusted operating expenses, which are primarily employee related costs, due to their fixed nature, increase as a result of the Company's acquisition strategy.

Total adjusted operating expenses per case for the anesthesia segment were $178 for the three months ended March 31, 2019. This rate per case is consistent with the overall cost profile seen in fiscal 2018 and is slightly lower than the rate per case of $181 for the three months ended March 31, 2018. Total adjusted operating expense per case for Q1 2019 is calculated with reference to Anesthesia services adjusted operating expenses of $13,778,571 divided by the 77,501 cases in the quarter. Q1 2018 is calculated in the same manner.

Product sales adjusted operating expenses for the three months ended March 31, 2019 were $1,052,854 compared to $1,092,834 for the three months ended March 31, 2018. In general, costs have remained consistent with 2018.

Corporate adjusted operating expenses for the three months ended March 31, 2018 were $1,210,524 compared to $742,930 for the three months ended March 31, 2018. 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. In particular, the Company incurred additional legal compliance costs in the first quarter of the year due to its transition from foreign private issuer to domestic filer. Going forward, the Company does not expect legal compliance costs to remain at Q1 2019 levels; however, corporate adjusted operating expenses are anticipated to increase as a result of the hiring of the Company's new CEO. In accordance with the terms of his employment agreement, Edward Wright has received 18 months salary as part of his severance. This cost will be recorded in the second quarter of 2019.

Operating Income

Operating income for the three months ended March 31, 2019 was $3,824,849 compared to $4,439,259 for the same period in 2018. The following schedule reconciles the changes in operating income between periods:

	Quarter ended March 31, 2019
Q1 2018 operating income	$ 4,439,259
Increase in period revenues	4,453,589
Increase in period adjusted operating expenses[1]	(3,790,137)
Increase in period amortization and depreciation expense	(1,448,707)
Decrease in period stock based compensation expense	173,366
Increase in period acquisition expenses	(2,521)
Current quarter operating income	$ 3,824,849

1 See "Use of Non-GAAP Financial Measures" below for a reconciliation of GAAP-based measures to Non-GAAP-based measures.

Changes in the company's revenues and adjusted operating expenses[1] are described above within their respective sections. Fluctuations in revenue will not necessarily result in correlating fluctuations in operating expenses due to the fixed nature of these costs and as such will impact operating income.

Contributing to the decrease in operating income for the quarter are incremental amortization costs related to the acquired professional service agreements relating to acquisitions completed in 2018 of $1,448,707 and a decrease in stock based compensation expense of $173,366.

Anesthesia operating income for the three months ended March 31, 2019 was $4,133,611, a decrease of $232,507 from the same period in 2018. This decrease is primarily reflective of the incremental costs related to the amortization of acquired professional service agreements relating to acquisitions completed in 2018, offset by the increase in adjusted operating EBITDA[1] in the quarter (calculated above as revenues less adjusted operating expenses).

Product operating income for the three months ended March 31, 2019 was $1,291,647, a decrease of $48,576 from the same period in 2018. The decrease is primarily driven by the decline in revenues in the quarter, offset by a slight decrease in adjusted operating expenses[1].

Adjusted operating EBITDA[1] – Non-GAAP

Adjusted operating EBITDA attributable to shareholders of the Company for the three months ended March 31, 2019 was $8,765,854, an increase of $534,516 from the three months ended March 31, 2018. The increase in adjusted operating EBITDA attributable to shareholders is primarily a reflection of the contributions from acquisitions completed in 2018 and 2019, offset by revenue rate changes from the impact of moving from non-contracted to a contracted status for commercial payors. Adjusted operating EBITDA is also favourably impacted by the slight decrease in adjusted anesthesia operating expense per case.

Adjusted operating EBITDA attributable to non-controlling interest was $4,311,286 for the three months ended March 31, 2019. This comprises the non-controlling interests' share of revenues of $7,958,814 and adjusted operating expenses of $3,647,527. Adjusted operating EBITDA attributable to non-controlling interest was $4,182,351 for the three months ended March 31, 2018.

Total adjusted operating EBITDA was $13,077,141 for the three months ended March 31, 2019, an increase of 5% from the same period in 2018.

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1 See "*Use of Non-GAAP Financial Measures*" below for definitions and reconciliations of GAAP-based measures to Non-GAAP-based measures.

Net finance (income) / expense

As a result of the Company's debt facilities and long-term finance obligations, the Company has recorded a net finance expense of $2,391,979 for the three months ended March 31, 2019, compared to finance expense of $612,471 for the three months ended March 31, 2018. Net finance expense is comprised of both interest and other debt related expenses, including fair value adjustments. Fair value adjustments related to the Company's earn-out obligation are the primary driver of significant fluctuations in finance expense between comparable periods.

	Three months ended March 31, 2019	Three months ended March 31, 2018
Finance income:		
Net change in fair value of financial liabilities at fair value through earnings	$ —	$ (165,625)
Total finance income	$ —	$ (165,625)
Finance expense:		
Interest and accretion expense on borrowings	$ 873,120	$ 668,024
Accretion expense on earn-out obligation and deferred consideration	53,268	44,981
Amortization of deferred financing fees	65,091	65,091
Net change in fair value of financial liabilities at fair value through earnings	1,400,500	—
Total finance expense	$ 2,391,979	$ 778,096
Net finance (income) expense	$ 2,391,979	$ 612,471

During the three months ended March 31, 2019, the Company recognized a fair value adjustment of $1,400,500 in respect of its earn-out obligation. The fair value adjustment resulted from changes in estimates underlying the Company's earn-out obligation. The changes in estimates underlying the Company's earn-out obligation were driven primarily by the changes in the cash flow estimates, which were driven by both changes in payor mix and revenue rates per unit, and the discount rate utilized.

Cash interest paid in the three months ended March 31, 2019 was $884,080 compared to $668,023 cash interest paid in the comparable period of 2018. The increase in cash interest paid is reflective of the higher LIBOR rates in the first quarter of 2019 as well as average debt levels. As at March 31, 2019, the Company owed $64,325,000 under the amended Scotia Facility as compared to $70,250,000 million owed at December 31, 2018. The Company anticipates that, in future, cash interest will fluctuate as the Company draws or repays on its Facility and as LIBOR rates fluctuate.

Equity income

Equity income is derived from the Company's 15% equity interest in Triad Sedation Associates LLC ("TSA"). TSA began operating in February 2019. TSA is the result of an agreement between CRH and Digestive Health Specialists ("DHS"), located in North Carolina, whereby CRH assists DHS in the development and management of a monitored anesthesia care program. Under the terms of the agreement, CRH is a 15% equity owner in the anesthesia business and receives compensation for its billing and collection services. Under the terms of the limited liability company agreement, CRH has the right, at CRH's option, to acquire an additional 36% interest in the anesthesia business at a future date, but no sooner than November 2019.

Income tax expense

For the three months ended March 31, 2019, the Company recorded an income tax expense of $167,259 compared to income tax expense of $669,357 for the three months ended March 31, 2018. Income tax expense relates only to income attributable to the Company's shareholders and thus the decease is tax expense is reflective of the decrease in income attributable to shareholders.

Net and comprehensive income (loss)

For the three months ended March 31, 2019, the Company recorded net and comprehensive loss attributable to shareholders of the Company of $76,968 compared to net and comprehensive income attributable to shareholders of $1,410,998 for the three months ended March 31, 2018. The decrease quarter over quarter is largely a reflection of the increase in net finance expense experienced in 2019 of $1,779,508, offset by tax savings of $502,098. The increase in net finance expense was driven by the increase in EBITDA earn-out liability in the quarter. This net unfavourable change of approximately $1.3 million was the primary driver of the decrease.

Net and comprehensive income attributable to non-controlling interest was $1,467,758 for the three months ended March 31, 2019.

Use of Non-GAAP Financial Measures

As discussed above, in addition to results reported in accordance with US GAAP, the Company uses certain non-GAAP financial measures, including adjusted operating expenses (in total and broken down by operating segment), adjusted operating EBITDA (in total and broken down as attributable to non-controlling interest and shareholders of the Company), and adjusted operating EBITDA margin as supplemental indicators of its financial and operating performance. These non-GAAP measures are not recognized measures under US GAAP and do not have a standardized meaning prescribed by U.S. Generally Accepted Accounting Principles ("US GAAP") and thus the Company's definition may be different from and unlikely to be comparable to non-GAAP measures presented by other companies. These measures are provided as additional information to complement US GAAP measures by providing further understanding of the Company's results of operations from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analyses of the Company's financial information reported under US GAAP. Management uses these non-GAAP measures to provide investors with a supplemental measure of the Company's operating performance and thus highlight trends in the Company's core business that may not otherwise be apparent when relying solely on US GAAP financial measures. Management also believes that securities analysts, investors and other interested parties frequently use non-GAAP measures in the evaluation of issuers. In addition, management uses these non-GAAP measures in order to facilitate operating performance comparisons from period to period, prepare annual operating budgets, and to assess its ability to meet future debt service, capital expenditure, and working capital requirements. The definitions of these measures, as well as a reconciliation of the most directly comparable financial measure calculated and presented in accordance with GAAP to each non-GAAP measure, are presented below.

Adjusted operating EBITDA: 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 analyzes and 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.

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

Adjusted operating expenses: 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 Company analyzes and discloses adjusted operating expenses to capture the operating cost of the business before the impact of items not considered in management's evaluation of operating costs.

The Company's management believes that the presentation of the above defined Non-GAAP financial measures provides useful information to investors because they reflect the Company's ongoing business in a manner that allows for meaningful period-to-period comparisons and analysis of trends in its business. In addition, they portray the financial results of the Company before the impact of certain non-operational charges. The use of the term "non-operational charge" is defined for this purpose as an expense that does not impact the ongoing operating decisions taken by the Company's management. These items are excluded based upon the way the Company's management evaluates the performance of the Company's business for use in the Company's internal reports and are not excluded in the sense that they may be used under US GAAP.

The Company does not acquire businesses on a predictable cycle, and therefore believes that the presentation of non-GAAP measures, which adjusts for the impact of amortization of intangible assets, will provide readers of financial statements with a more consistent basis for comparison across accounting periods and be more useful in helping readers understand the Company's operating results and underlying operational trends.
In summary, the Company believes the provision of supplemental Non-GAAP measures allow investors to evaluate the operational and financial performance of the Company's core business using the same evaluation measures that management uses and is therefore a useful indication of CRH's performance or expected performance of future operations and facilitates period-to-period comparison of operating performance (although prior performance is not necessarily indicative of future performance). As a result, the Company considers it appropriate and reasonable to provide, in addition to U.S. GAAP measures, supplementary Non-GAAP financial measures that exclude certain items from the presentation of its financial results.

The following charts provide unaudited reconciliations of US GAAP-based financial measures to Non-GAAP-based financial measures for the following periods presented:

Reconciliation of selected GAAP-based measures to Non-GAAP-based measures

ADJUSTED OPERATING EBITDA

(USD in thousands)	**2019** Q1 '19	**2018** Q1 '18
Net and comprehensive income	**1,391**	**3,157**
Net finance (income) expense	2,392	612
Income tax expense (recovery)	167	669
Operating income	**3,825**	**4,439**
Amortization expense	8,641	7,196
Depreciation and related expense	27	23
Stock based compensation	564	738
Acquisition expenses[1]	20	18
Total adjusted operating EBITDA	**13,077**	**12,414**
Adjusted operating EBITDA attributable to:		
Shareholders of the Company	8,766	8,232
Non-controlling interest	4,311	4,182

1 Acquisition expenses relating to incomplete acquisitions.

ADJUSTED OPERATING EBITDA MARGIN

(USD in thousands)	2019 Q1 '19	2018 Q1 '18
Revenue	**29,119**	**24,666**
Operating income	**3,825**	**4,439**
Operating margin	**13.1%**	**18.0%**
Amortization expense	29.7%	29.2%
Depreciation and related expense	0.1%	0.1%
Stock based compensation	1.9%	3.0%
Acquisition expenses[1]	0.1%	0.1%
Total adjusted operating EBITDA margin	**44.9%**	**50.3%**

ADJUSTED OPERATING EXPENSES

(USD in thousands)	2019 Q1 '19	2018 Q1 '18
Anesthesia services expense	**22,559**	**17,743**
Amortization expense	(8,641)	(7,196)
Depreciation and related expense	(3)	(1)
Stock based compensation	(117)	(112)
Acquisition expenses[1]	(20)	(18)
Anesthesia services – adjusted operating expense	**13,779**	**10,416**
Product sales expense	**1,134**	**1,217**
Amortization expense	—	(1)
Depreciation and related expense	(9)	(16)
Stock based compensation	(73)	(107)
Product sales – adjusted operating expense	**1,053**	**1,093**
Corporate expense	**1,600**	**1,267**
Amortization expense	—	—
Depreciation and related expense	(15)	(5)
Stock based compensation	(375)	(519)
Corporate – adjusted operating expenses	**1,211**	**743**
Total operating expense	**25,294**	**20,226**
Total adjusted operating expense	**16,042**	**12,252**

Liquidity and Capital Resources

At March 31, 2019, the Company had $5,570,249 in cash and cash equivalents compared to $9,946,945 at the end of 2018. The decrease in cash and equivalents is primarily a reflection of cash generated from operations, offset by repayment of debt and cash used to finance normal course issuer bid repurchases, acquisitions and timing of distributions to non-controlling interest during 2019.

Working capital was $12,342,946 at March 31, 2019 compared to working capital of $20,012,424 at December 31, 2018. The Company expects to meet its short-term obligations, including short-term obligations in respect of its notes payable, earn-out obligation and deferred consideration through cash earned through operating activities.

The average number of days receivables outstanding at March 31, 2019 was 58 days. At December 31, 2018, the average number of days receivables outstanding was 54 days. Though our Q1 2019 days outstanding has not seen improvement from 2018, we have had significant collections in April 2019 which we expect will decrease days outstanding; we expect this metric to decrease in the remainder of the year.

The Company has financed its operations primarily from revenues generated from product sales and anesthesia services and through equity and debt financings and a revolving credit facility. As of March 31, 2019, the Company also has a revolving credit facility with the Bank of Nova Scotia for $100 million. The terms of the Company's facility is described below.

*The Bank of Nova Scotia ("**Scotia Facility**")*

As at March 31, 2019, the Company had drawn $64,325,000 on the amended facility (2018 – $70,250,000). The facility bears interest at a floating rate based on the US prime rate, LIBOR or bankers' acceptance rates plus an applicable margin. At March 31, 2019, interest on the facility is calculated at LIBOR plus 2.50% on the revolving portion and term portion of the facility. The Facility is secured by the assets of the Company. As at March 31, 2019, the Company is required to maintain the following financial covenants in respect of the Facility:

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

The Company is in compliance with all covenants at March 31, 2019.

Cash provided by operating activities for the three months ended March 31, 2019 was $12,375,716 compared to $11,282,588 in the same period in fiscal 2018. Cash provided by operating activities less distributions to non-controlling interest was $8,340,916 for the three months ended March 31, 2019 and $4,508,138 for the same period in 2018. The increase in cash provided by operating activities is reflective of the Company's adjusted operating EBITDA[1] performance in the period.

Contractual Obligations and Contingent Liabilities

The Company's near-term cash requirements relate primarily to interest payments, quarterly principal payments in respect of the Scotia Facility, payments in respect of the Company's earn-out obligation which is scheduled for the third quarter of 2019, annual payments in respect of the deferred consideration in relation to the Austin acquisition, purchases under the Company's normal course issuer bid, operations, working capital and general corporate purposes, including further acquisitions. Based on the current business plan, the Company believes cash and cash equivalents and the availability of its revolving credit facility will be sufficient to fund the Company's operating, debt repayment and capital requirements for at least the next 12 months. The Company updates its forecasts on a regular basis and will consider additional financing sources as appropriate.

There were no significant changes in the Company's contractual commitments compared with those set forth in the Company's Annual Report Form 10-K for the year ended December 31, 2018, except as noted below:

- The Company's earn-out liability, which is anticipated to be paid in the third quarter of 2019, was adjusted upward to $4,354,741 from $2,920,583; and

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1 See "*Use of Non-GAAP Financial Measures*" below for definitions and reconciliations of GAAP-based measures to Non-GAAP-based measures.

- Upon adoption of the new US GAAP leasing standards, the Company's contractual commitments in respect of operating leases are recorded on the balance sheet, effective January 1, 2019.

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.

Outstanding Share Data

As at March 31, 2019, there were 71,586,188 common shares issued and outstanding for a total of $55,013,528 in share capital.

As at March 31, 2019, there were 1,344,687 options outstanding at a weighted-average exercise price of $0.51 per share, of which 1,344,687 were exercisable into common shares at a weighted-average exercise price of $0.51 per share. As at March 31, 2019, there were 2,522,750 share units ("**SUs**") issued and outstanding.

As at April 30, 2019, there were 71,382,358 common shares issued and outstanding, excluding shares held as treasury, for a total of $54,880,640 in share capital.

As at April 30, 2019, there were 1,844,687 options outstanding at a weighted-average exercise price of $1.10 per share, of which 1,344,687 were exercisable into common shares at a weighted-average exercise price of $0.51 per share. As at April 30, 2019, there were 2,882,750 share units ("**SUs**") issued and outstanding.

JOBS Act

In April 2012, the JOBS Act was enacted. Section 107 of the JOBS Act provides that an "emerging growth company" can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act of 1933, as amended (the "**Securities Act**"), for complying with new or revised accounting standards. Thus, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have irrevocably elected not to avail ourselves of this extended transition period and, as a result, we will adopt new or revised accounting standards on the relevant dates on which adoption of such standards is required for other public companies.

We continue the process of evaluating the benefits of relying on other exemptions and reduced reporting requirements under the JOBS Act. Subject to certain conditions, as an emerging growth company, we may rely on certain of these exemptions. As of the date of this Quarterly Report on Form 10-Q, we have elected to rely on exemptions for (i) providing an auditor's attestation report on our system of internal control over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act and (ii) complying with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements, known as the auditor discussion and analysis. We will remain an emerging growth company until the earlier of (i) of the last day of the fiscal year in which we have total annual gross revenue of $1.07 billion or more; (ii) the last day of the fiscal year following the fifth anniversary of the date of the completion of our initial public offering; (iii) the date on which we have issued more than $1.0 billion in nonconvertible debt during the previous three years; or (iv) the date on which we are deemed to be a large accelerated filer under the rules of the SEC.

Financial Statements

CRH Medical Corporation
Index to Condensed Consolidated Interim Financial Statements (unaudited)
As of and for the three months ended March 31, 2019 and 2018

CRH MEDICAL CORPORATION
Condensed Consolidated Balance Sheets (unaudited)
(Expressed in United States dollars)

	Note	March 31, 2019	December 31, 2018
Current assets:			
Cash and cash equivalents		$ 5,570,249	$ 9,946,945
Trade and other receivables, net	5	18,937,901	19,467,803
Income tax receivable		1,243,871	2,243,319
Prepaid expenses and deposits		669,848	822,119
Loan to equity investment	9	30,000	—
Inventories, finished goods		630,273	402,544
		27,082,142	32,882,730
Non-current assets:			
Property and equipment, net		307,061	303,291
Right of use asset	7	414,902	—
Intangible assets, net	8	176,097,959	179,384,263
Deferred asset acquisition costs		24,193	116,025
Equity accounted investment	9	125,179	—
Deferred tax assets		7,501,616	6,301,687
		184,470,910	186,105,266
Total assets		$211,553,052	$218,987,996
Liabilities			
Current liabilities:			
Trade and other payables	6	$ 5,857,527	$ 5,763,222
Employee benefits		866,762	827,436
Income tax payable		3,837	—
Current obligation related to right of use assets	7	264,264	—
Notes payable and bank indebtedness	10	2,239,637	2,239,637
Deferred consideration		1,053,111	1,043,645
Earn-out obligation	13	4,354,741	2,920,583
Short-term advances		99,317	26,783
Member loan		—	49,000
		14,739,196	12,870,306
Non-current liabilities:			
Deferred consideration		1,193,237	1,183,092
Long-term obligation related to right of use assets	7	110,937	—
Notes payable and bank indebtedness	10	61,761,562	67,621,470
Deferred tax liabilities		30,021	21,951
		63,095,757	68,826,513
Equity			
Common stock, no par value; 71,586,188 and 72,055,688 shares issued and outstanding at March 31, 2019 and December 31, 2018, respectively	11	55,013,528	55,372,884
Additional paid-in capital		9,885,351	9,329,335
Accumulated other comprehensive income (loss)		(66,772)	(66,772)
Retained earnings		11,713,869	12,916,565
Total equity attributable to shareholders of the Company		76,545,976	77,552,012
Non-controlling interest		57,172,123	59,739,165
Total equity		133,718,099	137,291,177
Total liabilities and equity		$211,553,052	$218,987,996

See accompanying notes to condensed consolidated financial statements.
Commitments and contingencies (note 14)
Subsequent event (note 17)

CRH MEDICAL CORPORATION

Condensed Consolidated Statements of Operations and Comprehensive Income (unaudited)

(Expressed in United States dollars, except share and per share data)

	Notes	Three months ended March 31, 2019	Three months ended March 31, 2018
Revenue:			
Anesthesia services	16	$ 26,692,966	$ 22,108,625
Product sales	16	2,426,124	2,556,876
		29,119,090	24,665,501
Expenses:			
Anesthesia services expense		22,559,355	17,742,507
Product sales expense		1,134,477	1,216,653
Corporate expense		1,600,409	1,267,082
		25,294,241	20,226,242
Operating income		3,824,849	4,439,259
Finance income	12	—	(165,625)
Finance expense	12	2,391,979	778,096
		2,391,979	612,471
Equity income	9	(125,179)	—
Income before tax		1,558,049	3,826,788
Income tax expense		167,259	669,357
Net and comprehensive income (loss)		$ 1,390,790	$ 3,157,431
Attributable to:			
Shareholders of the Company		$ (76,968)	$ 1,410,998
Non-controlling interest		1,467,758	1,746,433
		$ 1,390,790	$ 3,157,431
Earnings (loss) per share attributable to shareholders			
Basic	11(e)	$ (0.001)	$ 0.019
Diluted	11(e)	$ (0.001)	$ 0.019
Weighted average shares outstanding:			
Basic	11(e)	71,823,368	72,881,491
Diluted	11(e)	71,823,368	74,196,994

See accompanying notes to condensed consolidated financial statements.

CRH MEDICAL CORPORATION

Condensed Consolidated Statements of Changes in Equity (unaudited)
(Expressed in United States dollars, except for number of shares)

For the three months ended March 31, 2019 and 2018

	Number of shares	Common stock	Additional paid-in capital	Accumulated other comprehensive loss	Retained earnings	Non-controlling interest	Total equity
Balance as at January 1, 2018	73,018,588	$ 54,614,601	$ 8,219,760	$ (66,772)	$ 11,078,608	$ 57,451,848	$ 131,298,045
Total net and comprehensive income for the period	—	—	—	—	1,410,998	1,746,433	3,157,431
Stock-based compensation	—	—	737,621	—	—	—	737,621
Common shares issued on vesting of share units	60,000	176,317	(176,317)	—	—	—	—
Common shares repurchased in connection with normal course issuer bid and cancelled (note 11(d))	(98,900)	(72,458)	—	—	(180,107)	—	(252,565)
Common shares repurchased in connection with normal course issuer bid and held as treasury shares (107,900 treasury shares) (note 11(d))	—	(79,052)	—	—	(196,496)	—	(275,548)
Cancellation of treasury shares	(72,400)	—	—	—	—	—	—
Distribution to members	—	—	—	—	—	(6,774,450)	(6,774,450)
Balances as at March 31, 2018	72,907,288	$ 54,639,408	$ 8,781,064	$ (66,772)	$ 12,113,003	$ 52,423,831	$ 127,890,534
Balance as at January 1, 2019	72,055,688	$ 55,372,884	$ 9,329,335	$ (66,772)	$ 12,916,565	$ 59,739,165	$ 137,291,177
Total net and comprehensive income (loss) for the period	—	—	—	—	(76,968)	1,467,758	1,390,790
Stock-based compensation	—	—	564,251	—	—	—	564,251
Common shares issued on vesting of share units	2,500	8,235	(8,235)	—	—	—	—
Common shares repurchased in connection with normal course issuer bid and cancelled (note 11(d))	(461,600)	(347,300)	—	—	(1,063,523)	—	(1,410,823)
Common shares repurchased in connection with normal course issuer bid and held as treasury shares (27,000 treasury shares) (note 11(d))	—	(20,291)	—	—	(62,205)	—	(82,496)
Cancellation of treasury shares	(10,400)	—	—	—	—	—	—
Distributions to members	—	—	—	—	—	(4,034,800)	(4,034,800)
Balance as at March 31, 2019	71,586,188	$ 55,013,528	$ 9,885,351	$ (66,772)	$ 11,713,869	$ 57,172,123	$ 133,718,099

See accompanying notes to condensed consolidated financial statements.

CRH MEDICAL CORPORATION
Condensed Consolidated Statements of Cash Flows (unaudited)
(Expressed in United States dollars)

	Notes	Three months ended March 31, 2019	2018
Operating activities:			
Net income		$ 1,390,790	$ 3,157,431
Adjustments for:			
Depreciation of property, equipment and intangibles		8,667,984	7,219,277
Stock-based compensation		564,251	737,621
Unrealized foreign exchange		(2,111)	7,232
Deferred income tax recovery		(1,192,100)	(717,983)
Change in fair value of contingent consideration		1,400,500	(165,625)
Accretion on contingent consideration and deferred consideration		53,268	44,981
Amortization of deferred financing fees		65,091	65,091
Equity income		(125,179)	—
Change in current tax receivable		1,003,285	674,827
Change in trade and other receivables		529,902	1,515,880
Change in prepaid expenses		114,134	(155,389)
Change in inventories		(227,730)	(64,805)
Change in trade and other payables		94,305	(1,101,094)
Change in employee benefits		39,326	65,144
Net cash provided by operating activities		12,375,716	11,282,588
Financing activities			
Repayment of member loans		(49,000)	(435,000)
Equity investment loan		(30,000)	—
Proceeds on short-term advances		72,534	—
Repayment of notes payable and bank indebtedness		(5,925,000)	(11,000,000)
Proceeds on bank indebtedness		—	9,300,000
Distributions to non-controlling interest		(4,034,800)	(6,774,450)
Repurchase of shares for cancellation	11(d)	(1,493,319)	(528,113)
Net cash (used in) financing activities		(11,459,585)	(9,437,563)
Investing activities			
Acquisition of property and equipment		(30,418)	(5,480)
Deferred asset acquisition costs		(24,193)	—
Acquisition of anesthesia services providers	4	(5,239,003)	(9,495,184)
Net cash (used in) investing activities		(5,293,614)	(9,500,664)
Effects of foreign exchange on cash and cash equivalents		787	1,087
Decrease in cash and cash equivalents		(4,376,696)	(7,654,552)
Cash and cash equivalents, beginning of period		9,946,945	12,486,884
Cash and cash equivalents, end of period		$ 5,570,249	$ 4,832,332
Supplemental disclosures:			
Cash interest paid		$ (884,080)	$ (668,023)
Taxes paid		$ (355,839)	$ (712,512)
Operating lease payments		$ (92,221)	$ —
Non-cash acquisition financing		$ (116,025)	$ —

See accompanying notes to condensed consolidated financial statements.

1. Nature of operations:

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 sells its patented proprietary technology for the treatment of hemorrhoids directly to physicians in the United States and Canada.

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. Summary of significant accounting policies:

(a) Basis of presentation:

As a non-U.S. company listed on the NYSE, the United States Securities and Exchange Commission ("SEC") requires us to perform a test on the last business day of the second quarter of each fiscal year to determine whether we continue to meet the definition of a foreign private issuer ("FPI"). Historically, we met the definition of an FPI, and as such, prepared consolidated financial statements in accordance with IFRS, reported with the SEC on FPI forms, and complied with SEC rules and regulations applicable to FPIs.

On June 30, 2018, we performed the test and determined that we no longer met the definition of a FPI. As such, from January 1, 2019, the Company is required to prepare consolidated financial statements in accordance with United States Generally Accepted Accounting Principles ("US GAAP"), report with the SEC on domestic forms, and comply with SEC rules and regulations applicable to domestic issuers.

These condensed consolidated interim financial statements have been prepared in accordance with US GAAP beginning December 31, 2018 on a retrospective basis. The Company's historical financial statements were previously presented under International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) up to and including the Company's September 30, 2018 interim report.

These interim financial statements do not include all note disclosures required on an annual basis, and therefore, should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2018, filed with the appropriate securities regulatory authorities.

In the opinion of management, all adjustments, which include reclassifications and normal recurring adjustments necessary to present fairly the condensed consolidated balance sheets, condensed consolidated statement of operations and comprehensive income, condensed consolidated statements of changes in equity and condensed consolidated statements cash flows as at March 31, 2019 and for all periods presented, have been recorded. The results of operations for the three months ended March 31, 2019 are not necessarily indicative of the Company's full year results.

(b) Basis of consolidation:

These consolidated financial statements include the accounts of the Company and its subsidiaries. Subsidiaries are entities controlled by the Company through voting control and for the anesthesia business, control over the assets and business operations of the subsidiary through operating agreements. Control exists when the Company has the continuing power to govern the financial and operating polices of the investee. Subsidiaries are included in the consolidated financial results of the

2. Summary of significant accounting policies (Continued):

Company from the effective date of acquisition up to the effective date of disposition or loss of control. Minority interests, if any, are valued at fair value at inception. All significant intercompany transactions and balances have been eliminated on consolidation.

(c) Use of estimates, assumptions and judgments:

The preparation of the Company's consolidated 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.

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.

(d) Equity method investment:

The Company accounts for its investment in associated companies in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification 323, Investments – Equity Method and Joint Ventures ("ASC 323"). Results of equity investments are presented on a one-line basis. Investments in, and advances to, equity investments are presented on a one-line basis in the Company's consolidated balance sheets, net of allowance for losses, which represents the Company's best estimate of probable losses inherent in such assets. The Company's proportionate share of any equity investment net income or loss is presented on a one-line basis in the Company's consolidated statement of operations. Transactions between the Company and any associated companies are eliminated on a basis proportional to the Company's ownership interest.

3. Recent accounting pronouncements:

(a) Initial adoption of new accounting standards:

In February 2016, FASB issued ASU No. 2016-02 "*Leases*", and subsequently ASU No. 2017-13, establishes principles for the recognition, measurement, presentation and disclosure of leases. The standard requires lessees to recognize most leases on the balance sheet and certain limited changes to lessor accounting. The standard is effective for annual periods beginning after December 15, 2018, with early adoption permitted. The Company adopted the standard using the modified retrospective method effective January 1, 2019 with nearly all operating classified leases classified as operating leases under this new standard with a right-of-use asset and a corresponding obligation recognized on the balance sheet at the adoption date. The lease obligation is measured at amortized cost using the effective interest method. The Company has applied the exemption to treat short-term leases as executory contracts and has applied the package of practical expedients which allowed the Company to carry forward historical lease classification. Upon adoption, the Company recognized $332,512 as a right of use asset with a $295,188 corresponding obligation on its balance sheet at January 1, 2019. Refer to note 7.

(b) Recent accounting pronouncements not yet adopted:

In June 2016, FASB issued ASU No. 2016-13, "*Financial Instruments- Credit Losses (Topic 326)"*, which requires companies to measure credit losses on financial instruments measured at amortized cost

3. Recent accounting pronouncements (Continued):

applying an "expected credit loss" model based upon past events, current conditions and reasonable and supportable forecasts that affect collectability. Previously, companies applied an "incurred loss" methodology for recognizing credit losses. This standard is effective for fiscal years beginning after December 15, 2019, but may be early adopted by the Company on January 1, 2019. The Company is in the process of evaluating the impact of this standard on its balance sheet, results of operations and cash flows.

4. Asset acquisition:

During the three months ended March 31, 2019, the Company completed one asset acquisition. The asset acquisition has been included in the anesthesia segment of the Company and represents the following:

Acquired Operation	Date Acquired	Consideration
Anesthesia Care Associates LLC ("ACA")	January 2019	$ 5,355,028

The results of operations of the acquired entity has been included in the Company's consolidated financial statements from the date of acquisition as the Company has control over the entity.

The following table summarizes the fair value of the consideration transferred and the allocated costs of the assets and liabilities acquired at the acquisition date.

	Total
Cash	$5,239,003
Acquisition Costs	116,025
Purchase consideration	$5,355,028
Assets and liabilities acquired:	
Exclusive professional services agreements	$5,355,028
Pre-close accounts receivable	50,000
Pre-close accounts payable	(50,000)
Fair value of net identifiable assets and liabilities acquired	$5,355,028
Exclusive professional services agreements – amortization term	6 years
CRH ownership interest	100%

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

4. Asset acquisition (Continued):

During the year ended December 31, 2018, the Company completed five asset acquisitions. These asset acquisitions have been included in the anesthesia segment of the Company and represents the following:

Acquired Operation	Date Acquired	Consideration
Shreveport Sedation Associates LLC (“SSA”)	March 2018	$ 9,495,184
Western Ohio Sedation Associates LLC (“WOSA”)	May 2018	$ 6,483,698
Lake Washington Anesthesia LLC (“LWA”)	July 2018	$ 5,041,939
Lake Erie Sedation Associates LLC (“LESA”)	September 2018	$ 4,233,115
Tennessee Valley Anesthesia Associates LLC (“TVAA”)	December 2018	$ 2,255,875

The results of operations of the acquired entities have been included in the Company’s consolidated financial statements from the date of acquisition as the Company has control over these entities.

The following table summarizes the fair value of the consideration transferred and the allocated costs of the assets and liabilities acquired at the acquisition date.

	SSA	WOSA	LWA	LESA	TVAA	Total
Cash	$9,404,148	$ 6,409,000	$5,000,000	$4,180,000	$2,200,000	$27,193,148
Acquisition Costs	91,036	74,698	41,939	53,115	55,875	316,663
Purchase consideration	$9,495,184	$ 6,483,698	$5,041,939	$4,233,115	$2,255,875	$27,509,811
Non-controlling interest	$ —	$ 6,229,435	$4,844,217	$ —	$2,167,409	$13,241,061
	$9,495,184	$12,713,133	$9,886,156	$4,233,115	$4,423,284	$40,750,872
Assets and liabilities acquired:						
Exclusive professional services agreements	$9,391,036	$12,713,133	$9,886,155	$4,233,115	$4,423,284	$40,646,723
Prepaid expenses and deposits	104,149	—	—	—		104,149
Pre-close accounts receivable	—	—	652,506	—		652,506
Pre-close accounts payable	—	—	(652,506)	—		(652,506)
Fair value of net identifiable assets and liabilities acquired	$9,495,185	$12,713,133	$9,886,155	$4,233,115	$4,423,284	$40,750,872
Exclusive professional services agreements – amortization term	7 years	10 years	7 years	10 years	7 years	
CRH ownership interest	100%	51%	51%	100%	51%	

4. Asset acquisition (Continued):

The value of the acquired intangible assets, being exclusive professional services agreements, relate to the acquisition of exclusive professional services agreements to provide professional anesthesia services. The amortization term for the agreements is based upon contractual terms within the acquisition agreement and professional services agreement.

The non-controlling interest was determined with reference to the non-controlling interest shareholder's share of the fair value of the net identifiable assets as estimated by the Company.

5. Trade and other receivables:

	March 31, 2019	December 31, 2018
Trade receivables, gross	$18,895,098	$ 19,373,260
Other receivables	74,846	141,141
Less: allowance for doubtful accounts	(32,043)	(46,598)
	$18,937,901	$ 19,467,803
Anesthesia segment – trade receivables, gross	17,823,830	18,199,847
Product segment – trade receivables, gross	1,071,268	1,173,413
	$18,895,098	$ 19,373,260

6. Trade and other payables:

	March 31, 2019	December 31, 2018
Trade payables	$ 1,752,974	$ 1,316,821
Accruals and other payables	4,104,553	4,446,401
	$ 5,857,527	$ 5,763,222

7. Right of use assets and related obligations:

On adoption of ASU No. 2016-02 "Leases", and subsequently ASU No. 2017-13, the Company recognized $332,512 and $295,188 as right of use assets and obligations, respectively at January 1, 2019. These amounts relate to two operating leases for premises existing as at January 1, 2019, with a further premises operating lease added in March 2019. The Company has applied the exemption to treat short-term leases as executory contracts as well as applied the practical expedient to choose not to separate non-lease components from lease components and instead to account for each separate lease component and the non-lease components associated with that lease component as a single lease component. During the three months ended March 31, 2019, the Company incurred total operating lease expenses of $96,611, which

7. Right of use assets and related obligations (Continued):

included lease expenses associated with fixed lease payments of $51,240 and variable lease payments of $45,371. Lease expense is allocated to operating segments based on the location of the leases, as follows:

	For the three months ended March 31, 2019
Anesthesia services expense	$ 34,119
Product sales expense	27,758
Corporate expense	34,734
	$ 96,611

The weighted average lease term of the Company's three premises leases is 1.70 years. The weighted average discount rate used by the Company in calculating the obligation relating to right of use assets is based on the Company's Credit Facility, which is disclosed in note 10.

The following table presents a maturity analysis of the Company's undiscounted lease obligations for each of the next five years, reconciled to the obligation as recorded on the balance sheet.

	Undiscounted lease payments
Remainder of 2019	$ 205,436
2020	129,119
2021	55,496
	$ 390,051
Accretion related to outstanding lease obligations	(14,850)
Total	$ 375,201
Current obligation relating to right of use assets	$ 264,264
Long-term obligation relating to right of use assets	$ 110,937
Total	$ 375,201

8. Intangible assets:

Intangible assets, consisting of acquired exclusive professional service agreements to provide anesthesia services and the cost of acquiring patents, are recorded at historical cost. For patents, costs also include legal costs involved in expanding the countries in which the patents are recognized to the extent expected cash flows from those countries exceed these costs over the amortization period and costs related to new patents. The amortization term for professional services agreements are based on the contractual terms of the agreements. Intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives and are measured at cost less accumulated amortization and accumulated impairment losses. Intangible assets with finite lives are amortized over the following periods:

Asset	Basis	Rate
Intellectual property rights to the CRH O'Regan System	Straight-line	15 years
Intellectual property new technology	Straight-line	20 years
Exclusive professional services agreements	Straight-line	4.5 to 15 years

8. Intangible assets (Continued):

	Professional Services Agreements	Patents	Total
Cost			
Balance as at December 31, 2018	$ 256,491,260	$ 532,598	$ 257,023,858
Additions through asset acquisitions (note 4)	5,355,028	—	5,355,028
Balance as at March 31, 2019	$ 261,846,288	$ 532,598	$ 262,378,886

	Professional Services Agreements	Patents	Total
Accumulated depreciation			
Balance as at December 31, 2018	$ 77,139,732	$ 499,863	$ 77,639,595
Amortization expense	8,640,957	375	8,641,332
Balance as at March 31, 2019	$ 85,780,689	$ 500,238	$ 86,280,927

	Professional Services Agreements	Patents	Total
Net book value			
March 31, 2019	$ 176,065,599	$ 32,360	$ 176,097,959
December 31, 2018	$ 179,351,528	$ 32,735	$ 179,384,263

As at March 31, 2019, the Company did not identify any indicators of impairment in respect of its professional services agreements.

As at December 31, 2018, the Company identified indicators of impairment in respect of four of its professional services agreements. Upon performing undiscounted cash flow models for these assets, the Company identified only two assets that required further review for impairment.

The Company performed discounted cash flow modelling for these assets and compared the resultant discounted cash flows expected over the life of the assets to the carrying amounts as at December 31, 2018. The income approach was used for the quantitative assessment to estimate the fair value of the assets, which requires estimating future cash flows and risk-adjusted discount rates in the Company's discounted cash flow model. The overall market outlook and cash flow projections of the reporting unit involves the use of key assumptions, including anesthesia growth rates, discount rates and operating cost growth rates. Due to uncertainties in the estimates that are inherent to the Company's industry, actual results could differ significantly from the estimates made. Many key assumptions in the cash flow projections are interdependent on each other. A change in any one or combination of these assumptions could impact the estimated fair value of the reporting unit.

As a result of this test, no write-downs to the intangible assets were required.

Various of the Company's professional services agreements are subject to renewal terms. The weighted average period before the Company's professional services agreements are up for renewal is 3.98 years. The Company anticipates that it will be able to renew all contract terms under its professional services agreements. The weighted average remaining amortization period for the Company's professional services agreements is 5.98 years.

8. Intangible assets (Continued):

Based on the Company's professional services agreements in place at March 31, 2019, the Company anticipates that the amortization expense to be incurred by the Company over the next five years is as follows:

	Amortization Expense
For professional services agreements as at March 31, 2019:	
Remainder of 2019	$ 25,924,666
2020	34,485,470
2021	29,179,093
2022	22,457,783
2023	18,311,441
The first three months of 2024	4,577,860
	$ 134,936,313

9. Equity investment:

In October 2018, the Company entered into an agreement with Digestive Health Specialists ("DHS"), located in North Carolina, to assist DHS in the development and management of a monitored anesthesia care program. Under the terms of the agreement, CRH is a 15% equity owner in the anesthesia business, Triad Sedation Associates LLC, and receives compensation for its billing and collection services. Under the terms of the limited liability company agreement, CRH has the right, at CRH's option, to acquire an additional 36% interest in the anesthesia business at a future date, but no sooner than November 2019. The Company assessed and concluded that, as TSA is an LLC, equity method accounting is required under ASC 970-323. To fund working capital needs, each equity owner of TSA has provided a working capital loan, repayable within 12 months.

The option agreement was determined to be an executory contract and both the equity interest and option agreement were determined to have only nominal value upon grant and as at March 31, 2019.

The following table provides a summary of the Company's investment in TSA for the three months ended March 31, 2019:

	Three months ended March 31, 2019
Beginning balance	$ —
Share of net income	125,179
Ending balance	$ 125,179

The basis difference between the Company's share of TSA's net assets is attributable to loans provided by the investment's equity partners.

9. Equity investment (Continued):

The following table summarizes unaudited financial information for our equity method investee.

Balance sheet:	March 31, 2019
Current assets	$ 1,157,293
Non-current assets	—
Total assets	$ 1,157,293
Current liabilities	$ 411,295
Non-current liabilities	—
Shareholders' equity	745,998
Total liabilities and shareholders' equity	$ 1,157,293

Results of operations	Three months ended March 31, 2019
Anesthesia revenue	$ 1,106,603
Anesthesia services expense	360,605
Net income	$ 745,998

10. Notes payable:

	March 31, 2019	December 31, 2018
Current portion	$ 2,239,637	$ 2,239,637
Non-current portion	61,761,562	67,621,470
Total loans and borrowings	$ 64,001,199	$ 69,861,107

The Bank of Nova Scotia ("Scotia Facility")

As at March 31, 2019, the Company had drawn $64,325,000 on the amended facility (2018 – $70,250,000). The facility bears interest at a floating rate based on the US prime rate, LIBOR or bankers' acceptance rates plus an applicable margin. At March 31, 2019, interest on the facility is calculated at LIBOR plus 2.50% on the revolving portion and term portion of the facility. The Facility is secured by the assets of the Company. As at March 31, 2019, the Company is required to maintain the following financial covenants in respect of the Facility:

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

The Company is in compliance with all covenants at March 31, 2019.

10. Notes payable (Continued):

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

	Minimum Principal
At March 31, 2019	
Remainder of 2019	$ 1,875,000
2020	62,450,000
	$ 64,325,000

11. Share capital:

(a) Authorized:

100,000,000 common shares without par value.

(b) Issued and outstanding – common shares:

Other than in connection with shares issued in respect of the Company's share unit and share option plans and in connection with the Company's normal course issuer bid (note 11(d)), there were no share transactions in the three months ended March 31, 2019 and 2018.

(c) Share unit plan:

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

A summary of the status of the plan as of March 31, 2019 is as follows:

	Time based share units	Performance based share units
Outstanding, December 31, 2018	1,045,250	1,500,000
Issued	—	—
Exercised	(2,500)	—
Forfeited	(20,000)	—
Expired	—	—
Outstanding, March 31, 2019	1,022,750	1,500,000
Vested	—	—
Expected to vest	1,022,750	1,100,000

11. Share capital (Continued):

During the three months ended March 31, 2019, 2,500 time-based share units vested.

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

During the quarter ended March 31, 2019, the Company recognized $564,251 (2018 – $737,152) in compensation expense in relation to share units.

(d) Normal Course Issuer Bid:

During the three months ended March 31, 2019, the Company repurchased 488,600 of its shares under its Normal Course Issuer Bid for a total cost, including transaction fees, of $1,496,588 (CAD$1,988,859). As at March 31, 2019, 461,600 of these shares have been cancelled with the remaining 27,000 shares cancelled on April 5, 2019.

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

(e) Earnings (loss) per share:

The calculation of basic earnings per share for the three months ended March 31, 2019 and 2018 is as follows:

	2019			2018		
	Net (loss)	**Weighted average number of common shares outstanding**	**Per share amount**	**Net earnings**	**Weighted average number of common shares outstanding**	**Per share amount**
Net earnings attributable to shareholders:						
Earnings per common share:						
Basic	$ (76,968)	71,823,368	$ (0.001)	$ 1,410,998	72,881,491	$ 0.019
Share options		—			1,083,715	
Share units		—			231,788	
Diluted	$ (76,968)	71,823,368	$ (0.001)	$ 1,410,998	74,196,994	$ 0.019

For the three months ended March 31, 2019, 1,344,687 options (2018 – 260,972) and 2,119,250 share units (2018 – 2,122,801) 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. The treasury method is used to determine the calculation of dilutive shares.

12. Net finance expense

Recognized in earnings in the three months ended March 31:

	2019	2018
Finance income:		
Net change in fair value of financial liabilities at fair value through earnings	$ —	$(165,625)
Total finance income	$ —	$(165,625)
Finance expense:		
Interest and accretion expense on borrowings	$ 873,120	$ 668,024
Accretion expense on earn-out obligation and deferred consideration	53,268	44,981
Amortization of deferred financing fees	65,091	65,091
Net change in fair value of financial liabilities at fair value through earnings	1,400,500	—
Total finance expense	$2,391,979	$ 778,096
Net finance expense	$2,391,979	$ 612,471

13. Financial instruments:

The Company's financial instruments consist of cash and cash equivalents, trade and other receivables, trade and other payables, employee benefit obligations, short term advances, loans and loans to equity investments, notes payable and bank indebtedness, deferred consideration and the Company's earn-out obligation. The fair values of these financial instruments, except the notes payable balances, the deferred consideration and the earn-out obligation, approximate carrying value because of their short-term nature. The earn-out obligation is recorded at fair value. The fair value of the notes payable and bank indebtedness, which is comprised of the Scotia Facility, approximates carrying value as it is a floating rate instrument. The Company's deferred consideration was initially measured at fair value and is being accreted to its face value over a period of four years from the acquisition date. The amounts payable as deferred compensation are specified in the acquisition agreement for Austin Gastroenterology Anesthesia Associates LLC, which was acquired in 2016.

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).

13. Financial instruments (Continued):

	March 31, 2019	Level 1	Level 2	Level 3
Liabilities				
Earn – out obligation	$ 4,354,741	$ —	$ —	$4,354,741
Total	$ 4,354,741	$ —	$ —	$4,354,741

	December 31, 2018	Level 1	Level 2	Level 3
Liabilities				
Earn-out obligation	$ 2,920,583	$ —	$ —	$2,920,583
Total	$ 2,920,583	$ —	$ —	$2,920,583

The Company's earn-out obligation is measured at fair value on a recurring basis using significant unobservable inputs (Level 3). The earn-out obligation relates to the Company's Gastroenterology Anesthesia Associates LLC acquisition, which was acquired in 2014. As part of the business combination, the Company is required to pay consideration contingent on the post-acquisition earnings of the acquired asset. The Company measures the fair value of the earn-out obligation based on its best estimate of the cash outflows payable in respect of the earn-out obligation. This valuation technique includes inputs relating to estimated cash outflows under the arrangement and the use of a discount rate appropriate to the Company. The Company evaluates the inputs into the valuation technique at each reporting period. During the three months ended March 31, 2019, the Company revised its assumptions underlying the discount rate used in the calculation of the fair value of the earn-out obligation to account for changes in the underlying credit risk of the Company as well as the estimates underlying the amount of payment. The downward adjustment of the discount rate from 4.69% at December 31, 2018 to 4.05% at March 31, 2019 and the amendment of cash outflow estimates underlying the earn-out resulted in an increase of $1,400,500 to the fair value of the earn-out obligation. The impact of this adjustment was recorded through finance expense in the period.

The fair value measurements are sensitive to the discount rate used in calculating the fair values as well as the underlying cash flow estimates. A 1% increase in the discount rate would reduce the fair value of the earn-out obligation by $10,436. During the three months ended March 31, 2019, the Company recorded accretion expense of $33,658 (2018 – $44,981), 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, 2019	$ 2,920,583
Payment	—
Recorded in finance expense:	
Accretion expense	33,658
Fair value adjustment	1,400,500
Balance as at March 31, 2019	$ 4,354,741

14. Commitments and contingencies:

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

14. Commitments and contingencies (Continued):

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.

15. Related party transactions:

Balances and transactions between the Company and its wholly owned and controlled subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of the transactions between the Company and other related parties are disclosed below:

(a) Related party transactions:

During the three months ended March 31, 2019, the Company made product sales totaling $7,000 (2018 – $7,000) to one company owned or controlled by one of the Company's Directors. The transaction terms with related parties may not be on the same price as those that would result from transactions among non-related parties. There were no amounts owing by or to this related party as of March 31, 2019 (2018 – $nil).

16. 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 months ended March 31, 2019 and 2018 are as follows:

	Three months ended	
	March 31, 2019	**March 31, 2018**
Revenue:		
Canada and other	$ 50,060	$ 70,970
United States	29,069,030	24,594,531
Total	$ 29,119,090	$ 24,665,501

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

	Three months ended	
	March 31, 2019	**March 31, 2018**
Revenue:		
Commercial Insurers	$ 22,202,878	$ 19,131,424
Federal Insurers	4,353,403	2,710,994
Physicians	2,426,124	2,556,876
Other	136,685	266,207
Total	$ 29,119,090	$ 24,665,501

16. Segmented information (Continued):

The Company's property and equipment, intangibles, other assets and total assets are located in the following geographic regions as at March 31, 2019 and December 31, 2018:

	2019	2018
Property and equipment:		
Canada	$ 271,932	$ 276,621
United States	35,129	26,670
Total	$ 307,061	$ 303,291
Intangible assets:		
Canada	$ 32,359	$ 32,735
United States	176,065,600	179,351,528
Total	$ 176,097,959	$ 179,384,263
Total assets:		
Canada	$ 4,451,843	$ 9,293,796
United States	207,101,209	209,694,200
Total	$ 211,553,052	$ 218,987,996

The financial measures reviewed by the Company's Chief Operating Decision Maker are presented below for the three months ended March 31, 2019 and 2018. The Company does not allocate expenses related to corporate activities. These expenses are presented within "Other" to allow for reconciliation to reported measures.

	Three months ended March 31, 2019			
	Anesthesia services	Product sales	Other	Total
Revenue	$ 26,692,966	$ 2,426,124	$ —	$ 29,119,090
Operating costs	22,559,355	1,134,477	1,600,409	25,294,241
Operating income (loss)	$ 4,133,611	$ 1,291,647	$ (1,600,409)	$ 3,824,849

	Three months ended March 31, 2018			
	Anesthesia services	Product sales	Other	Total
Revenue	$ 22,108,625	$ 2,556,876	$ —	$ 24,665,501
Operating costs	17,742,507	1,216,653	1,267,082	20,226,242
Operating income (loss)	$ 4,366,118	$ 1,340,223	$ (1,267,082)	$ 4,439,259

16. Segmented information (Continued):

Additionally, the company incurs the following in each of its operating segments:

	Three months ended March 31, 2019			
	Anesthesia services	Product sales	Other	Total
Finance income	$ —	$ —	$ —	$ —
Finance expense	1,453,768	—	938,211	2,391,979
Depreciation and amortization expense	8,643,707	9,172	15,105	8,667,984

	Three months ended March 31, 2018			
	Anesthesia services	Product sales	Other	Total
Finance income	$ (165,625)	$ —	$ —	$ (165,625)
Finance expense	44,981	—	733,115	778,096
Depreciation and amortization expense	7,197,196	17,017	5,064	7,219,277

17. Subsequent event:

On April 3, 2019, a subsidiary of the Company entered into a membership interest purchase agreement to purchase the remaining 49% interest in Arapahoe Gastroenterology Anesthesia Associates LLC (“Arapahoe”) not held by the Company. The purchase consideration, paid via cash, for the acquisition of the remaining 49% interest was $2,300,000 plus 49% of Arapahoe’s working capital as at March 31, 2019. Additionally, the Company also incurred deferred acquisition costs of $18,528.

On April 9, 2019, the Company announced the appointment of Dr. Tushar Ramani as CEO of the Company, replacing outgoing CEO Edward Wright. As part of his compensation package, Dr. Ramani has received a share unit grant of 1,000,000 share units, vesting in 4 years. Additionally, Dr. Ramani received an option to purchase 500,000 shares, vesting over 4 years. In accordance with the terms of his employment agreement, Edward Wright has received 18 months salary as severance.