CRH Medical Corporation

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First Quarter Ended March 31, 2012
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 or www.sedar.com, or email us at info@crhmedcorp.com.

CRH MEDICAL CORPORATION

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2012

The following discussion and analysis should be read in conjunction with CRH Medical Corporation's (the "Company" or "CRH") unaudited consolidated financial statements for the three months ended March 31, 2012 and 2011 and the annual consolidated financial statements and the corresponding notes thereto for the year ended December 31, 2011. The unaudited 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 April 25, 2012.

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 prior years 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 facilitated the Company 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 March 31, 2012 were $1,691,507 compared to $1,249,835 for the three months ended March 31, 2011. The increase in revenue is the result of the Company's sales of its CRH O'Regan System direct to physicians. The Company's direct to physician program 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. As of March 31, 2012 the Company has trained 1,120 physicians to use the O'Regan System, representing 370 clinical practices. This compares to 833 physicians trained, representing 260 clinical practices, as of March 31, 2011. In the future, the Company expects revenue from product sales to continue to increase as we expand our physician network and increase physician use of our technology.

Expenses

Medical product expenses for the three months ended March 31, 2012 were $873,706 compared to $682,794 for the three months ended March 31, 2011. The increase in medical product expenses is a result of the increase in product sales, physician marketing expenses to enhance demand for trainings, and practice support initiatives to increase physician use of our technology. Medical product expenses primarily include employee wages, product cost and support, marketing, office expenses, professional fees, and insurance. Medical product expenses also include non-cash stock based compensation and depreciation totaling $71,466 for the three months ended March 31, 2012 compared to $64,649 for the three months ended March 31, 2011. In the future, the Company expects to continue to invest in activities to increase demand for trainings and use of the CRH O'Regan System.

Corporate and other expenses for the three months ended March 31, 2012 were $447,316 compared to $471,081 for the three months ended March 31, 2011. Corporate and other expenses include non-cash stock based compensation and depreciation totaling $78,284 for the three months ended March 31, 2012 compared to $83,115 for the three months ended March 31, 2011. In the future, the Company expects corporate and other expenses of its current business to remain relatively constant.

Net income (loss)

For the three months ended March 31, 2012, the Company recorded net income of $370,485 ($0.008 income per share basic and diluted) compared to a net income of $66,369 ($0.001 income per share basis and diluted) for the three months ended March 31, 2011.

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.

						Net income (loss) and comprehensive income (loss) per share				
Quarter ending	**Revenue**	**Total expenses and other items**	**Income (loss) from continuing operations**	**Income (loss) from discontinued operations**	**Income (loss) for the period**	**Continuing operations basic**	**Continuing operations diluted**	**Discontinued operations basic and diluted**	**Net income basic**	**Net income diluted**
06/30/10	864,611	970,387	(105,776)	(358,580)	(464,356)	(0.002)	-	(0.007)	(0.010)	-
09/30/10	927,775	933,048	(5,273)	(223,646)	(228,919)	(0.000)	-	(0.005)	(0.005)	-
12/31/10	1,137,110	1,027,304	109,806	(732,466)	(622,660)	0.002	0.002	(0.025)	(0.023)	-
03/31/11	1,249,835	1,153,875	95,960	(29,591)	66,369	0.002	0.002	(0.001)	0.001	0.001
06/30/11	1,356,164	1,117,539	238,625	43,686	282,311	0.005	0.004	(0.002)	0.006	0.005
09/30/11	1,399,190	1,115,249	283,941	17,146	301,087	0.006	0.006	0.000	0.006	0.006
12/31/11	1,528,244	991,250	536,994	11,384	548,378	0.011	0.011	0.004	0.012	0.012
03/31/12	1,691,507	1,321,022	370,485	-	370,485	0.008	0.008	-	0.008	0.008

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

- 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 three months ended December 31, 2010 includes onetime discontinuation cost of $266,795 and an asset impairment charge of $243,896.
- During the fourth quarter of 2011 the Company made a change in its estimate of 2011 stock compensation calculation which resulted in a one-time recovery of $73,021 in stock compensation. If this change in estimate to stock compensations was retroactively applied to previously reported quarters, income for each quarter would have been:

	03/30/11	06/30/11	09/30/11	12/31/11
Income (loss) for the period	160,011	311,339	340,014	386,781

- For the three months ended March 31, 2012 the company recorded $139,178 in stock compensation expense resulting in a quarter over quarter increase in stock compensation expense of $217,497.

The 2010 historical losses reported are primarily the result of the cost to operate the Centers in addition to corporate and other expenses.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2012, the Company had $3,356,997 in cash and cash equivalents compared to $2,867,296 at the end of 2011. At March 31, 2012, working capital was $4,020,839 compared to working capital of $3,502,591 as at December 31, 2011.

The Company has financed its operations primarily from revenues generated from product sales, its Centers, a line of credit against certain of our account receivables, and though equity financings. As of March 31, 2012, the Company has raised approximately $17 million from the sale and issuance of equity securities. Although the Company has recorded net income for the past five consecutive quarters ending March 31, 2012, the Company has incurred historical losses, and as at March 31, 2012 had an accumulated deficit of $17,859,414. The Company expects that going forward cash from operating activities will be positive and will be sufficient to fund the current business.

Operating Activities

Cash provided by operating activities was a positive $491,686 compared to a $60,231 for the three months ended March 31, 2011.

As at March 31, 2012, the Company has no material contractual obligations.

OUTSTANDING SHARE CAPITAL

As at March 31, 2012, there were 48,746,914 common shares issued and outstanding for a total of $17,181,474 in share capital.

As at March 31, 2012, there were 4,696,000 options outstanding (of which 2,149,886 were exercisable into common shares) issuable upon the exercise of outstanding stock options, at a weighted-average exercise price of $1.07 per share, and 43,176 common shares reserved for future grant or issuance under the Company's stock option plan.

As at April 25, 2012 there were 48,746,914 common shares issued and outstanding for a total of $17,181,474 in share capital, there are 4,696,000 options outstanding (of which 2,229,576 were exercisable) into common shares issuable upon the exercise of outstanding stock options at a weighted-average exercise price of $1.07 per share and 43,176 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

Balances and transactions between the Company and its wholly owned subsidiary have been eliminated on consolidation and are not disclosed. Details of the transaction between the Company and other related parties are disclosed below:

The Company paid or accrued fees of $24,760 (2011 - $23,576) to Directors of the Company. Additionally, the Company made product sales totaling $32,080 (2011 - $32,811) to three companies owned or controlled by three of the Company's Directors. These transactions are measured at the exchange amount being the amount of consideration established and agreed to by the related parties.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that material information required to be disclosed in the prescribed filings and reports filed with the Canadian securities regulatory authorities is recorded, processed, summarized and reported on a timely basis. Controls are also designed to provide reasonable assurance that information required to be disclosed is assimilated and communicated to senior management in a timely manner so that appropriate decisions can be made regarding public disclosure. The Company's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures and concluded that they provide reasonable assurance that material information relating to the Company was made known to them and reported as required.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance 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**:**

The Company's intangible assets are comprised of purchased technology, patents and licenses. The cost of the Company's intangible assets is amortized on a straight-line basis over the estimated useful life ranging from 15 to 20 years. Factors considered in estimating the useful life of intangible assets include the expected use of the asset by the Company, legal, regulatory and contractual provisions that may limit the useful life, and the effects of competition. Costs incurred to establish and maintain patents for intellectual property developed internally are expensed in the period incurred.

The Company reviews the carrying value of long-lived assets for impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In accordance with IFRS, these evaluations consist of comparing each asset's carrying value with the estimated discounted future net cash flows expected to be generated by the asset. Impairment is considered to exist if the total estimated future discounted cash flows are less than the carrying amount of the assets. The resulting impairment loss is measured and recorded based on the difference between future discounted cash flows and book value.

In accordance with IFRS if, subsequent to impairment, an asset's discounted future net cash flows exceeds its book value, the impairment previously recognized can be reversed. However, the asset's book value cannot exceed what its amortized book value would have been had the impairment not been recognized.

For the period ending March 31, 2012, the Company has not recorded any impairment losses.

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

The Company uses the fair-value based method of accounting for share-based compensation for all awards of shares and share options granted. Under the fair value based method, share-based awards to employees are measured at the fair value of the equity instrument issued as of the grant date using the Black-Scholes model and estimated forfeitures. The application of this pricing model requires management to estimate several variables, including the period for which the instrument is expected to be outstanding, price volatility of the Company's stock over the relevant timeframe, the determination of a relevant risk free interest rate, assumption regarding the Company's future dividend rate policy and estimate of the number of awards that will vest. Changes in one or more assumptions could materially impact the value derived for these equity instruments.

CONVERSION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

Effective January 1, 2011, Canadian publicly listed entities are required to prepare their financial statements in accordance with IFRS. Due to the requirement to present comparative financial information, the effective transition date is January 1, 2010. The Company's financial statements for 2011 are the first reporting periods to be prepared in accordance with IFRS.

To ensure accurate and efficient reporting under IFRS, the Company implemented an IFRS conversion plan which was designed to identify differences between previous Canadian GAAP and IFRS that affect the Company and any required changes to accounting processes and controls (including information technology systems). No significant impacts were identified in relation to the Company's information systems or day-to-day accounting processes and controls. The Company reviewed its disclosure controls and procedures and updated these as required to ensure that they are appropriate for reporting under IFRS. Reporting in accordance with IFRS has now been embedded into the Company's systems and procedures.

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. 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.

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.

Consolidated Financial Statements of

CRH MEDICAL CORPORATION

(Unaudited)

Three-month periods ended March 31, 2012 and 2011

Notice of no auditor review of Interim Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

CRH MEDICAL CORPORATION

Consolidated Statement of Financial Position
(Unaudited)

As at March 31, 2012 and December 31, 2011
(Expressed in United States dollars)

	March 31, 2012	December 31, 2011
Assets		
Current Assets		
Cash and cash equivalents	$ 3,356,997	$ 2,867,296
Trade and other receivables	559,190	487,196
Prepaid expenses and deposits	136,245	119,633
Inventories	386,356	310,488
	4,438,788	3,784,613
Non-Current Assets		
Property and equipment	97,016	105,601
Intangible assets	205,564	205,564
	302,580	311,165
Total Assets	$ 4,741,368	$ 4,095,778
Liabilities		
Current Liabilities		
Trade and other payables	$ 149,132	$ 123,068
Other financial liabilities	134,639	114,366
Employee benefits	134,177	44,588
Total Liabilities	417,949	282,022
Shareholders' Equity		
Share Capital	17,181,474	17,181,474
Contributed surplus	5,068,131	4,928,953
Accumulated other comprehensive income	(66,772)	(66,772)
Deficit	(17,859,414)	(18,229,899)
Total Shareholders' Equity	4,323,419	3,813,756
Total Liabilities and Shareholders' Equity	$ 4,741,368	$ 4,095,778

See accompanying notes to the consolidated financial statements.

On behalf of the Board,

"Edward Wright"
Edward Wright - Director

"Anthony Holler"
Anthony Holler - Director

CRH MEDICAL CORPORATION

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

Three-month periods ended March 31, 2012 and 2011

(Expressed in United States dollars)

	March 31, 2012	March 31, 2011
Revenue		
Products sales	$ 1,688,502	$ 1,245,439
Other income	3,005	4,396
	1,691,507	1,249,835
Product sales expense	873,706	682,794
Corporate expense	447,316	471,081
	1,321,022	1,153,875
Income (loss) from continuing operations	$ 370,485	$ 95,960
Income (loss) from discontinued operations	-	(29,591)
Net income (loss) and comprehensive income (loss)	$ 370,485	$ 66,369
Net income (loss) per share		
Continuing operations basic	$ 0.008	$ 0.002
Continuing operations diluted	0.008	-
Discontinued operations basic	-	(0.001)
Discontinued operations diluted	-	-
Net income (loss) per share basic	0.008	0.001
Net income (loss) per share diluted	$ 0.008	$ 0.001
Weighted average shares outstanding		
Basic	48,746,587	48,745,790
Diluted	48,901,513	53,407,295

See accompanying notes to the consolidated financial statements.

CRH MEDICAL CORPORATION

Consolidated Statement of Changes in Equity (Unaudited)

Three-month periods ended March 31, 2012 and 2011
(Expressed in United States dollars)

	Number of Shares	Share Capital	Contributed surplus	Accumulated and other comprehensive income	Deficit	Total
Balance as of December 31, 2010	48,745,790	$17,180,460	$ 4,651,957	$ (66,772)	$(19,428,044)	$ 2,337,601
Total comprehensive loss for the period:	-	-	-	-	66,369	66,369
Transactions with owners, recorded directly in equity:						
Share-based compensation for stock option plan	-		129,813	-	-	129,813
Balance as of March 31, 2011	48,745,790	17,180,460	4,781,770	(66,772)	(19,361,675)	2,533,783
Balance as at December 31, 2011	48,746,914	$17,181,474	$4,928,953	$ (66,772)	$(18,229,899)	$3,813,756.0
Total comprehensive income for the period:					370,485	370,485
Transactions with owners, recorded directly in equity:						
Share-based compensation for stock option plan	-	-	139,178	-	-	139,178
Balance as at March 31, 2012	48,746,914	17,181,474	5,068,131	(66,772)	(17,859,414)	4,323,419

See accompanying notes to the consolidated financial statements

CRH MEDICAL CORPORATION

Consolidated Statement of Cash Flows
(Unaudited)

Three-month periods ended March 31, 2012 and 2011
(Expressed in United States dollars)

	March 31, 2012	March 31, 2011
Operating activities:		
Net Income (loss) from continuing operations	$ 370,485	$ 95,960
Adjustments for:		
Depreciation of property, equipment and intangibles	10,570	17,951
Share based compensation	139,178	129,813
Operating activity before changes in operating assets and liabilities	520,234	243,724
Change in trade and other receivables	(71,994)	(7,388)
Change in prepaid expenses and deposits	(16,612)	17,973
Change in inventories	(75,868)	65,587
Change in trade and other payables	26,064	(34,542)
Change in other financial liabilities	20,273	(10,919)
Change in employee benefits	89,589	(135,167)
Cash provided in operating activities of continuing operations	491,686	139,268
Cash used in operating activities of discontinued operations	-	(79,037)
Cash provided (used) in operating activities	491,686	60,231
Investments		
Acquisition of property and equipment	(1,985)	(1,191)
Cash used in investment activities	(1,985)	(1,191)
Increase in cash and cash equivalents	489,701	59,040
Cash and cash equivalents, beginning of period	2,867,296	1,792,461
Cash and cash equivalents, end of period	**$ 3,356,997**	**$ 1,851,501**

See accompanying notes to the consolidated financial statements.

(Expressed in United States dollars)

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:

These unaudited interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") 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, 2011. These interim consolidated financial statements do not include all the information and note disclosures required by IRFS 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, 2011. 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.

The consolidated financial statements were authorized for issue by the Board of Directors on April 23, 2012.

3. Product sales expense:

	2012	2011
Employee related	$ 257,298	$ 244,548
Product cost and support	456,096	277,064
Office related	31,899	46,957
Insurance	13,738	19,446
Professional fees	43,209	30,130
Depreciation	9,092	7,706
Stock based compensation	62,374	56,943
	$ 873,706	$ 682,794

(Expressed in United States dollars)

4. **Corporate expense:**

	2012	2011
Employee related	$ 206,106	$ 235,024
Travel and entertainment	23,579	22,339
Office related	45,040	43,102
Insurance	9,030	10,911
Corporate	58,524	33,449
Professional fees	26,753	43,141
Depreciation	1,479	10,245
Stock based compensation	76,805	72,870
	$ 447,316	$ 471,081

5. 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.

(Expressed in United States dollars)

5. Share capital (continued):

(b) Stock option plan (continued):

A summary of the status of the plan as of March 31, 2012 and March 31, 2011 are as follows (options are granted in CAD and USD amounts calculated using exchange rate at March 31, 2012 and March 31, 2011):

	Number of options	Weighted average exercise price CAD	Weighted average exercise price USD
Outstanding, December 31, 2011	4,697,750	$ 1.07	$ 1.05
Granted	-	-	-
Exercised	-	-	-
Forfeited and expired	(1,750)	1.50	1.50
Outstanding, March 31, 2012	4,696,000	$ 1.07	$ 1.07

	Number of options	Weighted average exercise price CAD	Weighted average exercise price USD
Outstanding, December 31, 2010	4,372,000	$ 1.55	$ 1.45
Granted	117,500	1.20	1.24
Exercised	-	-	-
Forfeited and expired	(517,500)	2.59	2.67
Outstanding, March 31, 2011	3,972,000	$ 1.61	$ 1.59

The following table summarizes information about the stock options outstanding at March 31, 2012:

Exercise price		Options outstanding				Options exercisable		
USD	CAD	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
$0.56 - $0.62	$0.56 - $0.62	1,516,000	4.69	$ 0.56	$ 0.56	95,505	$ 0.57	$ 0.56
$0.63 - $1.30	$0.63 - $1.30	1,542,500	2.08	0.74	0.74	1,060,628	0.71	0.70
$1.31 - $2.54	$1.31 - $2.53	1,637,500	1.92	1.85	1.85	993,753	1.98	1.98
		4,696,000	2.87	$ 1.07	$ 1.07	2,149,886	$ 1.29	$ 1.29

(Expressed in United States dollars)

5. Share capital (continued):

(b) Stock option plan (continued):

As at March 31, 2011:

Exercise price		Options outstanding				Options exercisable		
USD	CAD	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
$0.61 - $0.95	$0.59 - $0.93	1,280,000	2.81	$ 0.67	$ 0.65	640,315	$ 0.67	$ 0.65
$0.96 - $2.09	$0.94 - $2.03	1,350,500	3.81	1.56	1.51	248,007	1.56	1.52
$2.10 - $2.61	$2.04 - $2.53	1,341,500	1.10	2.25	2.18	1,200,910	2.24	2.18
		3,972,000	2.57	$ 1.51	$ 1.46	2,089,232	$ 1.68	$ 1.63

For the three months ended March 31, 2012, the Company recognized $139,179 (2011 - $132,813) 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 center operations and development (note 4), medical products and corporate expenses on the same basis as the allocations of cash compensation.

The weighted average fair value of stock options granted during the periods ended March 31, 2012 and 2011 was $nil and $0.79 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:

	2012	2011
Expected life of options	-	3.76 years
Risk-free interest rate	-	2.22%
Dividend yield	-	0%%
Volatility	-	70%

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

5. Share capital (continued):

(b) Stock option plan (continued):

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 March 31, 2012 and March 31, 2011.

	Number of warrants	Weighted average exercise price CAD	USD
Outstanding, December 31, 2011	2,863,719	$ 1.00	$ 0.98
Exercised	-	-	-
Outstanding, March 31, 2012	2,863,719	$ 1.00	$ 1.00

	Number of warrants	Weighted average exercise price CAD	USD
Outstanding, December 31, 2010	2,863,719	$ 1.00	$ 1.01
Exercised	-	-	-
Outstanding, March 31, 2011	2,863,719	$ 1.00	$ 1.03

The Common Share Purchase Warrants were issued as part of the financing completed in 2009. All warrants were granted in Canadian dollars and have been translated to U.S. dollars at the year-end exchange rate. On April 7, 2012 all of the outstanding Common Share Purchase Warrants expired and were not exercised.

5. Share capital (continued):

(d) Agent Warrants:

USD amounts calculated using exchange rate at March 31, 2012 and March 31, 2011.

	Number of warrants	Weighted average exercise price CAD	USD
Outstanding, December 31, 2011	200,286	$ 0.88	$ 0.87
Exercised	-	-	-
Outstanding, March 31, 2012	200,286	$ 0.88	$ 0.88

	Number of warrants	Weighted average exercise price CAD	USD
Outstanding, December 31, 2010	200,286	$ 0.88	$ 0.88
Exercised	-	-	-
Outstanding, March 31, 2011	200,286	$ 0.88	$ 0.91

The Agent Warrants were issued as part of the financing completed in 2009. All warrants were granted in Canadian dollars and have been translated to U.S. dollars at the year-end exchange rate. On April 7, 2012 all of the outstanding Agent Warrants expired and were not exercised.

(e) Earnings per share:

The calculation of basic earnings per share at March 31, 2012 was based on the net profit (loss) attributable to common shareholders of the Company of $370,485 (2011 $66,369), and a weighted average number of common shares outstanding of 48,746,587 (2011 – 48,745,790), calculated as follows:

(Expressed in United States dollars)

5. Share capital (continued):

(e) Earnings per share (continued):

	Year ending					
	2012			2011		
	Net earnings	Weighted average number of common shares outstanding	Per Share Amount	Net earnings	Weighted average number of common shares outstanding	Per Share Amount
Continuing operations:						
Earnings per common share:						
Basic	$ 370,485	48,746,587	$ 0.008	$ 95,960	48,745,790	$ 0.002
Share options		154,926			4,661,505	
Diluted	$ 370,485	48,901,513	$ 0.008	$ 95,960	53,407,295	$ 0.002
Discontinued operations:						
Earnings per common share:						
Basic	$ -	48,746,587	$ -	$ (29,591)	48,745,790	$ (0.001)
Share options		154,926			-	
Diluted	$ -	48,901,513	$ -	$ (29,591)	48,745,790	$ (0.001)
Net earnings:						
Earnings per common share:						
Basic	$ 370,485	48,746,587	$ 0.008	$ 66,369	48,745,790	$ 0.001
Share options		154,926			4,661,505	
Diluted	$ 370,485	48,901,513	$ 0.008	$ 66,369	53,407,295	$ 0.001

At March 31, 2012 4,541,074 options (2011 – 2,374,500) 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.