CRH Medical Corporation

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Financial Report

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CRH MEDICAL CORPORATION

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2011

The following discussion and analysis should be read in conjunction with CRH Medical Corporation's (the "Company" or "CRH") unaudited consolidated financial statements as at and for the three month period ended March 31, 2011 and 2010 and the audited annual consolidated financial statements and the corresponding notes thereto for the year ended December 31, 2010. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Unless otherwise specified, all financial data is presented in United States dollars. This management discussion and analysis is as of June 13, 2011.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Information included or incorporated by reference in this report may contain forward-looking statements. This information may involve known and unknown risks, uncertainties, and other factors which may cause our actual results, performance, or achievements to be materially different from the future results, performance, or achievements expressed or implied by any forward-looking statements. Forward-looking statements, which involve assumptions and describe our future plans, strategies, and expectations, are generally identifiable by use of the words "may," "will," "should," "expect," "anticipate," "estimate," "believe," "plan," "intend" or "project" or the negative of these words or other variations on these words or comparable terminology. Readers are cautioned regarding statements discussing profitability; growth strategies; anticipated trends in our industry; our future financing plans; and our anticipated needs for working capital. Actual events or results may differ materially from those discussed in forward-looking statements. There can be no assurance that the looking statements on information currently 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 not be able 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.
- The Company may not successfully market its products.
- 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.

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 first product, the O'Regan System, is a single use, disposable, hemorrhoid technology that is safe and highly effective in treating hemorrhoid grades I – IV. CRH distributes the O'Regan System, treatment protocols, operational and marketing expertise as a complete, turnkey package directly to physicians. The Company's goal is to establish the CRH O'Regan System as the standard for hemorrhoid treatment. In the future the Company expects to identify and incorporate additional products and services into its innovative distribution model.

In addition the Company operated Centers for Colorectal Health ("Centers"). On December 3, 2010 the Company closed its remaining eight Centers for Colorectal Health. The Company anticipates that the restructuring of the Company to focus solely on its rapidly growing and highly profitable direct to physician program will allow CRH to reach its goal of 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 realize 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, 2011 were $1,249,439 compared to $715,622 for the three months ended March 31, 2010. The increase in revenue is the result of the Company's sales of its CRH O'Regan System direct to physicians. In January of 2009, the Company initiated its direct to physician program that provides physicians the ability to purchase our hemorrhoid banding technology, treatment protocols, marketing and operational experience. The increase in product sales is the result of the continuing successful execution of this program. The Company trained 84 physicians for the three months ended March 31, 2011, versus 81 physicians for the three months ended March 31, 2010. As of March 31, 2011 we have a network of 809 physicians, representing 263 practices in 41 States. In the future the Company expects revenue from product sales to continue to increase as more physicians are trained.

Expenses

Product sales expenses for the three months ended March 31, 2011 were $682,794 compared to $427,906 for the three months ended March 31, 2010. The increase in product sales expenses is a result of increased sales of the Company's O'Regan System and the cost to support the additional physicians and practices we have trained. Product sales 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. Product sales expenses include non-cash expenses, stock based compensation and depreciation, totaling $64,649 for the three months ended March 31, 2011 compared to $62,392 for the three months ended March 31, 2010.

Corporate expenses for the three months ended March 31, 2011 were $471,081 compared to $496,140 for the three months ended March 31, 2010. Corporate expenses include non-cash expenses, stock based compensation and depreciation, totaling $83,115 for the three months ended March 31, 2011 compared to $101,877 for the three months ended March 31, 2010.

Profit/loss from continuing operations

For the three months ended March 31, 2011, the Company reported a profit from continuing operations of $95,960 compared to a loss of $208,424 for the three months ended March 31, 2010.

Loss from discontinued operations

In December 2010 the Company closed its remaining eight Centers for Colorectal Health and discontinued its Center Operations business segment. Loss from discontinued operations for the three months ended March 31, 2011 was $29,591 compared to $92,458 for the three months ended March 31, 2010. The loss from discontinued operations for the three months ended March 31, 2011 includes cost to wind down the Center business including collection expenses, legal and other cost to complete the closing of the Centers. The Company expects to continue to incur nominal expenses related to discontinuation operations for the remainder of 2011.

Net income/loss

For the three months ended March 31, 2011, the Company reported net income of $66,369 ($0.001 per share) compared to a net loss of $300,882 ($0.006 per share) for the three months ended March 31, 2010.

SUMMARY OF QUARTERLY RESULTS

The quarters commencing September 30, 2009 were not reviewed by the Company's auditors.

Quarter ending	Revenue	Total expenses and other items	Income (loss) from continuing operations	(Loss) from discontinued operations	Income (loss) for the period	Net income (loss) per share (basic)
June 30, 2009	492,847	737,362	(244,515)	(119,271)	(363,786)	(0.008)
Sept. 30, 2009	477,006	756,313	(279,307)	(150,553)	(429,860)	(0.010)
Dec. 31, 2009	562,602	1,167,623	(605,021)	(448,672)	(1,053,693)	(0.020)
Mar. 31, 2010	715,622	924,046	(208,424)	(92,458)	(300,882)	(0.010)
June 30, 2010	864,611	970,387	(105,776)	(358,580)	(464,356)	(0.010)
Sept. 30, 2010	927,775	933,048	(5,273)	(223,646)	(228,919)	(0.005)
Dec. 31, 2010	1,137,110	1,027,304	109,806	(732,466)	(622,660)	(0.013)
Mar. 31, 2011	1,249,835	1,153,875	95,960	25,891	66,369	0.001

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

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

The historical losses reported are primarily the result of the cost to operate the Centers in addition to corporate and other expenses. The Company expects income to continue to increase as product sales increase.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2011, the Company had $1,851,501 in cash and cash equivalents compared to $1,792,461 at December 31, 2010. At March 31, 2011, working capital was $2,192,025 compared to working capital of $1,979,082 as at December 31, 2010.

The Company has financed its operations primarily from revenues generated from its Centers, sales of products directly to physicians, a line of credit against certain of our account receivables, and though equity financings. As of March 31, 2011, the Company has raised approximately $17 million from the sale and issuance of equity securities. With the exception of the three month period ended March 31, 2011 the Company has incurred losses, and as at March 31, 2011 had an accumulated deficit of $19,361,675. The Company expects that going forward cash from operating activities will be positive and will be sufficient to fund the business.

Operating Activities

For the three months ended March 31, 2011 cash provided by operating activities was a positive $60,231 compared to a negative $214,893 for the three months ended March 31, 2010.

Financing Activities

There were no financing activities for the three months ended March 31, 2011.

As at December 31, 2010, the Company had the following material contractual obligations:

OUTSTANDING SHARE CAPITAL

As at March 31, 2011, there were 48,745,790 common shares issued and outstanding for a total of $17,180,460 in share capital.

As at March 31, 2011, there were 3,972,000 options outstanding (of which 2,089,232 were exercisable) into common shares issuable upon the exercise of outstanding stock options at a weighted-average exercise price of $1.51 per share, and 768,550 common shares reserved for future grant or issuance under the Company's stock option plan.

As at June 13, 2011 there were 48,746,914 common shares issued and outstanding for a total of $17,181,584 in share capital, there are 3,940,000 options outstanding (of which 2,244,693 were exercisable) into common shares issuable upon the exercise of outstanding stock options at a weighted-average exercise price of $1.49 per share and 799,426 common shares reserved for future grant or issuance under the Company's stock option plan.

OFF BALANCE SHEET ARRANGEMENTS

The Company has no material undisclosed off-balance sheet arrangements that have or are reasonably likely to have, a current or future effect on our results of operations or financial condition.

TRANSACTIONS WITH RELATED PARTIES

The Company paid or accrued fees of $23,576 (2010 - $20,554) to Directors of the Company. Additionally, the company made product sales totaling $32,811 (2010 - $32,291) to three entities 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.

TRANSITION TO IFRS

In February 2008, the Canadian Accounting Standards Board announced the mandatory adoption of IFRS for publicly accountable entities in Canada for the fiscal periods beginning on or after January 1, 2011. Accordingly, this is the first quarter in which we have provided unaudited quarterly financial information in accordance with IFRS, including comparative figures for 2010.

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

An explanation of how the transition to IFRS has affected the reported financial position, financial performance, and cash flows of the Company is provided in note 13 of the Unaudited Consolidated Financial Statements for the three month periods ended March 31, 2011 and 2010.

CRITICAL ACCOUNTING ESTIMATES

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

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

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

(a) Impairment of long-lived assets:

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

(b) Stock-based compensation:

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

LEGAL PROCEEDINGS

The Company is a party to a variety of agreements in the ordinary course of business under which it may be obligated to indemnify third parties with respect to certain matters. The impact of any such future claims, if made, on future financial results is not subject to reasonable estimation because considerable uncertainty exists as to final outcome of these potential claims.

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

Consolidated Statement of Financial Position
(Unaudited)

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

	Note	March 31, 2011	December 31, 2010	January 1, 2010
Assets				
Current Assets				
Cash and cash equivalents	3 (b)	$ 1,851,501	$ 1,792,461	$ 1,672,512
Trade and other receivables	6	478,748	539,238	1,042,091
Prepaid expenses and deposits		125,974	129,332	165,466
Inventories	3 (f)	253,092	318,679	78,275
Total Current assets		2,709,315	2,779,710	2,958,344
Non-Current Assets				
Property and equipment	3 (g), 10	107,887	115,117	597,264
Intangible assets	3 (h), 11	233,872	243,402	268,367
Total Non-Current assets		341,759	358,519	865,631
Total Assets		$ 3,051,074	$ 3,138,229	$ 3,823,975
Liabilities				
Current Liabilites				
Trade and other payables	7	$ 76,027	$ 159,648	$ 406,477
Other financial liabilities		298,862	314,853	178,711
Employee benefits	3 (e)	142,401	326,127	92,001
Non financial liabilities		-	-	57,304
Total Current Liabilities		517,291	800,628	734,493
Equity				
Share Capital		17,180,460	17,180,460	16,873,657
Contributed surplus		4,781,770	4,651,957	4,093,824
Accumulated other comprehensive income		(66,772)	(66,772)	(66,772)
Retained earnings		(19,361,675)	(19,428,044)	(17,811,227)
Total Equity		2,533,783	2,337,601	3,089,482
Total Liabilities and Equity		$ 3,051,074	$ 3,138,229	$ 3,823,975

See accompanying notes to the consolidated financial statements.

On behalf of the Board,

"Edward Wright"
Director

"Anthony Holler"
Director

CRH MEDICAL CORPORATION

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

Three-month periods ended March 31, 2011 and 2010
(Expressed in United States dollars)

	Note	March 31, 2011	March 31, 2010
Revenue			
Products Sales	3 (d)	$ 1,245,439	$ 711,587
Other income		4,396	4,035
Total revenue		1,249,835	715,622
Product Sales Expense	4	682,794	427,906
Corporate Expense	5	471,081	496,140
Total operating expenses		1,153,875	924,046
Profit (loss) from Continuing operations		95,960	(208,424)
Discontinued Operations			
Loss from discontinued operations	3 (n), 8	29,591	92,458
Net income (loss) and comprehensive income (loss)		$ 66,369	$ (300,882)
Net income (loss) and comprehensive income (loss) per share	3 (p), 12(e)		
Continuing operations basic		0.002	(0.004)
continuing operations diluted		0.002	-
Discontinued operations basic and diluted		(0.001)	(0.002)
Net income (loss) and comprehensive income (loss) per share basic		0.001	(0.006)
Net income (loss) and comprehensive income (loss) per share diluted		0.001	-
Weighted average shares outstanding		48,745,790	48,583,841

See accompanying notes to the consolidated financial statements.

CRH MEDICAL CORPORATION

Consolidated Statement of Changes in Equity (Unaudited)

Three-month period ended March 31, 2011, year ended December 31, 2010, and December 31, 2010
(Expressed in United States dollars)

	Note	Number of Shares	Share Capital	Contributed surplus	Accumulated and other comprehensive income	Deficit	Total
Balance as at December 31, 2009		48,405,967	$16,873,657	$ 4,093,824	$ (66,772)	$(17,811,227)	$3,089,482
Total comprehensive loss for the period:		-	-	-	-	(1,616,817)	(1,616,817)
Transactions with owners, recorded directly in equity:							
Share-based compensation for stock option plan		-		642,501	-	-	642,501
Common shares purchased on exercise of stock options		200,250	144,417	(58,558)			85,859
Common share purchase on warrants exercised		139,573	162,386	(25,810)			136,576
Balance as at December 31, 2010		48,745,790	$17,180,460	$4,651,957	$ (66,772)	$(19,428,044)	$2,337,601
Total comprehensive income for the period:							
Transactions with owners, recorded directly in equity:							
Share-based compensation for stock option plan		-	-	129,813	-	-	129,813
Balance as at March 31, 2011		48,745,790	$17,180,460	$4,781,770	$ (66,772)	$(19,428,044)	$2,467,414

See accompanying notes to the consolidated financial statements

CRH MEDICAL CORPORATION

Consolidated Statement of Cash Flows
(Unaudited)

Three-month periods ended March 31, 2011 and 2010
(Expressed in United States dollars)

	Note	March 31, 2011	March 31, 2010
Operating activities:			
Net Income (loss) from continuing operations		$ 95,960	$ (208,424)
Adjustments for:			
Depreciation of property, equipment and intangibles		17,951	20,959
Share based compensation		129,813	143,310
Operating activates before changes in operating assets and liabilities		243,724	(44,155)
Change in trade and other receivables		(7,388)	(107,971)
Change in prepaid expenses and deposits		17,973	(32,934)
Change in inventories		65,587	(86,288)
Change in trade and other payables		(34,542)	28,006
Change in other financial liabilities		(10,919)	28,780
Change in employee benefits		(135,167)	62,352
Cash provided (used) in operating activities of continuing operations		139,268	(152,210)
Cash provided (used) in operating activities of discontinued operations	8	(79,038)	(62,683)
Cash provided (used) in operating activities		60,231	(214,893)
Financing activities			
Proceeds from exercise of warrants		-	77,593
Cash from financing activates		-	77,593
Investing activities			
Acquisition of property and equipment		(1,191)	(12,196)
Cash flows (used in) investing activities		(1,191)	(12,196)
Net Change in Cash		59,040	(149,496)
Cash beginning of period		1,792,461	1,672,512
Cash end of period		$ 1,851,501	$ 1,523,016

See accompanying notes to the consolidated financial statements.

1. Reporting entity:

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

2. Basis of preparation:

(a) Statement of compliance:

These interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). As these are the Company's first interim consolidated financial statements prepared in accordance with IFRS, they have been prepared in accordance with IAS 34 - *Interim Financial Reporting* and IFRS 1 - *First-Time Adoption of International Financial Reporting Standards*. The Company's consolidated financial statements were previously prepared in accordance with Canadian Generally Accepted Accounting Principles (Previous GAAP). The comparative figures for 2010 have been restated to reflect significant differences between Previous GAAP and IFRS. Reconciliations and descriptions on the transition from Previous GAAP to IFRS and the impact on the consolidated statements of operations and comprehensive income (loss), consolidated balance sheets and consolidated statements of changes in equity are provided in note 13.

The significant accounting policies below are consistent with the policies the Company expects to adopt in its December 31, 2011 annual consolidated financial statements and have been consistently applied to all periods presented in these condensed interim consolidated financial statements.

The consolidated financial statements were authorized for issue by the Board of Directors on June 15, 2011.

(b) Basis of measurement:

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

(c) Functional and presentation currency:

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

(d) Use of estimates and judgments:

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

2. Basis of preparation (continued):

statements and the reported amounts of revenues and expenses during the reporting period.

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

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

- Note 15 (*iv*) - Stock option plan

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

Reported amounts and note disclosure reflect the overall economic conditions that are most likely to occur and anticipated measures management intends to take. Actual results could differ from those estimates.

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

3. Significant accounting policies:

The accounting policies have been applied consistently by the subsidiaries of the Company.

(a) Basis of consolidation:

These interim consolidated financial statements include the accounts of the Company and all subsidiary entities which are controlled by the Company. The Company owns 100% of the outstanding equity in each of its subsidiaries. All intercompany balances and transactions are eliminated on consolidation.

(b) Cash equivalents:

The Company considers all highly liquid investments with an original maturity of 90 days or less, when acquired, to be cash equivalents, which are carried at fair value and are classified as held for trading.

(c) Foreign currency:

Transactions in foreign currencies are translated to the respective functional currencies of the subsidiaries of the Company at exchange rates at the dates of the transactions.

Period end balances of monetary assets and liabilities in foreign currency are translated to the respective functional currencies using period end foreign currency rates. Foreign currency

3. Significant accounting policies (continued):

gains and losses arising from settlement of foreign currency transactions are recognized in earnings.

(c) Foreign currency (continued):

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date on which the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(d) Revenue recognition:

The Company recognizes revenue from product sales at the time the product is shipped, which is when title passes to the customer, and when all significant contractual obligations have been satisfied and collection is reasonably assured.

(e) Employee benefits:

Salaries and short-term employee benefits:

Salaries and short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under cash bonus plans if the Company has a legal or constructive obligation to pay an amount as a result of services rendered by an employee and the obligation can be estimated reliably.

Termination benefits:

Termination benefits are recognized as an expense when the Company is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

(f) Inventories:

Inventories are presented at the lower of cost, determined using the first-in first-out method, and net realizable value. Inventory costs include the purchase price and other costs directly related to the acquisition of inventory, and other costs incurred in bringing the inventories to their present location and condition.

Net realizable value is the estimated selling price in the Company's ordinary course of business, less the estimated costs of completion and selling expenses.

3. Significant accounting policies (continued):

(g) Property and equipment:

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Where the costs of certain components of an item of property, plant and equipment are significant in relation to the total cost of the item and have different useful lives, they are accounted for and depreciated separately.

The estimated useful lives and the methods of depreciation for the current and comparative periods are as follows:

Asset	Basis	Rate
Computer and office equipment	Declining balance	30%
Computer software	Declining balance	100%
Furniture and equipment	Declining balance	20%
Leasehold improvements	Straight-line	Shorter of initial lease term or useful life
Injection mold	Straight-line	5 years

This most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Estimates for depreciation methods, useful lives and residual values are reviewed at each reporting period-end and adjusted if appropriate.

(h) Intangible assets:

Intellectual property, consisting of patents, is recorded at historical cost; including legal costs involved in expanding the countries in which the patents are recognized to the extent expected cash flows from those countries exceed these costs over the amortization period. Intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives and are measured at cost less accumulated amortization and accumulated impairment losses. Intangible assets with finite lives are amortized over the following periods:

Asset	Basis	Rate
Intellectual property rights the CRH O'Regan System	Straight line	15 years
Intellectual property new technology	Straight line	20 years

3. Significant accounting policies (continued):

(i) Financial instruments:

The Company's financial instruments are classified into one of three categories: loans and receivables, available-for-sale financial assets and financial assets at fair value through earnings. Loans and receivables and other financial liabilities are measured at amortized cost.

The Company has classified trade and other receivables as loans and receivables, and accounts payable and accrued liabilities as other financial liabilities.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the other categories. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and presented within equity. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit (loss).

(j) Leases:

Operating lease payments are recognized in net profit (loss) on a straight-line basis over the term of the lease.

Lease inducements arising from leasehold improvement allowances and rent-free periods form an integral part of the total lease cost and are deferred and recognized in net profit (loss) over the term of the lease on a straight-line basis.

(k) Impairment:

Financial assets:

A financial asset not carried at fair value through profit or loss is assessed at each consolidated financial statement reporting date to determine whether there is objective evidence that it is impaired. The Company considers that a financial asset is impaired if objective evidence indicates that one or more loss events had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment test is performed, on an individual basis, for each material financial asset. Other individually non-material financial assets are tested as groups of financial assets with similar risk characteristics. Impairment losses are recognized in net profit (loss).

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in net profit (loss) and reflected in an allowance account against the respective financial asset.

3. Significant accounting policies (continued):

(k) Impairment (continued)

Financial assets (continued):

Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through net profit (loss).

A permanent impairment loss for an available-for-sale investment is recognized by transferring the cumulative loss previously recognized in other comprehensive income to earnings.

Non-financial assets:

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount is estimated.

The recoverable amount of an asset or a cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of cash inflows from other assets or groups of assets ('cash-generating unit'). Impairment losses recognized in prior periods are determined at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An asset's carrying amount, increased through reversal of an impairment loss, must not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(l) Income taxes:

The Company uses the asset and liability method of accounting for income taxes. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis (temporary differences) and loss carry-forwards. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences and loss carry-forwards are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is generally recognized in income in the period that includes the date of substantive enactment. Future tax assets are reduced by

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3. Significant accounting policies (continued):

(l) Income taxes (continued):

valuation allowance to the extent that it is no longer probable that the related tax benefit will be realized.

(m) Share-based compensation:

The Company records share-based compensation related to employee stock options granted using the fair value based method estimated using the Black-Scholes model. Under this method, compensation cost is measured at fair value at the date of grant and expensed, as employee benefits, over the period in which employees unconditionally become entitled to the award. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

(n) Discontinued operations:

A discontinued operation is a component of the Company's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale or distribution, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative Statements of Consolidated Operations and Comprehensive Loss is represented as if the operation had been discontinued from the start of the comparative period.

(o) Share capital:

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

(p) Earnings per share:

The Company presents basic and diluted earnings per share (EPS) data for its common shares. Basic EPS is calculated by dividing the net profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held, if applicable. Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held if applicable, for the effects of all dilutive potential common shares, which consist of the stock options granted to employees.

3. Significant accounting policies (continued):

(q) Provisions:

Provisions are recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of resources will be required to settle the obligation. Provisions are determined by is counting expected future cash outflows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Management uses judgment to estimate the amount, timing and probability of the liability based on facts known at the reporting date. The unwinding of the discount is recognized as finance cost.

(r) New standards and interpretations not yet applied:

Certain pronouncements were issued by the IASB or International Financial Reporting Interpretation Committee that are mandatory for annual periods beginning on or after January 1, 2010 or later periods. Many of these updates are not applicable or are inconsequential to the Company and have been excluded from the discussion below. The remaining pronouncements are being assessed to determine their impact on the Company's results and financial position:

Annual improvements to IFRS:

The IASB's improvements to IFRS published in April 2009 contain fifteen amendments to twelve standards that result in accounting changes for presentation, recognition or measurement purposes largely for annual periods beginning on or after January 1, 2010, with early adoption permitted. The IASB's improvements to IFRS contain seven amendments that result in accounting changes for presentation, recognition or measurement purposes. The most significant features of the IASB's annual improvements project published in May 2010 are included under the specific revisions to standards discussed below.

(*i*) IFRS 7:

Amendment to IFRS 7, Financial Instruments: Disclosures:

Effective for annual periods beginning on or after January 1, 2011, with earlier adoption permitted.

Multiple clarifications related to the disclosure of financial instruments and in particular in regards to transfers of financial assets.

3. Significant accounting policies (continued):

(r) New standards and interpretations not yet applied (continued):

(*ii*) IAS 1:

Amendment to IAS 1, Presentation of Financial Statements:

Effective for annual periods beginning on or after January 1, 2011, with earlier adoption permitted.

Entities may present the analysis of the components of other comprehensive income either in the statement of changes in equity or within the notes to the financial statements.

(*iii*) IAS 27:

Amendment to IAS 27, Consolidated and Separate Financial Statements:

Effective for annual periods beginning on or after January 1, 2011, with earlier adoption permitted.

The 2008 revisions to this standard resulted in consequential amendments to IAS 21, *The Effects of Changes in Foreign Exchange Rates*, IAS 28, *Investments in Associates,* and IAS 31, *Interests in Joint Ventures.* IAS 27 now provides that these amendments are to be applied prospectively.

(*iv*) IAS 34:

Amendment to IAS 34, Interim Financial Reporting:

Effective for annual periods beginning on or after January 1, 2011, with earlier adoption permitted.

The amendments place greater emphasis on the disclosure principles for interim financial reporting involving significant events and transactions, including changes to fair value measurements and the need to update relevant information from the most recent annual report.

New or revised standards and interpretations:

In addition, the following new or revised standards and interpretations have been issued but are not yet applicable to the Company:

(*i*) IAS 24:

Amendments to IAS 24, Related Party Disclosures:

Effective for annual periods beginning on or after January 1, 2011, with earlier adoption permitted.

(Expressed in United States dollars)

3. Significant accounting policies (continued):

There are limited differences in the definition of what constitutes a related party; however, the amendment requires more detailed disclosures regarding commitments. (r) New standards and interpretations not yet applied (continued):

New or revised standards and interpretations (continued):

(*ii*) IFRS 9:

New standard IFRS 9, Financial Instruments:

Effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted.

As part of the project to replace IAS 39, *Financial Instruments: Recognition and Measurement*, this standard retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets. More specifically, the standard:

- deals with classification and measurement of financial assets;
- establishes two primary measurement categories for financial assets: amortized cost and fair value;
- classification depends on entity's business model and the contractual cash flow characteristics of the financial asset; and
- eliminates the existing categories: held to maturity, available for sale, and loans and receivables.

Certain changes were also made regarding the fair value option for financial liabilities and accounting for certain derivatives linked to unquoted equity instruments.

The Company is currently evaluating how these changes will impact its financial statements.

4. Product sales expense:

	2011	2010
Employee related	$ 244,548	$ 113,338
Product cost and support	277,064	181,916
Office related	46,957	12,452
Insurance	19,446	5,679
Professional fees	30,130	60,376
Depreciation	7,706	7,118
Stock based compensation	56,943	47,027
	$ 682,794	$ 427,906

(Expressed in United States dollars)

5. Corporate expense:

	2011	2010
Employee related	$ 235,024	$ 249,224
Travel and entertainment	22,339	20,260
Office related	43,102	53,801
Insurance	10,911	8,971
Corporate	33,449	29,624
Professional fees	43,141	24,136
Depreciation	10,245	13,841
Stock based compensation	72,870	96,283
	$ 471,081	$ 496,140

6. Trade and other receivables:

	March 31, 2011	December 31, 2010	January 1, 2011
Trade receivables from continuing operations	$ 451,700	$ 420,633	$ 257,321
Trade receivables from discontinued operations	21,824	89,701	777,780
Other receivables	5,224	28,904	6,990
	$ 470,748	$ 539,238	$ 1,042,091

7. Trade and other payables:

	March 31, 2011	December 31, 2010	January 1, 2011
Trade payables from continuing operations	$ 59,256	$ 93,798	$ 96,163
Trade payables from discontinued operations	16,771	65,850	310,314
	$ 76,027	$ 159,648	$ 406,477

(Expressed in United States dollars)

8. Discontinued operations:

Effective December 3, 2010, the Company's Center Operations business segment was discontinued and the Centers were closed. The results of the discontinued operations for the three months ending March 31, 2011 and 2010 are summarized below:

	March31, 2011	March 31, 2010
Center operations revenue	$ -	$ 1,235,968
Expenses:		
Center operations	29,591	1,328,426
	$ (29,591)	$ (92,458)

Net cash flows from discontinued operations is as follows:

	March 31, 2011	March 31, 2010
Loss from discontinued operations	$ (29,591)	$ (92,458)
Add (deduct) items not affecting cash:		
Stock based compensation	-	53,173
Amortization	-	23,175
Lease inducements	-	(10,157)
	(928,942)	(24,467)
Changes in non-cash working capital:		
Accounts receivable	67,877	616,748
Prepaid expenses and deposits	(14,615)	18,156
Trade payables	(49,079)	(121,286)
Other financial liabilities	(5,072)	13,286
Employee benefits	(48,559)	14,095
Net cash flows from discontinued operations	$ (95,809)	$ (76,995)

9. Maturities of certain current assets and liabilities:

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

(Expressed in United States dollars)

10. Property and equipment:

	Computer equipment and software	Furniture and equipment	Leasehold improvements	Injection mold	Total
Cost					
Balance as at January 1, 2010	150,814	205,405	955,089	282,172	1,593,480
Additions					
Disposals	(75,286)	(157,089)	(923,737)	-	(1,156,112)
Balance as of December 31, 2010	75,528	48,316	31,352	282,172	437,368
Additions	1,192				1,192
Disposals					-
Balance as of March 31, 2011	76,720	48,316	31,352	282,172	438,560

	Computer equipment and software	Furniture and equipment	Leasehold improvements	Injection mold	Total
Accumulated depreciation					
Balance as at January 1, 2010	104,748	115,594	601,859	174,015	996,216
Depreciation expense	13,160	16,283	172,926	25,383	227,751
Disposals	(58,454)	(98,299)	(744,964)	(0)	(901,716)
Balance as of December 31, 2010	59,454	33,578	29,821	199,398	322,251
Depreciation expense	1,262	737	77	6,346	8,422
Disposals					
Balance as of March 31, 2011	60,716	34,315	29,898	205,744	330,673

	Computer equipment and software	Furniture and equipment	Leasehold improvements	Injection mold	Total
Net book value					
March 31, 2011	16,004	14,001	1,454	76,428	107,887
December 31, 2010	16,074	14,738	1,531	82,774	115,117
January 1, 2010	46,066	89,811	353,230	108,157	597,264

(Expressed in United States dollars)

11. Intangible assets:

		Patents
Cost		
Balance as at January 1, 2010	$	475,251
Additions		12,195
Disposals		-
Balance as of December 31, 2010		487,446
Additions		-
Disposals		-
Balance as of March 31, 2011	$	487,446

		Patents
Accumulated amortization		
Balance as at January 1, 2010	$	206,884
Amortization expense		13,160
Disposals		-
Balance as of December 31, 2010		244,044
Amortization expense		9,529
Disposals		-
Balance as of March 31, 2011	$	253,573

		Patents
Net book value		
March 31, 2011	$	233,873
December 31, 2010		243,402
January 1, 2010		268,367

(Expressed in United States dollars)

12. Share capital:

(a) Authorized:

100,000,000 common shares without par value

(b) Stock option plan:

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

A summary of the status of the plan as of March 31, 2011 and March 31, 2010 are as follows (options are granted in CAD and USD amounts calculated using exchange rate at March 31, 2011 and March 31, 2010):

	Number of options	Weighted average exercise price CAD	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	$ 1.46	$ 1.51

	Number of options	Weighted average exercise price CAD	USD
Outstanding, December 31, 2009	4,376,188	$ 1.61	$ 1.54
Granted	75,000	1.65	1.62
Exercised	-	-	-
Forfeited and expired	(188)	0.59	0.58
Outstanding, March 31, 2010	4,451,000	$ 1.61	$ 1.59

(Expressed in United States dollars)

12. Share capital (continued):

(b) Stock option plan (continued):

The following table summarizes information about the stock options outstanding at March 31, 2011:

Exercise price		Options outstanding				Options exercisable		
CAD	USD	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price CAD	Weighted average exercise price USD	Number of options	Weighted average exercise price CAD	Weighted average exercise price USD
$0.59 - $0.65	$0.61 - $0.67	1,280,000	2.81	$0.65	$0.67	640,315	$0.65	$0.67
$1.20 - $1.90	$1.24 - $1.96	1,327,500	3.87	1.51	1.55	225,007	1.47	1.52
$1.95 - $2.53	$2.01 - $2.61	1,364,500	1.09	2.18	2.24	1,223,910	2.17	2.17
		3,972,000	2.58	$1.46	$1.51	2,089,232	$1.63	$1.68

As at March 31, 2010:

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
$0.44 - $0.64	$0.45 - $0.65	1,491,000	3.36	$ 0.61	$ 0.61	580,008	$ 0.57	$ 0.58
$1.19 - $1.69	$1.21 - $2.14	1,714,000	2.90	1.85	1.88	794,509	2.06	2.09
$2.12 - $3.25	$2.15 - $3.30	1,246,000	1.83	2.43	2.46	938,385	2.50	2.54
		4,451,000	2.75	$ 1.60	$ 1.62	2,312,902	$ 1.87	$ 1.90

For the three months ended March 31, 2011, the Company recognized $129,813 (2010 - $143,310) 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, 2011 and 2009 was $0.79 and $0.52 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:

	2011	2011
Expected life of options	3.76 years	4 years
Risk-free interest rate	2.22%	2.30%
Dividend yield	0%	0%
Volatility	70%	75%

12. Share capital (continued):

(b) Stock option plan (continued):

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

(c) Common Share Purchase Warrants:

USD amounts calculated using exchange rate at March 31, 2011 and March 31, 2010.

	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

	Number of warrants	Weighted average exercise price CAD	USD
Outstanding, December 31, 2009	2,948,719	$ 1.00	$ 0.95
Exercised	(79,573)	1.00	0.98
Outstanding, March 31, 2010	2,869,146	$ 1.00	$ 0.98

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

(Expressed in United States dollars)

12. Share capital (continued):

(d) Agent Warrants:

USD amounts calculated using exchange rate at March 31, 2011 and March 31, 2010.

	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

	Number of warrants	Weighted average exercise price CAD	USD
Outstanding, December 31, 2009	254,859	$ 0.91	$ 0.86
Exercised	54,573	1.00	0.98
Outstanding, March 31, 2010	200,286	$ 0.88	$ 0.87

(e) Earnings per share:

The calculation of basic earnings per share at March 31, 2011 was based on the net profit (loss) attributable to common shareholders of the Company of $66,369 (2010 - ($300,882)), and a weighted average number of common shares outstanding of 48,745,790 (2010 – 48,421,266), calculated as follows:

(Expressed in United States dollars)

12. Share capital (continued):

(e) Earnings per share (continued):

	Three months ended March 31,					
	2011			2010		
	Net earnings	Weighted average number of common shares outstanding	Per Share Amount	Net earnings	Weighted average number of common shares outstanding	Per Share Amount
Continuing operations:						
Earnings per common share:						
Basic	$ 95,960	48,745,790	$ 0.002	$ (208,424)	48,421,266	$ (0.004)
Share options		4,661,505			-	
Diluted	$ 95,960	53,407,295	$ 0.002	$ (208,424)	48,421,266	$ (0.004)
Discontinued operations:						
Earnings per common share:						
Basic	$ (29,591)	48,745,790	$ (0.001)	$ (92,458)	48,421,266	$ (0.002)
Share options					-	
Diluted	$ (29,591)	48,745,790	$ (0.001)	$ (92,458)	48,421,266	$ (0.002)
Net earnings:						
Earnings per common share:						
Basic	$ 66,369	48,745,790	$ 0.001	$ (300,882)	48,421,266	$ (0.006)
Share options		4,661,505			-	
Diluted	$ 66,369	53,407,295	$ 0.001	$ (300,882)	48,421,266	$ (0.006)

At March 31, 2011, 2,374,500 options (2010 - n/a) were excluded from the diluted weighted average number of common shares calculation as their effect would have been anti-dilutive.

The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

13. Transition to IFRS:

These are the Company's first consolidated interim financial statements prepared in accordance with IFRS. These consolidated financial statements and the opening consolidated balance sheet as at January 1, 2010, being the date of transition, have been prepared in accordance of the accounting policies set out in note 3.

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

IFRS optional exemptions:

(a) Business combinations:

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

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

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

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

IFRS mandatory exemptions:

(a) Use of estimates:

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

Accounting differences:

(a) Financial statements presentation reclassification:

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

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

(Expressed in United States dollars)

13. Transition to IFRS (continued):

(*i*) Reconciliation of equity:

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

(*ii*) Reconciliation of net earnings:

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

(*iii*) Reconciliation of comprehensive income:

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

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

March 31, 2011 **Previous GAAP Presentation**	**Previous GAAP**	**Accounting Differences**	**Presentation Reclassification**	**IFRS**	**IFRS Presentation**
Current assets:					
Cash and cash equivalents	$ 1,851,501	$ -	$ -	$ 1,851,501	Cash and cash equivalents
Trade and other receivables	478,748	-	-	478,748	Trade and other receivables
Prepaid expenses and deposits	125,974	-	-	125,974	Prepaid expenses and deposits
Inventories	253,092	-	-	253,092	Inventories
	$ 2,709,315	-	$ -	$ 2,709,315	
Non-current assets:					
Property and equipment	107,887	-	-	107,887	Property and equipment
Intangible assets	233,872	-	-	233,872	Intangible assets
	341,759	-	-	341,759	
	$ 3,051,074	$ -	$ -	$ 3,051,074	
Liabilities and Shareholders' Equity					
Current Liabilities:			-		
Accounts payable and accrued liabilities	$ 517,291	$ -	$ (441,264)	$ 76,027	Trade and other payables
		-	298,862	298,862	Other financial liabilities
		-	142,401	142,401	Employee benefits
Deferred leasehold	-	-	-	-	Non financial liabilities
	$ 517,290.54	-	$ -	$517,290.54	
Shareholders' equity:					
Share Capital	17,180,460	-	-	17,180,460	Share Capital
Contributed surplus	4,781,770	-	-	4,781,770	Contributed surplus
Accumulated other comprehensive income	(66,772.00)	-	-	(66,772.00)	Accumulated other comprehensive income
Retained earnings	(19,361,675)	-	-	(19,361,675)	Retained earnings
	2,533,783	-	-	2,533,783	
	$ 3,051,074	$ -	$ -	$ 3,051,074	

(Expressed in United States dollars)

13. Transition to IFRS (continued):

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

December 31, 2010 **Previous GAAP Presentation**	**Previous GAAP**	**Accounting Differences**	**Presentation Reclassification**	**IFRS**	**IFRS Presentation**
Current assets:					
Cash and cash equivalents	$ 1,792,461	$ -	$ -	$ 1,792,461	Cash and cash equivalents
Trade and other receivables	539,238	-	-	539,238	Trade and other receivables
Prepaid expenses and deposits	129,332	-	-	129,332	Prepaid expenses and deposits
Inventories	318,679	-	-	318,679	Inventories
	$ 2,779,710	-	$ -	$ 2,779,710	
Non-current assets:					
Property and equipment	115,117	-	-	115,117	Property and equipment
Intangible assets	243,402	-	-	243,402	Intangible assets
	358,519	-	-	358,519	
	$ 3,138,229	$ -	$ -	$ 3,138,229	
Liabilities and Shareholders' Equity					
Current Liabilities:			-		
Accounts payable and accrued liabilities	$ 800,628	$ -	$ (640,980)	$ 159,648	Trade and other payables
		-	314,853	314,853	Other financial liabilities
		-	326,127	326,127	Employee benefits
Deferred leasehold	-	-	-	-	Non financial liabilities
	$ 800,628.00	-	$ -	$800,628.00	
Shareholders' equity:					
Share Capital	17,180,460	-	-	17,180,460	Share Capital
Contributed surplus	4,651,957	-	-	4,651,957	Contributed surplus
Accumulated other comprehensive income	(66,772.00)	-	-	(66,772.00)	Accumulated other comprehensive income
Retained earnings	(19,428,044)	-	-	(19,428,044)	Retained earnings
	2,337,601	-	-	2,337,601	
	$ 3,138,229	$ -	$ -	$ 3,138,229	

January 1, 2010 **Previous GAAP Presentation**	**Previous GAAP**	**Accounting Differences**	**Presentation Reclassification**	**IFRS**	**IFRS Presentation**
Current assets:					
Cash and cash equivalents	$ 1,672,512	$ -	$ -	$ 1,672,512	Cash and cash equivalents
Trade and other receivables	1,042,091	-	-	1,042,091	Trade and other receivables
Prepaid expenses and deposits	165,466	-	-	165,466	Prepaid expenses and deposits
Inventories	78,275	-	-	78,275	Inventories
	$ 2,958,344	-	$ -	$ 2,958,344	
Non-current assets:					
Property and equipment	597,264	-	-	597,264	Property and equipment
Intangible assets	268,367	-	-	268,367	Intangible assets
	865,631	-	-	865,631	
	$ 3,823,975	$ -	$ -	$ 3,823,975	
Liabilities and Shareholders' Equity					
Current Liabilities:			-		
Accounts payable and accrued liabilities	$ 677,189	$ -	$ (270,712)	$ 406,477	Trade and other payables
		-	178,711	178,711	Other financial liabilities
		-	92,001	92,001	Employee benefits
Deferred leasehold	57,304	-	-	57,304	Non financial liabilities
	$ 734,493.00	-	$ -	$734,493.00	
Shareholders' equity:					
Share Capital	16,873,657	-	-	16,873,657	Share Capital
Contributed surplus	4,093,824	-	-	4,093,824	Contributed surplus
Accumulated other comprehensive income	(66,772.00)	-	-	(66,772.00)	Accumulated other comprehensive income
Retained earnings	(17,811,227)	-	-	(17,811,227)	Retained earnings
	3,089,482	-	-	3,089,482	
	$ 3,823,975	$ -	$ -	$ 3,823,975	

13. Transition to IFRS (continued):

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

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

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

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

(vii) Reconciliation of consolidated statement of cash flows:

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

14. Subsequent events:

These interim consolidated financial statements were approved for issuance by the Board of Directors on June 15, 2011.