

CRH Medical Corporation
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September 30, 2009
Financial Report

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

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CRH MEDICAL CORPORATION

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2009

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, 2009 and 2008 and the audited annual consolidated financial statements and the corresponding notes thereto for the year ended December 31, 2008. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). Unless otherwise specified, all financial data is presented in United States dollars. This management discussion and analysis is as of November 25, 2009.

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 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.

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 need to raise additional capital to fund future operations.
- The policies of health insurance carriers in the United States may affect the amount of revenue the Company receives.
- The Company may not successfully market its products.
- Changes in United States federal or state laws, rules, and regulations, including those governing the corporate practice of medicine, and fee splitting.
- Changes in the United States Anti-Kickback Statute and Stark Law and/or similar state laws, rules, and regulations.
- If we are unable to manage growth, we may be unable to achieve our expansion strategy.
- 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 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 not be able to attract Gastroenterologists and other licensed providers to purchase and use the CRH O'Regan System.
- We may be subject to competition and technological risk which may impact the price and amount of product we can sell
- We may not be able to retain sufficient qualified physicians to operate our Centers.
- We may be subject to product liability and medical malpractice claims, which may adversely affect our operations.
- Our business may be impacted by health care reform in the United States.

OVERVIEW

CRH Medical Corporation specializes in the treatment of hemorrhoids utilizing its proven treatment protocol and patented proprietary technology. CRH's single use, disposable, hemorrhoid technology is safe and highly effective in treating hemorrhoid grades I – IV. CRH employs two commercialization strategies: first, it operates Centers for Colorectal Health facilities in the United States specializing in the treatment of hemorrhoids and fissures, and colon cancer screening. The Company currently operates ten Centers geographically dispersed through the U.S. In addition, CRH distributes its hemorrhoid banding technology, treatment protocols, operational and marketing expertise as a complete, turn key package directly to its partner physicians ("Partnership Program"). The Company's goal is to establish the CRH O'Regan System as the standard for hemorrhoid treatment.

The Company has financed its cash requirements primarily from revenues generated from its Centers, sales of products under its Partner Program, a line of credit against certain of our receivables, and share issuances. The Company's ability to realize the carrying value of its assets is dependent on successfully managing its Centers, marketing its products and services to participants in its Partnership Program, 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.

As a result of the current economic conditions we have experienced slower than expected growth in some of our Centers for Colorectal Health. We closed two underperforming Centers in December 2008, an additional three underperforming Centers in April 2009 and two more in May 2009. In addition, the Company has reduced fixed operating costs at its remaining Centers. The Company has increased its financial support for its Partnership Program as this program potentially presents a significant growth and profitability opportunity for the Company. All of these actions are consistent with the Company's stated goal of achieving cash flow positive operations as soon as practical.

CHANGES IN ACCOUNTING POLICIES

(a) Adoption of new accounting standards:

(i) Goodwill and intangible assets:

On January 1, 2009, the Company retrospectively adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3064, Goodwill and Intangible Assets, which replaced Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. The new standard, which applies to fiscal years beginning on or after October 1, 2008, clarifies the recognition of intangible assets, including internally generated assets. The standard reinforces the principle-based approach to the recognition of assets only in accordance with the definition of an asset and the criteria for asset recognition. The standard also provides guidance on the recognition and measurement of internally generated assets, including assets developed from research and development activities, ensuring consistent treatment of all intangible assets, whether separately acquired or internally developed.

Upon adoption of this new standard, patent costs previously capitalized did not meet the new criteria for capitalization. The impact on the financial position of the Company was a decrease in intangible assets and an increase in deficit at December 31, 2008 and 2007 of \$66,865 and \$59,530, respectively, relating to patent costs capitalized in prior periods. The impact on the consolidated statements of operations and comprehensive loss for the three and nine months ended September 30, 2008, would be a decrease in amortization of \$4,266, resulting in an overall decrease in net loss of \$4,266.

(b) Future changes in accounting policies:

(i) International Financial Reporting Standards:

In 2005, the Accounting Standards Board announced that Canadian Generally Accepted Accounting Principles are to be converged with IFRS. On February 13, 2008 the CICA confirmed that the use of IFRS is required for fiscal years beginning on or after January 1, 2011, with appropriate comparative data from the prior year.

Under IFRS there is significantly more disclosure required, specifically for interim reporting. In addition, while IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policies that must be addressed. While the Company has commenced accessing the adoption of IFRS for its fiscal year beginning January 1, 2011, the financial impact of the transition to IFRS cannot be reasonably estimated at this time.

RESULTS OF OPERATIONS

Revenue

For the three months ended September 30, 2009, revenues were \$1,755,361 compared to \$1,957,642 for the three months ended September 30, 2008. Revenues for the nine months ended September 30, 2009 were \$5,344,600 compared to \$4,958,975 for the nine months ended September 30, 2008.

Revenues from product sales for the three months ended September 30, 2009 were \$473,985 compared to \$167,672 for the three months ended September 30, 2008. Revenues from product sales for the nine months ended September 30, 2009 were \$1,289,649 compared to \$371,365 for the nine months ended September 30, 2008. The increase in product sales is the result of the Company's Partnership Program. In January of 2008, the Company initiated its Partnership Program that provides physicians not associated with our Centers with the ability to purchase our hemorrhoid banding technology, treatment protocols, marketing and operational experience. For the nine months ended September 30, 2009 the Company sold 19,500 units of its CRH O'Regan System compared to 4,080 for the same period in 2008. The Company trained 166 physicians in its Partnership Program for the nine months ended September 30, 2009, versus 88 physicians for the same period in 2008. A transfer of product to the Company's owned and operated Centers is not recognized as revenue.

Revenues from Center operations were \$1,281,376 for the three months ended September 30, 2009 compared to \$1,789,970 for the three months ended September 30, 2008. Revenues from Center operations were \$4,054,951 for the nine months ended September 30, 2009 compared to \$4,587,610 for the nine months ended September 30, 2008. For the nine months ended September 30, 2009, the Company had 16,606 patient visits at its Centers for Colorectal Health compared to 18,909 for the same period in 2008. As a result of the economic conditions we have experienced slower than expected growth in our Centers for Colorectal Health. These difficult economic conditions coincided with a very poor financing environment throughout 2008 and into the first part of 2009. As a result, the Company did not believe it could rely on the capital markets to finance its growth and, therefore, set a goal of achieving cash flow positive operations as soon as possible. This led to the Company eliminating plans to open new Centers, and shutting down Centers that were not on a fast track toward stand-alone profitability.

Expenses

Center operations and development expenses for the three months ended September 30, 2009 were \$1,395,975 compared to \$2,118,727 for the three months ended September 30, 2008. Center operations and development expenses for the nine months ended September 30, 2009 were \$4,488,923 compared to \$5,554,948 for the nine months ended September 30, 2008. The decrease in Center operations and development expenses for three and nine months ended September 30, 2009 is the result of closing underperforming centers and reducing fixed operating costs at its remaining Centers. Center operations and development expenses primarily consist of the cost of operating Centers including but not limited to rent, physician salaries, staff salaries, supplies, marketing, and advertising. Center operations and development expenses also include non-cash stock based compensation totaling \$27,495 and \$125,530 for the three and nine months ended September 30, 2009 compared to \$76,134 and \$246,380 for the same period in 2008.

Medical product expenses for the three months ended September 30, 2009 were \$281,909 compared to \$217,412 for the three months ended September 30, 2008. Medical product expenses for the nine months ended September 30, 2009 were \$815,385 compared to \$432,344 for the nine months ended September 30, 2008. The increase in Medical product expenses is a result of the Company's Partnership Program initiated in January of 2008. Medical product expenses primarily include physician wages and travel associated with training, cost of product sales, cost of quality systems and programs, consulting expenses, marketing, business development and legal expenses. Medical product expenses include non-cash stock based compensation totaling \$49,084 and \$119,181 for the three and nine months ended September 30, 2009 compared to \$39,837 and \$107,104 for the same period in 2008.

Corporate and other expenses for the three months ended September 30, 2009 were \$396,448 compared to \$508,287 for the three months ended September 30, 2008. Corporate and other expenses for the nine months ended September 30, 2009 were \$1,333,298 compared to \$1,762,022 for the nine months ended September 30, 2008. The decrease in Corporate and other expenses relates to staff reductions and reduction of other corporate expenses that resulted from the Company's change in strategy to focus more on the Partnership Program and less on growing the number of Centers. Corporate and other expenses include non-cash stock based compensation totaling \$104,207 and \$345,420 for the three and nine months ended September 30, 2009 compared to \$108,296 and \$397,748 for the same period in 2008.

Operating Loss

For the three months ended September 30, 2009, operating losses were \$386,157 compared to \$975,216 for the three months ended September 30, 2008. Operating losses for the nine months ended September 30, 2009 were \$1,478,244 compared to \$3,054,363 for the nine months ended September 30, 2008.

For the three months ended September 30, 2009, operating losses from Center operations and development were \$150,522 compared to \$394,007 for the three months ended September 30, 2008. Operating losses from Center operations and development for the nine months ended September 30, 2009 were \$308,442 compared to \$1,161,817 for the nine months ended September 30, 2008. Although Center revenue decreased for the three and nine months ending September 30, 2009 as compared to the same periods in 2008 our expense management strategies have provided larger decreases in Center related expenses significantly reducing Center operating loss.

For the three months ended September 30, 2009, operating income from the sale of medical products was \$175,989 compared to an operating loss of \$52,360 for the three months ended September 30, 2008. Operating income from the sale of medical products for the nine months ended September 30, 2009 was \$593,446 compared an operating loss of \$69,094 for the nine months ended September 30, 2008.

Other items

The Company recognized interest income of nil for the three and nine months ended September 30, 2009 compared to \$15,373 and \$49,610 for the three and nine months ended September 30, 2008. Interest income relates to the investment of funds held by the Company. For the nine months ended September 30, 2009 the Company did not invest funds but rather retained the funds in our operating accounts where they are fully insured and used earned credits to reduce our banking fees.

For the three months ended September 30, 2009, the Company recognized a foreign exchange loss of \$46,724 compared to a foreign exchange loss of \$34,887 for the three months ended September 30, 2008. For the nine months ended September 30, 2009, the Company recognized a foreign exchange loss of \$31,842 compared to a foreign exchange loss of \$48,799 for the nine months ended September 30, 2008. The foreign exchange loss is a direct result of the increase in the value of the Company's Canadian dollar investments as a result of changes in the exchange rate. The exchange rate at September 30, 2009 was 1.0707 CDN dollars to U.S. dollars compared to an exchange rate of 1.2180 at December 31, 2008. The Company maintains a small percentage of funds in Canadian dollars as some of its corporate and other expenses are incurred in Canadian dollars.

Net loss

For the three months ended September 30, 2009, the Company incurred a net loss of \$429,860 (\$0.01 per share) compared to a net loss of \$993,211 (\$0.02 per share) for the three months ended September 30, 2008. For the nine months ended September 30, 2009, the Company incurred a net loss of \$1,497,609 (\$0.03 per share) compared to a net loss of \$3,049,922 (\$0.07 per share) for the nine months ended September 30, 2008.

SUMMARY OF QUARTERLY RESULTS

| Quarter ending | Center operations revenue | Product sales revenue | Total revenue | Total expenses and other items | Loss for the period | Net loss per share (basic & diluted) |
|----------------|---------------------------|-----------------------|---------------|--------------------------------|---------------------|--------------------------------------|
| Dec. 31, 2007 | \$1,098,923 | \$ 65,021 | \$ 1,163,944 | \$ 1,941,311 | \$ (777,367) | \$ (0.02) |
| Mar. 31, 2008 | \$1,293,568 | \$ 53,874 | \$1,347,442 | \$ 2,306,180 | \$ (958,738) | \$ (0.02) |
| June 30, 2008 | \$1,504,072 | \$ 149,819 | \$1,653,891 | \$ 2,751,864 | \$ (1,097,973) | \$ (0.03) |
| Sept. 30, 2008 | \$1,789,970 | \$ 167,672 | \$1,957,642 | \$ 2,950,853 | \$ (993,211) | \$ (0.02) |
| Dec. 31, 2008 | \$1,459,980 | \$ 236,387 | \$1,696,367 | \$ 2,583,049 | \$ (888,682) | \$ (0.02) |
| Mar. 31, 2009 | \$1,407,197 | \$ 328,693 | \$1,735,890 | \$ 2,440,898 | \$ (705,008) | \$ (0.02) |
| June 30, 2009 | \$1,366,378 | \$ 486,971 | \$1,853,349 | \$ 2,217,135 | \$ (363,786) | \$ (0.01) |
| Sept. 30, 2009 | \$1,281,376 | \$ 473,985 | \$1,755,361 | \$ 2,185,220 | \$ (429,859) | \$ (0.01) |

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

- Fourth quarter of 2007, the Company opened a second Center in Chicago and a Center in Seattle.
- During the first quarter of 2008, the Company initiated its Partnership Program that provides physicians not currently associated with our Centers with the ability to purchase a license to our hemorrhoid banding technology, treatment protocols, marketing and operational experience.
- Center operations revenue for the first quarter of 2008 includes a negative adjustment for a change in estimate related to contract adjustments of approximately \$40,000.

- First quarter of 2008, the Company opened three additional Centers in Miami, Denver, and Pembroke Pines.
- Second quarter of 2008, the Company opened four additional Centers in Chicago, New York, Dallas and San Diego.
- Third quarter of 2008, the Company opened two additional Centers in New Orleans and Virginia
- Fourth quarter of 2008, the Company closed two Centers, one in Chicago and one in Atlanta. Additionally the Company determined that certain contractual adjustments with third party payers were not properly realized during 2008 resulting in a one time adjustment decreasing revenue by \$160,000.
- First quarter of 2009, the Company announced the closure of three underperforming Centers in Miami Beach, FL, New Orleans, LA, and Bayshore, NY. The Company discontinued advertising in these markets in mid – February 2009 and closed the Centers in mid April 2009.
- Second quarter of 2009, the Company closed two underperforming Centers in Falls Church, Virginia and San Diego, California.
- Third quarter of 2009, the Company experienced seasonality in its product sales revenue as a result of partner physicians taking summer vacations.

The losses reported are primarily the result of the cost to open and operate the Centers in addition to corporate and other expenses. The Company expects losses to continue to decrease as product sales increase as a result of our Partnership Program, Center related operational fixed expense reduction programs, closing underperforming Centers, and other expense reduction initiatives.

LIQUIDITY

As at September 30, 2009, the Company had \$1,574,804 in cash and cash equivalents compared to \$239,337 at the end of 2008. At September 30, 2009, working capital was \$2,736,317 compared to working capital of \$1,605,473 as at December 31, 2008.

The Company has financed its operations primarily from revenues generated from its Centers, sales of products under its Partnership Program, a line of credit against certain of our account receivables, and through equity financings. The Company has incurred losses to date and as at September 30, 2009 had an accumulated deficit of \$16,823,354.

As at September 30, 2009, the Company had the following material contractual obligations:

| | | |
|------|-----------|----------------|
| 2009 | \$ | 138,824 |
| 2010 | | 512,971 |
| 2011 | | 189,948 |
| 2012 | | 46,500 |
| 2013 | | - |
| | \$ | 886,243 |

CAPITAL RESOURCES

During the nine months ended September 30, 2009, the Company issued 345,000 common shares on the exercise of 345,000 options for gross proceeds of \$114,569. Additionally the Company issued 27,287 common shares through the exercise of agent warrants for gross proceeds of \$19,500.

On April 7, 2009, the Company closed a private placement financing for gross proceeds of \$1.86 million, consisting of 2,948,719 units at a price of CAD\$0.78 for each unit, before share issuance

costs of approximately \$90,000, for net proceeds of approximately \$1.7 million. Each unit consists of one common share and one common share purchase warrant. Each full warrant is exercisable for one common share at a price of CAD\$1.00 per share. The warrants may be exercised through April 6, 2012, except that if over a period of 20 consecutive trading days between August 7, 2009 and April 6, 2012, the daily average trading price of the common shares exceeds \$2.50 on each of those 20 consecutive days, the Company may give notice in writing to the Warrant holders that the Warrants shall expire on the 20th day following the giving of such notice unless exercised by the holders prior to such date.

The Company's quarterly consolidated financial statements were prepared assuming that the Company will continue as a going concern. The Company has sustained continuing losses since its formation and at September 30, 2009 had a deficit of \$16,823,355. The Company has reduced expenditures by closing under performing Centers and reducing fixed operating costs at its remaining Centers. Additional financing may be required in the future to fund operations until the Company is profitable. There is no assurance that such funding will be available or obtained on favorable terms. If the Company is unable to become profitable and additional funding was not available there would be substantial doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not include the adjustments that would be necessary should the Company be unable to continue as a going concern.

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.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with Canadian GAAP 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) Revenue recognition

Center operations:

Center operations revenue consists primarily of patient revenues and is recognized as services are rendered. Patient service revenue is reported net of provisions for contractual allowances from third party payers and patients. The Company has agreements with third-party payers that provide for payments to the Company at amounts different from its established billing rates. The differences between the estimated program reimbursement rates and the standard billing rates are accounted for as contractual adjustments, which are deducted from gross revenues to arrive at net operating revenues while any differences in final settlements are recorded when the amounts are determined. Accounts receivable resulting from such payment arrangements are recorded net of contractual allowances.

Product sales:

Product sales are recognized upon the shipment of products to physicians, if a sales order exists, the sales price is fixed and determinable, collection of the resulting receivables is reasonably assured and any uncertainties with regard to customer acceptance are insignificant. (b)

Accounts receivable and allowance for doubtful accounts:

The Company's accounts receivable are related to providing healthcare services to patients and selling product to physicians. Collection of these accounts receivable is the Company's primary source of cash and is critical to its operating performance. The Company's primary collection risks relate to payers who insure our Centers patients, deductibles, co-payments and self-insured amounts owed by the patient, and amounts due from physicians for the purchase of product. The Company's estimate for the allowance for doubtful accounts is calculated by generally reserving a percentage of outstanding net accounts receivable. This method is monitored based on historical cash collections experience.

The Company believes that it collects substantially all of its third-party receivables, net of contractual allowances. The Company believes there will not be a material difference between bad debt allowances and the ultimate collection rates on accounts receivables.

The Company reviews its overall reserve adequacy by monitoring historical cash collections as a percentage of net revenue less the provision for bad debts.

Uncollected accounts are written off when management determines that the balance is uncollectible.

(c) Impairment of long-lived assets:

The Company monitors the recoverability of property, equipment and intellectual property based on estimates using factors such as expected future asset utilization, economic outlook and future cash flows expected to result from the use of the related assets or be realized on sale. The Company recognizes an impairment loss if the projected undiscounted aggregate future cash flows are less than the carrying amount. The amount of impairment charge, if any, is defined as the excess of the carrying value of the asset over its fair value.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, short-term investments, accounts receivable, accounts payable, accrued liabilities, and loan payable.

It is management's opinion that the Company is not exposed to significant interest or currency risk arising from these financial instruments. Currency risk is the risk to the Company's earnings that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

The Company is exposed to credit risk only with respect to uncertainties as to the timing and amount of collectability of accounts receivable. The Company mitigates credit risk through standard credit and reference checks. The fair value of these financial instruments approximates their carrying values.

LEGAL PROCEEDINGS

The Company is engaged in certain legal actions in the ordinary course of business. Management believes that the ultimate outcome of these actions will not have a material adverse effect on the Company's operating results, liquidity or financial position.

DISCLOSURE AND FINANCIAL REPORTING CONTROLS

Management has established and maintained disclosure controls and procedures for the Company in order to provide reasonable assurance that material information relating to the Company is made

known to it in a timely manner. Management has evaluated the effectiveness of the Company's disclosure controls and procedures as at the date of the Company's September 30, 2009 quarterly financial report and is not aware of any material changes to these controls and procedures; it believes them to be effective in providing such reasonable assurance.

Management is also responsible for the design of internal controls over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. Management has evaluated the design of the Company's internal controls and procedures over financial reporting as of the end of the period covered by the annual filings, and believes the design to be sufficient to provide such reasonable assurance.

Certain weaknesses were identified in the internal controls over financial reporting. Due to the size of the Company, it is not feasible to achieve complete segregation of duties. The Company has enhanced some controls but due to the size of the company is not able to correct all weaknesses. In November 2008, the Company engaged an experienced third party service provider to improve the billing and collection processes. Management expects this will expedite billing and collection of trade receivables, particularly with U.S. healthcare insurance organizations. Management employs compensating controls, primarily at the entity level, to mitigate the risk of a material misstatement in financial reporting.

While Management believes that the current disclosure and internal controls and procedures provide a reasonable level of assurance, it cannot be expected that existing disclosure controls and procedures or internal financial controls will prevent all human error and circumvention or overriding of controls and procedures. A control system, no matter how well conceived or operated can only provide reasonable, not absolute, assurance that the objectives of the control system are met.

OUTSTANDING SHARE CAPITAL

As at September 30, 2009 there were 48,405,967 common shares issued and outstanding for a total of \$16,907,762 in share capital.

As at September 30, 2009, there were 4,211,500 options outstanding (of which 1,915,591 were exercisable) into common shares issuable upon the exercise of outstanding stock options at a weighted-average exercise price of \$1.75 per share and 729,300 common shares reserved for future grant or issuance under the Company's stock option plan.

As at November 25, 2009 there were 48,405,967 common shares issued and outstanding for a total of \$16,907,762 in share capital, there are 4,211,500 options outstanding (of which 2,018,406 were exercisable) into common shares issuable upon the exercise of outstanding stock options at a weighted-average exercise price of \$1.52 per share and 729,300 common shares reserved for future grant or issuance under the Company's stock option plan.

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

Interim Consolidated Financial Statements
(Expressed in United States dollars)

CRH MEDICAL CORPORATION

Three and nine months ended September 30, 2009 and 2008
(Unaudited)

NOTICE TO READERS OF THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The interim financial statements of CRH Medical Corporation and the accompanying interim consolidated balance sheet as at September 30, 2009 and the interim consolidated statements of operations, operations and deficit and cash flows for the three and nine month periods ended September 30, 2008 and 2009 are the responsibility of the Company's management.

The interim consolidated financial statements have been prepared by management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare the financial statements in accordance with Canadian generally accepted accounting principles.

/s/Edward Wright
Chief Executive Officer

November 30, 2009

/s/Richard Bear
Chief Financial Officer

November 30, 2009

CRH MEDICAL CORPORATION

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

| | September 30, 2009 | December 31, 2008 |
|--|-----------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 1,574,804 | \$ 239,337 |
| Accounts receivable, less allowance for doubtful accounts of \$312,664 (2008 - \$481,363) | 1,495,340 | 1,505,353 |
| Inventory | 34,739 | 49,490 |
| Prepaid expenses and deposits | 160,965 | 234,984 |
| | <u>3,265,848</u> | <u>2,029,164</u> |
| Property and equipment | 720,667 | 813,806 |
| Intellectual property | 546,972 | 671,354 |
| | <u>\$ 4,533,487</u> | <u>\$ 3,514,324</u> |

Liabilities and Shareholders' Equity

| | | |
|--|---------------------|---------------------|
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 508,848 | \$ 257,265 |
| Loan payable | - | 125,000 |
| Deferred leasehold inducements | 20,713 | 41,426 |
| | <u>529,561</u> | <u>423,691</u> |
| Deferred leasehold inducements | 46,948 | 57,303 |
| Shareholders' equity: | | |
| Share capital (note 6) | 16,907,761 | 15,022,822 |
| Contributed surplus (note 6) | 3,939,344 | 3,336,160 |
| Accumulated other comprehensive loss | (66,772) | (66,772) |
| Deficit | (16,823,355) | (15,258,880) |
| | <u>3,956,978</u> | <u>3,033,330</u> |
| Going concern (note 2) | | |
| Commitments and contingencies (note 9) | | |
| | <u>\$ 4,533,487</u> | <u>\$ 3,514,324</u> |

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

((signed) "Edward Wright") Director
Edward Wright

((signed) "Anthony Holler") Director
Anthony Holler

CRH MEDICAL CORPORATION

Interim Consolidated Statements of Operations, Comprehensive Loss and Deficit

(Unaudited)

(Expressed in United States dollars)

| | Three months ended | | Nine months ended | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 30, 2009 | September 30, 2008 | September 30, 2009 | September 30, 2008 |
| Revenue: | | | | |
| Center operations | \$ 1,281,376 | \$ 1,789,970 | \$ 4,054,951 | \$ 4,587,610 |
| Product sales | 473,985 | 167,672 | 1,289,649 | 371,365 |
| | <u>1,755,361</u> | <u>1,957,642</u> | <u>5,344,600</u> | <u>4,958,975</u> |
| Expenses: | | | | |
| Center operations and development | 1,395,975 | 2,118,727 | 4,488,923 | 5,554,948 |
| Medical products | 281,909 | 217,412 | 815,385 | 432,344 |
| Corporate and other | 396,448 | 508,287 | 1,333,298 | 1,762,022 |
| Depreciation and amortization | 67,186 | 88,432 | 185,238 | 264,024 |
| | <u>2,141,518</u> | <u>2,932,858</u> | <u>6,822,844</u> | <u>8,013,338</u> |
| Operating loss | (386,157) | (975,216) | (1,478,244) | (3,054,363) |
| Other items: | | | | |
| Interest income | - | 15,373 | - | 49,610 |
| Foreign exchange gain (loss) | (46,724) | (34,887) | (31,842) | (48,799) |
| Other income | 3,021 | 1,519 | 12,477 | 3,630 |
| | <u>(43,703)</u> | <u>(17,995)</u> | <u>(19,365)</u> | <u>4,441</u> |
| Net loss and comprehensive loss | (429,860) | (993,211) | (1,497,609) | (3,049,922) |
| Deficit, beginning of period | (16,393,495) | (13,378,986) | (15,258,880) | (11,322,275) |
| Changes in accounting policy | | | (66,866) | |
| Deficit, end of period | <u>(16,823,355)</u> | <u>(14,372,197)</u> | <u>(16,823,355)</u> | <u>(14,372,197)</u> |
| Basic and diluted loss per share | (0.01) | (0.02) | (0.03) | (0.07) |
| Weighted average shares outstanding | 48,380,163 | 44,919,251 | 47,175,982 | 44,840,640 |

See accompanying notes to interim consolidated financial statements.

CRH MEDICAL CORPORATION

Interim Consolidated Statements of Cash Flows
(Unaudited)
(Expressed in United States dollars)

| | Three months ended | | Nine months ended | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 30, 2009 | September 30, 2008 | September 30, 2009 | September 30, 2008 |
| Cash provided by (used in): | | | | |
| Operations: | | | | |
| Net loss | \$ (429,860) | \$ (993,211) | \$ (1,497,609) | \$ (3,049,922) |
| Items not involving cash: | | | | |
| Depreciation and amortization | 67,186 | 88,433 | 185,238 | 264,025 |
| Foreign exchange (gain) loss | (10,037) | (781) | (3,002) | 263 |
| Amortization of deferred leasehold inducements | (10,357) | (9,079) | (31,070) | (27,237) |
| Stock-based compensation | 180,796 | 224,267 | 590,132 | 751,232 |
| Adjustment to reconcile net loss to net cash used in operating activities: | | | | |
| Accounts receivable | 105,044 | (282,606) | 10,013 | (759,402) |
| Inventory | 53,172 | (4,308) | 14,751 | (27,261) |
| Prepaid expenses and deposits | 39,222 | 49,226 | 74,019 | 140,422 |
| Accounts payable and accrued liabilities | (66,949) | (113,889) | 251,583 | 187,306 |
| | (71,783) | (1,041,948) | (405,944) | (2,520,574) |
| Financing: | | | | |
| Proceeds from loan | - | - | 225,000 | - |
| Repayment of loan | - | - | (350,000) | - |
| Proceeds from issuance of common shares and warrants net of issuance cost | - | - | 1,763,923 | - |
| Exercise of agent warrants | 19,500 | - | 19,500 | - |
| Exercise of stock options | - | 13,936 | 114,569 | 67,714 |
| | 19,500 | 13,936 | 1,772,992 | 67,714 |
| Investments: | | | | |
| Purchase of property and equipment | 8,033 | (5,965) | (34,583) | (136,320) |
| Foreign exchange gain (loss) on cash and cash equivalents | | | | |
| | 10,037 | 781 | 3,002 | (263) |
| Decrease in cash and cash equivalents | (34,213) | (1,033,196) | 1,335,467 | (2,589,443) |
| Cash and cash equivalents, beginning of period | 1,609,017 | 1,975,571 | 239,337 | 3,531,818 |
| Cash and cash equivalents, end of period | \$ 1,574,804 | \$ 942,375 | \$ 1,574,804 | \$ 942,375 |
| Supplementary cash flow information: | | | | |
| Inter Interest received | \$ - | \$ 10,723 | \$ - | \$ 44,960 |

See accompanying notes to interim consolidated financial statements.

CRH MEDICAL CORPORATION

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

Three and nine months ended September 30, 2009 and 2008

1. Nature of operations and future operations:

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. Going concern:

The Company has financed its cash requirements primarily from share issuances. The Company's ability to realize the carrying value of its assets is dependent on successfully marketing its products and achieving future profitable operations, the outcome of which cannot be predicted at this time.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company has sustained continuing losses since its formation and at September 30, 2009 had a deficit of \$16,823,355. On April 7, 2009, the Company closed a private placement financing with net proceeds totaling approximately \$1.7 million (note 6 (a)). The Company has reduced expenditures by closing under performing Centers and reducing fixed operating costs at its remaining Centers. Additional financing may be required in the future to fund operations until the Company is profitable. There is no assurance that such funding will be available or obtained on favorable terms. If the Company is unable to become profitable and additional funding was not available there would be substantial doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not include the adjustments that would be necessary should the Company be unable to continue as a going concern.

3. Basis of presentation:

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP) for interim financial information and follow the same accounting policies and methods of application as the most recent audited consolidated financial statements of the Company for the year ended December 31, 2008. These interim consolidated financial statements do not include all the information and note disclosures required by Canadian GAAP for annual financial statements and therefore should be read in conjunction with the Company's audited consolidated financial statements and the notes thereto for the year ended December 31, 2008. In management's opinion, all adjustments considered necessary for fair presentation have been included in these financial statements. Interim results are not necessarily indicative of the results expected for the fiscal year. Certain comparative figures have been reclassified to conform to the current period's presentation.

CRH MEDICAL CORPORATION

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

Three and nine months ended September 30, 2009 and 2008

4. Adoption of new accounting standards:

(a) Change in Accounting Policy

(i) Goodwill and intangible assets:

On January 1, 2009, the Company retrospectively adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3064, Goodwill and Intangible Assets, which replaced Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. The new standard, which applies to fiscal years beginning on or after October 1, 2008, clarifies the recognition of intangible assets, including internally generated assets. The standard reinforces the principle-based approach to the recognition of assets only in accordance with the definition of an asset and the criteria for asset recognition. The standard also provides guidance on the recognition and measurement of internally generated assets, including assets developed from research and development activities, ensuring consistent treatment of all intangible assets, whether separately acquired or internally developed.

Upon adoption of this new standard, patent costs previously capitalized did not meet the new criteria for capitalization. The impact on the financial position of the Company was a decrease in intangible assets and an increase in deficit at December 31, 2008 and 2007 of \$66,865 and \$59,530, respectively, relating to patent costs capitalized in prior periods. The impact on the consolidated statements of operations and comprehensive loss for the nine months ended September 30, 2008, would be a decrease in amortization of \$4,266 resulting in an overall decrease in net loss of \$4,266.

(b) Future changes in accounting policies:

(i) International Financial Reporting Standards ("IFRS"):

In 2005, the Accounting Standards Board announced that Canadian Generally Accepted Accounting Principles are to be converged with IFRS. On February 13, 2008 the CICA confirmed that the use of IFRS is required for fiscal years beginning on or after January 1, 2011, with appropriate comparative data from the prior year.

Under IFRS there is significantly more disclosure required, specifically for interim reporting. In addition, while IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policies that must be addressed. While the Company has commenced accessing the adoption of IFRS for its fiscal year beginning January 1, 2011, the financial impact of the transition to IFRS cannot be reasonably estimated at this time.

CRH MEDICAL CORPORATION

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

Three and nine months ended September 30, 2009 and 2008

5. Inventories:

| | September, 2009 | December 31, 2008 |
|----------------------------|--------------------|----------------------|
| Finished goods | \$ 34,739 | \$49,490 |
| Provision for obsolescence | - | - |
| | <u>\$ 34,739</u> | <u>\$49,490</u> |

During the three and nine months ended September 30, 2009 the write-down of inventories to net realizable value amounted to nil (2008 - nil). During the three and six months ended September 30, 2009 the reversal of write-downs amounted to nil (2008 - nil).

6. Share capital:

(a) On April 7, 2009, the Company closed a private placement financing for gross proceeds of \$1.86 million, consisting of 2,948,719 units at a price of CAD\$0.78 for each unit, before share issuance costs of approximately \$90,000, for net proceeds of approximately \$1.77 million. Each unit consists of one common share and one common share purchase warrant. Each full warrant is exercisable for one common share at a price of CAD\$1.00 per share. The warrants may be exercised through April 6, 2012, except that if over a period of 20 consecutive trading days between August 7, 2009 and April 6, 2012, the daily average trading price of the common shares exceeds \$2.50 on each of those 20 consecutive days, the Company may give notice in writing to the Warrant holders that the Warrants shall expire on the 20th day following the giving of such notice unless exercised by the holders prior to such date. The Company also issued 136,436 non-transferable agent warrants, exercisable at a price of CAD\$0.78 for a period of 24 months from closing.

(b) Authorized:

100,000,000 common shares without par value

(c) Issued:

| | Shares | Amount | Contributed Amount |
|----------------------------------|-------------------|----------------------|-----------------------|
| Balance, December 31, 2008 | 44,939,251 | \$ 15,022,822 | \$ 3,336,161 |
| Issued for cash | 2,948,719 | 1,858,887 | - |
| Issued for financing fees | 145,710 | (91,856) | 91,856 |
| Share issue costs | - | (94,964) | - |
| Issued on options exercised | 345,000 | 185,733 | (71,164) |
| Issued on conversion of warrants | 27,287 | 27,139 | (7,640) |
| Stock-based compensation | - | - | 590,131 |
| Balance, September 30, 2009 | <u>48,405,967</u> | <u>\$ 16,907,761</u> | <u>\$ 3,939,344</u> |

CRH MEDICAL CORPORATION

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

Three and nine months ended September 30, 2009 and 2008

6. Share capital (continued):

(c) Stock option plan:

Changes during the nine month period ended September 30, 2009 are as follows:

| | Number of Options | Weighted average exercise price | |
|---------------------------------|----------------------|------------------------------------|---------|
| | | CAD | USD |
| Outstanding, beginning of year | 2,900,000 | \$ 1.93 | \$ 1.59 |
| Granted | 1,725,000 | 0.94 | 0.88 |
| Exercised | (345,000) | 0.41 | 0.38 |
| Forfeited and expired | (68,500) | 2.14 | 2.00 |
| Outstanding, September 30, 2009 | 4,211,500 | \$ 1.65 | \$ 1.54 |

The following table summarizes information about the stock options outstanding at September 30, 2009:

| Exercise price | | Number of options | Weighted average remaining life in years | Options outstanding | | Options exercisable | | |
|-------------------|-------------------|----------------------|---|--|--|----------------------|--|--|
| USD | CDN | | | Weighted average exercise price USD | Weighted average exercise price CDN | Number of options | Weighted average exercise price USD | Weighted average exercise price CDN |
| \$ 0.39 - \$ 0.56 | \$ 0.45 - \$ 0.65 | 1,492,875 | 3.86 | \$ 0.58 | \$ 0.62 | \$ 363,511 | \$ 0.50 | \$ 0.54 |
| \$ 1.29 - \$ 1.92 | \$ 1.50 - \$ 2.23 | 1,421,500 | 3.13 | \$ 1.86 | \$ 1.99 | \$ 686,255 | \$ 1.58 | \$ 1.69 |
| \$ 2.11 - \$ 2.84 | \$ 2.45 - \$ 3.30 | 1,297,125 | 2.34 | \$ 2.30 | \$ 2.47 | \$ 865,825 | \$ 2.40 | \$ 2.57 |
| | | 4,211,500 | 3.15 | 1.54 | 1.65 | 1,915,591 | 1.75 | 1.87 |

For the nine months ended September 30, 2009, the Company recognized \$590,131 (2008 - \$751,232) in compensation expense as a result of stock options awarded and vested. Compensation expense is recorded in the consolidated statement of operations and was allocated as \$125,530 (2008 - \$246,380) to Center operations, \$119,181 (2008 - \$107,104) to medical products, and \$345,420 (2008 - \$397,748) to corporate expenses on the same basis as the allocations of cash compensation.

The weighted average fair value of stock options granted during the nine month periods ended September 30, 2009 and 2008 was \$0.50 and \$1.32 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:

| | 2009 | 2008 |
|--------------------------|--------------|------------|
| Expected life of options | 4 years | 4 years |
| Risk-free interest rate | 1.52 - 2.24% | 2.9 - 3.3% |
| Dividend yield | 0% | 0% |
| Volatility | 80% - 91% | 87% - 91% |

CRH MEDICAL CORPORATION

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

Three and nine months ended September 30, 2009 and 2008

6. Share capital (continued):

(d) Common share purchase warrants

Changes during the nine month period ended September 30, 2009 are as follows:

| | Number of Warrants | Weighted average exercise price | |
|---------------------------------|-----------------------|------------------------------------|---------|
| | | CAD | USD |
| Outstanding, beginning of year | - | \$ - | \$ - |
| Granted | 2,948,719 | 1.00 | 0.93 |
| Exercised | - | - | - |
| Forfeited and expired | - | - | - |
| Outstanding, September 30, 2009 | 2,948,719 | \$ 1.00 | \$ 0.93 |

(e) Agent warrants

Changes during the nine month period ended September 30, 2009 are as follows:

| | Number of Warrants | Weighted average exercise price | |
|---------------------------------|-----------------------|------------------------------------|---------|
| | | CAD | USD |
| Outstanding, beginning of year | - | \$ - | \$ - |
| Granted | 136,436 | 0.78 | 0.73 |
| Exercised | (27,287) | 0.78 | 0.73 |
| Forfeited and expired | - | - | - |
| Outstanding, September 30, 2009 | 109,149 | \$ 0.78 | \$ 0.73 |

7. Capital disclosures:

The Company's objective in managing capital is to safeguard its ability to continue as a going concern and to sustain future development of the business. In the management of capital, the Company includes shareholders' equity, excluding accumulated other comprehensive income. The Company's objective is met by retaining adequate equity to provide for the possibility that cash flows from assets will not be sufficient to meet future cash flow requirements. In order to maintain or adjust its capital structure, the Company may issue new shares. At this time the Company has not paid dividends to its shareholders. The Board of Directors does not establish quantitative return on capital criteria for management. The Company is not subject to any externally imposed capital requirements and the Company's overall strategy with respect to capital management remains unchanged from the year ended December 31, 2008.

CRH MEDICAL CORPORATION

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

Three and nine months ended September 30, 2009 and 2008

8. Financial instruments:

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities. The fair values of these financial instruments approximate carrying value because of their short-term nature.

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk and market risk.

(a) Credit risk:

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash and cash equivalents, and accounts receivable. The carrying amount of the financial assets represents the maximum credit exposure.

The Company limits its exposure to credit risk on cash and cash equivalents by placing these financial instruments with high-credit quality financial institutions and only investing in liquid, investment grade securities.

The Company has a number of individual customers and no one customer represents a concentration of credit risk.

The carrying amount of accounts receivable is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement within operating expenses. When a receivable balance is considered uncollectible it is written off against the allowance. Subsequent recoveries of amounts previously written off are credited against operating expenses in the income statement.

Although no single patient or physician accounts for more than 10% of the Company's consolidated revenue, 54% of the Company's revenue is ultimately collected from five of the largest U.S. healthcare insurance companies, including Medicare, who insure our patients. Credit risk associated with the collection of receivables from these insurance companies is considered low.

The following table sets forth details of the age of receivables that are not overdue as well as an analysis of overdue amounts and related allowance for the doubtful accounts.

| | |
|---------------------------------------|--------------|
| Total accounts receivable | \$ 1,808,004 |
| Less: allowance for doubtful accounts | 312,664 |
| <hr/> | |
| Total accounts receivable, net | \$ 1,495,340 |

CRH MEDICAL CORPORATION

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

Three and nine months ended September 30, 2009 and 2008

8. Financial instruments (continued):

| | | |
|---------------------------|--|--------------|
| Of which: | | |
| Current | | \$ 465,253 |
| Less than 60 days | | 183,787 |
| Less than 90 days | | 148,049 |
| Less than 120 days | | 165,747 |
| 120 days or greater | | 845,168 |
| <hr/> | | |
| Total accounts receivable | | \$ 1,808,004 |

(b) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages its liquidity risk by monitoring forecasted and actual cash flows, as well as anticipated investing and financing activities. The majority of the Company's financial liabilities are due within ninety days. The Company does not have long-term financial liabilities.

(c) Market risk:

Market risk is the risk that changes in market prices, such as foreign currency exchange rates and interest rates will affect the Company's income or the value of the financial instruments held.

(i) Foreign currency risk:

The majority of the Company's sales and purchases are made in U.S. dollars. However, certain of the Company's revenues and expenses are denominated in Canadian dollars. Foreign currency risk reflects the risk that the Company's earnings will be impacted by fluctuations in exchange rates. During the nine months ended September 30, 2009 approximately 1.4% of the Company's sales were made in Canadian dollars and approximately 15% of expenses were incurred in Canadian dollars. With all other variables held constant, a ten percentage point increase in the value of the Canadian dollar relative to the U.S. dollar would have reduced net loss by approximately \$96,000 for the nine months ended September 30, 2009.

At September 30, 2009, the Company has Canadian dollar denominated accounts receivable which is offset by Canadian dollar denominated accounts payable. Foreign exchange gains and losses arising from the revaluation of these balances are included in earnings. With all other variables held constant, a ten percentage point increase in the value of the Canadian dollar relative to the U.S. dollar would have decreased net loss by approximately \$26,000 at September 30, 2009.

The objective of the Company's foreign exchange risk management activities is to minimize transaction exposures and the resulting volatility of the Company's earnings.

CRH MEDICAL CORPORATION

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

Three and nine months ended September 30, 2009 and 2008

8. Financial instruments (continued):

(i) Foreign currency risk (continued):

The Company manages this risk by pricing sales in U.S. dollars or the currency of the expenses being incurred, and by reducing the exposure of liabilities denominated in Canadian dollars with Canadian dollar denominated assets. The Company has not entered into any forward foreign exchange contracts.

The Company is exposed to the following currency risk at September 30, 2009:

| (Expressed in US dollar equivalent) | CAD |
|--|----------|
| Cash and cash equivalents | \$ 3,969 |
| Accounts receivable | 19,282 |
| Accounts payable and other liabilities | 242,854 |

9. 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 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.

Under the Articles of the Company, applicable law and agreements with its directors and officers, the Company, in circumstances where the individual has reasonable grounds for believing that he acted legally, and acted honestly and in good faith is required to indemnify its directors and officers against certain losses. The Company's liability in respect of the indemnities is not limited. The maximum potential of the future payments is unlimited. However, the Company maintains appropriate liability insurance that limits the exposure and enables the Company to recover any future amounts paid, less any deductible amounts pursuant to the terms of the respective policy. The Company's policy limits the amount of recovery to \$5,000,000, with a \$50,000 retention. There is a no retention for non-indemnified losses which protects the directors and officers if the corporation is unable to indemnify or is not permitted or required to indemnify.

10. Segmented information:

The Company organizes its business into three operating segments: sales of medical products, Center operations, and other activities related to the public parent corporation. Transactions between reportable segments have been eliminated. The business segments are presented as follows:

CRH MEDICAL CORPORATION

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

Three and nine months ended September 30, 2009 and 2008

10. Segmented information (continued):

Nine months ended September 30, 2009

| | | Center Medical products | Center operations and development | Corporate and other | Total |
|-------------------------------|--------------|----------------------------|---|------------------------|-------|
| Sales | \$ 1,289,649 | \$ 4,054,951 | \$ - | \$ 5,344,600 | |
| Depreciation and amortization | (37,748) | (107,861) | (39,629) | (185,238) | |
| Stock-based compensation | (119,182) | (125,530) | (345,420) | (590,132) | |
| Expenses | (696,203) | (4,363,393) | (987,878) | (6,047,474) | |
| Other | 12,477 | | (31,842) | (19,365) | |
| Net income (loss) | \$ 448,994 | \$ (541,833) | \$ (1,404,770) | \$ (1,497,609) | |
| Capital expenditures | \$ 41,935 | \$ 1,042 | \$ 2,270 | \$ 45,247 | |
| Intellectual property | \$ 213,600 | \$ - | \$ 333,372 | \$ 546,972 | |
| Property and equipment | \$ 123,574 | \$ 585,109 | \$ 13,028 | \$ 721,711 | |
| Total assets | \$ 618,972 | \$ 1,952,740 | \$ 1,961,775 | \$ 4,533,487 | |

Nine months ended September 30, 2008

| | | Center Medical products | Center operations and development | Corporate and other | Total |
|-------------------------------|-------------|----------------------------|---|------------------------|-------|
| Sales | \$ 371,365 | \$ 4,587,610 | \$ - | \$ 4,958,975 | |
| Depreciation and amortization | (8,115) | (194,479) | (61,431) | (264,025) | |
| Stock-based compensation | (107,104) | (246,380) | (397,748) | (751,232) | |
| Expenses | (325,240) | (5,308,568) | (1,364,274) | (6,998,082) | |
| Other | 3,630 | | 811 | 4,441 | |
| Net income (loss) | \$ (65,464) | \$ (1,161,817) | \$ (1,822,642) | \$ (3,049,923) | |
| Capital expenditures | \$ 88,836 | \$ 45,831 | \$ 1,653 | \$ 136,320 | |
| Intellectual property | \$ 230,645 | | \$ 380,452 | \$ 611,097 | |
| Property and equipment | \$ 120,847 | \$ 673,673 | \$ 13,500 | \$ 808,020 | |
| Total assets | \$ 475,177 | \$ 2,382,725 | \$ 1,417,457 | \$ 4,275,359 | |

CRH MEDICAL CORPORATION

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

Three and nine months ended September 30, 2009 and 2008

10. Segmented information (continued):

Three months ended September 30, 2009

| | | Center Medical operations and products development | Corporate and other | Total |
|-------------------------------|------------|--|------------------------|--------------|
| Sales | \$ 473,985 | \$ 1,281,376 | \$ - | \$ 1,755,361 |
| Depreciation and amortization | (16,087) | (35,954) | (15,144) | (67,186) |
| Stock-based compensation | (49,084) | (27,495) | (104,217) | (180,796) |
| Expenses | (232,825) | (1,368,480) | (292,231) | (1,893,536) |
| Other | 3,021 | - | (46,724) | (43,703) |
| Net income (loss) | \$ 179,010 | \$ (150,552) | \$ (458,316) | \$ (429,859) |
| Capital expenditures | \$ 3,328 | \$ 198 | \$ 180 | \$ 3,706 |
| Intellectual property | \$ 213,600 | \$ - | \$ 333,372 | \$ 546,972 |
| Property and equipment | \$ 123,574 | \$ 585,109 | \$ 13,028 | \$ 721,711 |
| Total assets | \$ 618,972 | \$ 1,952,740 | \$ 1,961,775 | \$ 4,533,487 |

Three months ended September 30, 2008

| | | Center Medical operations and products development | Corporate and other | Total |
|-------------------------------|-------------|--|------------------------|--------------|
| Sales | \$ 167,672 | \$ 1,789,970 | \$ - | \$ 1,957,642 |
| Depreciation and amortization | (2,620) | (65,250) | (20,563) | (88,433) |
| Stock-based compensation | (39,837) | (76,134) | (108,296) | (224,267) |
| Expenses | (177,575) | (2,042,593) | (399,991) | (2,620,159) |
| Other | 3,630 | - | (21,625) | (17,995) |
| Net income (loss) | \$ (48,730) | \$ (394,007) | \$ (550,475) | \$ (993,212) |
| Capital expenditures | \$ - | \$ 5,965 | \$ - | \$ 5,965 |
| Intellectual property | \$ 230,645 | \$ - | \$ 380,452 | \$ 611,097 |
| Property and equipment | \$ 120,847 | \$ 673,673 | \$ 13,500 | \$ 808,020 |
| Total assets | \$ 475,177 | \$ 2,382,725 | \$ 1,417,457 | \$ 4,275,359 |

CRH MEDICAL CORPORATION

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

Three and nine months ended September 30, 2009 and 2008

10. Segmented information (continued):

For the nine month period ended September 30, 2009 and 2008, substantially all of the Company's revenues were generated in the United States and no customers accounted for 10% or more of total sales.

At September 30, 2009 and 2008, substantially all of the Company's property and equipment were located in the United States.

