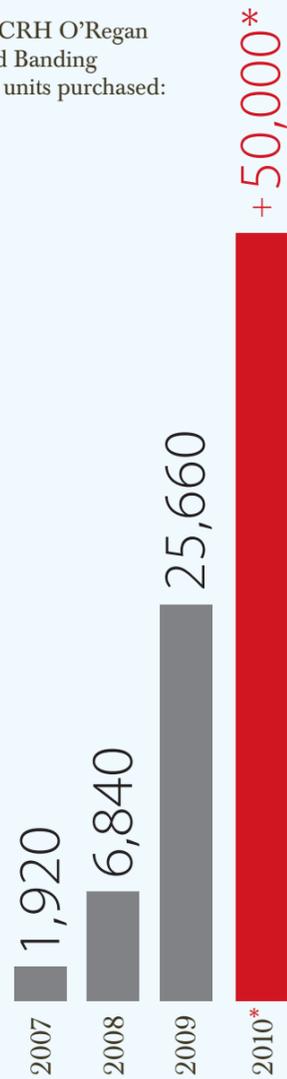




Number of CRH O'Regan Hemorrhoid Banding Technology units purchased:



\* Targeted sales



## 2009 Letter to Shareholders



522 - 999 Canada Place,  
Vancouver, BC V6C 3E1  
Telephone: 604-633-1440  
Facsimile: 604-633-1443

**Transfer Agent and Registrar:**  
Computershare Trust Company of Canada  
510 Burrard Street,  
Vancouver, BC V6C 3S9

**Directors:**  
Dr. Anthony Holler - Chairman  
Dr. Iain Cleator  
Dr. Bergein Overholt  
Todd Patrick  
Ian Webb  
Edward Wright

**Trading Information:**  
TSX Venture Exchange  
(symbol CRM)

**For Information Contact:**  
Dean Linden, Director,  
Corporation Communications  
Telephone: 604-633-1440  
Facsimile: 604-633-1443  
Website: [www.crhmedicalcorp.com](http://www.crhmedicalcorp.com)

### CAUTION REGARDING FORWARD-LOOKING STATEMENTS

The information in this Letter to Shareholders includes so-called "forward-looking" statements. These include statements regarding CRH Medical's expectations and plans, statements about CRH Medical's expectations, beliefs, intentions or strategies for the future, which may be indicated by words or phrases such as "anticipate," "expect," "intend," "plan," "will," "we believe," "CRH Medical believes," "management believes," and similar language. All forward-looking statements are based on CRH Medical's current expectations and are subject to risks and uncertainties and to assumptions made. Important factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements include: (i) changes in the economy may affect the Company's business; (ii) the Company's ability to successfully recruit and retain sufficient qualified physicians and other licensed providers; (iii) our limited available working capital and cash flows and our ability to raise additional capital as and when needed (iv) the Company's ability to manufacture its products; (v) the policies of health insurance carriers in the United States may affect the amount of revenue the Company receives; (vi) the Company's ability to successfully market its products; (vii) market acceptance of its technologies and products; (viii) the competitive environment and impact of technological change; (ix) changes in United States federal or state laws, rules, and regulations, including but not limited to those governing the corporate practice of medicine, fee splitting, Anti-Kickback Statute and Stark Law; (x) ability to effectively manage growth and retain senior management personnel; and (xi) product liability and medical malpractice claims, which may adversely affect our operations. CRH Medical bases its forward-looking statements on information currently available to it, and assumes no obligation to update them.



continued growth  
through successful  
partnerships

As our Annual Meeting approaches, I am pleased to report that in 2009, CRH made significant progress towards realizing our goal of making the CRH O'Regan System the standard of care for hemorrhoid treatment. **Many of the brightest minds in the area of Gastroenterology have discovered that the practice of Gastroenterology should now include the treatment of hemorrhoids using the CRH O'Regan System and treatment protocol.**

Our market opportunity is enormous. Hemorrhoids are a very common medical disorder in the western world with approximately 4 percent of the western population affected annually. Data suggests that annually 10.4 million Americans suffer from hemorrhoids, requiring 3.5 million physician visits per year with an estimated \$500 million spent annually to treat this disease.

In 2009, CRH Medical Corporation began the process of transforming itself from a retail healthcare business primarily operating Centers for Colorectal Health throughout the United States, to a fast growing medical products and services company providing a "turn-key" ancillary business to Gastroenterologists ("GI") in the U.S. With over 8,000 practicing Gastroenterologists in the U.S., our initial marketplace, and the number of physician office visits for hemorrhoids, we have a large opportunity with potential for international expansion.

The CRH O'Regan System is not just a hemorrhoid treatment device, it is a "turn-key" solution which includes physician to physician training, patient and physician marketing material, and front office train-

ing. Our physician partners also receive online advertising benefits by inclusion on our [www.crhssystem.com](http://www.crhssystem.com) web site, which receives over 20,000 visitors per month and generates more than 1,000 new patient inquiries per month. We believe that the combination of an exceptional product and our comprehensive service offering makes CRH a unique medical product company targeting the worldwide GI community. While we continue to operate the Centers for Colorectal Health, it is the expected growth and profitability of our Partnership Program that will be the primary driver increasing shareholder value. We will continue to aggressively pursue this business in 2010 and beyond.

As I mentioned in last year's shareholder letter, the 8,000 practicing Gastroenterologists perform approximately 14 million colonoscopies each year in which symptomatic hemorrhoids are diagnosed in 15 to 20 percent of these procedures. The CRH O'Regan System provides Gastroenterologists with a non invasive, highly effective procedure to treat this large group of patients who historically have gone untreated.

We are very excited at the increasing rate at which Gastroenterologists are adopting the CRH O'Regan System. The adoption rate in our initial target market, the U.S., remains in excess of 90 percent amongst the Gastroenterology practices trained by the Company since we started this program in June of 2008. Since June 2008 the Company has trained more than 460 physicians representing over 200 practices. During 2010, the Company expects to train more than 300 physicians in the U.S. During 2009, our physician partners purchased 25,660 units of the CRH O'Regan System, compared to 6,840 in 2008. The Company expects to sell over 50,000 units during 2010 which, if achieved, is expected to enable the Company to realize our goal of attaining profitability by the 4th quarter of 2010.

In 2010, one of the Company's key initiatives is to increase usage of the CRH O'Regan System by those physicians and practices that we have previously trained. Despite the fact that more than 90 percent of the practices trained use the CRH O'Regan System, many practices have only begun to realize the value proposition, in terms of patient care and practice revenue, that treating hemorrhoidal disease provides. In 2010, the Company started providing follow-up training to practices and physicians previously trained to review the procedure and treatment protocols, address clinical questions, and most importantly share "best practices" and "lessons learned" from the hundreds of physicians and practices using the CRH O'Regan System. We are also providing hemorrhoid education and training to the practice staff so they are better prepared to answer patient inquiries regarding our procedure. In addition, we continue to refine our search engine optimization and search engine marketing techniques to increase the number of new

hemorrhoid patient inquiries that we provide to our partners. We believe these initiatives will significantly increase the number of units used and purchased by our physician partners in 2010 and beyond.

The success we have experienced with our Partnership Program is in part due to the Company's aggressive strategy to create awareness within the Gastroenterology community. In 2009, the Company had a significant presence at all major U.S. Gastroenterology conferences including Digestive Disease Week in Chicago, the largest gathering of Gastroenterologists in North America. At each of these conferences, the Company exhibits and provides product demonstration to the many interested Gastroenterologists in attendance. At many of these conferences we have had the honor of address-

## In 2009, CRH Medical Corporation began the process of transforming itself from a retail healthcare business... to a fast growing medical products and services company...

ing a large number of GI's in scheduled symposiums, routinely being introduced by America's most prestigious GI's.

Additionally many key opinion leaders and early adopters are educating their colleagues on

the significant benefits to adopting hemorrhoid treatment into their practice – both for the welfare of their patients and the increase in practice revenue. A number of the early adopters have also documented their experience with the CRH O'Regan System in the form of scientific manuscripts and those papers have been published in a number of different prestigious trade journals.

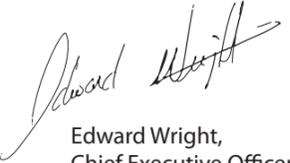
In 2009, the Company also introduced an initiative to communicate with GI's in an effective, consistent and frequent manner. The result was the Banding Bulletin. The Banding Bulletin provides Gastroenterologists with monthly updates regarding CRH's activities and program updates. The Banding Bulletin also provides a forum for GI's to share lessons learned and best practices with their fellow physicians. We've found the Banding Bulletin to be not only a great educational tool, but effective in building brand loyalty and awareness. In addition to creating awareness with approximately 8,000 practicing GI's, we are also introducing the CRH O'Regan System to the next generation of Gastroenterologists while they are still in their Fellowship training programs. To date, the Company has been asked to provide a guest lecturer, visiting professor, and educator at more than 10 Universities and GI Fellowship Programs around the U.S. By educating GI fellows, CRH expects that the treatment of hemorrhoids will be something that new Gastroenterologists will view as an important tool in caring for their patients. There are currently 162 Fellowship Programs throughout the United States, so clearly we have room to grow this initiative.

In September of 2009, the Company was pleased to announce that Dr. Bergein Overholt, one of North America's most distinguished Gastroenterologists, joined our Board of Directors. Dr. Overholt designed the flexible fiberoptic sigmoidoscope, which led to the development of colonos-

copy. He is a former President of both the American Society for Gastrointestinal Endoscopy and the American Society of Out-patient Surgeons. He has published more than 100 articles and has lectured extensively on Gastroenterology. A true visionary, Dr. Overholt's enthusiasm for the CRH's mission is further proof that treating hemorrhoids will be an important part of many GI practices in the near future.

As our success in the U.S. continues to grow, we have started to entertain opportunities for international distribution of the CRH O'Regan System. Our goal internationally is to replicate our U.S. strategy of identifying key opinion leaders as early adopters and leveraging their experience to create demand. Additionally, we are looking for distribution partners who have the same commitment to training, support, and patient education as CRH. We will provide the tools to make our distribution partners successful, but we want to be careful in who we select to ensure success and continue to build our brand value. Early in 2010, CRH Medical announced a Distribution Agreement to provide the CRH O'Regan System to physicians in China. By the end of the year, we expect our CRH trained Chinese distribution partner to train several doctors in China.

The year ending December 31, 2009 has been a very eventful one for CRH Medical Corporation and has set the stage for the Company to reach its goal to be profitable in 2010 and beyond.



Edward Wright,  
Chief Executive Officer