Management's Discussion and Analysis

For the Three and Six Months ended June 30, 2010

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The following is a discussion of the consolidated financial position and the results of operations of Centric Health Corporation, ("Centric" or "Company") for the three and six month periods ended June 30, 2010 and of certain factors that the Company believes may affect its prospective financial condition, cash flows and results of operations. The MD&A should be read in conjunction with the unaudited interim consolidated financial statements and notes thereto for the three and six months ended June 30, 2010 "Unaudited Consolidated Interim Financial Statements" and the audited consolidated financial statements for the years ended December 31, 2009 and 2008 "Audited Consolidated Financial Statements". The consolidated financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). The following MD&A is presented as of August 11, 2010. All amounts are disclosed in thousands of Canadian dollars. Additional information about the Company, including the Annual Information Form, is available on Sedar.com.

Forward-Looking Statements

Certain statements in this MD&A constitute forward-looking statements within the meaning of applicable securities laws. Forward-looking statements include, but are not limited to, statements made under the headings "*Business Outlook"* and "*Risks and Uncertainties"* and other statements concerning the Company's 2010 objectives, strategies to achieve those objectives, as well as statements with respect to management's beliefs, plans, estimates, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "outlook", "objective", "may", "will", "expect", "intend", "estimate", "anticipate", "believe", "should", "plans" or "continue", or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those contemplated by such statements. Factors that could cause such differences include the highly competitive nature of the Company's industry, government regulation and funding and other such risk factors described from time to time in the reports and disclosure documents filed by the Company with Canadian securities regulatory agencies and commissions. This list is not exhaustive of the factors that may impact the Company's forward-looking statements. These and other factors should be considered carefully and readers should not place undue reliance on the Company's forward-looking statements. As a result of the foregoing and other factors, no assurance can be given as to any such future results, levels of activity or achievements and neither the Company nor any other person assumes responsibility for the accuracy and completeness of these forward looking statements. The factors underlying current expectations are dynamic and subject to change. Although the forward-looking information contained in this MD&A is based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Certain statements included in this MD&A may be considered "financial outlook" for purposes of applicable securities laws, and such financial outlook may not be appropriate for purposes other than this MD&A. All forward-looking statements in this MD&A are qualified by these cautionary statements. These forward-looking statements are made as of the date of this analysis, and the Company assumes no obligation to update or revise them to reflect new events or circumstances.

Highlights during and subsequent to the Quarter ended June 30, 2010

- Net income grew to $1.3 million in the second quarter of 2010, as compared to $0.5 million in the second quarter of 2009.
- EBITDA[1] increased by $1.5 million to $2.4 million, as compared to $0.9 million in the second quarter of 2009.
- Basic earnings per share increased 100%, to $0.022 from $0.011 in the second quarter of 2009.
- The Company maintained a strong balance sheet with $1.6 million of cash on hand at June 30, 2010.

Business Outlook

Management is extremely pleased with the performance of the underlying businesses. Both Centric Disability Management and Active Health have seen solid growth in revenues and gross profit. The Company expects this growth to continue in the following quarters. The Company continues to focus on opportunities in new healthcare sectors with the objective being to partner with healthcare professionals with a focus on patient care, quality outcomes and increasing stakeholder value.

Business Overview

Centric Health Corporation is a Canadian healthcare investment company. Through the Company's subsidiaries, Don Mills Surgical Unit ("DMSU"), Centric Disability Management, encompassing the businesses of Work Able Centres ("Work Able") and Direct Health Solutions ("Direct Health"), and Active Health Services ("Active Health"), Centric provides a variety of surgical procedures, disability management, third-party medical assessment, physiotherapy network management and physiotherapy services to long-term care and retirement home residents. Centric is pursuing a diversified approach and an acquisition strategy to become Canada's premier healthcare company that provides innovative solutions centered on patients and healthcare professionals.

Subsidiary Overview

Centric Disability Management

The Centric Disability Management group comprises the divisions of Work Able Centres and Direct Health Solutions. The group is a preferred vendor to a number of Canadian insurance companies and the group's occupational rehabilitation programs are accredited by the Commission on Accreditation of Rehabilitation Facilities ("CARF").

Work Able provides specialized medical assessment and rehabilitation services to individuals disabled as a result of work-related or motor vehicle injuries, as well as those suffering short and long-term disabilities that affect their ability to function and work.

Work Able has positioned itself as a premier provider of disability management services. Work Able pioneered the use of work-simulated facilities in Canada to support functional recovery and promote return to work; and, over the past three years has created a formidable catastrophic injury assessment division. Work Able presently has four facilities currently occupying a total of 28,795 square feet of leased space in Toronto, Barrie and Mississauga, Ontario as well as Halifax, Nova Scotia. These facilities are equipped with state of the art assessment, rehabilitation and work simulation tools and systems.

Direct Health provides medical assessment and rehabilitation services to the insurance industry and employers primarily in Ontario and Eastern Canada. It maintains leased offices in Halifax, Nova Scotia, Fredericton, New

[1] See EBITDA section for definition and calculation of this amount.

Brunswick and Toronto, Ontario. Direct Health will continue to provide vocational assessment and rehabilitation services and expand its client base of insurance, corporate and government entities in its current localities.

Work Able and Direct Health employs 79 staff and approximately 300 independent third party consultants including physicians from across a number of specialty practice areas, psychologists, occupational health nurses, physiotherapists, occupational therapists, cognitive behavioral therapists, kinesiologists and vocational evaluators.

Active Health

On May 29, 2009, the Company acquired the assets and businesses of Active Health Management Inc. and Brenda Rusnak Clinics Inc. and operates these as part of the rehabilitation and disability management business segment in its subsidiary, Active Health Services Ltd. and herein referred to as "Active Health".

Active Health specializes in high quality rehabilitation services that focus on physiotherapy, assessment services, physiotherapy network management and elder care. The elder care business provides physiotherapy services to over 269 retirement, assisted-living and long-term care homes operating in the province of Ontario through its network of independent consultants. The majority of these services are paid for by the Ontario Ministry of Health and Long Term Care ("MOHLTC").

Active Health also operates a health clinic in Toronto that provides rehabilitation treatment services including assessments, educational programs, on-going functional testing and treatments for pain management, movement and exercise.

DMSU

DMSU is an accredited, Toronto-based hospital operating since 1966 under Ontario's Private Hospitals Act and licensed by the MOH. DMSU specializes in a mix of surgical services.

Affiliated surgeons maintain active practices within their specialty areas and are members of the Royal College of Physicians and Surgeons. DMSU provides services from a leased 7,381 square foot Toronto-based facility that includes two fully-equipped operating theatres, one procedure room, 20 overnight stay beds, a central nursing station and physician's offices. DMSU retains full-time, part-time and casual nursing and administrative staff of 16 people.

During the quarter ended June 30, 2010, the Company acquired a license to operate a sleep clinic at the DMSU location. It is expected that the clinic will be accepting patients before the end of the third quarter.

Selected Financial Information

The following selected financial information for the three and six months ended June 30, 2010, and 2009, has been derived from the unaudited interim consolidated financial statements and should be read in conjunction with those financial statements and related notes.

	Three months ended June 30,			Six months ended June 30,		
	2010	2009	% Chg	**2010**	2009	% Chg
Revenue	**$15,927**	$7,027	**127%**	**$29,667**	$11,296	**163%**
Expenses:						
Direct costs	**11,420**	4,704		**21,515**	6,969	
General and administrative expenses	**2,191**	1,463		**4,024**	2,880	
Amortization	**130**	61		**224**	108	
	13,741	6,228		**25,763**	9,957	
Income before interest expense	**2,186**	799		**3,904**	1,339	
Interest expense	**202**	60		**415**	60	
Income before income taxes	**1,984**	739		**3,489**	1,279	
Income taxes	**666**	221		**1,169**	422	
Net income for the period	**$1,318**	$518	**154%**	**$2,320**	$857	**171%**
EBITDA	**$2,449**	$894	**174%**	**$4,370**	$1,506	**190%**
Earnings per share – basic	**$0.022**	$0.011	**100%**	**$0.038**	$0.021	**81%**
– diluted	**$0.019**	$0.011	**73%**	**$0.033**	$0.021	**57%**
Total assets	**$35,830**	$31,027		**$35,830**	$31,027	
Long-term loan (excluding current portion)	**$6,113**	$8,107		**$6,113**	$8,107	

Reconciliation of Non-GAAP Measures

EBITDA

The Company defines EBITDA as earnings before interest expense, income taxes, and amortization and excludes stock-based compensation expense. EBITDA is not a recognized measure under GAAP. Management believes that EBITDA is a useful financial metric as it assists in determining the ability to generate cash from operations. Investor's should be cautioned that EBITDA should not be construed as an alternative to net income as determined in accordance with GAAP.

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	**2010**	2009
Net income	**$ 1,318**	$ 518	**$ 2,320**	$ 857
Amortization	**130**	61	**224**	108
Interest expense	**202**	60	**415**	60
Stock-based compensation	**133**	34	**242**	59
Income taxes	**666**	221	**1,169**	422
EBITDA	**$ 2,449**	$ 894	**$ 4,370**	$ 1,506

Results of Operations (all amounts in thousands of Canadian dollars)

Revenues

The acquisition of Active Health occurred on May 29, 2009. The results for 2009 therefore include only one month of operations for this business, making comparisons to the results of 2010 somewhat difficult due to the impact of this business.

Revenue for the three months ended June 30, 2010 increased by $8,900 to $15,927 over the comparable quarter last year. Sales attributable to Active Health for the non-comparable months of April and May amounted to $6,043 and revenue for the comparable month of June increased by $646. Organic growth in sales for the disability management division amounted to $2,200 for the quarter, driven primarily due to a higher number of assessments. Revenue for DMSU increased by $11 over the comparable quarter last year.

Revenue for the six month period increased by $18,371, of which $14,524 was generated by Active Health for the five non-comparable months and $3,225 of the increase was generated in the disability management division.

Expenses

Direct costs include third-party consultant fees associated with the assessment and physiotherapy businesses and salaries and wages of employees working directly in each business segment.

Direct costs for the three months ended June 30, 2010 were $11,420, which was an increase of $6,716 over the comparable quarter in the prior year. For the quarter, direct costs expressed as a percentage of revenue were 72% versus 67% the prior year. Direct costs are higher for the Active Health business which is contained in all the months of 2010 and only in the month of June 2009.

Direct costs as a percentage of revenue for the six month period ended June 30, 2010 are higher than the prior year which reflects the higher cost base for the Active Health business which was owned for only one month in 2009 but is consistent with the percentage of revenue in the first and second quarters of 2010.

General and administrative expenses for the three months ended June 30, 2010 were $2,191which was $728 higher than the comparable period in the prior year. This increase was driven by higher salary and benefit costs of $201 associated with the Active Health business, an increase in non-cash stock-based compensation expense of $99 relating to the increase in options granted at the end of 2009 and increase in the contractual fees of $103 relating to the services performed by Global Healthcare Investments and Solutions, Inc. ("GHIS"), as explained in Note 7 to the unaudited interim consolidated financial statements.

General and administrative expenses for the six month period ended June 30, 2010 was $1,144 higher than the comparable period in the prior year. This increase was due to higher general and administrative expenses associated with the Active Health business and an increase of $183 in stock-based compensation expense over the prior year.

Amortization was higher during three and six month period ended June 30, 2010 due to the amortization of the assets acquired in the Active Health acquisition in May 2009.

Interest expense for the current quarter and the six month period, relates to the long-term loan that was arranged at the end of May 2009, for the purchase of the Active Health and includes $72 of amortization of loan arrangement costs ($11 for the quarter ended June 30, 2009) and year to date amortization of $145 of loan arrangement costs ($11 for 2009).

Income Taxes

Income tax expense is calculated at the statutory rate of 31% and is applied on income before taxes adjusted for items that are not deductible for tax purposes, primarily stock-based compensation, which effectively increases the tax rate to 33.5%.

Future income tax liabilities recognized on the consolidated balance sheet reflect tax on temporary differences expected to reverse in 2011 and beyond.

Liquidity and Capital Resources (all amounts in thousands of Canadian dollars)

The main working capital requirement relates to the financing of accounts receivable which are primarily from the MOHLTC, other government agencies, employers and insurance companies. Such receivables totaled $9,369 at June 30, 2010. These receivables are, to a large extent, financed by accounts payable to third-party service providers who typically are paid when payment for the related services is received from the Company's customers. The Company also has a $4,000 revolving operating credit facility. The Company consistently generates positive operating cash flows which are not subject to significant seasonal fluctuations and incurs minimal bad debt expense.

Management believes that the cash generated by existing business will be sufficient in the short to medium term for existing general corporate expenditures and working capital purposes including the repayment of the current portion of its long-term loan amounting to $2,200. Longer-term capital requirements will depend on many factors including the number and size of acquisitions completed, the rate of growth of the Company's client base, and the cost of expanding in its new markets for existing and new healthcare services. In order to meet such capital requirements, the Company may require additional public or private financing in the capital markets for debt or equity financing. In addition, it may seek strategic partners to finance new business opportunities. It is contemplated that this would include a private placement to healthcare professionals.

At June 30, 2010, the Company had total cash on hand of $1,596, an increase of $547 during the quarter ended June 30, 2010 (2009 decrease of $2,666).

Operating Activities

For the three months ended June 30, 2010, cash provided by operating activities was $2,087 compared to $800 for fiscal 2009. As discussed in the above sections, operating results were stronger due primarily to the acquisition of the Active Health business that was acquired in the second quarter of last year and is included in one month of the second quarter results of the prior year. Non-cash working capital in total was comparable to the same quarter of the prior year; however, components within working capital changed significantly. Receivables increased by $1,190 reflecting the higher sales in the quarter. Days sales outstanding ratio was 57 days for the second quarter of 2010 and was comparable to the first quarter of 2010. Accounts payable and accrued liabilities increased by $1,031 for the three months ended June 30, 2010 which reflects the increase in independent healthcare consultants used to provide services that generated the higher revenues for the quarter.

On a year to date basis, cash provided by operating activities increased $2,191 to $2,799 in 2010 from $608 in 2009. Growth in the disability management business and the acquisition of the Active Health business, are the factors behind this increase.

Investing Activities

During the quarter ended June 30, 2010, the Company advanced $360 to PrevCan Inc. (Intervent), a prevention and wellness company, pursuant to a definitive loan agreement that was signed during the quarter. The loan bears interest at 6% per annum and repayment terms are on demand. The Company has agreed to lend Intervent up to $2,000 by way of scheduled advances on a periodic basis until April 1, 2011. The loan matures on May 1, 2011, when it will be repaid either in cash or in shares of Intervent, at Intervent's option. The total amount advanced to Intervent as of June 30, 2010 is $560.

The three and six month period ended June 30, 2009 reflects the acquisition of Active Health for approximately $20 million as well as the repayment of the outstanding debenture owing to GHIS Capital Inc. of $750.

The Company invested in intangible software of $54 and purchased an indefinite life license to operate a sleep clinic for $250 for a total of $304 invested in intangible assets in the quarter ended June 30, 2010.

The purchase of property and equipment used in the business during the quarter ended June 30, 2010 amounted to $196, compared to $185 in fiscal 2009 and was in-line with management's expectations. For the six month period ended June 30, 2010, the purchase of property and equipment amounted to $288 (2009 - $216).

Financing Activities

During 2009, to complete the acquisition of Active Health, the Company obtained two sources of funding which included an $11,000 loan from a chartered Canadian bank and issued shares and warrants through a private placement to an existing shareholder in the amount of $6,765. The long-term loan is repayable over a five-year term, with quarterly payments of $550. Since inception of the loan, the Company has made principal repayments of $2,200 of which $550 was paid in the current quarter. Interest was fixed on this loan by way of an interest rate swap. Interest is payable monthly at an annual rate of 5.65%.

At June 30, 2010, the Company was in compliance with all of the covenants on its long-term and operating loan facilities.

Equity

Share Capital

During the quarter ended June 30, 2010, option holders exercised 25,000 options to purchase a similar number of shares for a weighted average exercise price per share of $0.31, for total proceeds of $8.

As at June 30, 2010, the Company had total shares outstanding of 61,140,095 compared to 60,415,095 at June 30, 2009. There were also 20,500,000 warrants outstanding as at June 30, 2010 entitling the holder to acquire 20,500,000 common shares at an exercise price of $0.33 per share.

As at June 30, 2010, there were a total of 5,300,000 options outstanding to purchase an equivalent number of common shares, with a weighted average exercise price of $0.59, expiring at various dates through 2020. The number of exercisable options at June 30, 2010 was 1,716,667 with a weighted average exercise price of $0.28.

As at the date of this report, August 11, 2010, the number of shares outstanding is 61,140,095; the number of options outstanding is 5,300,000; and, the number of warrants outstanding is 20,500,000.

Summary of Quarterly Results

Selected financial information for each of the last ten quarters is as follows:

	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Fiscal year 2010				
Revenue and other income			$ 15,927	$ 13,775
Net income			$ 1,318	$ 1,002
Income per share – basic			$ 0.022	$ 0.016
– diluted			$ 0.019	$ 0.013
Fiscal year 2009				
Revenue and other income	$ 12,896	$ 12,431	$ 7,027	$ 4,269
Net income (loss)	$ (105)	$ 888	$ 518	$ 339
Income (loss) per share – basic	$ (0.002)	$ 0.015	$ 0.011	$ 0.009
– diluted	$ (0.001)	$ 0.013	$ 0.011	$ 0.009
Fiscal year 2008				
Revenue and other income	$ 4,595	$ 3,635	$ 3,836	$ 3,729
Net income	$ 264	$ 225	$ 259	$ 204
Income per share – basic and diluted	$ 0.007	$ 0.006	$ 0.007	$ 0.005

Contractual Commitments

For the three months ended June 30, 2010, other than the Intervent loan obligation described, there have been no significant changes in the Company's contractual obligations. For a summary of the Company's contractual obligations, see page 9 of the Company's MD&A for the year ended December 31, 2009.

Off-Balance Sheet Arrangements

As at June 30, 2010, the Company has no off-balance sheet arrangements.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

The Chief Executive Officer and the Chief Financial Officer (collectively the "Certifying Officers") have evaluated the design and effectiveness of the Company's disclosure controls and procedures as of June 30, 2010 and have concluded that such disclosure controls and procedures were effective. In addition, the Certifying Officers are responsible for designing a system of internal controls over financial reporting, or causing them to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with Canadian GAAP. The Company used the COSO control framework. For the quarter ended June 30, 2010, the Certifying Officers have concluded that the design of the Company's internal controls over financial reporting and procedures were effective as at June 30, 2010.

Transactions with Related Parties

A summary of the transactions with related parties for the three and six month periods ended June 30, 2010 and 2009 are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	**2010**	2009
General and administrative expenses:				
Brenras	**$ –**	$ 90	**$ –**	$ 180
GHIS	**$ 153**	$ 50	**$ 360**	$ 95
	$ 153	$ 140	**$ 360**	$ 275
Interest incurred on the GHIS Capital debenture:	**$ –**	$ 9	**$ –**	$ 22

Included in accounts payable and accrued liabilities at June 30, 2010 and December 31, 2009, are $466 and $254, respectively, due to GHIS.

Brenras Holdings Inc. ("Brenras") is wholly-owned by a significant shareholder and former director of the Company. Brenras provided management services to the Company in 2009.

GHIS and entities controlled by the shareholders of GHIS own approximately 53% of the issued and outstanding common shares of the Company as at June 30, 2010. GHIS provided strategic and business development consulting services to the Company for the quarter ended June 30, 2010. During 2009, the consulting agreement with GHIS was amended to include a performance fee of 1% of the Company's market capitalization (computed on a trailing twelve month weighted average basis) provided the market capitalization exceeds a minimum threshold of $20,000. The performance fee incurred in the three and six month periods ended June 30, 2010 amounted to $88 and $212, respectively (2009 – $18), and is included in accounts payable and accrued liabilities.

GHIS Capital Inc. ("GHIS Capital") is related to GHIS by virtue of common control. Concurrent with the closing of the acquisition of the acquired businesses referred to in Note 3, to the 2009 Audited Consolidated Financial Statements, the Company redeemed the convertible debenture at its face amount of $750 and also agreed to issue to

GHIS Capital a warrant, expiring on May 29, 2012, entitling it to subscribe for and purchase 25% of the issued and outstanding common shares, as calculated immediately following the exercise, of Alegro Health Partners Inc. ("AHP"), a wholly-owned subsidiary of the Company, upon the payment of $33. Other aspects of the contractual arrangements between the Company, GHIS and GHIS Capital remained essentially unchanged including the agreement that AHP will be the entity that would pursue and conduct all new business opportunities in the healthcare sector distinct from the Company's current rehabilitation, medical assessment and related activities.

Critical Accounting Estimates

The preparation of financial statements requires the Company to estimate the effect of various matters that are inherently uncertain as of the date of the financial statements. Each of these required estimates varies in regard to the level of judgment involved and its potential impact on the Company's reported financial results. Estimates are deemed critical when a different estimate could have reasonably been used or where changes in the estimate are reasonably likely to occur from period to period, and would materially impact the Company's financial condition, changes in financial condition or results of operations.

Significant critical accounting estimates include the assessment of impairment of goodwill and intangible assets.

Goodwill and Intangible Assets Valuation

The Company performs an impairment assessment of goodwill and intangible assets on an annual basis and at any other time if events or circumstances make it possible that impairment may have occurred. Determining whether impairment has occurred requires a valuation of the respective business unit, based on its fair value, which is based on a number of factors, including discounted cash flows, future business plans, economic projections and market data. Management tests the valuation of goodwill and intangibles as at December 31 of each year to determine whether or not any impairment in the goodwill and intangible balances recorded exists. In addition, on a quarterly basis, management assesses the reasonableness of assumptions used for the valuation to determine if further impairment testing is required.

Management has determined, using the above-noted valuation method, that there was no impairment to goodwill or the intangible assets as at June 30, 2010 or December 31, 2009.

Future Accounting Changes

International Financial Reporting Standards ("IFRS")

In March 2009, the Accounting Standards Board of Canada confirmed that effective January 1, 2011, IFRS will replace GAAP for publicly accountable enterprises such as Centric Health Corporation. At this time, the Company's management is progressing through its conversion plan and is documenting and quantifying the differences between GAAP and IFRS. The Company anticipates a significant increase in disclosure resulting from the adoption of IFRS.

The Company has established and followed a project plan in order to present its consolidated financial statements under IFRS starting in 2011. Since the comparative figures will also have to be presented under IFRS, the changeover date to IFRS will in fact be January 1, 2010. The changeover project commenced in 2009 and includes the following steps:

- Planning of convergence project and diagnosis of financial statement items and policies to evaluate;
- Identification and documentation of differences between GAAP and IFRS;
- Impact analysis, in particular, changes required to existing accounting policies, information systems and internal controls;
- Design of business, reporting, and system processes to support the compilation of IFRS compliant financial data for the opening balance sheet at January 1, 2010, fiscal 2010 and thereafter;
- Regular reporting to the Audit Committee; and,

- Monitoring the International Accounting Standard Board's activities on an ongoing basis, giving consideration to any proposed changes, where applicable, in its assessment of differences between IFRS and GAAP. However, since all potential changes to IFRS that will be effective as at December 31, 2011 are not yet known, any conclusions drawn at this point in time are preliminary in nature.

Centric's progress to date has resulted in the following:

Disclosure Controls and Procedures

During fiscal 2010, the Company has presented its project plan and preliminary findings to the audit committee. The audit committee will be responsible for approving the policy choices under IFRS, as well as its choices of transitional exemptions under the provisions of IFRS 1 "First time adoption of IFRS". In addition to quarterly updates on the transition project, the audit committee will be presented with the preliminary opening balance sheet reflecting the policy choices and the estimates made at the transition date. A preliminary version of the note on the impact of transition and the template financial statements is currently in preparation. Preliminary IFRS interim financial statements of the first interim period of fiscal 2011 will be prepared for internal use and presented to senior management and the audit committee before the end of fiscal 2010.

Key stakeholders and investors will continue to be updated on a regular basis and through the Company's quarterly filings and investor presentations.

Business Activities

The Company is reviewing all of its current potential acquisitions to assess how these transactions will be impacted by the transition to IFRS. In particular, the Company is assessing the impact from the different treatment of contingent consideration and transaction costs. Impact from the adoption of IFRS is being considered as these transactions progress. The Company is also considering the impact of IFRS on its long-term loan covenants and discussing changes to its covenant restrictions with its lender to accommodate for the impact on operating results from the transition to IFRS. The Company does not expect any significant changes in its overall strategy from the impact of the transition to IFRS.

Information Technology

Management does not expect a significant impact on its method of capturing, recording and communicating its financial information through information technology. During 2009, the Company implemented a fixed asset sub ledger system to accommodate componentization and better maintain fixed asset records. There are no other significant changes planned for the Company's information technology infrastructure relating to the transition to IFRS.

Internal Controls over Financial Reporting

As the transition project progresses and policy choices are finalized, appropriate changes to ensure an adequate level of internal control is achieved may be required. Additional internal controls regarding financial reporting may be required to meet the specific activities and requirements surrounding the first-time adoption. Management will oversee implementation of additional procedures to ensure appropriate internal controls are maintained over financial reporting. Management will conduct ongoing reviews of internal control requirements and effectiveness throughout the transition period.

Training

Training sessions have been provided to key personnel of the Company to ensure a sufficient level knowledge of IFRS policies is achieved to implement the transtition. Management and the audit committee have been briefed on the major differences and expected impact of these differences that may affect the Company's financial statements. Additional specific training will be given to staff during the fiscal 2010 year based on changes in accounting policies, systems and processes.

Accounting Policies

Management has identified and documented the differences between IFRS and GAAP and policy choices for most of its identified financial statement areas using component evaluations. Management is quantifying the differences and assessing the impact on its opening balance sheet and operations. Management expects that documentation will be complete by the end of the third quarter.

In management's performance of component evaluations, it has found that additional documentation for disclosure will be required for a number of financial statement areas. Management has designed a process to identify additional required disclosures and data compilation to ensure IFRS requirements are being met.

Management has assessed that the measurement and recording of transactions will not be significantly impacted by the implementation of IFRS.

The relevant standards applicable to the Company's accounting policies that the Company has evaluated and preliminary conclusions are as follows:

IFRS 1- First-time Adoption of IFRS

Management has reviewed its available exemptions under IFRS 1 – First time adoption of IFRS and has concluded that it will use the following elective exemptions: business combinations and share-based payments. Business combinations completed prior to transition will not be restated retroactively. In particular, the acquisition of the Active Health business incurred significant transaction costs that were included in the purchase price allocation. Under IFRS these costs would be expensed as incurred.

Additional transaction costs incurred prior to transition, particularly those incurred in 2010 have been deferred under Canadian GAAP and will be expensed upon transition to IFRS. The Company will take a charge of approximately $64 against retained earnings upon transition.

The Company issues stock options to its employees and directors as deferred compensation. Stock options are the only share-based payments issued in the business. Awards vested prior to January 1, 2010 will not be revalued under the exemption. Unvested awards at the transition date are approximately 4,000,000 options with a total fair value of approximately $2 million to be expensed over their vesting term. The adjustment to retained earnings due to the change in accounting policy is not expected to be material.

The Company uses a third party, web-based software to manage its valuation and amortization of options expense. This software also provides for support to quantify the effects of transition to IFRS. Management has arranged training for its staff using the system.

IFRS 2 – Share-based Payments

The Company records expense based on the fair value of stock options issued. Under GAAP, the Company amortized this expense using a straight-line method over the life of the options. IFRS 2 allows only the graded vesting method to amortize the expense of share-based payments. This change in policy will recognize the expense associated with stock options over the vesting period, accounting for historical forfeiture rates and the number of awards vested in each period. The impact on operations is that the expense associated with share-based payments is recognized on an accelerated schedule in comparison with a straight-line amortization of the expense.

IFRS 3 - Business Combinations

Management has identified that treatment of business combinations under IFRS may result in an impact on its results of operations when compared to its current policies under GAAP. Costs attributed to an acquisition transaction are expensed in the period incurred under IFRS whereas under GAAP, the Company defers and allocates such costs to identifiable assets or goodwill in the purchase equation once the acquisition has closed. In addition, management identified that if future business combinations contain contingent consideration, the treatment under IFRS will involve measurement and recognition of subsequent changes in the fair value of contingent consideration

that differs from the treatment under GAAP. Management is maintaining detailed records of its deferred charges relating to potential acquisitions to quantify this difference in its interim financial statements in 2011. Transaction costs deferred in the three and six months ended June 30, 2010 were $145 and $149, respectively.

IAS 12 – Income Taxes

The Company recognizes that, under IFRS, its basis for recognition, measurement and presentation of future tax assets and liabilities may differ from its current presentation under GAAP. The adoption of IFRS will not affect the internal processes over calculating and maintaining tax records as this data is readily available using current systems.

IAS 16 – Property and Equipment

Under IFRS, after initial recognition, it is possible to measure property and equipment using the cost model or the revaluation model. The revaluation model is not allowed under GAAP. The Company will continue to use the cost model.

IAS 18 – Revenue Recognition

Management has performed its component evaluation on IAS 18 – Revenue Recognition and has concluded that there will be no significant impact on revenue recognition from the transition to IFRS. To ensure completeness of its evaluation, management analyzed each source of the Company's revenue and determined whether it meets the criteria for revenue recognition under IFRS. Management concluded that all sources of currently recognized revenue under GAAP would continue to be recognized under IFRS.

IAS 24 – Related Party Disclosures

Centric does not believe that adoption of IAS 24 will have a significant impact on its financial statements. The required additional disclosures will be addressed by implementing procedures to identify related parties under the new standard and ensure that all required information is gathered appropriately and disclosed in its financial statements.

IAS 36 – Impairments

The Company is required to perform impairment tests on its intangible assets and goodwill on an annual basis. Management is currently identifying its cash-generating units on the basis of independent cash inflows for impairment testing. Impairment tests were performed at December 31, 2009 on the intangible assets recorded on its balance sheet at that time.

IAS 37 – Provisions, Contingent Liabilities and Contingent Assets

IAS 37 requires a provision to be recognized when: (i) there is a present obligation as a result of a past transaction or event; (ii) it is probable that an outflow of resources will be required to settle the obligation; and (iii) a reliable estimate can be made of the obligation. The threshold for recognition of a provision under GAAP is higher than under IFRS. It is possible, therefore, that some contingent liabilities which would not have been recognized under GAAP may meet the criteria for recognition as a provision under IFRS.

In addition to the sections noted above, there are generally more extensive presentation and disclosure requirements under IFRS as compared to GAAP. These have been noted in the Company's detailed analysis and are included in the draft IFRS interim 2011 financial statements.

On an ongoing basis, management is monitoring the International Accounting Standard Board's activities, giving consideration to any proposed changes, where applicable, in its assessment of differences between IFRS and GAAP. However, since all potential changes to IFRS that will be effective as at December 31, 2011 are not yet known, any conclusions drawn at this point in time are preliminary in nature.

Risks and Uncertainties

The business of Centric Health is subject to a number of risks and uncertainties. Prior to making any investment decision regarding the Company, investors should carefully consider, among other things the risks described herein (including the section on caution regarding forward looking statements) and the risk factors set forth in the Company's 2009 Annual Information Form.

Government Regulation and Funding

The Company operates businesses in an environment in which insurance regulation, policy and funding decisions play a key role. Changes in regulation and funding structures related to third party disability management services, or their interpretation and application, could adversely affect the business, financial condition and results of operation of the Company.

Healthcare service providers in Canada are subject to various governmental regulation and licensing requirements and, as a result, both the Active Health and the DMSU businesses operate in an environment in which government regulations and funding play a key role. The level of government funding directly reflects government policy related to healthcare spending, and decisions can be made regarding such funding that are largely beyond the businesses' control. Any change in governmental regulation and licensing requirements relating to healthcare services, or their interpretation and application, could adversely affect the business, financial condition and results of operations of these two business units. On March 16, 2010, the Ontario Ministry of Health and Long-Term Care issued a bulletin entitled "Clarification regarding OHIP-insured physiotherapy services and claims submission" that contemplated changes to the geographic boundaries that could affect physiotherapy services provided to patients not living in long-term care homes. Since this date, much discussion has ensued with representatives of the physiotherapy association and the government ministry. The extent to changes in billing practices is unknown at this time as is the impact that these changes might have on the Company in the future.

Uncertainty of Liquidity and Capital Requirements

The future capital requirements of the Company will depend on many factors, including the number and size of acquisitions consummated, rate of growth of its client base, the costs of expanding into new markets, the growth of the market for healthcare services and the costs of administration. In order to meet such capital requirements, the Company may consider additional public or private financing (including the incurrence of debt and the issuance of additional common shares) to fund all or a part of a particular venture, which could entail dilution of current investors' interest in the Company. There can be no assurance that additional funding will be available or, if available, that it will be available on acceptable terms. If adequate funds are not available, the Company may have to reduce substantially or otherwise eliminate certain expenditures. There can be no assurance that the Company will be able to raise additional capital if its capital resources are depleted or exhausted. Further, due to regulatory impediments and lack of investor appetite, the ability of the Company to issue additional common shares or other securities exchangeable for or convertible into common shares to finance acquisitions may be restricted.

Unpredictability and Volatility of Share Price

Market prices for securities of healthcare services companies may be volatile. Factors such as announcements of new contracts, innovations, new commercial and medical products, patents, the development of proprietary rights by the Company or others, regulatory actions, publications, quarterly financial results of the Company or of competitors of the Company, public concerns over health, future sales of securities by the Company or by current shareholders and other factors could have a significant effect on the market price and volatility of the common shares of the Company.

The securities markets have experienced significant price and volume fluctuations from time to time in recent years that often have been unrelated or disproportionate to the operating performance of particular issuers. These broad fluctuations may adversely affect the market price of the Company's shares.

Significant Shareholders

There are significant shareholders of the Company that may be long-term holders of the common shares in the Company. As such, the trading volumes in the common shares of the Company and liquidity may be low. In addition, relatively low liquidity may adversely affect the price at which the common shares of the Company trade on the listed market.

Litigation

During the first quarter of 2010, the former CEO of the Company commenced a claim seeking compensation for termination of her employment and additional compensation amounts. The Company has initiated a defense against this claim and management believes that it has adequate provisions in its financial statements to provide for the settlement of this action.

Additional Information

Additional information about the Company, including the Annual Information Form, can be found on the SEDAR website at www.sedar.com.

Unaudited Interim Consolidated Financial Statements
For the Three and Six Months Ended
June 30, 2010 and 2009

Centric Health Corporation
Consolidated Interim Balance Sheets

(unaudited)
(in thousands of Canadian dollars)

	June 30, 2010	December 31, 2009
Assets		
Current Assets		
Cash	**$ 1,596**	$ 1,196
Accounts receivable	**9,369**	7,500
Accrued receivables	**1,733**	932
Loan receivable (note 4)	**560**	–
Prepaid expenses	**172**	161
	13,430	9,789
Property and equipment (note 9)	**1,118**	952
Goodwill (note 10)	**14,213**	14,213
Intangible assets (note 10)	**6,856**	6,627
Deferred acquisition costs	**213**	64
	$ 35,830	$ 31,645
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (note 7)	**$ 7,706**	$ 5,967
Income taxes payable	**746**	90
Future income taxes – current	**19**	19
Current portion of long-term loan (note 11)	**2,200**	2,200
	10,671	8,276
Long-term loan (note 11)	**6,113**	7,068
Interest rate swap liability (note 11)	**136**	121
Future income tax liability	**431**	265
Deferred lease inducement	**80**	92
	6,760	7,546
Shareholders' Equity		
Share capital (note 12)	**8,971**	8,921
Warrants (note 12)	**2,957**	2,957
Contributed surplus (note 12)	**1,387**	1,166
Accumulated other comprehensive loss (note 13)	**(136)**	(121)
Retained earnings	**5,220**	2,900
	18,399	15,823
	$ 35,830	$ 31,645

Contingencies (note 16)

The accompanying notes are an integral part of these interim consolidated financial statements.

Centric Health Corporation
Consolidated Interim Statements of Operations

(unaudited)
(in thousands of dollars, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	**2010**	2009
Revenue	**$ 15,927**	$ 7,027	**$ 29,667**	$ 11,296
Expenses				
Direct costs	**11,420**	4,704	**21,515**	6,969
General and administrative expenses (note 7)	**2,191**	1,463	**4,024**	2,880
Amortization	**130**	61	**224**	108
	13,741	6,228	**25,763**	9,957
Income before interest expense	**2,186**	799	**3,904**	1,339
Interest expense (note 11)	**202**	60	**415**	60
Income before income taxes	**1,984**	739	**3,489**	1,279
Income taxes – current	**563**	221	**1,003**	422
– future	**103**	–	**166**	–
	666	221	**1,169**	422
Net income for the period	**$ 1,318**	$ 518	**$ 2,320**	$ 857
Basic earnings per common share (note 12)	**$ 0.022**	$ 0.011	**$ 0.038**	$ 0.021
Diluted earnings per common share (note 12)	**$ 0.019**	$ 0.011	**$ 0.033**	$ 0.021
Weighted Average Number of Common Shares Outstanding (in thousands) (note 12)				
Basic	**61,119**	45,225	**61,099**	40,927
Diluted	**69,416**	45,761	**70,911**	41,266

Centric Health Corporation
Consolidated Interim Statements of Comprehensive Income

(unaudited)
(in thousands of dollars)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	**2010**	2009
Net income for the period	**$ 1,318**	$ 518	**$ 2,320**	$ 857
Other comprehensive loss for the period (note 13)	**(65)**	–	**(15)**	–
Comprehensive income for the period	**$ 1,253**	$ 518	**$ 2,305**	$ 857

The accompanying notes are an integral part of these interim consolidated financial statements.

Centric Health Corporation
Consolidated Interim Statements of Shareholders' Equity
(unaudited)
(in thousands of Canadian dollars)

	Share Capital						
	Number of Shares	Amount	Warrants	Contributed Surplus	Accumulated Other Comprehensive Loss	Retained Earnings	Total
Balance at December 31, 2008	**36,581,762**	**$ 3,928**	$ –	**$ 1,268**	$ –	**$ 1,260**	**$ 6,456**
Issued on acquisition of Active Health	3,333,333	1,000	–	–	–	–	1,000
Private placement	20,500,000	3,754	–	–	–	–	3,754
Issuance of warrants	–	–	2,957	–	–	–	2,957
Deferred compensation expensed in the period	–	–	–	59	–	–	59
Non-controlling interest	–	–	–	–	–	(158)	(158)
Net income for the period	–	–	–	–	–	857	857
Balance at June 30, 2009	**60,415,095**	**$ 8,682**	**$ 2,957**	**$ 1,327**	**$ –**	**$ 1,959**	**$ 14,925**
Balance at December 31, 2009	**61,015,095**	**$ 8,921**	**$ 2,957**	**$ 1,166**	**$ (121)**	**$ 2,900**	**$ 15,823**
Options exercised	125,000	50	–	(21)	–	–	29
Deferred compensation expensed in the period (note 12)	–	–	–	242	–	–	242
Other comprehensive loss (note 13)	–	–	–	–	(15)	–	(15)
Net income for the period	–	–	–	–	–	2,320	2,320
Balance at June 30, 2010	**61,140,095**	**$ 8,971**	**$ 2,957**	**$ 1,387**	**$ (136)**	**$ 5,220**	**$ 18,399**

The accompanying notes are an integral part of these interim consolidated financial statements.

Centric Health Corporation
Consolidated Interim Statements of Cash Flows
(unaudited)
(in thousands of dollars)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	**2010**	2009
Cash provided by				
Operating activities				
Net income for the period	**$ 1,318**	$ 518	**$ 2,320**	$ 857
Items not affecting cash:				
Amortization of property and equipment	**73**	61	**115**	108
Amortization of finite-lived intangible assets	**57**	–	**109**	–
Amortization of loan arrangement costs	**72**	11	**145**	11
Leasehold inducement	**(6)**	–	**(12)**	–
Future income taxes	**103**	–	**166**	–
Stock-based compensation	**133**	34	**242**	59
Changes in non-cash working capital items (note 8)	**337**	176	**(286)**	(427)
Cash provided by operating activities	**2,087**	800	**2,799**	608
Investing activities				
Loan advanced	**(360)**	**–**	**(560)**	**–**
Increase in deferred acquisition costs	**(145)**	**–**	**(149)**	**–**
Acquisition of Active Health	**–**	(19,979)	**–**	(20,179)
Proceeds from disposition of equipment	**7**	–	**7**	–
Purchase of intangible assets	**(304)**	–	**(338)**	–
Acquisition of non-controlling interest (note 11)	**–**	(750)	**–**	(750)
Purchase of property and equipment	**(196)**	(185)	**(288)**	(216)
Cash used in investing activities	**(998)**	(20,914)	**(1,328)**	(21,145)
Financing activities				
Proceeds of long-term loan, net of loan arrangement costs (note 10)	**–**	10,745	**–**	10,745
Repayment of long-term loan (note 11)	**(550)**	–	**(1,100)**	–
Issuance of common shares and warrants, net of issue costs (note 12)	**8**	6,711	**29**	6,711
Decrease in non-controlling interest	**–**	(8)	**–**	(21)
Cash (used in) provided by financing activities	**(542)**	17,448	**(1,071)**	17,435
Increase (decrease) in cash	**547**	(2,666)	**400**	(3,102)
Cash, beginning of period	**1,049**	3,566	**1,196**	4,002
Cash, end of period	**$ 1,596**	$ 900	**$ 1,596**	$ 900

The accompanying notes are an integral part of these interim consolidated financial statements.

1. Business of the Company

Centric Health Corporation (the "Company") is incorporated under the *Canada Business Corporations Act* and is listed on the Toronto Stock Exchange. The Company's principal business is providing healthcare services to its customers.

The results of operations presented in the 2009 comparative financial statements include one month of operations for the Active Health business acquired on May 29, 2009.

2. Basis of Presentation

These unaudited interim consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles for interim financial statements and accordingly do not include all disclosures required for annual financial statements. These unaudited interim consolidated financial statements follow the same significant accounting policies as the Company's audited annual consolidated financial statements for the year ended December 31, 2009 and accordingly, should be read in conjunction with those annual financial statements and the notes thereto. All amounts disclosed are in thousands of Canadian dollars, unless otherwise stated.

The accompanying unaudited interim consolidated financial statements include all adjustments that are, in the opinion of management, necessary for fair presentation. The results of operations and cash flows for the current periods as presented are not necessarily indicative of the results to be expected for the full year.

3. Significant Accounting Policies

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The accounting elements which require management to make subjective estimates and assumptions include revenue recognition, estimated useful lives of property and equipment, valuation of goodwill and intangible assets and valuation of options and warrants. Actual results could differ from those estimates.

Reclassifications

Certain 2009 amounts have been reclassified to conform to the current period's presentation.

3. Significant Accounting Policies - Continued

New Accounting Policies

There have been no new accounting policies adopted in these unaudited interim financial statements. The volume of accounting pronouncements being introduced by the Canadian Institute of Chartered Accountants applicable to the Company has reduced significantly pending the transition to International Financial Reporting Standards ("IFRS").

Future Accounting Changes

There have been no additional future accounting changes from those reported in Note 2 to the 2009 audited consolidated financial statements.

4. Loan Receivable

On May 17, 2010 the Company entered into an agreement with PrevCan Inc. ("Intervent") to advance $2,000 on a periodic basis through to April 1, 2011. The advances bear interest at 6% per annum which is payable six months in arrears. The loan and any accrual interest is due May 11, 2011 payable at Intervent's option in either cash or shares in Intervent, representing a 50% fully diluted interest. In the event the loan is repaid through the issuance of Intervent shares, the Company's cost of acquiring the shares will be represented by the loan amount and any unpaid interest. If Intervent elects to repay the loan with its shares, the Company is required to pay certain additional contingent consideration in the form of Company warrants and shares if certain financial performance criteria are met by Intervent in the year ending December 31, 2011.

The Company can demand repayment of the loan on or prior to May 2011. In such circumstances, the Company would be required to provide the full amount of the loan advances and Intervent would repay the loan by issuing shares in Intervent representing a 50% fully diluted interest.

5. Acquisitions

During the quarter ended June 30, 2010, the Company completed the acquisition of an indefinite life license to operate a sleep clinic for cash consideration of $250. The Company has obtained the necessary approval from the Ministry of Health and Long Term Care to transfer the license and has progressed with building the required facilities within its Don Mills Surgical Unit premises. The Company expects to begin accepting patients in the third quarter of 2010.

6. Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the continuation and expansion of its operations. The Board of Directors does not establish quantitative return on capital criteria, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include share capital, warrants and the stock option component of its shareholders' equity as well as its long-term loan and operating facility (see Note 11). In order to maintain or adjust its capital structure, the Company may seek additional financing through the issuance of new equity securities, the exercise of outstanding stock options and warrants or the issuance of debt instruments such as operating or term loans.

The Company is not subject to any externally imposed capital requirements and has adequate capital on hand to meet future obligations.

Management reviews its capital management requirements on an ongoing basis and believes this approach, given the relative size of the Company, is reasonable. There were no changes to the Company's approach to capital management during the three month and six months ended June 30, 2010.

7. Related Party Transactions and Balances

In the normal course of operations, the Company has entered into certain related party transactions which have been measured at the respective exchange amounts, being the consideration established and agreed to by the related parties.

A summary of the transactions with related parties for the three and six month periods ended June 30, 2010 and 2009 are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	**2010**	2009
General and administrative expenses:				
Brenras	**$ –**	$ 90	**$ –**	$ 180
GHIS	**$ 153**	$ 50	**$ 360**	$ 95
	$ 153	$ 140	**$ 360**	$ 275
Interest incurred on the GHIS Capital debenture:	**$ –**	$ 9	**$ –**	$ 22

Included in accounts payable and accrued liabilities at June 30, 2010 and December 31, 2009, are $466 and $254, respectively, due to Global Healthcare Investments & Solutions, Inc. ("GHIS").

7. Related Party Transactions and Balances - Continued

GHIS and entities controlled by the shareholders of GHIS own approximately 53% of the issued and outstanding common shares of the Company as of June 30, 2010. GHIS provided strategic and business development consulting services to the Company. The existing consulting agreement with GHIS was amended in May, 2009. Under the terms of the consulting agreement which has an initial term of three years renewable annually thereafter, the monthly consulting fee is $20. In addition, a performance fee component whereby GHIS will be entitled to an annual fee of 1% of the Company's market capitalization (computed on a trailing twelve month weighted average basis) provided the market capitalization exceeds a minimum threshold amount of $20,000. The performance fee incurred in the three and six months ended June 30, 2010, totalled $88 and $212, respectively.

GHIS Capital Inc. ("GHIS Capital") is related to GHIS by common control. GHIS Capital was the holder of a convertible debenture issued by the Company in 2007. Concurrent with the closing of the acquisition of the Active Health Management business, the Company redeemed the convertible debenture at its face amount of $750 and also agreed to issue to GHIS Capital a warrant, expiring on May 29, 2012, entitling it to subscribe for and purchase 25% of the issued and outstanding common shares, as calculated immediately following the exercise, of Alegro Health Partners Inc. ("AHP"), a wholly-owned subsidiary of the Company, upon the payment of $33.

Other aspects of the contractual arrangements between the Company, GHIS and GHIS Capital remained essentially unchanged including the agreement that AHP will be the entity that would pursue and conduct all new business opportunities in the healthcare sector distinct from the Company's current rehabilitation, medical assessment and related activities.

Brenras Holdings Inc. ("Brenras") is wholly-owned by a significant shareholder and former director of the Company. Brenras provided management services to the Company in 2009.

8. Supplementary Disclosure of Cash Flow Information

(a) The net changes in non-cash working capital are comprised of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	**2010**	2009
Accounts receivable	**$ (534)**	$ 106	**$ (1,869)**	$ 49
Accrued receivables	**(656)**	98	**(801)**	(256)
Prepaid expenses	**48**	(44)	**(11)**	(82)
Accounts payable and accrued liabilities	**1,031**	(205)	**1,739**	(314)
Income taxes payable	**448**	221	**656**	176
	$ 337	$ 176	**$ (286)**	$ (427)

8. Supplementary Disclosure of Cash Flow Information - Continued

(b) Other supplementary cash flow information:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	**2010**	2009
Income taxes paid	**$ 115**	$ –	**$ 347**	$ 245
Interest paid	**$ 130**	$ 34	**$ 270**	$ 47

9. Property and Equipment

At June 30, 2010

	Cost	**Accumulated Amortization**	**Net Book Value**
Office furniture, fixtures and equipment	**$ 686**	**$ 490**	**$ 196**
Work simulation and facility equipment	**1,268**	**1,268**	**–**
Computer equipment	**1,201**	**857**	**344**
Medical equipment	**501**	**398**	**103**
Physiotherapy equipment	**325**	**65**	**260**
Leasehold improvements	**239**	**24**	**215**
	$ 4,220	**$ 3,102**	**$ 1,118**

At December 31, 2009

	Cost	Accumulated Amortization	Net Book Value
Office furniture, fixtures and equipment	$ 653	$ 475	$ 178
Work simulation and facility equipment	1,268	1,268	–
Computer equipment	1,162	806	356
Medical equipment	401	391	10
Physiotherapy equipment	272	41	231
Leasehold improvements	186	9	177
	$ 3,942	$ 2,990	$ 952

10. Intangible Assets and Goodwill

	June 30, 2010	December 31, 2009
Indefinite-life intangible assets:		
Hospital license	**$ 1,147**	$ 1,147
Government billing privilege	**4,105**	4,105
Sleep clinic license	**250**	–
	5,502	5,252
Finite-life intangible asset:		
Software (net of amortization)	**1,354**	1,375
Total intangible assets	**6,856**	6,627
Goodwill	**14,213**	14,213
Total intangible assets and goodwill	**$ 21,069**	$ 20,840

The Company acquired software, billing privileges and goodwill in its acquisition of Active Health. The Company valued the software based on its replacement value and performed an impairment test on the software at December 31, 2009. The Company determined there was no impairment. The software is being amortized over its estimated useful life of seven years. As at June 30, 2010, accumulated amortization on software was $234 (December 31, 2009 - $125).

The intangible assets include the private hospital licence, the government billing privilege and, the sleep clinic license. These assets have indefinite useful lives.

11. Long-Term Loan and Operating Facility

Long-term loan

On May 29, 2009, the Company obtained a long-term loan of $11,000 from a major Canadian chartered bank in conjunction with the acquisition of the Active Health Management business. The loan is repayable over a five-year period, with quarterly principal payments of $550. Interest on the loan is payable monthly. All of the assets of the Company have been pledged as collateral for this loan. The annual rate of interest is 5.65% fixed by an interest swap over the term of the loan.

The long-term loan is presented net of loan arrangement costs. These costs are amortized over the term of the loan through accretion resulting in increasing interest expense recorded on the consolidated balance sheets over time. At June 30, 2010, the net long-term loan (including the current portion) is $8,313 (face value of $8,800 less $487 of unamortized loan arrangement costs).

Interest expense on the long-term loan comprises the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	**2010**	2009
Interest expense on long-term loan	**$ 130**	$ 49	**$ 270**	$ 49
Amortization of loan arrangement costs	**72**	11	**145**	11
	$ 202	$ 60	**$ 415**	$ 60

The Company is in compliance with the financial covenants of the long-term loan as at June 30, 2010.

The Company uses derivative financial instruments to manage current and future risks related to interest rate fluctuations associated with its loan.

As at June 30, 2010, the Company used an interest rate swap as part of its program for managing the combination of fixed and variable interest rates of its debt and the corresponding aggregate cost of borrowing. The interest rate swap expires concurrently with the maturity of the loan. The interest rate swap involves an exchange of interest payments without an exchange of principal underlying the interest payments, and is accounted for as an asset or liability depending on the position with respect to the variable portion of the swap and the corresponding gain or loss is recorded in other comprehensive income.

The Company formally documents and designates its derivative financial instrument as a cash-flow hedge on its bank loan. The Company evaluated the effectiveness of its hedging transaction at the time of the establishment of the instrument. As at June 30, 2010, the fair value of the hedge was approximately $136 in favour of the counterparty.

11. Long-Term Loan and Operating Facility - Continued

Operating facility

The Company maintains a revolving operating credit facility to a maximum of $4,000 (December 31, 2009 - $4,000), including letters of guarantee to a maximum of $250. Interest on the borrowing options available is at prime plus 0.5% and 2% per annum, respectively, with interest paid monthly. As at June 30, 2010 and December 31, 2009, the Company had not drawn on this credit facility.

12. Shareholders' Equity and Earnings per Share

Common shares

Authorized share capital consists of an unlimited number of common shares. The number of common shares issued and outstanding is as follows:

Six months ended June 30, ($ thousands, except share amounts)	**2010**		2009	
Common shares	**Shares**	**Stated value**	Shares	Stated value
Balance, beginning of period	**61,015,095**	**$ 8,921**	36,581,762	$ 3,928
Issued through private placement	–	–	20,500,000	3,754
Issued for acquisition	–	–	3,333,333	1,000
Stock options exercised	**125,000**	**50**	–	–
Balance, end of period	**61,140,095**	**$ 8,971**	60,415,095	$ 8,682

During the three months ended June 30, 2010, 25,000 shares were issued upon exercise of options at a weighted average price exercise of $0.31.

12. Shareholders' Equity and Earnings per Share - Continued

Issuance of common shares and warrants

On May 29, 2009, the Company issued a private placement of 20,500,000 common shares and an equal number of warrants to GHIS for a total consideration of $6,765. Each warrant entitles the holder to acquire one common share for a period of 5 years from this date, at a price of $0.33 per share. The warrants have been fair valued at $2,981 (less transaction costs of $24) using the Black-Scholes pricing model with the following assumptions:

Dividend yield	Nil
Expected volatility	115%
Risk-free interest rate	2.5%
Expected life in years	5
Share price at date of issue	$0.260
Fair value of warrant	$0.145

The GHIS warrants were the only warrants outstanding as at June 30, 2010.

Issuance of stock options and deferred stock-based compensation

On May 31, 2010 the Company granted 350,000 stock options to three senior management employees to purchase an equivalent number of common shares at an exercise price of $0.67 per share to be vested at the rate of 25% per annum over a four year period.

The value assigned to options granted in the period was calculated using the Black-Scholes option-pricing model with the following assumptions:

Dividend yield	Nil
Expected volatility	115%
Risk-free interest rate	3%
Expected option term	10 years

Deferred stock-based compensation not yet charged to income is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	**2010**	2009
Balance, beginning of period	**$ 1,643**	$ 108	**$ 1,752**	$ 133
Options granted in the period as deferred compensation	**177**	197	**177**	197
Expensed in the period	**(133)**	(34)	**(242)**	(59)
Balance, end of period	**$ 1,687**	$ 271	**$ 1,687**	$ 271

12. Shareholders' Equity and Earnings per Share - Continued

The outstanding and exercisable stock options are as follows:

Six months ended June 30,	**2010**			2009		
Common share options	**Options**		**Weighted average exercise price**	Options		Weighted average exercise price
Balance, beginning of period	**5,075,000**	**$**	**0.58**	3,050,000	$	0.28
Options granted	**350,000**		**0.67**	825,000		0.37
Options exercised	**(125,000)**		**0.23**	–		–
Options cancelled	**–**		**–**	(100,000)		0.34
Balance, end of period	**5,300,000**	**$**	**0.59**	3,775,000	$	0.30
Exercisable, end of period	**1,716,667**	**$**	**0.28**	1,850,000	$	0.24

Earnings per share

Earnings per share for the three and six months ended June 30, 2010 and 2009 have been calculated on the basis of net income for the period divided by the weighted average number of common shares outstanding during each period. Diluted earnings per share, for all periods presented, were calculated based on the weighted average number of common shares outstanding and stock options and warrants outstanding during the period. The weighted average calculation was based on the treasury stock method and included all options and warrants that were issued at prices lower than the market price of the Company's common shares at the respective period ends.

The following table illustrates the dilutive effect of the outstanding options and warrants for the three and six months ended June 30, 2010 and 2009:

	Three Months Ended June 30,		Six Months Ended June 30,	
(amounts in thousands)	**2010**	2009	**2010**	2009
Basic weighted average shares outstanding	**61,119**	45,225	**61,099**	40,927
Dilutive effect of options	**932**	536	**1,094**	339
Dilutive effect of warrants	**7,365**	–	**8,718**	–
Diluted shares outstanding	**69,416**	45,761	**70,911**	41,266

13. Accumulated Other Comprehensive Income (Loss)

Accumulated other comprehensive income (loss) ("AOCI") is comprised of the fair value of the interest rate swap on the long-term loan. The fair value is calculated as the difference in the net present value of the future cash flows to and from the counterparty. Unrealized gains and losses will accumulate in the AOCI until the maturity of the loan.

Changes in the components of AOCI are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	**2010**	2009
AOCI at beginning of period	**$ (71)**	$ –	**$ (121)**	$ –
OCI for the period due to fair value of interest rate swap	**(65)**	–	**(15)**	–
AOCI at end of period	**$ (136)**	$ –	**$ (136)**	$ –

14. Financial Instruments

The Company's financial instruments consist of cash, accounts receivable, accrued receivables, accounts payable, accrued liabilities and its long-term loan. In addition, the Company has an interest rate swap.

Fair value

Fair value hierarchy

Financial instruments carried at fair value have been categorized under three levels of fair value hierarchy as follows:

- *Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities*

  This level of the hierarchy includes cash. The fair value of the instrument is quoted prices where they represent those at which regularly and recently occurring transactions take place.

- *Level 2: Inputs that are observable for the assets or liabilities either directly or indirectly*
  This level of the hierarchy includes derivative financial instruments with major Canadian chartered banks. These instruments are recorded at fair value on the settlement date. The fair value of derivatives used to manage interest rate exposure is calculated through discounting future expected cash flows using the BA based swap curve. Since the BA based swap curve is an observable input, these financial instruments are considered Level 2.

- *Level 3: Inputs for assets or liabilities that are not based on observable market data.*
  The Company has no financial instruments in this category.

14. Financial Instruments - Continued

Due to their short-term maturities, the fair value of financial instruments approximates their carrying value. The long-term loan is the subject of an interest rate swap which is discussed in interest rate risk, below. The interest rate swap is recorded at its fair value at June 30, 2010. The aggregate of the face value of the long-term loan plus the recorded amount of the interest rate swap approximates the fair value of the loan.

Financial instruments at fair value:

	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash	$ 1,596	$ –	$ –	$ 1,596
Financial liabilities:				
Interest rate swap	$ –	$ 136	$ –	$ 136

Financial instruments not carried at fair value

The following table presents the carrying value of the Company's financial instruments which are not carried at fair value in the balance sheet. The following financial instruments are carried at historical cost or amortized historical cost:

	June 30, 2010	December 31, 2009
	Carrying value	Carrying value
Accounts receivable	**$ 9,369**	$ 7,500
Loan receivable	**560**	–
Total financial assets	**$ 9,929**	$ 7,500
Accounts payable and accrued liabilities	**$ 7,706**	$ 5,967
Long-term loan	**8,313**	9,269
Total financial liabilities	**$ 16,019**	$ 15,236

14. Financial Instruments - Continued

Credit risk and economic dependence

The Company is exposed to credit risk to the extent that its clients become unable to meet their payment obligations. The Company's exposure to concentrations of credit risk is limited. Accounts receivable and accrued receivables are from the Workplace Safety and Insurance Board, government agencies, employers and insurance companies. The Company has experienced minimal bad debt expense.

The Company derived approximately 45% (December 31, 2009 – 35%) of its revenue for the six month period ended June 30, 2010 from billings through its government billing privilege and as such, is subject to concentration risk associated with its reliance on such billings. For the quarter ended June 30, 2010, the revenue derived through its government billing privilege was approximately 44%.

The Company's cash is held through a chartered Canadian bank. The Company is not exposed to significant credit risk arising from its financial instruments.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity by assuring that there is sufficient working capital to meet short and long-term business requirements after taking into account cash flows from operations and the Company's holding of cash and net working capital. The Company also strives to maintain sufficient financial liquidity at all times in order to participate in investment opportunities as they arise, as well as to withstand sudden adverse changes in economic circumstances.

Management forecasts cash flows for its current and subsequent fiscal years to project future financial requirements. At June 30, 2010, the Company had $1,596 (December 31, 2009 – $1,196) of cash and a current portion of its long-term loan of $2,200 (December 31, 2009 – $2,200) with a long-term portion of $6,113 (December 31, 2009 – $7,068). In accordance with the CICA Handbook Section 3855, the long-term debt is presented net of loan arrangement costs of $487, which are being amortized using the effective interest method over the term of the loan. The Company anticipates that it will generate sufficient cash flow from operations over the next year to meet the repayment of the current portion of its long-term loan and current liabilities.

Interest rate risk

Interest rate risk is the risk borne by an interest-bearing asset or liability as a result of fluctuations in interest rates. The Company has a revolving operating facility of $4,000 (December 31, 2009 – $4,000) which has a variable interest rate based on prime. As at June 30, 2010 and December 31, 2009, the Company had not drawn on the facility.

The Company also has a five-year loan with a face value of $8,800 which carries a floating interest rate, based on the prime rate, plus 3.25%, which has, through the swap (see Note 11), resulted in a fixed interest rate of 5.65%. The Company has entered into an interest rate swap on its loan to mitigate interest rate risk on its loan.

14. Financial Instruments - Continued

The fair value of the swap effective as at June 30, 2010, recorded as a derivative financial instrument amounts to $136 in favour of the counterparty. This amount is recorded as a liability and is accumulated in other comprehensive income.

Currency risk

Virtually all of the Company's transactions are denominated in Canadian dollars. At June 30, 2010, the Company held no financial instruments that were denominated in other than Canadian currency.

15. Segmented Reporting

The operations of the Company and its consolidated subsidiaries are comprised of two reportable operating segments referred to as (i) Physiotherapy and Disability Management and (ii) Don Mills Surgical Unit Limited ("DMSU"). The Physiotherapy and Disability segment includes the businesses of Centric Disability Management Inc. and Active Health Services Inc., which provide medical assessment and rehabilitation services to the insurance industry and employers, physiotherapy network management, and physiotherapy services to long-term care and retirement homes. DMSU is an accredited, Toronto-based hospital specializing in a mix of ambulatory and surgical services and includes the Centric Sleep Clinic assets. The general and administrative costs included in the "Corporate" column have not been allocated to the two segments and generally represent the costs associated with a publicly listed entity.

As at and for the three months ended June 30, 2010

	Physiotherapy and Disability Management	DMSU	Corporate	Total
Revenue	$ 15,585	$ 342	$ –	$ 15,927
Amortization	$ 119	$ 8	$ 3	$ 130
Interest	$ –	$ –	$ 202	$ 202
Income (loss) before interest and income taxes	$ 2,625	$ (16)	$ (424)	$ 2,185
Capital expenditures	$ 164	$ 336	$ –	$ 500
Goodwill	$ 14,213	$ –	$ –	$ 14,213
Total assets (liabilities)	$ 34,877	$ 1,954	$ (1,001)	$ 35,830

As at and for the three months ended June 30, 2009

	Physiotherapy and Disability Management	DMSU	Corporate	Total
Revenue	$ 6,696	$ 331	$ –	$ 7,027
Amortization	$ 40	$ 1	$ 20	$ 61
Interest	$ –	$ –	$ 60	$ 60
Income (loss) before interest and income taxes	$ 963	$ (17)	$ (147)	$ 799
Capital expenditures	$ 185	$ –	$ –	$ 185
Goodwill	$ 18,040	$ –	$ –	$ 18,040
Total assets	$ 29,286	$ 1,473	$ 268	$ 31,027

15. Segmented Reporting - Continued

Six months ended June 30, 2010

	Rehabilitation and Disability Management	DMSU	Corporate	Total
Revenue	$ 28,987	$ 680	$ –	$ 29,667
Amortization	$ 212	$ 8	$ 4	$ 224
Interest	$ –	$ –	$ 415	$ 415
Income (loss) before interest and income taxes	$ 4,565	$ (24)	$ (637)	$ 3,904
Capital expenditures	$ 290	$ 336	$ –	$ 626

Six months ended June 30, 2009

	Rehabilitation and Disability Management	DMSU	Corporate	Total
Revenue	$ 10,632	$ 664	$ –	$ 11,296
Amortization	$ 63	$ 6	$ 39	$ 108
Interest	$ –	$ –	$ 60	$ 60
Income (loss) before interest and income taxes	$ 1,588	$ –	$ (249)	$ 1,339
Capital expenditures	$ 216	$ –	$ –	$ 216

16. Contingencies

During the first quarter of 2010, the former CEO of the Company commenced a claim seeking compensation for termination of her employment and additional compensation amounts. The Company has initiated a defense against this claim and management believes that it has adequate provisions in its financial statements to provide for the settlement of this action.

From time to time the Company is involved in litigation, investigations or proceedings related to claims arising out of its operations in the ordinary course of business. In the opinion of management, these claims and lawsuits in the aggregate, even if adversely settled, would not have a material impact on the Company's financial position, results of operations or cash flows.