UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2019

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number: 001-37542

CRH MEDICAL CORPORATION

(Exact name of registrant as specified in its charter)

British Columbia, Canada	**Not Applicable**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**

Suite 578 – 999 Canada Place, World Trade Center
Vancouver, BC V6C 3E1
(Address of principal executive offices, including zip code)

(604) 633-1440
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☒
		Emerging growth company	☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes ☐ No ☒

The number of outstanding common shares of the registrant, no par value per share, as of April 30, 2019 was 71,418,988.

CRH MEDICAL CORPORATION

QUARTERLY REPORT ON FORM 10-Q

For the Quarter Ended March 31, 2019

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PART I. FINANCIAL INFORMATION

Part II. OTHER INFORMATION

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q includes "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 and "forward-looking information" within the meaning of Canadian securities laws, or collectively, forward-looking statements. Forward-looking statements include statements that may relate to our plans, objectives, goals, strategies, future events, future revenue or performance, capital expenditures, financing needs and other information that is not historical information. Many of these statements appear, in particular, under the headings "Risk Factors," and "Management's Discussion and Analysis of Financial Condition and Results of Operations." Forward-looking statements can often be identified by the use of terminology such as "subject to", "believe," "anticipate," "plan," "expect," "intend," "estimate," "project," "predict," "potential," "may," "will," "should," "would," "could," "can," "continue," the negatives thereof, variations thereon and similar expressions, or by discussions of strategy. In addition, any statements or information that refer to expectations, beliefs, plans, projections, objectives, performance or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking. In particular, these forward-looking statements include, but are not limited to:

- the size of our addressable markets and our profitability;
- the achievement of our growth strategies and strategic plans and trends in our industry;
- the perceived merit of our products and services;
- our plans and expectations relating to the CRH O'Regan System and our anesthesiology operations;
- our future financing plans and anticipated needs for working capital; and
- our ability to predict developments in government regulation and manage our operations accordingly.

All forward-looking statements, including, without limitation, our examination of historical operating trends, are based upon our current expectations and various assumptions. Certain assumptions made in preparing the forward-looking statements include:

- the absence of material adverse changes in our industry or the global economy;
- trends in our industry and markets;
- our ability to maintain good business relationships with our anesthesiologists, other independent contractors or any business partners;
- our ability to comply with current and future regulatory standards;
- our ability to protect our intellectual property rights;
- our continued compliance with third-party intellectual property rights;
- our ability to identify, manage and integrate acquisitions;
- our ability to recruit and retain key personnel; and
- our ability to raise sufficient debt or equity financing to support our continued growth.

We believe there is a reasonable basis for our expectations and beliefs, but forward-looking statements are inherently uncertain. We may not realize our expectations, and our beliefs may not prove correct. Actual results could differ materially from those described or implied by such forward-looking statements. The following uncertainties and factors, among others (including those set forth under "Risk Factors"), could affect future performance and cause actual results to differ materially from those matters expressed in or implied by forward-looking statements:

- our ability to successfully identify and complete corporate transactions and achieve anticipated synergies relating to any acquisitions or alliances;
- our ability to manage our growth effectively and achieve our expansion strategy;

- our ability to retain senior management personnel who have been key to our growth;
- changes to payment rates or methods of third-party payors and changes to U.S. laws that regulate payments for medical services;
- our exposure to potential decreases in revenue and profit margin under our fee for service contracts and arrangements;
- the risk that Ambulatory Surgical Centers ("ASCs") or other customers may terminate or choose not to renew their agreements with us;
- our ability to enforce the non-competition and other restrictive covenants in our agreements;
- our potential need and ability to raise additional capital to fund future operations;
- risks arising from the various restrictive covenants and events of default we are subject to under our credit facilities;
- our ability to incur substantially more debt, which could exacerbate risks associated with increased leverage;
- significant price and volume fluctuations in our common shares;
- the risk that we may write-off intangible assets;
- our ability to maintain or increase anesthesia procedure volumes at our existing ASCs;
- our ability to successfully recruit and retain qualified anesthesiologists or other independent contractors;
- potential adverse events related to our product or our services and related risks associated with product liability, medical malpractice or other legal claims, insurance claims, product recalls and other liabilities;
- the impact of the Patient Protection and Affordable Care Act and any amendments to it;
- the impact of the Medicare Access and CHIP Reauthorization Act of 2015 and any amendments to it;
- our ability to manage third-party service providers and maintain the quality of service that we provide;
- risks relating to income tax audits or changes in our effective income tax rate;
- our dependence on suppliers;
- risks relating to unfavorable economic conditions;
- the risk that we may be subject to a variety of regulatory investigations, claims, lawsuits, and other proceedings;
- our ability to adequately protect or enforce our intellectual property;
- the risk that patent protection for our products may expire;
- our ability to successfully market our products and services;
- the risk that our employees and third-party contractors may not appropriately record or document services that they provide;
- our ability to timely or accurately bill for services;
- the level of competition in our industry;
- changes in federal or state laws, rules, regulations, or in interpretations of such laws, rules or regulations, which may require us to redeem our physician partners' ownership interests in anesthesia companies under the savings clause in our joint venture operating agreements;

- our ability to comply with U.S. federal and state fraud and abuse laws;
- the risk that our employees and business partners may not appropriately secure and protect confidential information in their possession;
- our ability to protect our information technology infrastructure against cyber-based attacks, network security breaches, service interruptions or data corruption;
- the risk that we may be subject to criminal or civil sanctions if we fail to comply with privacy regulations regarding the protection, use and disclosure of patient information;
- our legal responsibility to the minority owners of the entities through which we own our anesthesia services business, which may conflict with, and prevent us from acting in, our own best interests;
- the risk that a significant number of our affiliated physicians could leave our affiliated ASCs;
- changes in regulations or regulatory interpretations, which may obligate us to re-negotiate agreements with our anesthesiologists or other contractors;
- our dependence on maintaining strong relationships with physicians in order to continue the development of our products and provision of our services;
- the extensive level of federal, state, and local regulation, and changes in law and regulatory interpretations relating to our industry;
- the risk that unfavorable changes or conditions could occur in the states where our operations are concentrated;
- the risk that government authorities or other parties may assert that our business practices violate antitrust laws;
- the potential that our significant shareholders could influence our business operations and sales of our shares by such significant shareholders could influence our share price;
- anti-takeover provisions in our constating documents that could discourage a third party from making a takeover offer that could be beneficial to our shareholders;
- changes in the medical industry and the economy that may affect the Company's business;
- the existence in our industry of numerous governmental investigations into marketing and other business practices which could result in fines, penalties, administrative remedies or divert the attention of our management;
- the evolving regulation of corporate governance and public disclosure, which may result in additional expenses and continuing uncertainty;
- our exposure to adverse movements in foreign currency exchange rates;
- our ability and the ability of our suppliers to comply with the U.S. Food and Drug Administration's ("FDA") Quality System Regulation and other applicable requirements;
- our intention not to pay dividends on our common shares and the consequence that any return on a shareholder's investment in our common shares will depend on appreciation, if any, in the price of our common shares;
- the impact of tax reform on our business;
- the risk that as an "emerging growth company" and "smaller reporting company," our common shares may be less attractive to investors;
- our ability to maintain an effective system of internal control over financial reporting; and
- the risk that our share price and trading volume could decline if securities or industry analysts do not publish research, or publish inaccurate or unfavorable research, about our business.

Consequently, forward-looking statements should be regarded solely as our current plans, estimates and beliefs. You should not place undue reliance on forward-looking statements. We cannot guarantee future results, events, levels of activity, performance or achievements. We do not undertake and specifically decline any obligation to update, republish or revise forward-looking statements to reflect future events or circumstances or to reflect the occurrences of unanticipated events, except as required by law.

We own or have rights to trademarks, service marks or trade names that we use in connection with the operation of our business. In addition, our names, logos and website names and addresses are our service marks or trademarks. CRH and the CRH O'Regan System **are registered trademarks.** The other trademarks, trade names and service marks appearing in this Quarterly Report on Form 10-Q are the property of their respective owners. Solely for convenience, the trademarks, service marks, tradenames and copyrights referred to in this Quarterly Report on Form 10-Q are listed without the ©, ® and TM symbols, but we will assert, to the fullest extent under applicable law, our rights or the rights of the applicable licensors to these trademarks, service marks and tradenames.

We express all amounts in this Quarterly Report on Form 10-Q in U.S. dollars, except where otherwise indicated. References to "$" and "US$" are to U.S. dollars and references to "C$" are to Canadian dollars.

Except as otherwise indicated, references in this Quarterly Report on Form 10-Q to "CRH," the "Company," "we," "us" and "our" refer to CRH Medical Corporation and its consolidated subsidiaries.

PART I. FINANCIAL INFORMATION

Item 1. 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	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.

Item 2. 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 this 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. This 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 this 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 this 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 this 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.

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.

[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	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

[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.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the period covered by this Quarterly Report on Form 10-Q, our management, with the participation of our Chief Executive Officer and our Chief Financial Officer (our principal executive officer and principal financial officer, respectively), evaluated the design and operating effectiveness of our disclosure controls and procedures. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosure.

Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on our evaluation of our disclosure controls and procedures as of March 31, 2019, our Chief Executive Officer and our Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were, in design and operation, effective at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during our fiscal quarter ended March 31, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we may become involved in legal proceedings or be subject to claims arising in the ordinary course of our business. As of March 31, 2019, we are not a party to any legal proceedings that, in the opinion of our management, would reasonably be expected to have a material adverse effect on our business, financial condition, operating results or cash flows if determined adversely to us. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

Item 1A. Risk Factors

You should carefully consider the following risk factors, in addition to the other information contained in this Quarterly Report on Form 10-Q, including our condensed consolidated financial statements and related notes. If any of the events described in the following risk factors occurs, our business, operating results and financial condition could be seriously harmed. This Quarterly Report on Form 10-Q also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of factors that are described below and elsewhere in this Quarterly Report on Form 10-Q.

Risks Related to Our Company

We may or may not successfully identify and complete corporate transactions on favorable terms or achieve anticipated synergies relating to any acquisitions or alliances, and such acquisitions could result in unforeseen operating difficulties and expenditures, or require significant management resources and significant charges.

As a part of our growth strategy, we regularly explore potential acquisitions of complementary businesses, technologies, services or products as well as potential strategic alliances. We may be unable to find suitable acquisition candidates or appropriate partners with which to form alliances. Even if we identify appropriate acquisition or alliance candidates, we may be unable to complete the acquisitions or alliances on favorable terms, if at all, as a result of changes in tax laws, healthcare regulations, financial market, or other economic or market conditions. Acquisition activities can be thwarted by overtures from competitors for the targeted candidates, government regulation and replacement product developments in our industry. Competition may intensify due to the ongoing consolidation in the healthcare industry, which may increase our acquisition costs. In addition, the process of integrating an acquired business, technology, service or product into our existing operations could result in unforeseen difficulties and expenditures. Integrating completed acquisitions into our existing operations involves numerous short-term and long-term risks, including diversion of our management's attention, failure to retain key personnel, long-term value of acquired intangible assets and acquisition expenses. In addition, we may be required to comply with laws, rules and regulations that may differ from those of the states in which our operations are currently conducted. Moreover, we may not realize the anticipated financial or other benefits of an acquisition or alliance.

Future acquisitions could also involve the issuance of equity securities, the incurrence of debt, contingent liabilities or amortization of expenses related to other intangible assets, any of which could adversely impact our financial condition or results of operations. The issuance of shares for an acquisition may result in dilution to our existing shareholders and, depending on the number of shares that we issue, the resale of such shares could affect the trading price of our common shares. In addition, equity or debt financing required for such acquisitions may not be available.

Any corporate transaction will be accompanied by certain risks including but not limited to:

- exposure to unknown liabilities of acquired companies and the unknown issues with any associated technologies or research. Such liabilities may include liabilities for failure to comply with applicable laws, or liabilities relating to medical malpractice claims. Generally, we obtain indemnification agreements from the sellers of businesses acquired with respect to pre-closing acts, omissions and other similar risks. It is possible that we may seek to enforce indemnification provisions in the future against sellers who may no longer have the financial wherewithal to satisfy their obligations to us. Accordingly, we may incur material liabilities for past activities of acquired businesses;
- certain acquired businesses may derive a greater portion of their revenue from government health programs than what we recognize on a consolidated basis, or may have business models with lower operating margins than ours, which could affect our overall payor mix or operating results in future periods;
- higher than anticipated acquisition costs and expenses;
- the difficulty and expense of integrating operations, systems, and personnel of acquired companies;
- disruption of our ongoing business;
- uncertainty that an acquired business will continue to maintain its pre-acquisition revenue and growth rates, or be profitable;
- inability to retain key customers, vendors, and other business partners of the acquired company;
- diversion of management's time and attention;
- the realization of financial and operating risks not fully anticipated; and
- potential challenges under antitrust laws, either before or after an acquisition is consummated, which could involve substantial legal costs and result in the Company having to abandon the transaction or make a divestiture.

We may not be able to successfully overcome these risks and other problems associated with acquisitions and this may adversely affect our business, financial condition or results of operations.

If we are unable to manage growth, we may be unable to achieve our expansion strategy.

The success of our business strategy depends in part on our ability to expand our operations in the future. Our growth has placed, and will continue to place, increased demands on our management, operational and financial information systems, and other resources. Further expansion of our operations may require substantial financial resources and management attention.

To accommodate our past and anticipated future growth, and to compete effectively, we will need to continue to improve our management, to implement our operational and financial information systems, and to expand, train, manage, and motivate our workforce. Our personnel, systems, procedures, or controls may not be adequate to support our operations in the future. Further, focusing our financial resources and diverting management's attention to the expansion of our operations may negatively impact our financial results. Any failure to improve our management, to implement our operational and financial information systems, or to expand, train, manage, or motivate our workforce may reduce or prevent our growth.

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 Company is dependent on its senior management. Consequently, our ability to retain these individuals and attract other qualified individuals is critical to our success. In addition, because of a relative scarcity of individuals with the high degree of education and business experience required for our business, competition among companies for qualified employees is intense and, as a result, we may not be able to attract and retain such individuals on acceptable terms, or at all. The loss of key management personnel or our inability to attract, retain, and motivate sufficient numbers of qualified management personnel could have a material adverse effect on the Company.

Incentive provisions for our key executives include the granting of equity-based compensation that vest over time or are based on performance and are designed to encourage such individuals to stay with us. However, a low share price, whether as a result of disappointing growth, revenues, income, or as a result of market conditions generally, could render such agreements of little value to our key executives. In such event, our key executives could be susceptible to being hired away by our competitors or other businesses who could offer a better compensation package. If we are unable to attract and retain key personnel, our business, financial condition, and results of operations may be adversely affected.

Changes to payment rates or methods of third-party payors, including United States government healthcare programs, changes to the United States laws and regulations that regulate payments for medical services, the failure of payment rates to increase as our costs increase, or changes to our payor mix, could adversely affect our operating margins and revenues.

We provide anesthesia services primarily through fee for service payor arrangements. Under these arrangements, we collect fees directly through the entities at which anesthesia services are provided. We assume financial risks related to changes in third-party reimbursement rates and changes in payor mix. Our revenue decreases if our volume or reimbursement decreases, but our expenses may not decrease proportionately.

We depend primarily on U.S. government, third party commercial and private and governmental third-party sources of payment for the services provided to patients. The amount we receive for our services may be adversely affected by market and cost factors, as well as other factors over which we have no control, including changes to the Medicare and Medicaid payment systems. U.S. health reform efforts at the federal and state levels may increase the likelihood of significant changes affecting U.S. government healthcare programs and private insurance coverage. U.S. Government healthcare programs are subject to, among other things, statutory and

regulatory changes, administrative rulings, interpretations and determinations concerning patient eligibility requirements, funding levels and the method of calculating payments or reimbursements, all of which could materially increase or decrease payments we receive from these government programs. Further, Medicare reimbursement rates are increasingly used by private payors as benchmarks to establish commercial reimbursement rates and any adjustment in Medicare reimbursement rates or formulas may impact our reimbursement rates from such private payors as well.

As the Medicare program transitions away from fee for service payment models and toward value-based payment methodologies, we may be required to make additional investments to receive maximum Medicare reimbursement. For example, the Medicare Physician Quality Reporting System provides additional Medicare compensation to physicians who implement and report certain quality measures. Further, the Medicare Access and CHIP Reauthorization Act of 2015 requires the establishment of the Merit-Based Incentive Payment System under which, beginning in 2019, providers receive payment incentives or reductions based on their performance with respect to clinical quality, resource use, clinical improvement activities, and meaningful use of electronic health records.

There are significant private and public sector pressures to reign in healthcare costs and to lower reimbursement rates for medical services, and we believe that such pressures will continue. Major payors of healthcare, including U.S. federal and state governments and private insurers, have taken steps in recent years to monitor and control costs, eligibility for, and use and delivery of healthcare services, and to revise payment methodologies. Further, the ability of commercial payors to control healthcare costs may be enhanced by the increasing consolidation of insurance and managed care companies, and the incursion of other private companies into the healthcare industry, all of which may reduce our ability to negotiate favorable contracts with such payors.

We expect efforts to impose greater discounts and more stringent cost controls by government and other payors to continue, thereby reducing the payments we receive for our services. The effect of cost containment trends will depend, in part, on our payor mix. We may not be able to offset reduced operating margins through cost reductions, increased volumes, the introduction of additional procedures or otherwise. In addition, future changes to reimbursement rates by government healthcare programs, cost containment measures by private third-party payors or other factors affecting payments for healthcare services may adversely affect our future revenues, operating margins, and profitability.

We are subject to decreases in our revenue and profit margin under our fee for service contracts and arrangements, where we bear the risk of changes in volume, payor mix, radiology, anesthesiology, and pathology benefits, and third-party reimbursement rates.

In our fee for service arrangements, which represent substantially all of our revenues, we collect the fees for services. Under these arrangements, we assume financial risks related to changes in the mix of patients covered by government-sponsored healthcare programs and third-party reimbursement rates. A substantial decrease in patient volumes, or an increase in the number of patients covered by government healthcare programs, as opposed to commercial plans that have higher reimbursement levels, or any potential shift in reimbursement mix could reduce our profitability and adversely impact future revenue growth. In some cases, our revenue decreases if our volume or reimbursement decreases, but our expenses may not decrease proportionately.

We operate a large number of anesthesia entities in many different markets. Each entity has a different mix of contracted and non-contracted relationships with commercial payors. In cases where our providers are not contracted, most payors have radiology, anesthesiology, and pathology provisions that limits the amount payable by patients when a non-contracted provider is utilized. In most cases, reimbursements we receive for anesthesia services are greater when we are non-contracted than they would be if we were contracted. As our anesthesia entities mature, we may choose or be required to enter into contracts with a majority of existing commercial payors which may result in decreased revenue, but our expenses may not decrease proportionately. Payors may also change the amount reimbursed for non-contracted providers which may also result in decreased revenue, but our expenses may not decrease proportionately

ASCs or other customers may terminate or choose not to renew their agreements with us.

Our professional service agreements with our partner ASCs currently range in duration from **one year to 15 years** and can be renewed if agreed upon by both parties. The majority of these agreements also contain auto-renewal features. To date, with the exception of a contract in Sarasota, Florida, which was terminated as a result of an ASC closing and NC GAA, PC ("NC GAA") contracts that the Company chose not to renew, all other professional service agreements have been renewed as required. Our contract with ASCs affiliated with Gastroenterology Anesthesia Associates, LLC ("GAA"), currently our largest customer contributing 20% of our total revenue in 2018 and 27% of our total revenue in 2017, requires renewal by November 2021.

Our customers may cancel or choose not to renew their contracts with us. Changes in economic conditions, including decreased government and commercial reimbursement, hospital acquisition of ASCs for physician practices, or changes in the state or federal regulatory environment could influence future actions of our partners or other customers. To the extent that any significant agreement or agreements with our partners or other customers are canceled, or are not renewed or replaced with other arrangements having at least as favorable terms, our business, financial condition and results of operations could be materially adversely affected.

We may be unable to enforce the non-competition and other restrictive covenants in our agreements.

As a material term and condition of each anesthesia medical practice acquisition, the sellers and owners enter into a restrictive covenant in favor of our purchasing entity, whereby the sellers and owners agree not compete in a specific restricted territory (the "Restrictive Covenants"). The restricted territory varies based upon the jurisdiction where the anesthesia medical practice is located. The length of the restricted period also varies based upon the jurisdiction where the anesthesia medical practice is located. If the sellers and owners, individually or collectively, breach the Restrictive Covenants, the definitive purchase agreements provide us with the remedies of injunctive relief and liquidated damages based upon a negotiated, predetermined estimate of damages. Additionally, we have negotiated additional special covenants, which vary from transaction to transaction, that provide us with the remedy of liquidated damages based upon a negotiated, predetermined estimate of damages. If a court determines that such liquidated damages are unenforceable as a penalty, as a result of such determination our business, financial condition and results of operations could be adversely affected.

The law governing non-competition agreements and other forms of restrictive covenants varies from jurisdiction to jurisdiction. Although we believe that the Restrictive Covenants applicable to our anesthesiologists, contractors, and other business partners are reasonable in scope and duration and therefore enforceable under applicable law, courts and arbitrators in some jurisdictions are reluctant to strictly enforce non-competition agreements and restrictive covenants. If we are unable to enforce the Restrictive Covenants in these agreements, our business, financial condition, results of operations and cash flows could be materially adversely affected. We cannot predict whether a court or arbitration panel would enforce these Restrictive Covenants.

We may need to raise additional capital to fund future operations.

The Company became profitable in the first quarter of 2011, which was consistent with the Company's new business development strategy introduced in the fourth quarter of 2010 to focus exclusively on selling its CRH O'Regan System directly to physicians. With the acquisition of GAA in the fourth quarter of 2014, the Company altered its business strategy further to provide anesthesia services in addition to its existing medical product.

Based on our current cash resources, estimated capital requirements and anticipated revenues, we expect that we can maintain current operations. There can be no assurance that unforeseen developments or circumstances will not alter our requirements for capital. Any additional equity financing would be dilutive to our shareholders. If access to sufficient capital is not available as and when needed, our business may be impaired.

Advancing our product and current business operations, market expansion of our currently marketed product or growth of our anesthesia services, service of our debt, or acquisition and development of any new products, businesses or operations will require considerable resources and additional access to capital markets. In addition, our future cash requirements may vary materially from those now expected. For example, our future capital requirements may increase if:

- we experience more competition from other companies or in more markets than anticipated;
- we experience delays or unexpected increases in costs in connection with maintaining regulatory approvals for our product or services in the various markets where we sell our product and provide our services;
- we experience unexpected or increased costs relating to preparing, filing, prosecuting, maintaining, defending and enforcing patent claims, or other lawsuits, brought by either us or our competition;
- we elect to raise additional capital in order to service or repay all or a portion of our outstanding debt;
- we elect to develop, acquire or license new technologies, products or businesses; or
- we are presented with suitable opportunities and elect to accelerate the pace of our continued growth strategy.

We could potentially seek additional funding through public or private equity or debt financing, corporate collaborations or through other transactions. However, if revenues are slow to increase or if industry and capital market conditions in general are unfavorable, our ability to obtain significant additional funding on acceptable terms, if at all, will be negatively affected. Additional financing that we may pursue may involve the sale of our common shares or financial instruments that are exchangeable for, or convertible into, our common shares, which could result in significant dilution to our shareholders.

If sufficient capital is not available, we may be required to delay or alter our current operations or our business expansion, either of which could have a material adverse effect on our business, financial condition, prospects or results of operations.

We are subject to various restrictive covenants and events of default under the Credit Facilities.

Under the Company's credit facilities with the Bank of Nova Scotia, syndicated with JP Morgan and US Bank (the "Credit Facilities"), the Company has made various restrictive covenants to the lenders, including payment of interest and principal when due. The Credit Facilities are available for review on SEDAR at www.sedar.com and on the SEC's website at www.sec.gov.

If there is an event of default under either of these agreements, the principal amount owing under the Credit Facilities, plus accrued and unpaid interest, may be declared immediately due and payable. If such an event occurs, it could have a material negative impact on the Company financially. Any extended default under the Credit Facilities, could result in the loss of the Company's entire business.

In addition, the Credit Facilities include various conditions and covenants that require CRH to obtain consents prior to carrying out certain activities and entering into certain transactions, such as incurring additional debt, repurchasing common shares of the Company, creating additional charges on the Company's assets, and providing additional guarantees or disposing of certain assets. As a result of the restrictive covenants or other terms of any existing or new loan or other financing agreements, the Company may be significantly restricted in its ability to raise additional capital through bank borrowings and to engage in some transactions that CRH expects to be of benefit to the Company. The inability to meet these conditions and covenants or obtain lenders' consent to carry out restricted activities could materially and adversely affect the business and results of operations of CRH.

We are exposed to market risk related to changes in interest rates. Our earnings are affected by changes in short-term interest rates as a result of borrowings under the Credit Facilities. As a result, if interest rates rise, our cost of borrowing will increase, negatively impacting our earnings.

Despite current indebtedness levels, we may still be able to incur substantially more debt, which could further exacerbate the risks associated with increased leverage.

We and our subsidiaries may be able to incur substantial additional indebtedness in the future. Although our Credit Facilities contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of qualifications and exceptions, and the indebtedness incurred in compliance with these restrictions could be substantial. If we incur additional debt above the levels currently in effect, the risks associated with our leverage, including those described above, would increase.

Our common shares may be subject to significant price and volume fluctuations.

The Company's common shares trade on the Toronto Stock Exchange ("TSX") and on the NYSE American. Public markets, from time to time, experience significant price and volume fluctuations unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the market price of the common shares of the Company. In addition, the market price of the common shares is likely to be highly volatile including for reasons related to the Company and those beyond the control of the Company. Moreover, it is likely that during future quarterly periods, the Company's results and operations may fluctuate significantly or may fail to meet the expectations of stock market analysts, third party commentators (such as those issuing media or short reports) and investors and, in such event, the market price of the common shares could be materially adversely affected. In the past, securities class action litigation or shareholder activism has often been initiated following periods of volatility in the market price of a company's securities. Such litigation or shareholder activism, if brought against the Company, could result in substantial costs and a diversion of management's attention and resources, which could have a material adverse effect on the Company's business, financial condition and results of operations.

We may write-off intangible assets.

The carrying value of our intangible assets is subject to periodic impairment testing. Under current accounting standards, intangible assets are tested for impairment on a recurring basis and we may be subject to impairment losses as circumstances change after an acquisition. If we record an impairment loss related to our intangible assets, which results from the anesthesia contracts that we acquire or other significant intangible assets, it could have a material adverse effect on our business, financial condition, results of operations, cash flows and the trading price of our securities.

If we are unable to maintain or increase anesthesia procedure volumes at our existing ASCs, the operating margins and profitability of our anesthesia segment could be adversely affected.

Part of our growth strategy for our anesthesia services segment includes increasing our revenues and earnings through increasing the number of procedures performed at the ASCs we service. Procedure volume at the ASCs we serve may be adversely impacted by economic conditions, high unemployment rates, natural disasters, physicians who no longer utilize the ASCs we serve, and other factors that may cause patients to delay or cancel procedures. There are no assurances that we will be successful at increasing or maintaining procedure volumes, revenues and operating margins at our ASCs.

We may not be able to successfully recruit and retain qualified anesthesiologists or other independent contractors.

The healthcare business is highly competitive. We compete with other healthcare providers, primarily hospitals and other surgery centers in recruiting and retaining a sufficient number of anesthetists and anesthesiologists to

perform our services operations. We compete with many types of healthcare providers including teaching, research, and government institutions and other practice groups for the services of qualified anesthesiologists.

Some of our competitors may have greater resources than we do, including financial, marketing, staff and capital resources. We may not be able to continue to recruit new anesthesiologists or renew contracts with existing contractors on acceptable terms. If we are not able to do so, our ability to provide anesthesia services and generate revenue and net income could be adversely affected.

Adverse events related to our product or our services may subject us to risks associated with product liability, medical malpractice or other legal claims, insurance claims, product recalls and other liabilities, which may adversely affect our operations.

There is an inherent risk in rubber band ligation of hemorrhoids and in the use of anesthesia services of the occurrence of an adverse event. One example of such an event is that in rare cases rubber band ligation of hemorrhoids can lead to sepsis, which if left untreated, can result in serious medical consequences, including death. Examples of adverse events related to anesthesia include anaphylaxis, nerve damage and embolism, which can result in serious medical consequences and in rare circumstances, can lead to death. Such adverse events could have material adverse consequences on our sales, business, operations and financial performance.

The occurrence of unanticipated serious adverse events or other safety problems could cause the governing agencies to impose significant restrictions on the indicated uses for which our product and services may be marketed, the distribution or sale of the product, or the provision of our services. In addition, post-market discovery of previously unknown safety problems or increased severity or significance of a pre-existing safety signal could result in withdrawal of the product from the market, product recalls or other material adverse effects on our operations.

We may be held liable or incur costs to settle liability claims if our product, services or contracted anesthesiologists cause injury. Although we currently maintain product liability and medical malpractice insurance, we cannot assure you that this insurance is adequate, and, at any time, it is possible that such insurance coverage may cease to be available on commercially reasonable terms, or at all. A product liability or medical malpractice claim, or a claim based in related legal theories of negligence or vicarious liability among others, could result in liability to us greater than our total assets or insurance coverage. Moreover, product liability, medical malpractice or other claims could have an adverse impact on our business even if we have adequate insurance coverage.

Our product and services may also fail to meet patient expectations or produce harmful side effects. Such unexpected quality, safety or efficacy issues may be caused by a number of factors, including manufacturing defects, failure to adhere to good clinical practices, failure to adhere to good manufacturing practices, non-compliance with clinical protocols or the presence of other inadequacies of product-related information conveyed to physicians or patients, or other factors or circumstances unique to the patient. Whether or not scientifically justified, such unexpected safety or efficacy concerns can arise and may lead to product recalls, loss of or delays in market acceptance, market withdrawals, or declining sales, as well as liability, consumer fraud and/or other claims.

It is impossible to predict the scope of injury or liability from such defects, adverse events or unexpected reactions, the impact on the market for such products and services of any allegations of these claims, even if unsupported, the measure of damages which might be imposed as a result of any claims, or the cost of defending such claims. Substantial damages, awards and/or settlements have been handed down, notably in the United States and other common law jurisdictions, against medical companies in connection with claims for injuries allegedly caused by the use of their products and services. Although our shareholders would not have personal liability for such damages, the expenses of litigation or settlements, or both, in connection with any such injuries or alleged injuries and the amount of any award imposed on us in excess of existing insurance coverage, if any,

may have a material adverse impact on us and on the price of our common shares. In addition, we may not be able to avoid significant liability exposure even if we take appropriate precautions, including maintaining liability coverage (subject to deductibles and maximum payouts). Any liability that we may have as a result could have a material adverse effect on our business, financial condition and results of operations. Liability claims in the future, regardless of their ultimate outcome, could have a material adverse effect on our reputation and on our ability to attract and retain customers.

The Patient Protection and Affordable Care Act ("PPACA") and potential changes to it may have a significant effect on our business.

The PPACA contains a number of provisions that have affected us and may continue to affect us over the next several years. These provisions include the establishment of health insurance exchanges to facilitate the purchase of qualified health plans, expanded Medicaid eligibility, subsidized insurance premiums and additional requirements and incentives for businesses to provide healthcare benefits. Moreover, we could be affected by potential changes to various aspects of the PPACA, including subsidies, healthcare insurance marketplaces and Medicaid expansion.

The PPACA remains subject to continuing legislative and administrative flux and uncertainty. In 2017, Congress unsuccessfully sought to replace substantial parts of the PPACA with different mechanisms for facilitating insurance coverage in the commercial and Medicaid markets. Additionally, Centers for Medicare and Medicaid Services ("CMS") has administratively revised a number of provisions and may seek to advance additional significant changes through regulation, guidance and enforcement in the future. At the end of 2017, Congress repealed part of the PPACA that required most individuals to purchase and maintain health insurance or face a tax penalty, known as the individual mandate. In December 2018, a federal judge in Texas declared that key portions of the PPACA were inconsistent with the United States Constitution and pacifically that the PPACA cannot stand on its own since Congress repealed the individual mandate. Several states are now engaged in appealing this decision. It is possible that as a result of these actions, enrollment in healthcare exchanges declined during 2018.

If the PPACA is repealed or further substantially modified, or if implementation of certain aspects of the PPACA are diluted or delayed, such repeal, modification or delay may impact our business, financial condition, results of operations, cash flows and the trading price of our securities. We are unable to predict the impact of any repeal, modification or delay in the implementation of the PPACA, including the repeal of the individual mandate, on us at this time.

The Medicare Access and CHIP Reauthorization Act of 2015 ("MACRA") and potential changes to it may have a significant effect on our business.

MACRA contains numerous measures that could affect us, including, requirements that providers participate in quality measurement programs that differentiate payments to providers under Medicare based on quality and cost of care, rather than the quantity of procedures performed. MACRA requires providers to choose to participate in one of two payment formulas, Merit-Based Incentive Payments System ("MIPS") or Alternative Payment Models ("APMs"). Beginning in 2019, MIPS will allow eligible providers to receive incentive payments based on the achievement of certain quality and cost metrics, among other measures, and be reduced for those who are underperforming against those same metrics and measures. As an alternative, providers can choose to participate in an Advanced APM, and providers who are meaningful participants in APMs will receive bonus payments from Medicare pursuant to the law. MACRA also remains subject to review and potential modification by Congress, as well as shifting regulatory requirements established by CMS. We currently anticipate that our affiliated providers will be eligible to receive bonus payments in 2019 through participation in the MIPS, although the amounts of such bonus payments are not expected to be material. We will continue to operationalize the provisions of MACRA and assess any further changes to the law or additional regulations enacted pursuant to the law.

Failure to manage third-party service providers may adversely affect our ability to maintain the quality of service that we provide.

We outsource a majority of our revenue cycle management functions to a third-party service provider. If our outsourcing partner fails to perform their obligations in a timely manner or at satisfactory quality levels, or if they are unable to attract or retain sufficient personnel with the necessary skill sets to meet our needs, the quality of our services and operations could suffer. In addition, our reliance on a workforce of others exposes us to disruptions in their business. Our ability to manage any difficulties encountered could be largely outside of our control. Diminished service quality from outsourcing or our inability to utilize service providers could have a material adverse effect on our business, financial condition, results of operations, cash flows and the trading price of our securities.

Income tax audits and changes in our effective income tax rate could affect our results of operations.

Our effective tax rate could be adversely affected by changes in the mix of earnings and losses in countries with differing statutory tax rates, certain non-deductible expenses arising from stock option compensation, the valuation of deferred tax assets and liabilities and changes in federal, state or provincial tax laws and accounting principles. Increases in our effective tax rate could materially affect our net results.

In addition, we are subject to income tax audits by many tax jurisdictions. Although we believe our income tax liabilities are reasonably estimated and accounted for in accordance with applicable laws and principles, an adverse resolution of one or more uncertain tax positions in any period could have a material impact on the results of operations for that period.

Our dependence on suppliers could have a material adverse effect on our business, financial condition and results of operations.

The Company is economically dependent on one critical supplier for the CRH O'Regan System. The supplier, a clean room injection molding manufacturing company based in Ontario, Canada, performs contract manufacturing and assembly for the Company. Currently, the Company has one set of manufacturing molds for each product produced which is used for the injection molding, and these molds are inventoried at the supplier's facility.

Manufacturing operations are subject to numerous unanticipated technological problems and delays. Our manufacturers are, and will be, subject to regulations specified by the various regulatory bodies such as Health Canada and the FDA. There can be no assurance that we will be able to comply with all stated manufacturing regulations. Failure or delay by our manufacturers to comply with such regulations or to satisfy regulatory inspections could have an adverse effect on the Company's business and operations.

The Company's anesthesia services are dependent on utilizing a continual supply of Propofol. CRH currently sources Propofol through supply agreements with narcotics manufacturers and its physicians and medical practitioners. A breach of any of these agreements, or a deterioration of the relationships with the parties thereto, could result in an interruption of the Company's Propofol supply. Any interruption in the Company's Propofol supply could have a material adverse effect on the Company's anesthesia business and operations.

As the Company is dependent on a minimal number of suppliers for all manufacturing services and procurement of Propofol, any interruption caused by a business shutdown by the supplier (e.g., bankruptcy, fire or labor dispute) could be challenging for the Company. Although the Company mitigates these risks by maintaining open relationships with other suppliers that could perform similar services, maintaining an appropriate level of inventory, and performing quality and business audits of its suppliers on a regular basis, we cannot guarantee that we will be able to enter into new supply contracts, advantageous to us or at all, in the event of a shutdown. Any such shutdown may have a material adverse effect on our business, financial condition or results of operations.

Unfavorable economic conditions could have an adverse effect on our business.

Global economic conditions continue to be unpredictable and may result in slow economic growth and impact the number of unemployed and under-employed workers. We could experience additional shifts in the nature of patient reimbursement if economic conditions change. This may result in lower patient volumes.

Unfavorable economic conditions could also lead to additional increases in the number of unemployed and under-employed workers and decline in the number of private employers that offer healthcare insurance coverage to their employees. Employers that do offer healthcare coverage may increase the required contributions from employees to pay for their coverage and increase patient responsibility amounts. As a consequence the number of patients who participate in government-sponsored programs or are uninsured could increase. Payments received from government sponsored programs are substantially less than payments received from commercial and other third-party payors. A payor mix shift from commercial and other third-party payors to government payors may result in a decrease in our net revenue per patient case.

We may be subject to a variety of regulatory investigations, claims, lawsuits, and other proceedings.

Due to the nature of the Company's business, including without limitation the Company's public listing, operations in the medical industry, product and anesthesia services, the Company may be subject to a variety of regulatory investigations, claims, lawsuits and other proceedings in the ordinary course of its business. The results of these legal proceedings cannot be predicted with certainty due to the uncertainty inherent in litigation, including the effects of discovery of new evidence or advancement of new legal theories, the difficulty of predicting decisions of judges and juries and the possibility that decisions may be reversed on appeal. There can be no assurances that these matters will not have a material adverse effect on our business.

If we are unable to adequately protect or enforce our intellectual property, our competitive position could be impaired.

Our commercial success and competitive position with the CRH O'Regan System are dependent in part upon our proprietary intellectual property, including our ability to:

- obtain patents and maintain their validity;
- protect our trade secrets; and
- effectively enforce our proprietary rights or patents against infringers.

Patent applications may not result in patents being issued. Until a patent is issued, the claims covered by the patent may be narrowed or removed entirely and therefore we may not obtain adequate patent protection. As a result, we may face unanticipated competition, or conclude that, without patent rights, the risk of bringing products to the market is too great. Any patents that we own may be challenged, invalidated or circumvented and may not provide us with protection against competitors. We may be forced to engage in costly and time-consuming litigation in order to protect our intellectual property rights. Patent rights may not provide us with adequate proprietary protection or competitive advantages against competitors with similar products or technologies. Patent rights are limited in time and have expiration dates. The laws of certain foreign countries do not protect our intellectual property rights to the same extent as do U.S. laws, and the scope of our patent claims also may vary between countries, as individual countries have distinctive patent laws.

In addition to patents, we rely on trade secrets and proprietary know-how. We seek protection, in part, through confidentiality and non-disclosure agreements. These agreements may not provide meaningful protection of our technology and operations model or adequate remedies in the event of unauthorized use or disclosure of confidential and proprietary information and, in any event, others may develop independently, or obtain access to, the same or similar information. Our failure or inability to protect our trade secrets and proprietary know-how could impair our competitive position.

We may spend significant resources to enforce our intellectual property rights and such enforcement could result in litigation. Intellectual property litigation is complex and can be expensive and time-consuming, and our efforts in this regard may not be successful. We also may not be able to detect infringement. In addition, competitors may design around our technology or develop competing technologies. Patent litigation can result in substantial cost and diversion of effort. Intellectual property protection may also be unavailable or limited in some foreign countries, enabling our competitors to capture increased market position. Patents issued to or licensed by us in the past or in the future may be challenged and held invalid. The invalidation of key intellectual property rights or an unsuccessful outcome in lawsuits filed to protect our intellectual property could have a material adverse effect on our financial condition, results of operations or prospects.

The success of our business depends in part on our ability to obtain and maintain intellectual property protection for our technology and know-how and operate without infringing the intellectual property rights of others. It is possible that as a result of future litigation our products currently marketed may be found to infringe or otherwise violate third party intellectual property rights.

The patent protection for our products may expire before we are able to maximize their commercial value, which may subject us to increased competition and reduce or eliminate our opportunity to generate revenues.

Our patents have varying expiration dates and, if these patents expire, we may be subject to increased competition, which could reduce or eliminate our opportunity to generate revenues or limit our ability to market our approved products. For example, our primary patents in the United States and Canada expired on March 8, 2016. Upon expiration of our patents, we may be subject to increased competition and our opportunity to establish or maintain product revenues could be substantially reduced or eliminated. Although we will continue to protect our proprietary rights through a variety of means, including the filing of three additional patents in September 2013 – one of which was issued in 2015, with a second one issued in 2016 – we cannot guarantee that the protective steps we have taken are adequate to protect these rights. In addition, as our patents expire, we may be unsuccessful in extending their protection through patent term extensions. The expiration of, or the failure to maintain or extend our patents could have a material adverse effect on our financial condition, results of operations or prospects.

The Company may not be successful in marketing its products and services.

In order to sustain and increase revenues, the Company's products and services must achieve a significant degree of market acceptance. If the Company is unable to promote, market and sell its products and services or secure relationships with physicians and ambulatory surgery centers, the Company's business, financial condition and results of operations would be materially adversely affected.

Levels of market acceptance for our products and services could be impacted by several factors, many of which are not within our control, including but not limited to:

- safety, efficacy, convenience and cost-effectiveness of our products and services;
- scope of approved uses and marketing approval;
- difficulty in, or excessive costs to, manufacturing;
- infringement or alleged infringement of the patents or intellectual property rights of others;
- maintenance of business arrangements with healthcare providers;
- availability of alternative products or services from our competitors; and
- acceptance of the price of our products and services.

If our competitors are able to develop and market products that are preferred over the CRH O'Regan System, are able to grow service businesses that are preferred over CRH's anesthesia services or other businesses preferred over other products and services that we may develop, we may not be able to generate sufficient revenues to continue our operations.

We may not be able to contend successfully with competitors. The medical industry is highly competitive and subject to significant and rapid technological change as researchers learn more about diseases and develop new technologies, services and treatments. Certain of our competitors, either alone or together with their collaborators, have substantially greater resources than we do. The existence of other products, services or treatments of which we are not aware, or products, services or treatments that may be developed in the future, may reduce the marketability of the CRH O'Regan System, CRH's anesthesia services, and any future operations, particularly to the extent such products or services:

- are more effective;
- have fewer or less severe adverse side effects;
- have better patient compliance;
- receive better reimbursement terms;
- are accepted by more physicians;
- have better distribution channels;
- are easier to administer; or
- are less expensive.

Our anesthesia employees and third-party contractors may not appropriately record or document services that they provide.

Our anesthesia employees are responsible for appropriately recording and documenting the services they provide. We use this information to seek reimbursement for their services from third-party payors. In addition, we utilize third-party contractors to perform certain revenue cycle management functions for medical providers and payors, including medical coding and data reporting. If our employees and third-party contractors do not appropriately document, or where applicable, code for their services or our customers' services, we could be subjected to administrative, regulatory, civil, or criminal investigations or sanctions and our business, financial condition, results of operations and cash flows could be materially adversely affected.

Failure to timely or accurately bill for services could have a negative impact on our net revenue, bad debt expense and cash flow.

Billing for healthcare services is an important and complex aspect of our business. We bill numerous and varied payors, such as managed care payors and Medicare Medicaid, and self-pay patients. These different payors typically have different billing requirements that must be satisfied prior to receiving payment for services rendered. Reimbursement is typically conditioned on our documenting medical necessity, the appropriate level of service and correctly applying diagnosis codes. Incorrect or incomplete documentation and billing information could result in non-payment for services rendered.

Additional factors that could complicate our ability to timely or accurately bill payors include:

- disputes between payors as to which party is responsible for payment;
- failure of information systems and processes to submit and collect claims in a timely manner;
- variation in coverage for similar services among various payors;
- our reliance on third-parties to provide billing services;

- the difficulty of adherence to specific compliance requirements, diagnosis coding and other procedures mandated by various payors;
- failure to obtain proper provider credentialing and documentation in order to bill various payors; and
- failure to collect patient balances due to economic conditions or other unknown reasons.

To the extent that the complexity associated with billing for healthcare services we provide causes delays in our cash collections, we may experience increased carrying costs associated with the aging of our accounts receivable, as well as increased potential for bad debt expense.

Our industry is already competitive and could become more competitive.

The healthcare industry is highly competitive and subject to continual changes in the methods by which services are provided and the manner in which healthcare providers are selected and compensated.

Because some of our operations consist primarily of anesthesia services provided within ASCs, we compete with other healthcare services companies and physician groups for contracts with ASCs to provide our services to patients. Our anesthesia services are provided under exclusive professional service agreements of varying duration which we may need to renew, renegotiate or replace. Our ability to renew, renegotiate or replace significant agreements will be critical to our success. We also face competition from hospitals to provide our services.

Companies in other healthcare industry segments, some of which have greater financial and other resources than ours, may become competitors in providing gastroenterology services or anesthesia care. Additionally we face competition from healthcare-focused and other private equity groups that are active in acquiring and consolidating physician practices, including related ancillary services, such as GI anesthesia. We may not be able to continue to compete effectively in this industry and additional competitors may enter metropolitan areas where we operate. This increased competition may have a material adverse effect on our business, financial condition, results of operations and cash flows.

If there is a change in federal or state laws, rules, regulations, or in interpretations of such federal or state laws, rules or regulations, we may be required to redeem our physician partners' ownership interests in anesthesia companies under the savings clause in our joint venture operating agreements.

The operating agreements with our physician partners contain a savings clause that is triggered upon an adverse governmental action, including a change in federal or state laws, rules or regulations or an interpretation of such federal or state laws, rules or regulations (each an "Adverse Governmental Action"). Upon the occurrence of an Adverse Governmental Action the savings clause will require divestiture of the physicians' ownership in the anesthesia company and we would be required to redeem the physicians' ownership interest. If an Adverse Governmental Action occurs under a particular state's law, we would be required to redeem the ownership interests of each physician partner in such state. If an Adverse Governmental Action occurs under federal law, we would be required to redeem the ownership interest of each physician partner in the United States. The redemption price of each anesthesia company is based upon a predetermined multiple of such anesthesia company's EBITDA, which reflects the fair market value of the redeemed interests. This could impact our cash flow during the redemption period. The redemption occurs over a period of four or five years depending on each applicable operating agreement.

Our failure to comply with U.S. federal and state fraud and abuse laws, including anti-kickback laws and other U.S. federal and state anti-referral laws, could have a material, adverse impact on our business.

There are numerous U.S. federal and state laws pertaining to healthcare fraud and abuse, including anti-kickback laws and physician self-referral laws. Our relationships with healthcare providers and other third parties are

subject to scrutiny under these laws. Violations of these laws are punishable by criminal and civil sanctions, including, in some instances, imprisonment and exclusion from participation in federal and state healthcare programs, including the Medicare, Medicaid and Veterans Administration health programs.

Healthcare fraud and abuse regulations are complex, and even minor irregularities can potentially give rise to claims that a statute or prohibition has been violated. The laws that may affect our ability to operate include, among others:

- the federal Anti-Kickback Statute, which prohibits, among other things, persons from knowingly and willfully soliciting, receiving, offering or providing remuneration, directly or indirectly, in exchange for or to induce either the referral of an individual for, or the purchase, order or recommendation of, any good or service for which payment may be made under federal healthcare programs such as the Medicare and Medicaid programs;
- the federal False Claims Act, which prohibits, among other things, individuals or entities from knowingly presenting, or causing to be presented, claims for payment from Medicare, Medicaid, or other third-party payors that are false or fraudulent;
- The Health Insurance Portability and Accountability Act of 1996, as amended ("HIPAA"), among other things, prohibits executing a scheme to defraud any healthcare benefit program or making false statements relating to healthcare matters;
- the federal physician self-referral law (the "Stark Law"), which prohibits, subject to certain exceptions, physicians from making referrals of certain federal health care beneficiaries for a "designated health service" to an entity if the physician or an immediate family member has a financial relationship with the entity. Some of the services our affiliated physicians and professional groups provide include designated health services; and
- foreign and U.S. state law equivalents of each of the above federal laws, such as anti-kickback and false claims laws which may apply to items or services reimbursed by any third-party payor, including commercial insurers.

To enforce compliance with the federal laws, the U.S. Department of Justice (the "DOJ") has recently increased its scrutiny of interactions between healthcare companies and healthcare providers, which has led to a number of investigations, prosecutions, convictions and settlements in the healthcare industry. Dealing with investigations can be time- and resource-consuming and can divert management's attention from our core business. Additionally, if we settle an investigation with the DOJ or other law enforcement agencies, we may be forced to agree to additional onerous compliance and reporting requirements as part of a consent decree or corporate integrity agreement. Any such investigation or settlement could increase our costs or otherwise have an adverse effect on our business.

The scope and enforcement of these laws is uncertain and subject to rapid change in the current environment of healthcare reform, especially in light of the lack of applicable precedent and regulations. Federal or state regulatory authorities might challenge our current or future activities under these laws. Any of these challenges could have a material adverse effect on our reputation, business, financial condition and operating results. Any state or federal regulatory review of us, regardless of the outcome, would be costly and time-consuming. Additionally, we cannot predict the impact of any changes in these laws, whether or not retroactive.

Our employees and business partners may not appropriately secure and protect confidential information in their possession.

Each of our employees and business partners is responsible for the security of the information in our systems and to ensure that private and financial information is kept confidential. Should an employee or business partner not follow appropriate security measures, including those related to cyber threats or attacks, such non-compliance may result in the release of private or confidential financial information. The release of such information could have material adverse effect on our business, financial condition, results of operations and cash flows.

Failure to protect our information technology infrastructure against cyber-based attacks, network security breaches, service interruptions or data corruption could significantly disrupt our operations and adversely affect our business and operating results.

We rely extensively on information technology systems and telephone networks and systems, including the Internet, to process and transmit sensitive electronic information and to manage or support a variety of business processes and activities, including sales, billing, customer service, procurement and supply chain, manufacturing, and distribution. We use enterprise information technology systems to record, process, and summarize financial information and results of operations for internal reporting purposes and to comply with regulatory financial reporting, legal, and tax requirements. Our information technology systems, some of which are managed by third-parties, may be susceptible to damage, disruptions or shutdowns due to computer viruses, attacks by computer hackers, failures during the process of upgrading or replacing software, databases or components thereof, power outages, hardware failures, telecommunication failures, user errors or catastrophic events. Despite the precautionary measures we have taken to prevent breakdowns in our information technology and telephone systems, if our systems suffer severe damage or disruption or shutdown and we are unable to effectively resolve the issues in a timely manner, our business and operating results may suffer.

In addition, we accept payments for many of our sales through credit and debit card transactions, which are handled through a third-party payment processor. As a result, we are subject to a number of risks related to credit and debit card payments, including that we pay interchange and other fees, which may increase over time and could require us to either increase the prices we charge for our products or experience an increase in our costs and expenses. In addition, as part of the payment processing process, we transmit our patients' and clinicians' credit and debit card information to our third-party payment processor. We may in the future become subject to lawsuits or other proceedings for purportedly fraudulent transactions arising out of the actual or alleged theft of our patients' credit or debit card information if the security of our third-party credit card payment processor is breached. We and our third-party credit card payment processor are also subject to payment card association operating rules, certification requirements and rules governing electronic funds transfers, which could change or be reinterpreted to make it difficult or impossible for us to comply. If we or our third-party credit card payment processor fail to comply with these rules or requirements, we may be subject to fines and higher transaction fees and lose our ability to accept credit and debit card payments from our patients, and there may be an adverse impact on our business.

We may be subject to criminal or civil sanctions if we fail to comply with privacy regulations regarding the protection, use and disclosure of patient information.

The HIPAA Privacy Rule (the "Privacy Rule") restricts the use and disclosure of patient information and requires entities to safeguard that information and to provide certain rights to individuals with respect to that information. The HIPAA Security Rule (the "Security Rule") establishes elaborate requirements for safeguarding patient health information transmitted or stored electronically.

The Privacy Rule and Security Rule require the development and implementation of detailed policies, procedures, contracts and forms to assure compliance. We have implemented such compliance measures, but we may be required to make additional costly system purchases and modifications to comply with evolving HIPAA rules, and our failure to comply may result in liability and adversely affect our business.

New health information standards, whether implemented pursuant to HIPAA, congressional action or otherwise, could have a significant effect on the manner in which we must handle healthcare related data, and the cost of complying with standards could be significant. If we do not properly comply with existing or new laws and regulations related to patient health information, we could be subject to criminal or civil sanctions.

We have a legal responsibility to the minority owners of the entities through which we own our anesthesia services business, which may conflict with our interests and prevent us from acting solely in our own best interests.

As the owner of majority interests in the limited partnerships and limited liability companies that own our anesthesia service businesses, we owe a fiduciary duty to the non-controlling interest holders in these entities and may encounter conflicts between our interests and those of the minority holders. In these cases, our representatives on the governing board of each partnership or joint venture are obligated to exercise reasonable, good faith judgment to resolve the conflicts and may not be free to act solely in our own best interests. In our role as manager of the limited partnership or limited liability companies, we generally exercise our discretion in managing the business of our anesthesia practices. Disputes may arise between us and our physician partners regarding a particular business decision, or the interpretation of the provisions of the limited partnership agreement or limited liability company operating agreement. These agreements provide for arbitration as a dispute resolution process in some circumstances. There is no assurance that any possible dispute will be resolved amicably, or that any dispute resolution will be on terms satisfactory to us.

A significant number of our affiliated physicians could leave our affiliated ASCs.

Our affiliated physicians may leave our affiliated ASCs for a variety of reasons, including retirement, death and to provide services for other types of healthcare providers, such as teaching, research and government institutions, hospitals and health systems and other practice groups. If a substantial number of our affiliated physicians leave our affiliated ASCs, our business, financial condition, results of operations and cash flows could be materially adversely affected.

If regulations or regulatory interpretations change, we may be obligated to re-negotiate agreements of our anesthetists, anesthesiologists or other contractors.

Due to regulations prohibiting the corporate practice of medicine, the shares of Gastroenterology Anesthesia Associates LLC ("GAA"), CRH GAA PLLC ("CRH GAA"), CRH GAA of Washington PLLC ("CRH GAAW") and NC GAA PC ("NC GAA") are owned by an individual medical practitioner. The operations and corporate structures of GAA, CRH GAA, CRH GAAW and NC GAA are governed by certain agreements, including a loan by CRH Medical Corporation to the individual medical practitioner. These agreements, including the affirmative and negative covenants therein in favour of CRH, effectively provide CRH control of GAA, CRH GAA, CRH GAAW and NC GAA. If certain regulations or regulatory interpretations change, particularly in relation to the medical practice and physician ownership, we will be obligated to adapt or re-negotiate our operating agreements to comply with such regulations. The cost of adapting or re-negotiating these agreements could be substantial. There can be no assurance, however, that our existing capital resources would be sufficient for us to meet any future obligations to adapt or re-negotiate our operating agreements, if they arise.

The re-negotiating of these agreements could have a material adverse effect on our financial condition and results of operations. While we believe physician ownership and our operating strategy is in compliance with applicable law, we can give no assurances that legislative or regulatory changes would not have an adverse impact on us. From time to time, these issues are considered by some state legislatures and federal and state regulatory agencies.

The continuing development of our products and provision of our services depends upon us maintaining strong relationships with physicians.

The marketing and sales of our products and services is dependent upon our maintaining working relationships with physicians. If we are unable to maintain our strong relationships with these professionals, the development and marketing of our products and services could suffer, which could have a material adverse effect on our consolidated earnings, financial condition, and/or cash flows.

We operate in an industry that is subject to extensive federal, state, and local regulation, and changes in law and regulatory interpretations.

The healthcare industry in the United States is subject to extensive federal, state, and local laws, rules, and regulations relating to, among other things:

- payment for services;
- corporate practice of medicine;
- conduct of operations, including fraud and abuse, anti-kickback, physician self-referral, and false claims prohibitions;
- reporting of quality measures;
- protection of patient information; and
- medical waste disposal and environmental protection.

Unfavorable changes or conditions could occur in the states where our operations are concentrated.

A majority of our anesthesia services revenue in 2018 and in the first quarter of 2019 was generated by our operations in 10 states. In particular, Georgia, North Carolina, Massachusetts, Colorado and Texas accounted for approximately 74% of our anesthesia revenue in 2018. Adverse changes or conditions affecting these particular states, such as healthcare reforms, changes in laws and regulations, reduced reimbursements and government investigations, economic conditions, extreme weather conditions, and natural disasters may have a material adverse effect on our business, financial condition, results of operations, cash flows, and the trading price of our securities.

Government authorities or other parties may assert that our business practices violate antitrust laws.

The healthcare industry is subject to close antitrust scrutiny. In recent years, U.S. regulatory authorities have taken increasing steps to review and in some cases take enforcement action against business conduct and acquisitions in the healthcare industry. Violations of antitrust laws may be punishable by substantial penalties including significant monetary fines, civil penalties, criminal sanctions, and consent decrees and injunctions prohibiting certain activities or requiring divestiture or discontinuance of business operations. Any of these penalties could have material adverse effects on our business' financial condition and results of operations.

Significant shareholders of the Company could influence our business operations, and sales of our shares by such significant shareholders could influence our share price.

The exercise of voting rights associated with shares held by any significant shareholder of the Company at meetings of shareholders may have significant influences on our business, and operations. If such a shareholder holds those shares for the purpose of investment, and if it were to sell those shares in the market in the future, it could have significant influences on our share price, depending on the market environment at the time of such sale.

Anti-takeover provisions could discourage a third party from making a takeover offer that could be beneficial to our shareholders.

From time to time, another entity could pursue us as an acquisition target, or could otherwise seek to influence our corporate affairs. However, some of the provisions in our articles of incorporation could delay or prevent a third party from acquiring us or replacing members of our Board of Directors, even if the acquisition or the replacements would be beneficial to our shareholders. These provisions could also reduce the price that certain investors might be willing to pay for our securities and result in the market price for our securities, including the market price for our common shares, being lower than it would be without these provisions.

Changes in the medical industry and the economy may affect the Company's business.

The Company's business may be affected by factors beyond its control, such as an economic recession or the aggressive pricing policies of competitors. Future technological advances in the continually-changing medical industry can be expected to result in the availability of new products and services that will compete with the products and services that the Company may develop or render the Company's current product and anesthesia

services obsolete. We expect that market demand, governmental regulation, government and third-party reimbursement policies and societal pressures will continue to change the worldwide healthcare industry, resulting in further business consolidations and alliances, which may exert further downward pressure on the prices of our products and services and could adversely impact our business, financial condition, and results of operations.

Our industry is the subject of numerous governmental investigations into marketing and other business practices which could result in the commencement of civil and/or criminal proceedings, substantial fines, penalties, and/or administrative remedies, divert the attention of our management, and have an adverse effect on our financial condition and results of operations.

Our industry is the subject of numerous governmental investigations into marketing and other business practices. This has included increased regulation, enforcement, inspections, and governmental investigations of the medical device industry and disclosure of financial relationships with healthcare professionals. These investigations could result in the commencement of civil and/or criminal proceedings, substantial fines, penalties, and/or administrative remedies, divert the attention of our management, and have an adverse effect on our financial condition and results of operations. We anticipate that the government will continue to scrutinize our industry closely, and that additional regulation by governmental authorities, both foreign and domestic, may increase compliance costs, exposure to litigation and other adverse effects to our operations.

Evolving regulation of corporate governance and public disclosure may result in additional expenses and continuing uncertainty.

Changing laws, regulations and standards relating to corporate governance and public disclosure, including those of the Canadian Securities Administrators, the SEC, the TSX and the NYSE American are creating uncertainty for companies such as ours. These new or changed laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We are committed to maintaining high standards of corporate governance and public disclosure. As a result, we intend to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new or changed laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, regulatory authorities may initiate legal proceedings against us and we may be harmed.

Future changes in financial accounting standards may cause adverse, unexpected revenue fluctuations and affect our financial position or results of operations. New pronouncements and varying interpretations of pronouncements have occurred with greater frequency and are expected to occur in the future. Compliance with changing regulations of corporate governance and public disclosure may result in additional expenses. All of these uncertainties are leading generally toward increasing insurance costs, which may adversely affect our business, results of operations and our ability to purchase any such insurance, at acceptable rates or at all, in the future.

We may face exposure to adverse movements in foreign currency exchange rates.

Our business is primarily based in the United States with a significant portion of our revenues, expenses, current assets and current liabilities denominated in U.S. dollars. Our financial statements are also expressed in U.S. dollars. An increase or decrease in the value of foreign currencies relative to the U.S. dollar could result in increased expenses and losses from currency exchange rate fluctuations.

If we or some of our suppliers fail to comply with the FDA's Quality System Regulation and other applicable requirements, our manufacturing or processing operations could be disrupted, our sales and profitability could suffer, and we may become subject to a wide variety of FDA enforcement actions.

We are subject to inspection and marketing surveillance by the FDA to determine our compliance with all regulatory requirements. If the FDA finds that we have failed to comply with any regulatory requirements, it can institute a wide variety of enforcement actions.

We and some of our suppliers must comply with the FDA's Quality System Regulation, which governs the methods used in, and the facilities and controls used for, the design, testing, manufacture, control, quality assurance, installation, servicing, labeling, packaging, storage, and shipping of medical devices. The FDA enforces its regulations through pre-announced and unannounced inspections. We have been, and anticipate in the future being, subject to such inspections by the FDA and other regulatory bodies. The timing and scope of future audits is unknown and it is possible, despite our belief that our quality systems and the operation of our manufacturing facilities will remain in compliance with U.S, and non-U.S. regulatory requirements, that a future audit may result in one or more unsatisfactory results. If we or one of our suppliers fails an inspection, or if a corrective action plan adopted by us or one of our suppliers is not sufficient, the FDA may bring an enforcement action against us, which could result in significant financial penalties, the recall of our products or the suspension or permanent enjoinment of some or all our operations.

We are also subject to the FDA's general prohibition against promoting our products for unapproved or off-label uses and to the medical device reporting regulations that require us to report to the FDA if our products may have caused or contributed to a death or serious injury, or if our device malfunctions and a recurrence of the malfunction would likely result in a death or serious injury. We must also file reports with the FDA of some device corrections and removals, and we must adhere to the FDA's rules on labeling and promotion. If we fail to comply with these or other FDA requirements or fail to take adequate corrective action in response to any significant compliance issue raised by the FDA, the FDA can take significant enforcement actions, which could harm our business, results of operations, and our reputation.

We do not intend to pay dividends on our common shares, and, consequently, your ability to achieve a return on your investment will depend on appreciation, if any, in the price of our common shares.

We have never declared or paid any cash dividend on our common shares and do not currently intend to do so for the foreseeable future. We currently anticipate that we will retain future earnings for the development, operation and expansion of our business. In addition, any future debt financing arrangement may contain terms prohibiting or limiting the amount of dividends that may be declared or paid on our common shares. Any return to shareholders will therefore be limited to any appreciation of their shares. Therefore, the success of an investment in our common shares will depend upon any future appreciation in their value. There is no guarantee that our common shares will appreciate in value or even maintain the price at which our shareholders purchased their shares.

Tax reform could have a material adverse effect on us.

The December 2017 legislation commonly referred to as the "Tax Cuts and Jobs Act" (the "Tax Act") made significant changes to federal income tax law including, among other things, reducing the statutory corporate income tax rate to 21 percent from 35 percent and changing the U.S. taxation of our non-U.S. business activities. We may be adversely affected by these changes in U.S. tax laws and regulations, and it is possible that governmental authorities in the United States and/or other countries could further amend tax laws that would adversely affect us. In addition, we are required to evaluate the impact of the Tax Act on our operations and financial statements, and to the extent we initially do so inaccurately, we may not provide investors or the public with advance notice of any adverse effect. Currently, we have accounted for the effects of the Tax Act using reasonable estimates based on currently available information and our interpretations thereof. This accounting may change due to, among other things, changes in interpretations we have made and the issuance of new tax or accounting guidance.

Certain changes in tax law implemented by the Tax Act were only partially effective in the 2018 fiscal year and become fully effective in the 2019 fiscal year. The primary impacts to us include repeal of the alternative minimum tax regime, decrease of the corporate income tax rate structure, net operating loss limitations, and changes to the limits on executive compensation deductions. These changes will have a material impact to the value of deferred tax assets and liabilities, and our future taxable income and effective tax rate. Although we currently anticipate the enacted changes in the corporate tax rate and calculation of taxable income will have a favorable effect on our financial condition, profitability, and/or cash flows, we are still analyzing the Tax Act with our professional advisers. Until such analysis is complete and verified, the full impact of the Tax Act on us in future periods is uncertain, and no assurances can be made by us that it will not have any negative impacts on us.

We are an "emerging growth company" and a "smaller reporting company," and any decision on our part to comply only with certain reduced reporting and disclosure requirements applicable to such companies could make our common shares less attractive to investors.

We are an "emerging growth company," as defined in the Jumpstart our Business Startups Act of 2012 (the "JOBS Act"), and a "smaller reporting company," as defined under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and we have taken advantage of, and intend to continue to take advantage of, certain exemptions from various reporting and compliance requirements that apply to other public companies that are not "emerging growth companies" or "smaller reporting companies." These exemptions include, but are not limited to, the following:

- not being required to comply with the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act;
- only being required to include two, as opposed to three, years of audited financial statements in our annual reports;
- less extensive disclosure obligations regarding executive compensation in our registration statements, periodic reports and proxy statements; and
- exemptions from the requirements to hold a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved.

We intend to continue to take advantage of exemptions relating to emerging growth companies and smaller reporting companies but cannot guarantee that we will not be required to implement these requirements sooner than budgeted or planned and thereby incur unexpected expenses. We cannot predict if investors will find our common shares less attractive because of our reliance on these exemptions. If some investors find our common shares less attractive as a result, there may be a less active trading market for our common shares, which could result in a reduction in the price of our common shares or cause our share price to be more volatile.

If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results or prevent fraud. As a result, shareholders could lose confidence in our financial and other public reporting, which would harm our business and the trading price of our common shares.

Effective internal control over financial reporting is necessary for us to provide reliable financial reports and, together with adequate disclosure controls and procedures, is designed to prevent fraud. Any failure to implement required new or improved controls, or difficulties encountered in their implementation could cause us to fail to meet our reporting obligations. In addition, any testing by us conducted in connection with Section 404(a) of the Sarbanes-Oxley Act, or the subsequent testing by our independent registered public accounting firm conducted in connection with Section 404(b) of the Sarbanes-Oxley Act after we no longer qualify as an "emerging growth company," may reveal deficiencies in our internal control over financial reporting that are deemed to be material weaknesses or that may require prospective or retroactive changes to our financial statements or identify other

areas for further attention or improvement. Inferior internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our common shares.

We are required to disclose changes made to our internal control procedures on a quarterly basis and our management is required to assess the effectiveness of these controls annually. However, for as long as we are an "emerging growth company" under applicable SEC rules and regulations, our independent registered public accounting firm will not be required to attest to the effectiveness of our internal control over financial reporting pursuant to Section 404. An independent assessment of the effectiveness of our internal control could detect problems that our management's assessment might not. Undetected material weaknesses in our internal controls could lead to financial statement restatements and require us to incur the expense of remediation.

If securities or industry analysts do not publish research, or publish inaccurate or unfavorable research, about our business, our share price and trading volume could decline.

The trading market for our common shares depends, in part, on the research and reports that securities or industry analysts publish about us or our business. If one or more of the analysts who cover us downgrade our shares or publish inaccurate or unfavorable research about our business, our share price would likely decline. In addition, if our operating results fail to meet the forecasts of analysts, our share price would likely decline. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, demand for our common shares could decrease, which might cause our share price and trading volume to decline.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

We did not make sales of equity securities during our fiscal quarter ended March 31, 2019 that were not registered under the Securities Act.

Item 3. Defaults upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit No.	Description
3.1	Notice of Articles of the Registrant (incorporated by reference to Exhibit 3.1 to the Registrant's Annual Report on Form 10-K (File No. 001-37542, originally filed with the SEC on March 13, 2019).
3.2	Articles of the Registrant (incorporated by reference to Exhibit 4.2 to the Registrant's Registration Statement on Form S-8 (File No. 333-206945), originally filed with the SEC on September 14, 2015).
4.1	Specimen Common Share certificate (incorporated by reference to Exhibit 4.2 to the Registrant's Registration Statement on Form S-8 (File No. 333-206945), originally filed with the SEC on September 14, 2015).
10.1	Employment Agreement between the Registrant and Tushar Ramani, dated April 8, 2019.
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934.
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CRH MEDICAL CORPORATION

By: /s/ Tushar Ramani, MD

Name: Tushar Ramani, MD
Title: Chief Executive Officer and Director (Principal Executive Officer)
Date: May 1, 2019

By: /s/ Richard Bear

Name: Richard Bear
Title: Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
Date: May 1, 2019