ALEGRO HEALTH CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL POSITION

The following management discussion and analysis ("MD&A") dated this 29th day of November, 2005 provides an overview of the consolidated financial condition and results of operations of Alegro Health Corp. ["Alegro", "we", "our", or the "Company"] for the three and nine months ended September 30, 2005. This discussion and analysis should be read in conjunction with the information from the consolidated financial statements of the Company and related notes thereto for the year ended December 31, 2004.

The consolidated financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles ["GAAP'] and all amounts are presented in Canadian dollars.

Caution Concerning Forward-Looking Statements

This document contains forward-looking statements, which reflect the Company's current expectations regarding future events. The forward-looking statements depend on a number of factors and involve risks and uncertainties. When used in this document, the words "anticipate", "believe", "estimate" and "expect" and similar expressions, as they relate to Alegro or its management, are intended to identify forward-looking statements. This MD&A contains forward-looking statements relating to, among other things, regulatory compliance, the sufficiency of current working capital and the estimated cost and availability of funding for future acquisitions. Such statements reflect the current views of Alegro with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievements of Alegro to be materially different from any future results, performances or achievements that may be expressed or implied by such forward- looking statements.

Overview

Alegro Health Corp. was incorporated under the Canada Business Corporations Act on February 2, 2001. On September 4, 2002 the Company completed its initial public offering of 1,833,333 shares of common stock and was listed as a venture company on the TSX Venture Exchange ["TSX-V"]. Alegro is a provider of medical, surgical, disability management, case management and multidisciplinary rehabilitation services to an extensive and diverse customer base. Through its network of facilities and health professionals, Alegro provides screening and prevention, assessment, consultation, and treatment services to over 200 Canadian companies and government agencies.

On June 18, 2003, Alegro issued [i] 2,259,095 common shares in exchange for amounts due to related parties by Work Able Centres Inc. ["Work Able"], a private company incorporated in 1993 under the laws of Ontario, of $451,819; and [ii]11,750,000 common shares to acquire all of the issued and outstanding shares of Work Able. As a result of these transactions, the shareholders of Work Able owned 81.6% of the outstanding common shares of the Company and, accordingly, the purchase of Work Able was accounted for as a reverse takeover transaction.

On August 6, 2004, the Company entered into a twenty-five year management services contract covering all aspects of the operations of Don Mills Surgical Unit Limited ["DMSU"], an accredited private hospital authority licensed by the Ontario Ministry of Health and Long-Term Care ["Ministry of Health"] and on May 3, 2005, the Company acquired all the outstanding shares of DMSU.

On August 18, 2005, a wholly owned subsidiary of the Company, Direct Health Solutions Inc. ("Direct") purchased certain assets and contracts of the Canadian division of Concentra Integrated Services, of Burlington, Massachusetts, USA relating to Concentra's Canadian case management, occupational therapy and medical assessment business. This transaction increased the scope of Alegro's disability and case management operations in Toronto, and extended Alegro's reach to Kitchener and Thunder Bay in Ontario, and to Fredericton and Halifax in Atlantic Canada. The primary customers of Direct are workers' compensation boards, employers and insurance companies.

Alegro's business objectives are to provide a broad range of health care services to individuals and organizations. The Company currently has three primary lines of business, all operated through wholly owned subsidiaries. These consist of disability management centers operated through Work Able Centres Inc., case management services provided by Direct Health Services Inc. and a private hospital providing surgical services, operating as Don Mills Surgical Unit Inc.

Work Able Centers Inc.

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 in their occupations.

Work Able has positioned itself as a premiere provider of disability management services. Work Able pioneered the use of work simulation facilities in Canada to support functional recovery and promote return to work. Work Able presently has three facilities currently occupying a total of 25,000 square feet of leased space in Toronto, Barrie and Mississauga, Ontario. The facilities are equipped with state of the art assessment, rehabilitation and work simulation tools and systems. Work Able employs approximately 200 full-time staff and consultants including physicians from across a number of specialty practice areas, psychologists, occupational health nurses, physiotherapists, occupational therapist, cognitive behavioural therapists, kinesiologists, and vocational evaluators.

Clients are referred to Work Able clinics by many sources including insurers, government agencies, independent insurance adjusters, lawyers, employers and independent disability management companies.

Direct Health Services Inc.

Direct provides case management services primarily to the insurance industry and the WSIB of Ontario. Currently the majority of Direct's revenue is derived from Labour Market Re-entry (LMR) services provided to the Workplace Safety and Insurance Board of Ontario (WSIB). LMR services consist of planning, implementing and monitoring skills re-training programs for workers who, as result of a job related injury, cannot continue in the occupation in which they were originally employed. These programs are tailored to each worker's requirements, aptitudes and skills and accordingly vary in length from a few months to as much as several years. At present, Direct provides Labour Market Re-entry (LMR) services to the WSIB in the regions of Thunder Bay, Kitchener and Toronto.

The WSIB recently issued RFP's for all LMR services provided to the WSIB in Ontario, including all services currently provided to the WSIB by Direct. Direct has submitted applications for all areas in which it currently supplies LMR services as well as additional regions that provide logical extensions of Direct's current service areas. There can be no assurance that Direct will be successful in any of its RFP applications to the WSIB.

Direct also provides case management services to insurance, corporate and government entities in Ontario and Atlantic Canada. These services are often similar in nature to the LMR services, except that the individual receiving the service is not a WSIB claimant.

Don Mills Surgical Unit

DMSU is an accredited, Toronto-based private hospital operated since 1966 under Ontario's Private Hospitals Act.

DMSU specializes in a mix of ambulatory surgical services including:

- Ophthalmology – cataract extraction and lens implants
- Orthopaedics – arthroscopy procedures on knees and other major joints
- Plastic Surgery – reconstructive and cosmetic surgeries
- Ablatherm© prostate cancer treatments

Affiliated surgeons maintain active practices within their specialty areas and are members of the Royal College of Physicians and Surgeons. DMSU provides services in two fully equipped operating theatres, one procedure room, 20 in-patient beds, a central nursing station, and physician offices in 8,500 square feet of space in Toronto. DMSU retains a full and part time surgical nursing staff of 20. Surgical bookings are scheduled in a manner that maximizes utilization and revenue opportunities.

On May 19, 2005, the Company announced that it had completed an agreement to provide Ablatherm© prostate treatments through its surgical center and during the quarter ended June 30, 2005 DMSU commenced performing prostate treatments. Prostate procedures are expected to gradually increase in volume providing DMSU with diversification of its revenue stream. DMSU intends to continue to seek opportunities to diversify its revenue stream, while continuing to support the Health Ministry's efforts to reduce waiting times.

DMSU services are funded in three ways:

- Insured Services funded by the Ontario Health Insurance Plan (OHIP) – Services assist the Ministry of Health to minimize waits for surgery for Ontario residents and reduce surgical costs associated with delivery in larger public hospital settings.
- Insured services funded by third party payers – DMSU provides surgical services to injured workers on behalf of the Workplace Safety and Insurance Board (WSIB) to minimize lost work time and reduce claims costs associated with extended waits for ambulatory surgery.
- Private Pay services to individuals from across provincial and national jurisdictions for elective, non-essential surgeries and procedures not covered by OHIP (e.g., elective cosmetic/plastic surgery).

Wait times for surgery are currently a critical focus of provincial and federal health policy in Canada. In particular, the Government of Ontario is targeting two of the insured services in which DMSU is presently involved – ophthalmology surgery (cataract extraction and lens implants) and orthopaedic surgery (arthroscopy procedures on knees and other major joints). DMSU is fully supportive of measures to reduce wait times and in fiscal 2005 has been awarded approximately $50,000 in extra funding for a limited number of additional ophthalmology and orthopaedic procedures.

Although not covered by OHIP, cosmetic plastic surgery is also in demand. Recent studies [Frasier Institute] have identified that the waiting times for plastic surgery in Ontario have increased significantly. Plastic surgery is a small but established practice area at DMSU with capacity to handle growth in demand.

DMSU's business plan includes a diversified growth strategy in the area of Insured Services as well as growth in profitable areas of private pay services.

Selected Quarterly Information

	For the three months ended September 30, 2005	For the three months ended September 30, 2004
Revenue	$2,340,021	$ 1,902,572
Net Income (loss)	$ 42,700	$ (151,581)
Per Share	$ 0.00	$ (0.01)
Per Share Diluted	$ 0.00	$ (0.01)
Total Assets	$ 4,109,089	$ 3,741,566

Operating Results for the three months ended September 30, 2005

For the three months period ended September 30, 2005 the Company recorded net income of $43,000 compared to a loss of $152,000 for the same period last year. During the three months ended September 30, 2004, the Company incurred a non-recurring after tax charge of $278,000 related to the issuance of stock options. Excluding the effect of this charge, net income for the three months ended September 30, 2005 declined approximately $83,000 from the same period in 2004, primarily as a result of decreased revenues from the Company's disability management services, partially offset by contributions from DMSU and Direct.

Revenues

Consolidated revenues for the three months ended September 30, 2005 amounted to $2,340,000, an increase of approximately 23% over consolidated revenues in the same period in 2004 of $1,903,000. The increase resulted from $249,000 in additional revenue generated by DMSU which was acquired in August 2004, as well as, $482,000 generated from the operations of Direct that commenced in August 2005 that more than offset the lower revenue generated by the Company's disability management centers.

Disability Management Center Services

Revenues from the disability management center were $1,410,000 for the three months ended September 30, 2005 as compared to $1,703,000 for the three months ended September 30, 2004, a decrease of $293,000 or 17%. This decrease in revenue is largely attributable to the uncertainty surrounding the new medical assessment protocols and rate reductions for medical assessments (Designated Assessment Centre assessments) introduced by the Financial Services Commission of Ontario in November 2003 and February 2004 which to date have been partially implemented. Recently, the government announced that implementation of these changes will be completed by March 2006. The related uncertainty has also resulted in a reduction in treatment revenues, which became more pronounced during the quarter ended September 30, 2005. In anticipation of these changes, Work Able is focusing on revenue diversification and expanding its client base. Work Able has recently successfully competed in a number of RFP's and has been selected as a preferred service provider by several of Canada's largest insurance providers. Revenues from these new relationships are expected to phase in as the current designated assessment centre structure draws to a close.

Case Management Services

Direct commenced operations on August 18, 2005 after completing the acquisition of certain assets from Concentra Integrated Services and generated a total of $482,000 in revenue for the period ending September 30, 2005. A significant portion of Direct's revenue is comprised of billings to the WSIB to recover payments to injured workers for out of pocket expenses and payments to secondary service providers contracted by Direct as part of the LMR program. Under the terms of its agreement with the WSIB, Direct is not allowed to charge a mark-up on these LMR program expenses. During the period ended September 30, 2005, total revenue related to LMR expenses amounted to approximately $254,000.

Surgical Center Services

DMSU's revenue contribution was $448,000 for the three months ended September 30, 2005. Of the total revenue, 65% is related to the global funding arrangement with the Ministry of Health and 35% related to other services.

Expenses

Consolidated expenses for the three months ended September 30, 2005 amounted to $2,297,000, an increase of 19.20% over consolidated expenses in the same period in 2004 of $1,926,000. The increase resulted primarily from the inclusion of Direct Health's expenses of $449,000 plus the inclusion of a full three month's of DMSU's expenses this quarter compared to just under two months expenses in the same period last year, resulting in an increase in expenses for DMSU of $176,000.

Medical Consultants

Medical consultant expenses for the three months ended September 30, 2005 relate to the disability management center services revenues and compared to the same period last year, remain virtually unchanged.

Disability Management Center

Disability management center expenses for the three months ended September 30, 2005 and have decreased on average by 1.4% compared to last year from $767,000 to $756,000 as a result of ongoing process improvement and re-allocation of resources.

Case Management Services

Case management services expenses relate to operational costs including staff and consultants utilized by Direct to provide case management services to its clients. The $196,000 recorded for the period ended September 30, 2005 represents costs incurred from the commencement of Direct's activities on August 18, 2005.

Labour Market Re-entry

Labour market re-entry expenses relate to costs for worker expenses and secondary service providers utilized by Direct in delivering LMR programs. Under the terms of its agreement with the WSIB, Direct cannot charge any premium on these costs to the WSIB. The $254,000 recorded for the period ended September 30, 2005 represents costs incurred from the commencement of Direct's activities on August 18, 2005.

Surgical Center

Surgical center expenses for the three months ended September 30, 2005 were $375,000. The primary components of these expenses are nursing and staffing costs, with the balance comprised of facility operating and rent expenses. Results this year include a full three months of expenses, compared to just under two months expenses in the same period last year, from the date of acquisition of August 6, 2004.

General and Administrative

Consolidated general and administrative expenses for the three months ended September 30, 2005 increased by 8.4% to $298,000 from $275,000 for the three months ended September 30, 2004. The increase reflects additions to strengthen the Company's management team and costs incurred during the third quarter of 2005 relating to the commencement of operations of Direct.

Interest Expense

The Company had no outstanding bank indebtedness or loans for the three months ended September 30, 2005 and 2004 and accordingly incurred no interest expense in either period.

Amortization Expense

Amortization expense amounted to $61,000 for the three months ended September 30, 2005, compared to amortization expense of $50,000 for the three months ended September 30, 2004, an increase of $11,000. The increase in amortization expense resulted primarily from the amortization of equipment acquired in the August 6, 2004 DMSU transaction as well as investments made to improve the DMSU facility.

Net Income (Loss)

Net income was $43,000 or $0.00 per share for the three months ended September 30, 2005 compared to net loss of $(152,000), or $(0.01) per share for the three months ended September 30, 2004. This increase in net income for the three months ended September 30, 2005 was primarily attributable to a charge of $278,000 taken in the three months ended September 30, 2004 related to the issuance of stock options. Excluding this charge, net income declined approximately $83,000 as a result of declining revenue at the Company's disability management centres, partially offset by positive contributions from Direct and DMSU. Diluted earnings per share for the three months ended September 30, 2005, were $0.00, compared to $(0.01) per share for the three months ended September 30, 2004.

Operating Results for the nine months ended September 30, 2005

For the nine month period ended September 30, 2005 the Company's pre-tax loss amounted to $496,000 compared to pre-tax income of $397,000 for the same period last year. The decrease in pre-tax profit is primarily attributed to a decrease the Company's disability management center revenue of $1,050,000 compared to the same period in the prior year.

Revenues

Consolidated revenues for the nine months ended September 30, 2005 increased relative to the same period last year by 8.2% from $5,450,000 in 2004 to $5,894,000 this year, due primarily to the commencement of operations of Direct, which contributed $482,000 in revenues and the inclusion of nine months revenue for DMSU this year compared to just under two months in the same period last year resulting in an increased contribution by DMSU of $1,013,000. These additional revenues more than offset the Company's disability management center's decrease in revenue of $1,050,000.

Disability Management Center Services

Revenues from the disability management center were $4,200,000 for the nine months ended September 30, 2005 as compared to $5,250,000 for the nine months ended September 30, 2004, a decrease of 20%. The decrease in revenue is largely attributable to the uncertainty surrounding the new medical assessment protocols and rate reductions for medical assessments (Designated Assessment Centre assessments) introduced by the Financial Services Commission of Ontario in November 2003 and February 2004 which to date have been partially implemented. Recently, the government announced that implementation of these changes will be completed by March 2006. The related uncertainty has also resulted in a reduction in treatment revenues, which became more pronounced during the quarter ended September 30, 2005.

Surgical Center Services

DMSU's revenue contribution was $1,212,000 for the nine months ended September 30, 2005. As DMSU was acquired on August 6, 2004, the prior year revenues of $199,000 represent inclusion of just under two months operations. Of the total revenue recorded in the nine months ended September 30, 2005, approximately 73% related to the global funding arrangement with the Ministry of Health and 27% related to private pay services.

Expenses

Consolidated expenses for the nine months ended September 30, 2005 amounted to $6,390,000, an increase of $1,337,000 or approximately 26% over consolidated expenses in the same period in 2004 of $5,053,000. This increase is directly attributable to the inclusion of surgical center expenses of $1,205,000 for nine months in 2005 versus $199,000 for one and one-half months in 2004, plus expenses of $481,000 related to the operations of Direct which commenced in August 2005.

Medical Consultants

Medical consultant expenses for the nine months ended September 30, 2005 relate to the disability management center services revenues and have decreased 17% to $1,082,000 from $1,273,000 for the nine months ended September 30, 2004. This decrease is attributable to the Company's cost control efforts achieved through resource re-allocation.

Disability Management Center

Disability management center expenses for the nine months ended September 30, 2005 have increased slightly when compared with the same period last year up 1.3% to $2,328,000 from $2,298,000 for the nine months ended September 30, 2004. During the period ended September 30, 2005, the Company reduced its utilization of external medical consultants and improved the effectiveness of utilization of its internal staffing complement, achieving a combined savings of $161,000 compared to the same period in the prior year.

Case Management Services

Case management services expenses relate to operational costs including staff and consultants utilized by Direct to provide case management services to its clients. The $196,000 recorded for the period ended September 30, 2005 represents costs incurred from the commencement of Direct's activities on August 18, 2005.

Labour Market Re-entry

Labour market re-entry expenses relate to costs for worker expenses and secondary service providers utilized by Direct in delivering LMR programs. Under the terms of its agreement with the WSIB, Direct cannot charge any premium on these costs to the WSIB. The $254,000 recorded for the period ended September 30, 2005 represents costs incurred from the commencement of Direct's activities on August 18, 2005.

Surgical Center

Surgical center expenses for the nine months ended September 30, 2005 were $1,205,000. The primary components of these expenses are nursing and staffing costs, with the balance comprised of facility operating and rent expenses.

General and Administrative

Consolidated general and administrative expenses for the nine months ended September 30, 2005 increased 19% to $991,000 from $831,000 for the nine months ended September 30, 2004. The increase reflects additions to strengthen the Company's management team, and costs related to the commencement of operations of Direct that were not incurred in the same period of 2004.

Interest Expense

The Company incurred no interest expense for the nine months ended September 30, 2005, compared to $37,000 for the nine months ended September 30, 2004. This decrease is attributable to the repayment of the Company's bank indebtedness and loans in the second quarter of 2004.

Amortization Expense

Amortization expense amounted to $213,000 for the nine months ended September 30, 2005, compared to amortization expense of $136,000 for the nine months ended September 30, 2004, an increase of $77,000. The increase in amortization expense resulted from the amortization of equipment acquired in the August 6, 2004 DMSU transaction as well as amortization of equipment upgrades at the DMSU facility.

Net Income (Loss)

Net loss was $(367,000) or $(0.01) per share for the nine months ended September 30, 2005 compared to net income of $100,000, or $0.01 per share for the nine months ended September 30, 2004. This decrease in net income for the nine months ended September 30, 2005 was primarily attributable to a decrease in disability management center services amounting to $1,050,000. Diluted EPS for the nine months ended September 30, 2005, were $(0.01), compared to $0.01 per share for the nine months ended September 30, 2004.

Q1 2004 Restatements

The Company has increased the June 30, 2004 bank indebtedness and general and administrative expense by $111,000 and the income taxes payable and the tax provision by $20,000 for the nine months ended September 30, 2004. These adjustments were made to correct an error discovered during the fourth quarter of 2004 and to correct the tax provision previously reported. The restatements resulted in a net income decrease of $131,000 or $0.01 per share for the nine months ended September 30, 2004.

Liquidity and Capital Resources

As at September 30, 2005, the Company had cash of $457,000, a decrease of $159,000 from cash of $616,000 as at December 31, 2004.

In the nine months ended September 30, 2005, the Company's operating activities used cash of $41,000 compared to $484,000 generated from operating activities during the same period in 2004. The decrease is attributable to reduced revenue generated by the Company's disability management centres.

Investing activities during the nine months ended September 30, 2005 were financed by the Company's cash on hand. Cash used in investing activities amounted to $147,000 compared to cash used in investing activities during the same period last year of $1,355,000. The change is primarily due to the acquisition of DMSU in 2004 at a cost of $1,262,000.

Financing activities provided cash of $30,000 during the nine months ended September 30, 2005 compared to $1,135,000 during the same period of 2004. During August 2004, the Company completed an equity financing to facilitate the acquisition of DMSU. The $30,000 of cash provided from financing activities during 2005 relates to the exercise of warrants issued as part of the 2004 financing.

It is management's belief that its cash balances as at September 30, 2005 and cash generated from ongoing operating activities will be sufficient to fund the Company's operations and capital needs for the foreseeable future, although there can be no assurance in this regard. The Company does not intend to raise additional equity capital to finance its continuing operations, but may elect to do so in the context of acquisitions or other similar or extraordinary occurrences.

Commitments and Off-Balance Sheet Arrangements

The Company has not entered into any off-balance sheet arrangements. Future minimum annual lease payments for facilities and equipment under operating leases for the years 2006, 2007 and 2008 are $106,000, $98,000 and $98,000, respectively. The Company will fund these commitments through cash generated from its operations.

In 2004, the Company entered into an agreement with an agent to act as the Company's fiscal advisor for a two-year period ending in August 2006. The Company has agreed to pay $3,750 on a monthly basis for a one-year period ending in August 2005 with the balance of $45,000 due when mutually agreed upon or before the closing of any new equity financing transaction. During the term of the agreement, the Company has also agreed to pay a commission of 2% of the value of any acquisition in which the agent's services are limited to merger and acquisition advisory or 3% of the value of any acquisition that was identified by the agent. No acquisitions were completed during the first six months of 2005 that resulted in a requirement for payments under the terms of these agreements.

Share Capital

As at September 30, 2005, the Company had 25,274,762 common shares issued and outstanding compared to 18,875,396 common shares issued and outstanding at September 30, 2004.

As at September 30, 2005, there were a total of 2,111,111 options outstanding to purchase an equivalent number of common shares at an average exercise price of $0.32, expiring at various dates until 2010. In addition, warrants to purchase 3,901,000 common shares at an exercise price of $0.30 per common share expire on August 5, 2006 were outstanding. An additional 800,000 broker warrants priced at $0.25 each are exercisable until August 5, 2006 to purchase units consisting of one common share and one half of one common share warrant. Each full warrant obtained on the exercise of the broker warrants may be exercised to purchase one common share at a price of $0.30 per common share until August 5, 2006. During the nine month period ended September 30, 2005, 99,000 warrants were exercised at a price of $0.30 per common share.

Transactions with Related Parties

The Company's related parties are as follows:

[i] For the nine months ended September 30, 2005 and 2004, the Company incurred management fees of $201,000 and $235,750, respectively. The management services were provided by Brenras Holdings Inc. and The Disability Management Group Inc. ['DMG'], wholly owned corporations controlled by Mrs. B. Rasmussen, a shareholder and director of the Company. As at September 30, 2005, DMG owed the Company $40,000. This amount is non-interest bearing.

[ii] Real World Simulations Systems Inc. ["Real World"] provided $54,000 and $60,840 in web design, advertising and publication services to the Company for the nine months ended September 30, 2005 and 2004, respectively. Real World is wholly owned by a related party to Mrs. B. Rasmussen, a shareholder and director of the Company.

[iii] Osborne Group Toronto Inc. ["Osborne Group"] provided $15,000 and $74,850 in financial accounting services to the Company for the nine months ended September 30, 2005 and 2004, respectively. Osborne Group is partially owned by Mr. D. Wood, a director of the Company.

Critical Accounting Policies

Our critical accounting policies are disclosed in Note 2 of the "Notes to Consolidated Financial Statements" for the years ended December 31, 2004 and 2003, located in the Company's 2004 Annual Report.

Recently Adopted Accounting Policies

There were no changes in accounting policies for the nine months ended September 30, 2005.

Risks and Uncertainties

Economic and sector related risks are the same as those identified in the "Managements' Discussion and Analysis" contained in the Company's 2004 Annual Report.

Business Outlook

Disability Management Center

The anticipated shift of Ontario's automobile insurance legislation to an open independent medical examination market coupled with a move to a more tort-based dispute system will continue to drive future demand for medical assessment. Uncertainty relating to proposed changes in provincial legislation is expected to continue to adversely affect revenue over the next several months. Work Able's disability management centers have been selected as a preferred treatment provider by a number of casualty insurers as they prepare for implementation of the new system and accordingly we expect revenue to improve once the new system is fully implemented.

New regulatory and legislative requirements may also provide opportunities within the disability market. Revised legislation has required employers to accommodate sick and injured workers and modify jobs to support early and safe return to work. Work Able's disability management centers are focusing on increasing business with both existing and new employers to assist them in meeting these requirements.

In addition to diversifying the service options available to its customers, Work Able's disability management centers may expand their geographic scope in certain areas across Canada to service expanding customer requirements.

Case Management Services

The Company's case management services are primarily dependent on maintaining and renewing its contract with the Ontario WSIB. Shortly after the Company acquired the contract and related case files and commenced its case management operations the WSIB announced that it was going forward with its long delayed RFP for all LMR services it requires in Ontario. The Company has submitted its RFP for all locations where it currently provides LMR services to the WSIB as well as geographical areas that provide logical extensions of service areas currently provided by Direct. The RFP process is currently ongoing and while management believes the Company has presented a strong application, there can be no certainty regarding success in the RFP process.

Surgical Center

In addition to expanding services to the Ministry of Health to assist with the provincial waiting list initiative, DMSU's surgical center is pursuing new uninsured service opportunities. On May 19, 2005, the Company announced that it had completed an agreement to provide Ablatherm© prostate treatments through its surgical center and commenced performing the prostate treatments during the quarter ended June 30, 2005. Prostrate treatments are expected to gradually increase in volume during the next several months.

Additional Information

We routinely file reports and other information with the SEDAR. SEDAR maintains an Internet site that contains reports, proxy, and information statements, and other information regarding issuers that file electronically with the SEDAR. The address of that site is http://www.sedar.com.

Consolidate Financial Statements

Alegro Health Corp.

September 30, 2005

Alegro Health Corp.

CONSOLIDATED BALANCE SHEETS

	September 2005 $	December 2004 $
	(unaudited)	
ASSETS		
Current		
Cash	**457,046**	615,724
Accounts receivable, net	**832,653**	891,248
Unbilled receivables	**486,475**	197,450
Prepaid expenses	**37,804**	29,292
Total current assets	**1,813,978**	1,733,714
Due from related parties *[note 3]*	**40,000**	40,000
Capital assets, net	**803,818**	923,823
Goodwill	**1,193,677**	1,146,815
Future tax assets	**257,616**	76,960
	4,109,089	3,921,312
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	**1,633,253**	1,281,658
Income taxes payable	**254,356**	203,274
Total current liabilities	**1,887,609**	1,484,932
Shareholders' equity		
Share capital	**1,833,497**	1,803,797
Contributed surplus	**902,633**	780,633
Deficit	**(514,650)**	(148,050)
Total shareholders' equity	**2,221,480**	2,436,380
	4,109,089	3,921,312

See accompanying notes

Alegro Health Corp.

CONSOLIDATED STATEMENTS OF INCOME

Three months ended September 30, 2005
(*unaudited*)

	2005	2004
	$	$
Revenue		
Disability management center services	**1,410,443**	1,703,462
Case management services	**481,688**	----
Surgical center services	**447,890**	199,110
	2,340,021	1,902,572
Expenses		
Medical consultants	**356,601**	356,324
Disability management center	**756,466**	767,136
Case management center	**195,893**	----
Labour market re-entry	**253,506**	----
Surgical center	**375,341**	199,381
General and administrative	**297,817**	274,741
Stock-based compensation	**----**	278,300
Amortization of capital assets	**61,231**	50,271
	2,296,855	1,926,153
Income (loss) before income taxes	**43,166**	(23,581)
Provision for (recover of) income taxes		
Current	**51,082**	128,000
Future	**(50,616)**	----
	466	128,000
Net income (loss) for the period	**42,700**	(151,581)
Basic and diluted earnings per common share		
Basic	**0.00**	(0.01)
Diluted	**0.00**	(0.01)
Weighted Average # of Shares		
Basic	**25,247,762**	22,153,356
Diluted	**26,268,522**	25,153,356

See accompanying notes

Alegro Health Corp.

CONSOLIDATED STATEMENTS OF INCOME

Nine Months Ended September 30,
(unaudited)

	2005 $	2004 $ *(restated)*
Revenue		
Disability management center services	**4,200,174**	5,250,557
Case management services	**481,688**	----
Surgical center services	**1,212,165**	199,110
	5,894,027	5,449,667
Expenses		
Medical consultants	**1,081,636**	1,272,577
Disability management center	**2,327,522**	2,298,412
Case management services	**195,893**	----
Labour market re-entry	**253,506**	----
Surgical center	**1,205,246**	199,381
General and administrative	**990,933**	831,826
Stock-based compensation	**122,000**	278,300
Interest	**----**	37,174
Amortization of capital assets	**213,465**	135,813
	6,390,201	5,052,983
Income (loss) before income taxes	**(496,174)**	396,684
Provision for (recovery of) income taxes		
Current	**51,082**	297,000
Future	**(180,656)**	----
	(129,574)	297,000
Net income (loss) for the period	**(366,600)**	99,684
Basic and diluted earnings per common share		
Basic	**(0.01)**	0.01
Diluted	**(0.01)**	0.01
Weighted Average # of Shares		
Basic	**25,236,403**	18,875,396
Diluted	**27,085,204**	20,075,701

See accompanying notes

Alegro Health Corp.

CONSOLIDATED STATEMENT OF CASH FLOWS

Nine Months Ended September 30, 2005
(unaudited)

	2005 $	2004 $ *(restated)*
OPERATING ACTIVITIES		
Net income (loss) for the period	**(366,600)**	99,684
Add (deduct) items not involving cash		
Amortization of capital assets	**213,465**	135,813
Future income taxes	**(180,656)**	110,000
Stock-based compensation	**122,000**	278,300
Changes in non-cash working capital items		
Decrease (increase) in accounts receivable	**58,595**	(64,952)
Decrease (increase) in unbilled receivables	**(289,025)**	(228,737)
Increase in prepaid expenses	**(1,636)**	(58,298)
Increase (decrease) in accounts payable and accrued liabilities	**351,595**	94,835
Increase (decrease) in income taxes payable	**51,082**	117,646
Cash provided by (used in) operating activities	**(41,180)**	484,291
INVESTING ACTIVITIES		
Purchase of capital assets	**(81,434)**	(92,785)
Acquisitions, net of acquired cash (note 6)	**(65,764)**	(1,262,134)
Cash used in investing activities	**(147,198)**	(1,354,919)
FINANCING ACTIVITIES		
Proceeds from (repayment of) bank indebtedness, net	**----**	(123,484)
Repayment of bank loans	**----**	(466,076)
Proceeds from private placement, net	**----**	1,724,386
Proceeds from exercise of warrants	**29,700**	----
Cash provided by (used in) financing activities	**29,700**	1,134,826
Increase (decrease in cash)	**(158,678)**	264,198
Cash, beginning of period	**615,724**	----
Cash, end of period	**457,046**	264,198
Supplemental cash flow information		
Interest paid	**----**	37,174
Taxes paid	**----**	69,354

See accompanying notes

Alegro Health Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2005

1. INCORPORATION AND NATURE OF BUSINESS

Alegro Health Corp. [“Alegro” of the “Company”] was incorporated under the Canada Business Corporations Act on February 2, 2001 and is a venture company on the TSX Venture Exchange [“TSX-V”]. The Company provides health care services through its wholly-owned subsidiaries.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the interim financial statements are the same as those described in the Company’s 2004 Annual Report. The disclosures in the interim financial statements do not conform in all respects to the requirements of the Canadian generally accepted accounting principles for the annual financial statements included in the Company’s 2004 Annual Report. The consolidated balance sheet September 30, 2005 consolidated statements of operations for the three and nine months ended September 30, 2005 and 2004, and the consolidated statements of cash flows for the nine months ended September 30, 2005 and 2004 are unaudited, but include all adjustments (consisting of normal recurring adjustments) which in the opinion of management are considered necessary for a fair presentation of the position, results of operations and cash flows for the periods presented. The results of operations for the three and nine months ended September 30, 2005 shown herein are not necessarily indicative of the results that may be expected for the year ending December 31, 2005.

For more complete financial information, these financial statements, and notes thereto, should be read in conjunction with audited consolidated financial statements for the year ended December 31, 2004.

Basis of consolidation

These consolidated financial statements include the accounts the Company’s wholly-owned legal subsidiaries; Work Able Centers Inc. [“Work Able”], Don Mills Surgical Unit Ltd. [“DMSU”], Assessment Network Inc. (operating as “MedEval”), and Direct Health Solutions Inc. [“Direct”]. All intercompany balances and transactions have been eliminated on consolidation.

Revenue recognition

Revenue is recognized when services for independent medical assessments have been completed. The price is fixed or determinable, and collection is reasonably assued. Unbilled receivables represent an accrual for revenue recognized on completed and unbilled assessments. The estimated costs incurred to complete the assessments are included in accrued liabilities. Other services, such as work conditioning treatments and case management services, are billed when these services are rendered, the price is fixed or determinable, and collection is reasonably assured.

DMSU follows the deferral method of accounting for unrestricted contributions from the Ministry of Health and Long-Term Care. Unrestricted contributions are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimate and collection is reasonable assured.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2005

Goodwill

Goodwill is recorded when the cost of an acquisition exceeds the fair market value of the net tangible and identifiable intangible assets acquired. Goodwill is tested for impairment on an annual basis or more frequently if warranted. Impairment losses are recorded when the carrying amount of goodwill exceeds its implied fair value. Such impairment losses are recorded as part of income from continuing operations.

Reclassifications

Certain prior year amounts have been reclassified on the accompanying Consolidated Financial Statements to conform to the 2005 presentation. The Company has reclassified its financial statements in order to present its center operating expenses and to reflect consolidated statement of cash flows presentation adopted in its December 31, 2004 financial statements.

Restatements

The Company has increased the September 30, 2004 bank indebtedness and general and administrative expense by $110,619 and the income taxes payable and the tax provision by $20,000 for the nine months ended September 30, 2004. These adjustments were made to correct an error discovered during the fourth quarter of 2004 and to correct the tax provision previously reported. The restatements resulted in a net income decrease of $130,619 or $0.01 per share for the nine months ended September 30, 2004. These restatements had no effect on the month period ended September 30, 2005.

3. RELATED PARTY TRANSACTIONS

Certain related parties provide services to the Company either directly or through companies, which they control. Fees charged by such related parties for consulting fees for the nine months ended September 30, 2005 were $270,000 (2004 - $319,689). These transactions with related parties have occurred in the normal course of operations and are measured at the exchange amount of consideration established and agreed to the related parties.

A summary of transactions and balances with related parties is as follows:

	2005 **$**	2005 $
Expenses		
Real World	**54,000**	60,840
Brenras	**153,000**	185,750
Disability Management	**48,000**	50,000
Osborne Group	**15,000**	74,850
	270,000	371,440

Amounts due from related parties		
Disability Management	**40,000**	40,000

Amounts due from related parties are non-interest bearing.

4. SHARE CAPITAL

[a] Common shares

Share capital consists of unlimited Alegro common shares authorized.

	#	$
Number of Alegro common shares issued and outstanding		
Issued and outstand, December 31, 2004	25,175,762	1,803,797
Issued on exercise of warrants	99,000	29,700
Issued and outstand, September 30, 2005	25,274,762	1,833,497

[b] Escrowed shares

Under the requirements of the Alberta Securities Commission and the TSX-V, 15,356,429 of the Company's common shares were held in escrow at the date of the reverse takeover on June 18, 2003. All shares were released from escrow by December 31, 2004.

[c] Stock-based compensation plan

As at September 30, 2005 options to purchase 2,111,111 shares at an average exercise price of $0.32 per common share with varying expiring dates were outstanding. During the three month period ended September 30, 2005 no options were exercised and none expired.

On May 16, 2005 the Company granted 500,000 options to an officer and director of the Company. The stock options vested immediately on granting and will expire on May 16, 2010. The Company has recorded a stock-based compensation expense and an increase in contributed surplus of $122,000 representing the fair value of the options granted. The fair value of the options granted was estimated on the date of grant using the Black-Scholes option pricing model.

[d] Warrants

As at September 30, 2005, warrants to purchase 3,901,000 common shares at an exercise price of $0.30 per common share that expire on August 5, 2006, were outstanding. An additional 800,000 broker warrants priced at $0.25 each are exercisable until August 5, 2006 to purchase units consisting of one common share and one half of the common share warrant. Each full warrant obtained on the exercise of the broker warrants may be exercised to purchase one common share at a price of $0.30 per common share until august 5, 2006. During the three month period ended September 30, 2005, no warrants were exercised.

[e] Contributed surplus

Contributed surplus consists of employee and non-employee stock-based compensation expense and the value of warrants issued as follows:

	$
Balance, December 31, 2004	780,633
Options granted	122,000
Issued and outstanding, September 30, 2005	**902,633**

5. SEGMENTED REPORTING

The Company's reportable segments are strategic business units that offer different products and services. The operations of the company and its consolidated subsidiaries are comprised of the three reportable operating segments, Work Able (including MedEval), Don mills Surgical Unit (DMSU) and Direct Health Solutions (Direct).

Three months ended September 30, 2005

	Work Able **$**	**DMSU** **$**	**Direct** **$**	**Corporate** **$**	**Total** **$**
Revenues	**1,410,443**	**447,890**	**481,688**	**----**	**2,340,021**
Operating Expenses	**1,344,652**	**375,341**	**449,400**	**66,231**	**2,235,624**
Total Assets	**1,863,854**	**462,387**	**328,977**	**1,453,871**	**4,109,089**

Three months ended September 30, 2004

	Work Able **$**	**DMSU** **$**	**Corporate** **$**	**Total** **$**
Revenues	**1,703,462**	**199,110**	**----**	**1,902,572**
Operating Expenses	**1,339,899**	**199,381**	**58,302**	**1,579,582**
Total Assets	**2,121,909**	**461,428**	**1,337,975**	**3,921,312**

September 30, 2005

Nine months ended September 30, 2005

	Work Able $	DMSU $	Direct $	Corporate $	Total $
Revenues	**4,200,174**	**1,212,165**	**481,688**	**----**	**5,894,027**
Operating Expenses	**4,153,113**	**1,205,246**	**449,400**	**368,978**	**6,176,736**
Total Assets	**1,863,854**	**462,387**	**328,977**	**1,453,871**	**4,109,089**

Nine months ended September 30, 2004

	Work Able $	DMSU $	Corporate $	Total $
Revenues	**5,250,557**	**199,110**	**----**	**5,449,667**
Operating Expenses	**1,339,899**	**199,381**	**459,331**	**4,917,170**
Total Assets	**2,121,909**	**461,428**	**1,337,975**	**3,921,312**

6. ACQUISITIONS

On August 18, 2005, Direct Health Solutions Inc., a wholly owned subsidiary of the Company acquired certain assets and contracts of the Canadian division of Concentra Integrated Services of Burlington, Massachusetts.

The results of Direct Health Solutions Inc. have been included since operations commenced, August 18, 2005. The details of the identifiable net assets acquired are as follows:

	$
Current assets	**6,875**
Capital assets	**12,026**
Intangibles & case files	**1**
Cash consideration	**18,902**
Capitalized costs related to Acquisition	**45,862**
	65,764

On August 6, 2004, the Company entered into a 25-year management services contract covering all aspects of the operations of DMSU. In accordance with AuG-15, the Company has accounted for the transaction according to the purchase method and has included results of DMSU's operations from August 6, 2004.

During April, 2005 all of the outstanding shares of DMSU were transferred to the Company and DMSU is now a wholly owned subsidiary of the Company.

The Details of the identifiable assets acquired are as follows:

	$
Current assets	**149,879**
Capital assets	**339,000**
Goodwill	**1,146,815**
	1,635,694
Current liabilities	**235,694**
Cash consideration	**1,400,000**

Included in the current assets above is $137,866 of cash.

7. BANKING FACILITY

Alegro's credit line and banking facilities contain various terms and conditions that could affect the Company's ability to borrow under these facilities. These include maximum debt to tangible net worth ratio, current assets to current liabilities ratio, a borrowing base calculation and other general restrictions. As at September 30, 2005, no amounts were owing or available under the Company's bank facilities.

8. UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administration, the Company discloses that its auditors have not reviewed the unaudited consolidated financial statements for the period ended September 30, 2005 and September 30, 2004.