

**CRH Medical Corporation**  
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Vancouver, BC  
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**September 30, 2011**  
**Financial Report**

**Trading Information:** The TSX Venture Exchange (symbol “CRM”)

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For further information about CRH Medical Corporation, please visit the Company website at [www.crhmedcorp.com](http://www.crhmedcorp.com) or [www.sedar.com](http://www.sedar.com), or email us at [info@crhmedcorp.com](mailto:info@crhmedcorp.com).

# CRH MEDICAL CORPORATION

## MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2011

The following discussion and analysis should be read in conjunction with CRH Medical Corporation's (the "Company" or "CRH") unaudited consolidated financial statements as at and for the three and nine month period ended September 30, 2011 and 2010 and the audited annual consolidated financial statements and the corresponding notes thereto for the year ended December 31, 2010. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Unless otherwise specified, all financial data is presented in United States dollars. This management discussion and analysis is as of October 18, 2011.

### CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Information included or incorporated by reference in this report may contain forward-looking statements. This information may involve known and unknown risks, uncertainties, and other factors which may cause our actual results, performance, or achievements to be materially different from the future results, performance, or achievements expressed or implied by any forward-looking statements. Forward-looking statements, which involve assumptions and describe our future plans, strategies, and expectations, are generally identifiable by use of the words "may," "will," "should," "expect," "anticipate," "estimate," "believe," "plan," "intend" or "project" or the negative of these words or other variations on these words or comparable terminology. Readers are cautioned regarding statements discussing profitability; growth strategies; anticipated trends in our industry; our future financing plans; and our anticipated needs for working capital. Actual events or results may differ materially from those discussed in forward-looking statements. There can be no assurance that the forward-looking statements currently contained in this report will in fact occur. The Company bases its forward-looking statements on information currently available to it, and assumes no obligation to update them. The Company disclaims any intent or obligations to update or revise publicly any forward-looking statements whether as a result of new information, estimates or options, future events or results or otherwise, unless required to do so by law.

While it is impossible to identify all such factors, factors that could cause actual results to differ materially from those estimated by us include:

- We may not continue to attract Gastroenterologists and other licensed providers to purchase and use the CRH O'Regan System.
- The policies of health insurance carriers in the United States may affect the amount of revenue the Company receives.
- Changes in United States federal or state laws, rules, and regulations.
- Our senior management has been key to our growth, and we may be adversely affected if we lose any member of our senior management.
- Economic dependence on suppliers and our contract manufacturer.
- Changes in the industry and the economy may affect the Company's business.
- Evolving regulation of corporate governance and public disclosure may result in additional corporate expenses.
- We may be subject to competition and technological risk which may impact the price and amount of product we can sell.
- We may be subject to product liability which may adversely affect our operations.
- We may need to raise additional capital to fund future operations.
- Our business may be impacted by health care reform in the United States.
- We may not have the expertise required to expand internationally.

As a single product company, any adverse event directly or indirectly related to the CRH O'Regan System will have a material impact on the Company's financial performance.

## **OVERVIEW**

CRH Medical Corporation specializes in the distribution of innovative medical products directly to physicians. The Company's distribution strategy focuses on physician education, patient outcomes, and patient awareness. CRH creates meaningful relationships with physicians. The Company's only product, the O'Regan System, is a single use, disposable, hemorrhoid technology that is safe and highly effective in treating hemorrhoid grades I – IV. CRH distributes the O'Regan System, treatment protocols, operational and marketing expertise as a complete, turnkey package directly to physicians. The Company's goal is to establish the CRH O'Regan System as the standard for hemorrhoid treatment. In the future the Company expects to identify and incorporate additional products and services into its innovative distribution model.

In addition the Company operated Centers for Colorectal Health ("Centers"). On December 3, 2010 the Company closed its remaining eight Centers for Colorectal Health. The restructuring of the Company to focus solely on its rapidly growing and profitable direct to physician program has facilitated attaining profitability in 2011.

The Company has financed its cash requirements primarily from revenues generated from the sale of its product directly to physicians and from its Centers, equity financings and a line of credit. The Company's ability to maintain the carrying value of its assets is dependent on successfully marketing its products directly to physicians and achieving future profitable operations, the outcome of which cannot be predicted at this time. It may be necessary for the Company to raise additional funds for the continuing development of its business plan.

## **RESULTS OF OPERATIONS**

### Revenue

Revenues for the three months ended September 30, 2011 were \$1,399,190 compared to \$927,775 for the three months ended September 30, 2010. Revenues for the nine months ended September 30, 2011 were \$4,005,189 compared to \$2,508,008 for the nine months ended September 30, 2010. The increase in revenue is the result of the Company's sales of its CRH O'Regan System direct to physicians. In January of 2009, the Company initiated its direct to physician program that provides physicians the ability to purchase our hemorrhoid banding technology, treatment protocols, marketing and operational experience. The increase in product sales is the result of the continuing successful execution of this program, training additional physicians and supporting physicians with marketing material and other practice support to increase use of our technology.

As of September 30, 2011 the Company has trained 967 physicians, representing 312 practices in 43 States compared to 650 physicians, representing 213 practices in 39 States as of September 30, 2010.

In the future the Company expects revenue from product sales to continue to increase as more physicians are trained and trained physicians increase use of the CRH O'Regan System.

### Expenses

Product sales expenses for the three months ended September 30, 2011 were \$673,226 compared to \$455,274 for the three months ended September 30, 2010. Product sales expenses for the nine months ended September 30, 2011 were \$1,982,824 compared to \$1,403,839 for the nine months ended September 30, 2010. The increase in product sales expenses is a result of increased sales of the Company's O'Regan System and the cost to train and support additional physicians and practices. Product sales expenses primarily include physician wages and travel associated with training, the cost of manufacturing the CRH O'Regan System, cost of quality systems and programs, consulting expenses, web marketing, marketing material, business development and legal expenses.

Product sales expenses include non-cash expenses, stock based compensation and depreciation, totaling \$56,452 and \$188,094 for the three and nine months ended September 30, 2011 compared to \$71,971 and \$192,038 for the three and nine months ended September 30, 2010. The decrease in non-cash expenses is a result of the accounting and amortization of stock-based compensation, which is in accordance with IFRS. In the future we expect non-cash expenses to fluctuate based on the amortization of newly granted and previously granted options as well as the forfeiture of options.

Corporate expenses for the three months ended September 30, 2011 were \$442,023 compared to \$477,775 for the three months ended September 30, 2010. Corporate expenses for the nine months ended September 30, 2011 were \$1,403,839 compared to \$1,462,726 for the nine months ended September 30, 2010. Corporate expenses include payroll and related expenses of the executive management team, investor relations and administrative functions. Corporate expenses also includes cost associated with being a public company including audit fees, listing expenses, legal fees, insurance and board of director cost. Corporate expenses include non-cash expenses, stock based compensation and depreciation, totaling \$68,396 and \$230,183 for the three and nine months ended September 30, 2011 compared to \$96,019 and \$310,295 for the three and nine months ended September 30, 2010. The decrease in non-cash expenses is a result of the accounting and amortization of stock-based compensation, which is in accordance with IFRS. In the future we expect non-cash expenses to fluctuate based on the amortization of newly granted and previously granted options as well as the forfeiture of options

#### Profit/loss from continuing operations

For the three months ended September 30, 2011, the Company reported a profit from continuing operations of \$283,941 compared to a loss of \$5,274 for the three months ended September 30, 2010. For the nine months ended September 30, 2011 the Company reported a profit from continuing operations of \$618,526 compared to a loss of \$319,474 for the same period in 2010.

#### Loss from discontinued operations

In December 2010 the Company closed its remaining eight Centers for Colorectal Health and discontinued its Center Operations business segment. Income from discontinued operations for the three months ended September 30, 2011 was \$17,146 compared to a loss of \$223,645 for the three months ended September 30, 2010. For the nine months ended September 30, 2011 income from discontinued operations was \$31,242 compared to a loss of \$674,683 for the same period in 2010. The collection of the Company's outstanding patient receivables exceeded previous estimates resulting in income for the current period. The Company expects to report nominal income related to discontinuation operations for the remainder of 2011.

#### Net income/loss

For the three months ended September 30, 2011, the Company reported net income of \$301,087 (\$0.006 and \$0.006 per share basic and diluted) compared to a net loss of \$228,919 (\$0.005 per share basic) for the three months ended September 30, 2010. Net income for the nine months ended September 30, 2011 was \$649,768 (\$0.013 and \$0.013 per share basic and diluted) compared to a loss of \$994,157 (\$0.02 per share basic) for the same period in 2010.

## SUMMARY OF QUARTERLY RESULTS

The quarterly information provided below is prepared in accordance with IFRS and has not been reviewed by the Company's auditors.

Quarter ending	Revenue	Total expenses and other items	Income (loss) from continuing operations	Income (loss) from discontinued operations	Income (loss) for the period	Net income (loss) per share (basic)
Dec. 31, 2009	562,602	1,167,623	(605,021)	(448,672)	(1,053,693)	(0.020)
Mar. 31, 2010	715,622	924,046	(208,424)	(92,458)	(300,882)	(0.010)
June 30, 2010	864,611	970,387	(105,776)	(358,580)	(464,356)	(0.010)
Sept. 30, 2010	927,775	933,048	(5,273)	(223,646)	(228,919)	(0.005)
Dec. 31, 2010	1,137,110	1,027,304	109,806	(732,466)	(622,660)	(0.013)
Mar. 31, 2011	1,249,835	1,153,875	95,960	(25,891)	66,369	0.001
June 30, 2011	1,356,164	1,117,539	238,625	43,686	282,311	0.006
Sept. 30, 2011	1,399,190	1,115,249	283,941	17,146	301,087	0.006

Quarter-to-quarter variability and the trends in revenue are driven primarily by the following factors:

- During the fourth quarter of 2009 the Company recorded an impairment of asset charge totaling \$322,462 related to Fecal Occult Blood Test intellectual property and approximately \$200,000 in additional operating expenses related to adjustments to depreciation, bad debt, and the Company's vacation accrual.
- During the fourth quarter of 2010 the Company closed its remaining eight Centers for Colorectal Health and discontinued its Center Operations business segment. The loss from discontinued operations for the year ended December 31, 2010 includes onetime discontinuation cost of \$266,795 and an asset impairment charge of \$243,896.

The historical losses reported are primarily the result of the cost to operate the Centers in addition to corporate and other expenses.

The Company expects income to continue to increase as product sales increase.

## LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2011, the Company had \$2,750,711 in cash and cash equivalents compared to \$1,792,461 at December 31, 2010. At September 30, 2011, working capital was \$3,043,610 compared to working capital of \$1,979,082 as at December 31, 2010.

The Company has financed its operations primarily from revenues generated from its Centers, sales of products directly to physicians, a line of credit against certain of our account receivables, and through equity financings. As of September 30, 2011, the Company has raised approximately \$17 million from the sale and issuance of equity securities. Prior to 2011 the Company has incurred losses, and as at September 30, 2011 had an accumulated deficit of \$18,778,276. The Company expects that going forward cash from its current operating activities will be positive and will be sufficient to fund that business.

### Operating Activities

For the three and nine months ended September 30, 2011 cash provided by operating activities of continued operations was a positive \$513,821 and \$1,156,966 respectively compared to a positive \$132,335 and a negative \$93,443 for the three and nine months ended September 30, 2010.

For the three and nine months ended September 30, 2011 cash provided by operating activities, including operating activities of discontinued operations was a positive \$507,393 and \$961,770 respectively compared to a positive \$20,020 and a negative \$160,542 for the three and nine months ended September 30, 2010

### Financing Activities

There were no financing activities for the nine months ended September 30, 2011.

### **OUTSTANDING SHARE CAPITAL**

As at September 30, 2011, there were 48,746,914 common shares issued and outstanding for a total of \$17,181,474 in share capital.

As at September 30, 2011, there were 3,204,064 options outstanding (of which 1,752,918 were exercisable) into common shares issuable upon the exercise of outstanding stock options at a weighted-average exercise price of \$1.29 per share, and 1,535,362 common shares reserved for future grant or issuance under the Company's stock option plan.

As at October 18, 2011 there were 48,746,914 common shares issued and outstanding for a total of \$17,181,474 in share capital, there are 3,204,064 options outstanding (of which 1,752,918 were exercisable) into common shares issuable upon the exercise of outstanding stock options at a weighted-average exercise price of \$1.29 per share and 1,535,362 common shares reserved for future grant or issuance under the Company's stock option plan.

### **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.

### **TRANSACTIONS WITH RELATED PARTIES**

The Company paid or accrued fees of \$50,883 (2010 - \$77,871) to Directors of the Company. Additionally, the Company made product sales totaling \$131,326 (2010 - \$93,423) to three entities owned or controlled by three of the Company's Directors who are physicians. These transactions are measured at the exchange amount being the amount of consideration established and agreed to by the related parties.

### **TRANSITION TO IFRS**

In February 2008, the Canadian Accounting Standards Board announced the mandatory adoption of IFRS for publicly accountable entities in Canada for the fiscal periods beginning on or after January 1, 2011.

The Company has adopted IFRS effective January 1, 2010 ("the transition date") and has prepared its opening IFRS balance sheet as of that date. Prior to the adoption of IFRS, the Company prepared its financial statements in accordance with Canadian GAAP. The Company's consolidated financial statements for the year ended December 31, 2011 will be the first annual financial statements of the Company that comply with IFRS.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance, and cash flows of the Company is provided in note 13 of the Unaudited Consolidated Financial Statements for the three and nine month periods ended September 30, 2011 and 2010.

## **CRITICAL ACCOUNTING ESTIMATES**

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities in the financial statements. We constantly evaluate these estimates and assumptions.

We base our estimates and assumptions on past experience and other factors that are deemed reasonable under the circumstances. This involves varying degrees of judgment and uncertainty, thus the amounts currently reported in the financial statements could prove to be inaccurate in the future.

We consider the estimates and assumptions described in this section to be an important part in understanding the financial statements. These estimates and assumptions are subject to change, as they rely heavily on management's judgment and are based on factors that are inherently uncertain.

### **(a) Impairment of long-lived assets:**

Long-lived assets are reviewed for impairment upon the occurrence of events or circumstances indicating that the carrying value of the assets may not be recoverable as measured by comparing their net book value to the estimated undiscounted future cash flows generated by their use. Impaired assets are recorded at fair value, determined principally by using discounted future cash flows expected from their use and eventual disposition.

### **(b) Stock-based compensation:**

The Company grants stock options to executive officers and directors, employees and consultants pursuant to its stock option plan. The Company uses the fair value method of accounting for all stock-based awards granted, modified or settled during the period. Compensation expense is recorded based on the fair value of the award at the grant date, amortized over the vesting period.

## **LEGAL PROCEEDINGS**

The Company is a party to a variety of agreements in the ordinary course of business under which it may be obligated to indemnify third parties with respect to certain matters. 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.

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# CRH MEDICAL CORPORATION

Consolidated Statement of Financial Position  
(Unaudited)

As at September 30, 2011, December 31, 2010, and January 1, 2010  
(Expressed in United States dollars)

	Note	September 30, 2011	December 31, 2010	January 1, 2010
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	3 (b)	\$ 2,750,711	\$ 1,792,461	\$ 1,672,512
Trade and other receivables	6	457,905	539,238	1,042,091
Prepaid expenses and deposits		115,589	129,332	165,466
Inventories	3 (f)	393,419	318,679	78,275
<b>Total Current assets</b>		<b>3,717,624</b>	<b>2,779,710</b>	<b>2,958,344</b>
<b>Non-Current Assets</b>				
Property and equipment	3 (g), 10	85,275	115,117	597,264
Intangible assets	3 (h), 11	214,813	243,402	268,367
<b>Total Non-Current assets</b>		<b>300,088</b>	<b>358,519</b>	<b>865,631</b>
<b>Total Assets</b>		<b>\$ 4,017,712</b>	<b>\$ 3,138,229</b>	<b>\$ 3,823,975</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Trade and other payables	7	\$ 65,275	\$ 159,648	\$ 406,477
Other financial liabilities		\$ 355,804	314,853	178,711
Employee benefits	3 (e)	\$ 252,935	326,127	92,001
Non financial liabilities		-	-	57,304
<b>Total Current Liabilities</b>		<b>674,014</b>	<b>800,628</b>	<b>734,493</b>
<b>Equity</b>				
Share Capital		17,181,474	17,180,460	16,873,657
Contributed surplus		5,007,272	4,651,957	4,093,824
Accumulated other comprehensive income		(66,772)	(66,772)	(66,772)
Retained earnings		(18,778,276)	(19,428,044)	(17,811,227)
<b>Total Equity</b>		<b>3,343,698</b>	<b>2,337,601</b>	<b>3,089,482</b>
<b>Total Liabilities and Equity</b>		<b>\$ 4,017,712</b>	<b>\$ 3,138,229</b>	<b>\$ 3,823,975</b>

See accompanying notes to the consolidated financial statements.

On behalf of the Board,

"Edward Wright"  
Director

"Anthony Holler"  
Director

# CRH MEDICAL CORPORATION

Consolidated Statement of Operations and Comprehensive income (loss)  
(Unaudited)

Three and nine months ended September 30, 2011 and 2010  
(Expressed in United States dollars)

	Note	Three months ended		Nine months ended	
		Sept 30, 2011	Sept 30, 2010	Sept 30, 2011	Sept 30, 2010
<b>Revenue</b>					
Products Sales	3 (d)	\$ 1,396,170	\$ 924,557	\$ 3,994,062	\$ 2,497,575
Other income		3,020	3,218	11,127	10,433
<b>Total revenue</b>		<b>1,399,190</b>	<b>927,775</b>	<b>4,005,189</b>	<b>2,508,008</b>
<b>Operating Expenses</b>					
Product Sales Expense	4	673,226	455,274	1,982,824	1,364,753
Corporate Expense	5	442,023	477,775	1,403,839	1,462,729
<b>Total operating expenses</b>		<b>1,115,249</b>	<b>933,049</b>	<b>3,386,663</b>	<b>2,827,482</b>
<b>Profit (loss) from Continuing operations</b>		<b>\$ 283,941</b>	<b>\$ (5,274)</b>	<b>\$ 618,526</b>	<b>\$ (319,474)</b>
<b>Discontinued Operations</b>					
Loss (income) from discontinued operations	3 (n), 8	(17,146)	223,645	(31,242)	674,683
<b>Net income (loss) and comprehensive income (loss)</b>		<b>\$ 301,087</b>	<b>\$ (228,919)</b>	<b>\$ 649,768</b>	<b>\$ (994,157)</b>
<b>Net income (loss) and comprehensive income (loss) per share</b>					
	3 (p), 12(e)				
Continuing operations basic		\$ 0.006	\$ (0.000)	\$ 0.013	\$ (0.007)
continuing operations diluted		0.006	(0.000)	0.012	-
Discontinued operations basic		0.000	(0.005)	0.001	(0.014)
Discontinued operations diluted		0.000	-	0.001	-
<b>Net income (loss) and comprehensive income (loss) per share basic</b>		<b>0.006</b>	<b>(0.005)</b>	<b>0.013</b>	<b>(0.020)</b>
<b>Net income (loss) and comprehensive income (loss) per share diluted</b>		<b>\$ 0.006</b>	<b>\$ -</b>	<b>\$ 0.013</b>	<b>\$ -</b>
<b>Weighted average shares outstanding</b>		<b>48,746,914</b>	<b>48,637,094</b>	<b>48,746,476</b>	<b>48,529,064</b>

See accompanying notes to the consolidated financial statements.

# CRH MEDICAL CORPORATION

## Consolidated Statement of Changes in Equity (Unaudited)

Nine months ended September 30, 2011, year ended December 31, 2010, nine months ended September 30, 2010 and December 31, 2009  
(Expressed in United States dollars)

	Note	Number of Shares	Share Capital	Contributed surplus	Accumulated and other comprehensive income	Deficit	Total
Balance as at December 31, 2009		48,405,967	\$16,873,657	\$ 4,093,824	\$ (66,772)	\$(17,811,227)	\$3,089,482
<b>Total comprehensive loss for the period:</b>		-	-	-	-	(994,157)	(994,157)
<b>Transactions with owners, recorded directly in equity:</b>							
Share-based compensation for stock option plan				514,970			514,970
Common shares purchased on exercise of stock options		200,250	144,417	(58,558)			85,859
Common share purchase on warrants exercised		139,573	162,386	(25,810)			136,576
Balance as at September 30, 2010		48,745,790	\$17,180,460	\$4,524,426	\$ (66,772)	\$(18,805,384)	\$2,832,730
<b>Total comprehensive loss for the period:</b>		-	-	-	-	(622,660)	(622,660)
<b>Transactions with owners, recorded directly in equity:</b>							
Share-based compensation for stock option plan		-	-	127,531	-	-	127,531
Common shares purchased on exercise of stock options		-	-	-			-
Common share purchase on warrants exercised		-	-	-			-
Balance as at December 31, 2010		48,745,790	\$17,180,460	\$4,651,957	\$ (66,772)	\$(19,428,044)	\$2,337,601
<b>Total comprehensive income for the period:</b>						649,768	649,768
<b>Transactions with owners, recorded directly in equity:</b>							
Share-based compensation for stock option plan		-	-	355,666	-	-	355,666
Common shares purchased on exercise of stock options		1,124	1,014	(351)			663
Balance as at September 30, 2011		48,746,914	\$17,181,474	\$5,007,272	\$ (66,772)	\$(18,778,276)	\$3,343,698

See accompanying notes to the consolidated financial statements

# CRH MEDICAL CORPORATION

Consolidated Statement of Cash Flows  
(Unaudited)

Three and nine months ended September 30, 2011 and 2010  
(Expressed in United States dollars)

	Note	Three months ended		Nine months ended	
		Sept 30, 2011	Sept 30, 2010	Sept 30, 2011	Sept 30, 2010
<b>Operating activities:</b>					
Net Income (loss) from continuing operations		\$ 283,941	\$ (5,274)	\$ 618,526	\$ (319,474)
Adjustments for:					
Depreciation of property, equipment and intangibles		18,205	16,979	62,611	49,134
Share based compensation		106,644	151,012	355,666	453,199
<b>Operating activities before changes in operating assets and liabilities</b>		<b>408,790</b>	<b>162,717</b>	<b>1,036,803</b>	<b>182,859</b>
Change in trade and other receivables		79,489	4,205	(8,368)	(168,918)
Change in prepaid expenses and deposits		(26,359)	(20,052)	13,743	(37,913)
Change in inventories		(83,628)	(97,852)	(74,740)	(172,516)
Change in trade and other payables		(133,913)	9,760	(28,523)	(51,041)
Change in other financial liabilities		237,573	44,909	242,681	9,924
Change in employee benefits		31,869	28,648	(24,631)	144,162
<b>Cash provided (used) in operating activities of continuing operations</b>		<b>513,821</b>	<b>132,335</b>	<b>1,156,966</b>	<b>(93,443)</b>
<b>Cash provided (used) in operating activities of discontinued operations</b>		<b>(6,427)</b>	<b>(112,315)</b>	<b>(195,196)</b>	<b>(67,099)</b>
<b>Cash provided (used) in operating activities</b>		<b>507,393</b>	<b>20,020</b>	<b>961,770</b>	<b>(160,542)</b>
<b>Financing activities</b>					
Proceeds from exercise of agent warrants		-	-	-	136,576
Proceeds from exercise of stock options		-	85,713	663	85,859
<b>Cash from financing activities</b>		<b>-</b>	<b>85,713</b>	<b>663</b>	<b>222,435</b>
<b>Investing activities</b>					
Acquisition of property and equipment		-	-	(4,182)	-
Acquisition of intellectual property		-	-	-	(12,195)
<b>Cash flows (used in) investing activities</b>		<b>-</b>	<b>-</b>	<b>(4,182)</b>	<b>(12,195)</b>
Net Change in Cash		507,393	105,733	958,250	49,698
Cash beginning of period		2,243,318	1,616,477	1,792,461	1,672,512
Cash end of period		\$2,750,711	\$1,722,210	\$2,750,711	\$1,722,210

See accompanying notes to the consolidated financial statements.

# CRH MEDICAL CORPORATION

Notes to Consolidated Financial Statements  
(Unaudited)  
(Expressed in United States dollars)

Three and nine months ended September 30, 2011 and 2010

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## 1. Reporting entity:

CRH Medical Corporation (CRH or the Company) was incorporated on April 21, 2001 under the Company Act of the Province of British Columbia and specializes in the treatment of hemorrhoids utilizing its treatment protocol and patented proprietary technology.

## 2. Basis of preparation:

### (a) Statement of compliance:

These condensed consolidated interim financial statements are prepared in accordance with International Accounting Standards (IAS) 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board (IASB) on a basis consistent with the significant accounting policies disclosed in note 2 of the March 31, 2011 interim financial statements and therefore should be read in conjunction with the condensed consolidated interim financial statements for the period ended March 31, 2011. These condensed consolidated interim financial statements are part of the period covered by the Company's first International Financial Reporting Standards (IFRS) consolidated financial statements for the year ending December 31, 2011 and therefore IFRS 1, *First Time Adoption of IFRS* has been applied. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and were approved and authorized for issue by the Board of Directors on October 25, 2011.

The Company's condensed consolidated interim financial statements were prepared in accordance with accounting principles generally accepted in Canada (Canadian GAAP) until December 31, 2010. The period ended March 31, 2011, with comparative results for 2010, was the Company's first IFRS condensed consolidated interim financial statements. Canadian GAAP differs from IFRS in some areas and accordingly, the significant accounting policies applied in the preparation of these condensed consolidated interim financial statements have been consistently applied to all periods presented except in instances where IFRS 1 either requires or permits an exemption. An explanation of how the transition from Canadian GAAP to IFRS has affected the reported consolidated statements of income, comprehensive income, financial position, and cash flows of the Company for the period ended September 30, 2010 is provided in note 12. This note includes information on the provisions of IFRS 1 and the exemptions that the Company elected to apply at the date of transition, January 1, 2010, and reconciliations of equity, net income and comprehensive income for the comparative periods ended September 30, 2010. For a summary of the impact of transition from Canadian GAAP to IFRS at the date of transition, January 1, 2010, as well as for the year ended December 31, 2010, refer to note 12 of these condensed consolidated interim financial statements.

# CRH MEDICAL CORPORATION

Notes to Consolidated Financial Statements  
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## 2. Basis of preparation (continued):

### (b) Basis of measurement:

The Company's consolidated financial statements have been prepared on a going concern and historical cost basis.

### (c) Functional and presentation currency:

These consolidated financial statements are presented in United States dollars, which is the Company's functional currency.

### (d) Use of estimates and judgments:

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

Information about critical judgments in applying accounting policies and assumption and estimation uncertainties that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

- Note 11 (iv) - Stock option plan

Other areas of judgment and uncertainty relate to the estimation of accruals and the recoverability of accounts receivable.

Reported amounts and note disclosure 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.

The above estimates and assumptions are reviewed regularly. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

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### 3. Product sales expense:

For the three months ending September 30,

	2011	2010
Employee related	\$ 210,936	\$ 138,005
Product cost and support	326,221	206,903
Office related	37,329	9,488
Insurance	11,930	6,246
Professional fees	30,358	22,661
Depreciation	7,900	7,020
Stock based compensation	48,552	64,951
	<u>\$ 673,226</u>	<u>\$ 455,274</u>

For the nine months ending September 30,

	2011	2010
Employee related	\$ 674,535	\$ 381,951
Product cost and support	869,693	596,299
Office related	124,325	40,401
Insurance	40,597	18,042
Professional fees	85,580	136,022
Depreciation	27,587	20,955
Stock based compensation	160,507	171,083
	<u>\$ 1,982,824</u>	<u>\$ 1,364,753</u>

### 4. Corporate expense:

For the three months ending September 30,

	2011	2010
Employee related	\$ 198,734	\$ 187,605
Travel and entertainment	30,210	5,818
Office related	50,828	82,948
Insurance	12,856	13,138
Corporate	37,751	40,576
Professional fees	43,248	51,671
Depreciation	10,304	9,958
Stock based compensation	58,092	86,061
	<u>\$ 442,023</u>	<u>\$ 477,775</u>

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## 4. Corporate expense (continued):

For the nine months ending September 30,

	2011	2010
Employee related	\$ 647,464	\$ 674,501
Travel and entertainment	75,645	46,005
Office related	139,355	161,999
Insurance	38,232	35,046
Corporate	126,218	121,949
Professional fees	146,742	112,934
Depreciation	35,024	28,179
Stock based compensation	195,159	282,116
	\$ 1,403,839	\$ 1,462,729

## 5. Trade and other receivables:

	September 30, 2011	December 31, 2010	January 1, 2010
Trade receivables from continuing operations	\$ 457,707	\$ 420,633	\$ 257,321
Trade receivables from discontinued operations	-	89,701	777,780
Other receivables	198	28,904	6,990
	\$ 457,905	\$ 539,238	\$ 1,042,091

## 6. Trade and other payables:

	September 30, 2011	December 31, 2010	January 1, 2010
Trade payables from continuing operations	\$ 65,275	\$ 93,798	\$ 96,163
Trade payables from discontinued operations	-	65,850	310,314
	\$ 65,275	\$ 159,648	\$ 406,477

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## 7. Discontinued operations:

Effective December 3, 2010, the Company's Center Operations business segment was discontinued and the Centers were closed. The results of the discontinued operations for the three and nine months ending September 30, 2011 and 2010 are summarized below:

For the three months ending September 30,

	2011	2010
Center operations revenue	\$ -	\$ 892,778
Expenses:		
Center operations	(17,146)	1,116,423
Net income (loss)	\$ 17,146	\$ (223,645)

Net cash flows from discontinued operations for the three months ending September 30,

	2011	2010
Income (loss) from discontinued operations	\$ 17,146	\$ (223,645)
Add (deduct) items not affecting cash:		
Stock based compensation	-	47,003
Amortization	-	15,702
Lease inducements	-	(8,802)
Asset impairment	-	-
	17,146	(169,742)
Changes in non-cash working capital:		
Accounts receivable	-	43,752
Prepaid expenses and deposits	-	37,998
Trade payables	-	(46,150)
Other financial liabilities	(23,573)	10,425
Employee benefits	-	11,402
Net cash flows from discontinued operations	\$ (6,427)	\$ (112,315)

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Notes to Consolidated Financial Statements  
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## 7. Discontinued operations (continued):

For the nine months ending September 30,

	2011	2010
Center operations revenue	\$ -	\$ 3,025,300
Expenses:		
Center operations	(31,242)	3,699,983
Net income (loss)	\$ 31,242	\$ (674,683)

Net cash flows from discontinued operations for the nine months ending September 30,

	2011	2010
Income (loss) from discontinued operations	\$ 31,242	\$ (674,683)
Add (deduct) items not affecting cash:		
Stock based compensation	-	151,154
Amortization	-	61,771
Lease inducements	-	(30,552)
Asset impairment	-	33,925
	31,242	(458,386)
Changes in non-cash working capital:		
Accounts receivable	89,701	424,197
Prepaid expenses and deposits	-	56,789
Trade payables	(65,850)	(128,072)
Other financial liabilities	(201,731)	3,396
Employee benefits	(48,558)	34,975
Net cash flows from discontinued operations	\$ (195,196)	\$ (67,099)

## 8. Maturities of certain current assets and liabilities:

The Company's current assets and current liabilities include all assets and liabilities that mature within the Company's operating cycle. There are no current assets or liabilities with maturities that extend beyond 12 months.

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Notes to Consolidated Financial Statements  
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## 9. Property and equipment:

	Computer equipment and software	Furniture and equipment	Leasehold improvements	Injection mold	Total
<b>Cost</b>					
Balance as at January 1, 2010	150,814	205,405	955,089	282,172	1,593,480
Additions					
Disposals	(75,286)	(157,089)	(923,737)	-	(1,156,112)
Balance as of December 31, 2010	75,528	48,316	31,352	282,172	437,368
Additions	4,182	-	-	-	4,182
Disposals					-
Balance as of September 30, 2011	79,710	48,316	31,352	282,172	441,550
<b>Accumulated depreciation</b>					
Balance as at January 1, 2010	104,748	115,594	601,859	174,015	996,216
Depreciation expense	13,160	16,283	172,926	25,383	227,751
Disposals	(58,454)	(98,299)	(744,964)	-	(901,716)
Balance as of December 31, 2010	59,454	33,578	29,821	199,398	322,251
Depreciation expense	4,137	10,621	230	19,037	34,024
Disposals	-	-	-	-	-
Balance as of September 30, 2011	63,591	44,199	30,051	218,435	356,275
<b>Net book value</b>					
September 30, 2011	16,119	4,117	1,301	63,737	85,275
December 31, 2010	16,074	14,738	1,531	82,774	115,117
January 1, 2010	46,066	89,811	353,230	108,157	597,264

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## 10. Intangible assets:

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	Patents
<b>Cost</b>	
Balance as at January 1, 2010	\$ 475,251
Additions	12,195
Disposals	-
Balance as of December 31, 2010	487,446
Additions	-
Disposals	-
Balance as of September 30, 2011	\$ 487,446

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	Patents
<b>Accumulated amortization</b>	
Balance as at January 1, 2010	\$ 206,884
Amortization expense	37,160
Disposals	-
Balance as of December 31, 2010	244,044
Amortization expense	28,589
Disposals	-
Balance as of September 30, 2011	\$ 272,633

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	Patents
<b>Net book value</b>	
September 30, 2011	\$ 214,813
December 31, 2010	243,402
January 1, 2010	268,367

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## 11. Share capital:

(a) Authorized:

100,000,000 common shares without par value

(b) Stock option plan:

Under the Company's Stock Option Plan, the Company may grant options to its directors, officers, consultants and eligible employees for up to 6,370,000 shares of common stock. The plan provides for the granting of stock options at the fair market value of the Company's stock at the date of grant, and the term of options range from two to five years. The Board of Directors may, in its sole discretion, determine the time during which Options shall vest and the method of vesting. Unless the Company is or becomes a Tier 1 Issuer within the meaning of the policies of the Exchange, all Options under the Plan will be subject to vesting provisions determined by the Board of Directors, over a period of not less than 18 months, in equal portions on a quarterly basis. Options granted to consultants providing investor relations activities will vest at the end of 12 months or longer from the date of issuance.

A summary of the status of the plan as of September 30, 2011 and September 30, 2010 are as follows (options are granted in CAD and USD amounts calculated using exchange rate at September 30, 2011 and September 30, 2010):

	Number of options	Weighted average exercise price	
		CAD	USD
Outstanding, December 31, 2010	4,372,000	\$ 1.55	\$ 1.45
Granted	142,500	1.16	1.11
Exercised	(1,124)	0.59	0.56
Forfeited and expired	(1,309,312)	2.26	2.16
Outstanding, September 30, 2011	3,204,064	\$ 1.31	\$ 1.25

	Number of options	Weighted average exercise price	
		CAD	USD
Outstanding, December 31, 2009	4,376,188	\$ 1.61	\$ 1.54
Granted	375,000	1.49	1.45
Exercised	(200,250)	0.45	0.44
Forfeited and expired	(28,938)	2.45	2.39
Outstanding, September 30, 2010	4,522,000	\$ 1.66	\$ 1.61

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## 11. Share capital (continued):

### (b) Stock option plan (continued):

The following table summarizes information about the stock options outstanding at September 30, 2011:

Exercise price		Options outstanding				Options exercisable			
		Number of options	Weighted average remaining life in years	Weighted exercise price CAD	Weighted exercise price USD	Number of options	Weighted average exercise price CAD	Weighted average exercise price USD	
CAD	USD								
\$0.59 - \$1.00	\$0.56 - \$0.95	1,302,688	2.36	\$0.66	\$0.63	800,502	\$0.65	\$0.62	
\$1.20 - \$2.10	\$1.14 - \$2.00	1,411,938	3.09	1.61	1.53	491,944	1.69	1.62	
\$2.15 - \$2.53	\$2.05 - \$2.41	489,438	1.16	2.21	2.11	460,472	2.20	2.10	
		3,204,064	2.50	\$1.31	\$1.25	1,752,918	\$1.35	\$1.29	

As at September 30, 2010:

Exercise price		Options outstanding				Options exercisable			
		Number of options	Weighted average remaining life in years	Weighted exercise price USD	Weighted exercise price CAD	Number of options	Weighted average exercise price USD	Weighted average exercise price CAD	
USD	CAD								
\$0.59 - \$0.65	\$0.57 - \$0.63	1,289,000	3.31	\$0.65	\$0.63	484,257	\$0.65	\$0.63	
\$1.21 - \$1.95	\$1.18 - \$1.90	1,113,000	4.06	1.56	1.52	151,571	1.56	1.52	
\$2.10 - \$3.30	\$2.04 - \$3.21	2,120,000	1.24	2.32	2.25	1,862,198	2.34	2.27	
		4,522,000	2.66	\$1.66	\$1.61	2,498,026	\$1.96	\$1.91	

For the nine months ended September 30, 2011, the Company recognized \$355,666 (2010 - \$514,970) in compensation expense as a result of stock options awarded and vested. Compensation expense is recorded in the consolidated statement of operations and is allocated to medical products and corporate expenses on the same basis as the allocations of cash compensation (note 3 and 4). For 2010 a portion of the compensation expense is allocated to discontinued operations.

The weighted average fair value of stock options granted during the periods ended September 30, 2011 and 2010 was \$0.61 and \$0.80 per share, respectively. The estimated fair value of the stock options granted was determined using the Black-Scholes option pricing model with the following weighted-average assumptions:

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## 11. Share capital (continued):

### (b) Stock option plan (continued):

	2011	2010
Expected life of options	3.76 years	4 years
Risk-free interest rate	2.04 -2.22%	2.24 – 2.44%
Dividend yield	0%	0%
Volatility	69 -70%	74 – 75%

There is no dividend yield because the Company does not pay, and does not plan to pay cash dividends on its common shares. The expected stock price volatility is based on the historical volatility of the Company's average monthly stock closing prices over a period equal to the expected life of each option grant. The risk-free interest rate is based on yields from Canadian Government Bond yields with a term equal to the expected term of the options being valued. The expected life of options represents the period of time that the options are expected to be outstanding based on historical data of option holder exercise and termination behavior. The Company's stock-based compensation expense is reduced by actual forfeitures when they occur.

### (c) Common Share Purchase Warrants:

USD amounts calculated using exchange rate at September 30, 2011 and September 30, 2010.

	Number of warrants	Weighted average exercise price	
		CAD	USD
Outstanding, December 31, 2010	2,863,719	\$ 1.00	\$ 1.01
Exercised	-	-	-
Outstanding, September 30, 2011	2,863,719	\$ 1.00	\$ 0.94

	Number of warrants	Weighted average exercise price	
		CAD	USD
Outstanding, December 31, 2009	2,948,719	\$ 1.00	\$ 0.95
Exercised	(85,000)	1.00	0.94
Outstanding, September 30, 2010	2,863,719	\$ 1.00	\$ 0.94

The Common Share Purchase Warrants were issued as part of the financing completed in 2009. All warrants are granted in Canadian dollars and have been translated to U.S. dollars at the period-end exchange rate.

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## 11. Share capital (continued):

### (d) Agent Warrants:

USD amounts calculated using exchange rate at September 30, 2011 and September 30, 2010.

	Number of warrants	Weighted average exercise price	
		CAD	USD
Outstanding, December 31, 2010	200,286	\$ 0.88	\$ 0.88
Exercised	-	-	-
Outstanding, September 30, 2011	200,286	\$ 0.88	\$ 0.84

	Number of warrants	Weighted average exercise price	
		CAD	USD
Outstanding, December 31, 2009	254,859	\$ 0.91	\$ 0.86
Exercised	(54,573)	1.00	0.94
Outstanding, September 30, 2010	200,286	\$ 0.88	\$ 0.83

### (e) Earnings per share:

The calculation of basic earnings per share for the three and nine months ending at September 30, 2011 was based on the net profit (loss) attributable to common shareholders of the Company of \$301,087 and \$649,768 (2010 - (\$228,919) and (\$994,157)), and a weighted average number of common shares outstanding of 48,746,914 and 48,746,476 (2010 - 48,637,094 and 48,529,064), calculated as follows:

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## 11. Share capital (continued):

(e) Earnings per share (continued):

	Three months ended September 30,					
	2011			2010		
	Net earnings	Weighted average number of common shares outstanding	Per Share Amount	Net earnings	Weighted average number of common shares outstanding	Per Share Amount
<b>Continuing operations:</b>						
Earnings per common share:						
Basic	\$ 283,941	48,746,914	\$ 0.006	\$ (5,274)	48,637,094	\$ (0.000)
Share options		1,277,688			-	
Diluted	\$ 283,941	50,024,602	\$ 0.006	\$ (5,274)	48,637,094	\$ (0.000)
<b>Discontinued operations:</b>						
Earnings per common share:						
Basic	\$ 17,146	48,746,914	\$ 0.000	\$ (223,645)	48,637,094	\$ (0.005)
Share options		1,277,688			-	
Diluted	\$ 17,146	50,024,602	\$ 0.000	\$ (223,645)	48,637,094	\$ (0.005)
<b>Net earnings:</b>						
Earnings per common share:						
Basic	\$ 301,087	48,746,914	\$ 0.006	\$ (228,919)	48,637,094	\$ (0.005)
Share options		1,277,688			-	
Diluted	\$ 301,087	50,024,602	\$ 0.006	\$ (228,919)	48,637,094	\$ (0.005)

For the three months ended September 30, 2011, 2,284,844 options (2010 - n/a) were excluded from the diluted weighted average number of common shares calculation as their effect would have been anti-dilutive.

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.

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## 11. Share capital (continued):

(e) Earnings per share (continued):

	Nine months ended September 30,					
	2011			2010		
	Net earnings	Weighted average number of common shares outstanding	Per Share Amount	Net earnings	Weighted average number of common shares outstanding	Per Share Amount
<b>Continuing operations:</b>						
Earnings per common share:						
Basic	\$ 618,526	48,746,476	\$ 0.013	\$ (319,474)	48,529,064	\$ (0.007)
Share options		1,277,688			-	
Diluted	\$ 618,526	50,024,164	\$ 0.012	\$ (319,474)	48,529,064	\$ (0.007)
<b>Discontinued operations:</b>						
Earnings per common share:						
Basic	\$ 31,242	48,746,476	\$ 0.001	\$ (674,683)	48,529,064	\$ (0.014)
Share options		1,277,688			-	
Diluted	\$ 31,242	50,024,164	\$ 0.001	\$ (674,683)	48,529,064	\$ (0.014)
<b>Net earnings:</b>						
Earnings per common share:						
Basic	\$ 649,768	48,746,476	\$ 0.013	\$ (994,157)	48,529,064	\$ (0.020)
Share options		1,277,688			-	
Diluted	\$ 649,768	50,024,164	\$ 0.013	\$ (994,157)	48,529,064	\$ (0.020)

For the nine months ended September 30, 2011, 1,926,376 options (2010 - n/a) were excluded from the diluted weighted average number of common shares calculation as their effect would have been anti-dilutive.

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.

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## 12. Transition to IFRS:

For a description of the significant IFRS accounting policies, refer to note 3 of the condensed consolidated interim financial statements for the first quarter ended March 31, 2011. Those IFRS accounting policies have been applied in preparing the condensed consolidated interim financial statements for the period ended September 30, 2011, the comparative information presented in these interim financial statements for the three and six month periods ended September 30, 2010 and the year ended December 31, 2010 and in the preparation of an opening IFRS statement of financial position at January 1, 2010, the Company's date of transition.

In accordance with IFRS 1, the Company has applied certain optional exemptions available for first time adopters.

### IFRS optional exemptions:

#### (a) Business combinations:

IFRS 1 provides the option to apply IFRS 3 - *Business Combinations* retrospectively or prospectively from the date of transition. The Company elected to apply the provisions of IFRS 3 prospectively. The Company completed an impairment test on January 1, 2010 and determined that goodwill was not impaired.

IFRS 3 requires that contingent consideration be recognized when certain criteria, which differ from Previous GAAP, have been met. On the date of transition, additional liabilities have been recognized with a resulting decrease in opening retained earnings.

#### (b) Property, plant and equipment - deemed cost:

IFRS 1 provides the option to measure property, plant and equipment at deemed cost being the fair value of the asset on the date of transition. The Company elected not to apply fair valuation.

### IFRS mandatory exemptions:

#### (a) Use of estimates:

The estimates previously made by the Company under Previous GAAP were not revised for application of IFRS except where necessary to reflect any differences in accounting policies.

### Accounting differences:

#### (a) Financial statements presentation reclassification:

Certain account balances in the consolidated statements of earnings and consolidated balance sheet have been reclassified to conform with IFRS requirements. The reclassifications include the adoption of the concept of operating cycle, changes in certain tax concepts, presentation of certain account balances as separate line items and renaming certain account balances to conform with IFRS terminology.

The tables below provide a comparison of Previous GAAP and IFRS.

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## 12. Transition to IFRS (continued):

(i) Reconciliation of equity:

There are no material differences between the statements of equity presented under IFRS and the statements of equity under Previous GAAP.

(ii) Reconciliation of net earnings:

There are no material differences between net earnings presented under IFRS and net earnings under Previous GAAP.

(iii) Reconciliation of comprehensive income:

There are no material differences between the statements of comprehensive income presented under IFRS and the statements of comprehensive income under Previous GAAP.

(iv) Reconciliation of consolidated statement of financial position:

September 30, 2011						
Previous GAAP Presentation	Previous GAAP	Accounting Differences	Presentation Reclassification	IFRS	IFRS Presentation	
<b>Current assets:</b>						
Cash and cash equivalents	\$ 2,750,711	\$ -	\$ -	\$ 2,750,711	Cash and cash equivalents	
Trade and other receivables	457,905	-	-	457,905	Trade and other receivables	
Prepaid expenses and deposits	115,589	-	-	115,589	Prepaid expenses and deposits	
Inventories	393,419	-	-	393,419	Inventories	
	\$ 3,717,624	\$ -	\$ -	\$ 3,717,624		
<b>Non-current assets:</b>						
Property and equipment	85,275	-	-	85,275	Property and equipment	
Intangible assets	214,813	-	-	214,813	Intangible assets	
	300,088	-	-	300,088		
	\$ 4,017,712	\$ -	\$ -	\$ 4,017,712		
<b>Liabilities and Shareholders' Equity</b>						
<b>Current Liabilities:</b>						
Accounts payable and accrued liabilities	\$ 674,014	\$ -	\$ (606,779)	\$ 67,235	Trade and other payables	
		-	146,981	146,981	Other financial liabilities	
		-	459,798	459,798	Employee benefits	
Deferred leasehold	-	-	-	-	Non financial liabilities	
	\$ 674,014	\$ -	\$ -	\$ 674,014		
<b>Shareholders' equity:</b>						
Share Capital	17,181,474	-	-	17,181,474	Share Capital	
Contributed surplus	5,007,272	-	-	5,007,272	Contributed surplus	
Accumulated other comprehensive income	(66,772.00)	-	-	(66,772.00)	Accumulated other comprehensive income	
Retained earnings	(18,778,276)	-	-	(18,778,276)	Retained earnings	
	3,343,698	-	-	3,343,698		
	\$ 4,017,712	\$ -	\$ -	\$ 4,017,712		

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## 12. Transition to IFRS (continued):

(iv) Reconciliation of consolidated statement of financial position (continued):

December 31, 2010					
Previous GAAP Presentation	Previous GAAP	Accounting Differences	Presentation Reclassification	IFRS	IFRS Presentation
Current assets:					
Cash and cash equivalents	\$ 1,792,461	\$ -	\$ -	\$ 1,792,461	Cash and cash equivalents
Trade and other receivables	539,238	-	-	539,238	Trade and other receivables
Prepaid expenses and deposits	129,332	-	-	129,332	Prepaid expenses and deposits
Inventories	318,679	-	-	318,679	Inventories
	\$ 2,779,710	-	\$ -	\$ 2,779,710	
Non-current assets:					
Property and equipment	115,117	-	-	115,117	Property and equipment
Intangible assets	243,402	-	-	243,402	Intangible assets
	358,519	-	-	358,519	
	\$ 3,138,229	\$ -	\$ -	\$ 3,138,229	
Liabilities and Shareholders' Equity					
Current Liabilities: -					
Accounts payable and accrued liabilities	\$ 800,628	\$ -	\$ (640,980)	\$ 159,648	Trade and other payables
		-	314,853	314,853	Other financial liabilities
		-	326,127	326,127	Employee benefits
Deferred leasehold	-	-	-	-	Non financial liabilities
	\$ 800,628	\$ -	\$ -	\$ 800,628	
Shareholders' equity:					
Share Capital	17,180,460	-	-	17,180,460	Share Capital
Contributed surplus	4,651,957	-	-	4,651,957	Contributed surplus
Accumulated other comprehensive income	(66,772.00)	-	-	(66,772.00)	Accumulated other comprehensive income
Retained earnings	(19,428,044)	-	-	(19,428,044)	Retained earnings
	2,337,601	-	-	2,337,601	
	\$ 3,138,229	\$ -	\$ -	\$ 3,138,229	
September 30, 2010					
Previous GAAP Presentation	Previous GAAP	Accounting Differences	Presentation Reclassification	IFRS	IFRS Presentation
Current assets:					
Cash and cash equivalents	\$ 1,722,210	\$ -	\$ -	\$ 1,722,210	Cash and cash equivalents
Trade and other receivables	\$ 786,812	-	-	786,812	Trade and other receivables
Prepaid expenses and deposits	\$ 146,590	-	-	146,590	Prepaid expenses and deposits
Inventories	\$ 250,791	-	-	250,791	Inventories
	\$ 2,906,403	-	\$ -	\$ 2,906,403	
Non-current assets:					
Property and equipment	389,989	-	-	389,989	Property and equipment
Intangible assets	253,623	-	-	253,623	Intangible assets
	643,612	-	-	643,612	
	\$ 3,550,015	\$ -	\$ -	\$ 3,550,015	
Liabilities and Shareholders' Equity					
Current Liabilities: -					
Accounts payable and accrued liabilities	\$ 690,534	\$ -	\$ (463,171)	\$ 227,363	Trade and other payables
		-	192,031	192,031	Other financial liabilities
		-	271,139	271,140	Employee benefits
Deferred leasehold	26,751	-	-	26,751	Non financial liabilities
	\$ 717,285	\$ -	\$ (0)	\$ 717,285	
Shareholders' equity:					
Share Capital	17,154,650	-	-	17,154,650	Share Capital
Contributed surplus	4,550,236	-	-	4,550,236	Contributed surplus
Accumulated other comprehensive income	(66,772)	-	-	(66,772.00)	Accumulated other comprehensive income
Retained earnings	(18,805,384)	-	-	(18,805,384)	Retained earnings
	2,832,730	-	-	2,832,730	
	\$ 3,550,015	\$ -	\$ (0.33)	\$ 3,550,015	

# CRH MEDICAL CORPORATION

Notes to Consolidated Financial Statements  
(Unaudited)  
(Expressed in United States dollars)

Three and nine months ended September 30, 2011 and 2010

## 12. Transition to IFRS (continued):

(iv) Reconciliation of consolidated statement of financial position (continued):

January 1, 2010						
Previous GAAP Presentation	Previous GAAP	Accounting Differences	Presentation Reclassification	IFRS	IFRS Presentation	
Current assets:						
Cash and cash equivalents	\$ 1,672,512	\$ -	\$ -	\$ 1,672,512	Cash and cash equivalents	
Trade and other receivables	1,042,091	-	-	1,042,091	Trade and other receivables	
Prepaid expenses and deposits	165,466	-	-	165,466	Prepaid expenses and deposits	
Inventories	78,275	-	-	78,275	Inventories	
	\$ 2,958,344	\$ -	\$ -	\$ 2,958,344		
Non-current assets:						
Property and equipment	597,264	-	-	597,264	Property and equipment	
Intangible assets	268,367	-	-	268,367	Intangible assets	
	865,631	-	-	865,631		
	\$ 3,823,975	\$ -	\$ -	\$ 3,823,975		
Liabilities and Shareholders' Equity						
Current Liabilities:						
Accounts payable and accrued liabilities	\$ 677,189	\$ -	\$ (270,712)	\$ 406,477	Trade and other payables	
			178,711	178,711	Other financial liabilities	
			92,001	92,001	Employee benefits	
Deferred leasehold	57,304	-	-	57,304	Non financial liabilities	
	\$ 734,493	\$ -	\$ -	\$ 734,493		
Shareholders' equity:						
Share Capital	16,873,657	-	-	16,873,657	Share Capital	
Contributed surplus	4,093,824	-	-	4,093,824	Contributed surplus	
Accumulated other comprehensive income	(66,772.00)	-	-	(66,772.00)	Accumulated other comprehensive income	
Retained earnings	(17,811,227)	-	-	(17,811,227)	Retained earnings	
	3,089,482	-	-	3,089,482		
	\$ 3,823,975	\$ -	\$ -	\$ 3,823,975		

(v) Reconciliation of consolidated statement of comprehensive income (loss):

Period	Previous GAAP	Accounting Differences	Presentation Reclassification	IFRS
September 30, 2011, three months ended	301,087	-	-	301,087
September 30, 2011, nine months ended	649,768	-	-	649,768
December 31, 2010, year ended	(1,616,817)	-	-	(1,616,817)
September 30, 2010, three months ended	(228,919)	-	-	(228,919)
September 30, 2010, nine months ended	(994,157)	-	-	(994,157)

(vi) Reconciliation of consolidated statement of changes in equity:

There are no material differences between the statements of comprehensive income presented under IFRS and the statements of comprehensive income under Previous GAAP.

(vii) Reconciliation of consolidated statement of cash flows:

There are no material differences between the statements of comprehensive income presented under IFRS and the statements of comprehensive income under Previous GAAP.

# CRH MEDICAL CORPORATION

Notes to Consolidated Financial Statements  
(Unaudited)  
(Expressed in United States dollars)

Three and nine months ended September 30, 2011 and 2010

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## **13. Subsequent events:**

These interim consolidated financial statements were approved for issuance by the Board of Directors on October 25, 2011.