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 August, 2006 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 months ended June 30, 2006. 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 period ended June 30, 2006 and for the year ended December 31, 2005.

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 certain forward-looking information based on management's best estimate and the current operating environment. 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 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. Any forward-looking statements contained in this MD&A represents the Company's views and expectations as of the date of this MD&A. Actual developments with respect to future events are subject to certain risks, uncertainties and assumptions and may differ materially from the results, performance or achievements of the Company contemplated by this MD&A.

Highlights in the Period Ended June 30, 2006 and subsequent events to the date of this MD&A

During March 2006, regulatory changes affecting the medical assessment market in Ontario that had been in process for a period of time were finally fully implemented. These changes eliminated the existing system of Designated Assessment Centers, replacing it with a tort based system. Medical assessments continue to be required under the new regulatory system and the Company has achieved preferred supplier status with several of Canada's large insurance companies in order to position itself for renewed growth as the medical assessment market uncertainty declines during fiscal 2006. During the three months ended June 30, 2006 the Company announced the formation of a Catastrophic Injury Assessment Division to service the expected growth in this sector of the Company's business. During the three and six month periods ended June 30, 2006, the Company's disability management centres experienced increased volumes in catastrophic injury assessments generating improved revenues compared to the same period in the prior year. However, given the limited time frame that the new regulatory environment has been in place, it is not possible to forecast whether these improved volumes will continue in future reporting periods. During the three months ended June 30, 2006, the Company's surgical unit, Don Mills Surgical Unit Limited ("DMSU"), generated improved revenues and operating results compared to the same period in the prior year primarily as a result of prostate treatments that it commenced offering in the second quarter of 2005. On April 7, 2006 a contract with the Workplace Safety and Insurance Board of Ontario ("WSIB"), acquired as part of an acquisition completed in August 2005 was terminated. This is expected to result in reduced revenues and expenses for the third and fourth quarters of 2006, compared to the same period in fiscal 2005. However, it is not expected to have a significant impact on operating profits as the contract did not generate large margins.

Overall Performance in the Three Months Ended June 30, 2006

Net income increased by $462,000 to $165,000 in the three months ended June 30, 2006, primarily as a result of increased volumes of catastrophic injury assessments compared to the same period in the prior year at the Company's Work Able Centres Inc. ("Work Able") subsidiary and prostate treatments performed by DMSU that were not available in the same period in the prior year, both which positively impacted margins compared to the same period in the prior year. In addition, the Company's wholly owned subsidiary, Direct Health Solutions Inc., which commenced operations on August 18, 2005, contributed positive earnings during the quarter.

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. The operating results of DMSU have been consolidated with Alegro's results since August 6, 2004.

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 were workers' compensation boards, employers and insurance companies. During 2006, the Company learned that its Labour Market Re-entry services contract with the Ontario WSIB, acquired as part of the August 18, 2005 acquisition was not being renewed. The contract ended April 7, 2006. The Company is continuing to develop its operations in Eastern Canada as well as services supplied to employers and the insurance industry in Ontario.

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, each 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 23,000 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. During April 2006, the Company announced the formation of a Catastrophic Injury Assessment Division to service the expected rapid growth in this sector of the Company's operations.

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 employers in Ontario and Eastern Canada. Direct maintains leased offices totalling 5,000 square feet in Bedford, Nova Scotia, Fredericton, New Brunswick and Toronto Ontario.

From August 18, 2005 until April 7, 2006 Direct also provided Labour Market Re-entry (LMR) services under contract to the Ontario WSIB in the regions of Thunder Bay, Kitchener and Toronto. During the fall of 2005 the WSIB issued RFP's for all LMR services provided to the WSIB in Ontario, including all services then provided to the WSIB by Direct. Direct submitted applications for all areas in which it supplied LMR services as well as additional regions that would have provided logical extensions of Direct's current service areas, but was unsuccessful and its contract with the WSIB terminated April 7, 2006. During the period from August 18, 2005 to April 7, 2006, a significant portion of Direct's revenue was generated from the WSIB contract, but it contributed only marginal profits and accordingly, the Company does not expect a significant impact on future income as a result of the termination of this contract.

Direct plans to continue to provide case management services and expand its client base of insurance, corporate and government entities in Ontario and Atlantic Canada.

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 6,200 square feet of leased 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 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, Ablatherm© prostate treatments).

Selected Financial Information

	For three months ended		
	June 30, 2006	June 30, 2005	June 30, 2004
			Restated
Revenue	$ 2,932,047	$ 1,904,675	$ 1,812,388
Net Income (loss)	$ 165,278	$ (297,237)	$ 112,951
Per Share	$ 0.00	$ (0.01)	$ 0.01
Per Share Diluted	$ 0.00	$ (0.01)	$ 0.01
Total Assets	$ 4,589,083	$ 3,685,820	$ 2,222,920

	For six months ended		
	June 30, 2006	June 30, 2005	June 30, 2004
			Restated
Revenue	$ 6,388,699	$ 3,554,006	$ 3,547,095
Net Income (loss)	$ 316,078	$ (409,300)	$ 251,265
Per Share	$ 0.01	$ (0.02)	$ 0.01
Per Share Diluted	$ 0.01	$ (0.02)	$ 0.01
Total Assets	$ 4,589,083	$ 3,685,820	$ 2,222,920

Period Ended June 30, 2006 Compared to Period Ended June 30, 2005

For the period ended June 30, 2006 the Company recorded net income of $165,000 compared to a net loss of $(297,000) for the same period last year. The improvement is primarily the result of increased volumes of catastrophic injury assessments at the Company's Work Able subsidiary compared to the same period in the prior year and positive margins generated by DMSU from prostate treatments that were not available during the same period in fiscal 2005.

Revenues

Consolidated revenues for the period ended June 30, 2006 amounted to $2,932,000, an increase of approximately 54% over consolidated revenues in the second quarter of 2005 of $1,905,000. The increase was comprised of $214,000 additional revenue from Work Able, $348,000 additional revenue from DMSU and $465,000 in revenue generated by Direct, which commenced operations in August 2005. The majority of Direct's revenue in the first quarter was generated from its LMR contract with the WSIB which terminated April 7, 2006. Accordingly, consolidated revenue for the second quarter was lower than the first quarter and is more representative of anticipated future revenues.

Work Able

Revenues from Work Able's disability management services were $1,669,000 for the period ended June 30, 2006 compared to $1,456,000 for the second quarter of 2006, an increase of $213,000 or 15%. This increased revenue is largely attributable to increased volumes of catastrophic injury assessments compared to the same period last year. Regulatory changes to medical assessment protocols which were partially implemented during the Company's fiscal 2005 year including the elimination of Designated Assessment Centers were finally fully implemented in March 2006, although transitional services revenues relating to assessments commenced prior to March 2006 continued during the Company's second quarter of 2006. During fiscal 2005, Work Able focused on revenue diversification and expanding its client base. As a result, Work Able has been selected as a preferred service provider by several of Canada's largest insurance providers. Revenues from these new relationships began to phase in during the first quarter of the Company's fiscal 2006 year and are expected to increase as the fiscal year progresses. Additional revenues are also expected to be generated by the Company's new Catastrophic Injury Assessment Division, which was announced in April 2006.

Direct

Direct commenced operations on August 18, 2005 after completing the acquisition of certain assets from Concentra Integrated Services. Direct earned a total of $465,000 in revenue for the period ending June 30, 2006, primarily from services provided to insurance companies in Ontario and Eastern Canada. Direct will continue to develop its case management business servicing insurance companies and employers in Atlantic Canada and Ontario as fiscal 2006 progresses.

DMSU

DMSU's revenue contribution was $798,000 for the quarter ended June 30, 2006, an increase of $349,000 from the same period in the prior year. The increase was attributable to prostate cancer treatments that DMSU commenced offering late in the second quarter of fiscal 2005. The global funding arrangement with the Ministry of Health generated 38% of the total revenue recorded in the second quarter of 2006 with the balance resulting from other services such as the prostate cancer treatments.

Expenses

Consolidated expenses for the quarter ended June 30, 2006 amounted to $2,675,000, an increase of 17% over consolidated expenses in the same period in 2005 of $2,294,000. The increase resulted primarily from the inclusion of Direct's expenses of $360,000 plus $229,000 of increased expenses at DMSU that relate primarily to prostate cancer treatments. Excluding these items, operating expenses decreased compared to the same period in the prior year as a result of cost savings attained by Work Able and stock option expense of $122,000 incurred in the prior year that was not repeated in the current year.

Work Able

Expenses incurred by Work Able in the second quarter of 2006 were less than amounts recorded in the second quarter of 2005. Although Work Able's revenue increased due to increased volumes of catastrophic injury assessments, total direct expenses declined seven percent due to continued cost management measures that resulted rent and wage savings compared to the same period in the prior year.

Direct

Direct's expenses during the second quarter relate to the provision of services to insurance companies and employers. These services include both staff and medical consultant expenses.

DMSU

DMSU's expenses for the period ending June 30, 2006 were $706,000, compared to $476,000 recorded in the same period of the prior year. The increase is primarily due to costs incurred to deliver prostate cancer treatments during the quarter.

General and Administrative

Consolidated general and administrative expenses for the period ended June 30, 2006 decreased by 33% to $215,000 from $321,000 for the period ended June 30, 2005. The decrease reflects non-cash stock option expense of $122,000 recorded in the prior year that was not repeated in the current period.

Interest Expense
The Company had no outstanding bank indebtedness or loans during the periods ended June 30, 2006 and June 30, 2005 and accordingly incurred no interest expense in either period.

Amortization Expense
Amortization expense amounted to $73,000 for the period ended June 30, 2006, compared to amortization expense of $77,000 recorded in the second quarter of 2005, a decrease of $4,000.

Net Income (Loss)
For the period ended June 30, 2006 the Company recorded net income of $165,000, or $0.00 per share compared to a net loss of $(297,000) or $(0.01) per share for the period ended June 30, 2005. The improvement in net income was primarily attributable to increased margins at Work Able and DMSU during the period ended June 30, 2006, compared to the same period in fiscal 2005. In addition, Direct, which commenced operations in the third quarter of 2005, contributed a positive operating result during the period and the Company did not incur non- tax deductible stock option expense during the current period.

Period Ended June 30, 2005 Compared to Period Ended June 30, 2004

For the period ended June 30, 2005 the Company recorded a loss of $297,000 compared to income of $113,000 for the same period in fiscal 2004. Decreased revenue at Work Able, a negative contribution by DMSU and non-tax deductible stock option expense of $122,000 resulted in the decline in profit for the period compared to the prior year.

Revenues
Consolidated revenues for the three months ended June 30, 2005 amounted to $1,905,000, an increase of 5% over consolidated revenues in the same period in 2004 of $1,812,000. The increase was due to $449,000 in additional revenue generated by DMSU, which was acquired in August 2004, that more than offset declines in revenue at Work Able.

Work Able
Revenues from the disability management center were $1,456,000 for the three months ended June 30, 2005 as compared to $1,812,000 for the three months ended June 30, 2004, a decrease of $356,000 or 20%. The decrease in revenue is largely attributable to the uncertainty surrounding the new medical assessment protocols and rate reductions for medical assessments at Designated Assessment Centres (DAC) introduced by the Financial Services Commission of Ontario in November 2003 and February 2004 which had been only partially implemented as at June 30, 2005. Work Able held a number of DAC licences and accordingly, this uncertainty had a negative impact on Work Able's revenue.

DMSU
DMSU's revenue contribution was $449,000 for the three months ended June 30, 2005. Of the total revenue, 70% was related to the global funding arrangement with the Ministry of Health. DMSU commenced operations on August 6, 2004.

Expenses
Consolidated expenses for the three months ended June 30, 2005 amounted to $2,294,000, an increase of 48% over consolidated expenses in the same period in 2004 of $1,550,000. The increase resulted primarily from the inclusion of DMSU expenses of $476,000 during the period and a non-cash expense of $122,000 related to stock options granted during the three months ended June 30, 2005.

Work Able
Work Able's expenses for the three months ended June 30, 2005 increased compared to the three months ended June 30, 2004. The Company implemented a number of cost control efforts during 2004 in anticipation of the decline in revenues currently being experienced and accordingly the savings were already reflected in the 2004 results.

DMSU
DMSU's expenses for the three months ended June 30, 2005 were $476,000. The primary components of these expenses are nursing and staffing costs, with the balance comprised of facility operating and rent expenses. DSMU was acquired on August 6, 2004 and accordingly there were no expenses in the three months ended June 30, 2004.

General and Administrative
Consolidated general and administrative ["G&A"] expenses for the three months ended June 30, 2005 increased compared to the same period in 2004. The increase reflects an addition to strengthen the Company's management team offset by decreases in professional fees incurred in the first quarter of 2004 that did not recur in the same period of 2005.

Interest Expense
Interest expense was $nil for the three months ended June 30, 2005, compared to $13,000 for the three months ended June 30, 2004. This decrease is attributable to the repayment of the Company's bank indebtedness and loans in the second quarter of 2004. The Company had no debt during the three months ended June 30, 2005.

Amortization Expense
Amortization expense amounted to $77,000 for the three months ended June 30, 2005, compared to amortization expense of $43,000 for the three months ended June 30, 2004, an increase of $30,000. This increase resulted from the amortization of the equipment acquired in the DMSU transaction.

Net Income (Loss)
Net loss was $389,000 or $0.01 per share for the three months ended June 30, 2005 compared to net income of $113,000, or $0.01 per share for the three months ended June 30, 2004. The decrease in net income for the three months ended June 30, 2005 was attributable to a decrease in Work Able's revenue and non-tax deductible stock option expense incurred during the period. Earnings per share for the three months ended June 30, 2005, were $(0.01), compared to $0.01 per share for the three months ended June 30, 2004.

Liquidity and Capital Resources
As at June 30, 2006, the Company had cash of $929,000, an increase of $496,000 from cash of $433,000 as at June 30, 2005.

During the second quarter of 2006, the Company's operating activities generated cash of $35,000 compared to $124,000 used by operating activities during the second quarter of 2005. The increase is primarily attributable to improved margins at Work Able and DMSU as a result of increased catastrophic injury assessments and prostate cancer treatments respectively.

Investing activities during the second quarter of 2006 were financed by the Company's cash on hand and cash generated from operating activities. Cash used in investing activities amounted to $27,000 during the second quarter of 2006 compared to cash used in investing activities in the same period of 2005 of $18,000.

There were no financing activities during the period ended June 30, 2006 compared to $24,000 generated from the exercise of warrants during the second quarter of 2005.

It is management's belief that the cash balance as at June 30, 2006 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, 2008 and 2009 are $228,000, $115,000, $110,000 and $75,000 respectively. The Company will fund these commitments through cash generated from its operations.

Share Capital

As at June 30, 2006 and December 31, 2005, the Company had 25,274,762 common shares issued and outstanding compared to 25,175,762 common shares issued and outstanding at December 31, 2004.

As at June 30, 2006 and December 31, 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 that expired on August 5, 2006 were outstanding. An additional 800,000 broker warrants priced at $0.25 each were 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 was exercisable to purchase one common share at a price of $0.30 per common share until August 5, 2006. During the year ended December 31, 2005, 99,000 warrants were exercised at a price of $0.30 per common share. No warrants were exercised during fiscal 2006, prior to their expiry.

Transactions with Related Parties

The Company's related parties are as follows:

[i] For the three month periods ended June 30, 2006 and 2005, the Company incurred management fees of $42,000 and $65,000, respectively. The management services were provided by Brenras Holdings Inc. and The Disability Management Group Inc. [‘DMG’], wholly owned corporations controlled by Ms. Rasmussen, a shareholder and director of the Company. As at June 30, 2006, DMG owed the Company $40,000. This amount is non-interest bearing.

[ii] Real World Simulations Systems Inc. ["Real World"] provided $18,000 in web design, advertising and publication services to the Company for each of the periods ended June 30, 2006 and 2005. Real World is wholly owned by a related party to Ms. Rasmussen, a shareholder and director of the Company.

[iii] Osborne Group Toronto Inc. ["Osborne Group"] provided $6,000 in financial accounting services to the Company for the quarter ended June 30, 2005. No services were provided for the same period in fiscal 2006. Osborne Group is partially owned by Mr. D. Wood, a director of the Company until April 2006.

Accounting Policies

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. The Company’s significant accounting policies are discussed in Note 2 of the “Notes to Consolidated Financial Statements” for the year ended December 31, 2005.

Recently Adopted Accounting Policies

There were no changes in accounting policies for the three month period ended June 30, 2006.

Risks and Uncertainties

Economic and sector related risks remain the same as those identified in the Management's Discussion and Analysis for the year ended December 31, 2005.

Business Outlook

Work Able

During the period ended June 30, 2006, Work Able experienced an increase in volumes of catastrophic injury assessments and management expects that this sector will continue to grow as a result of changes in the regulatory environment in Ontario. The Company announced the formation of a Catastrophic Injury Assessment Division in April 2006 to service this important sector.

During March, 2006, the anticipated shift of Ontario's automobile insurance legislation to an open independent medical examination market was implemented. Management positioned Work Able for this change through achieving preferred treatment provider relationships with most of the large casualty insurers in Canada and accordingly revenue is expected to improve compared to the prior year once the new system is fully implemented.

Work Able is continuing to examine opportunities to expand the Company's geographic scope in certain areas across Canada to service expanding customer requirements.

Direct

Direct was not successful in renewing its contract with the Ontario WSIB and accordingly the contract terminated April 7, 2006. Although the majority of Direct's revenues were generated from the WSIB contract, margins obtained from this work were small and accordingly, management believes the loss of the contract will not have a significant impact on Direct's future operations. Direct will continue to develop its operations in Atlantic Canada as well as expand its insurance and employer client base for its case management services in Ontario during fiscal 2006.

DMSU

DMSU expects the volume of prostate cancer treatments will continue to gradually increase during fiscal 2006, while funding from the Ministry of Health is expected to remain comparable to the amount received in fiscal 2005. DMSU will also continue to seek new opportunities to provide innovative services to further diversify its revenue.

Disclosure Controls and Procedures

Disclosure controls and procedures were evaluated at June 30, 2006 by the Company's Chief Executive Officer and the Chief Financial Officer. They concluded that the design and operation of these disclosure controls and procedures were effective to provide reasonable assurance that material information relating to the Company's operations and financial affairs would be made known to them.

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.

Consolidated Financial Statements

Alegro Health Corp.

June 30, 2006

Alegro Health Corp.

CONSOLIDATED BALANCE SHEETS

	June 30, 2006 $	December 31, 2005 $
	(unaudited)	
ASSETS		
Current		
Cash and cash equivalents	**929,315**	565,723
Receivables	**1,044,936**	1,135,156
Accrued receivables	**565,400**	535,066
Prepaids	**62,193**	33,152
Future tax assets	**42,310**	55,765
	2,644,154	2,324,862
Due from related parties *[note 3]*	**40,000**	40,000
Capital assets, net	**626,169**	707,447
Goodwill	**1,193,678**	1,193,678
Future tax assets	**85,082**	70,624
	4,589,083	4,336,611
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Payables and accruals	**1,816,243**	2,056,886
Income taxes payable	**216,770**	39,733
	2,033,013	2,096,619
Shareholders' equity		
Share capital	**1,833,497**	1,833,497
Contributed surplus	**902,633**	902,633
Deficit	**(180,060)**	(496,138)
	2,556,070	2,239,992
	4,589,083	4,336,611

See accompanying notes

Alegro Health Corp.

CONSOLIDATED STATEMENTS OF INCOME AND DEFICIT

For the period ended June 30, 2006
(*unaudited*)

	Three Months		Six Months	
	2006	2005	**2006**	2005
	$	$	$	$
Revenue	**2,932,047**	1,904,675	**6,388,699**	3,554,006
Expenses				
Direct costs	**2,387,426**	1,896,189	**5,357,636**	3,430,760
General and administrative	**214,804**	199,086	**397,042**	388,352
Stock-based compensation	----	122,000	**----**	122,000
Amortization of capital assets	**72,900**	76,637	**141,803**	152,234
	2,675,130	2,293,912	**5,896,481**	4,093,346
Income (loss) before income taxes	**256,917**	(389,237)	**492,218**	(539,340)
Provision for (recovery of) income taxes				
Current	**79,955**	----	**177,144**	----
Future	**11,684**	(92,000)	**(1,004)**	(130,040)
	91,639	(92,000)	**176,140**	(130,040)
Net income (loss) for the period	**165,278**	(297,237)	**316,078**	(409,300)
Basic and diluted earnings (loss) per common share	**0.00**	(0.01)	**0.01**	(0.02)
Deficit, beginning of period	**(345,338)**	(260,113)	**(496,138)**	(148,050)
Net income (loss)	**165,278**	(297,237)	**316,078**	(409,300)
Deficit, end of period	**(180,060)**	(557,350)	**(180,060)**	(557,350)
Weighted Average Number of Shares	#	#	#	#
Basic	**25,247,762**	25,247,949	**25,247,762**	25,216,906
Diluted	**25,247,762**	27,428,394	**25,247,762**	27,354,626

See accompanying notes

Alegro Health Corp.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended June 30, 2006
(*unaudited*)

	Three Months		Six Months	
	2006	2005	**2006**	2005
	$	$	$	$
Increase (decrease) in cash				
OPERATING ACTIVITIES				
Net income (loss) for the period	**165,277**	(297,237)	**316,077**	(409,300)
Add (deduct) items not involving cash				
Amortization of capital assets	**72,900**	76,637	**141,803**	152,234
Future income taxes	**11,685**	(92,000)	**(1,003)**	(130,040)
Stock-based compensation	----	122,000	----	122,000
Changes in non-cash working capital items				
Receivables	**1,903**	40,178	**90,219**	137,264
Accrued receivables	**(311,900)**	(44,328)	**(30,334)**	(9,000)
Prepaids	**(59,134)**	(35,043)	**(29,041)**	(23,163)
Payables and accruals	**74,707**	107,091	**(240,639)**	22,108
Income taxes payable	**79,848**	----	**177,037**	----
	35,286	(123,702)	**424,119**	(137,897)
INVESTING ACTIVITIES				
Purchase of capital assets	**(26,533)**	(17,912)	**(60,527)**	(74,876)
	(26,533)	(17,912)	**(60,527)**	(74,876)
FINANCING ACTIVITIES				
Proceeds from exercise of warrants	**----**	24,000	**----**	29,700
	----	24,000	----	29,700
Net increase (decrease) in cash	**8,753**	(117,614)	**363,592**	(183,073)
Cash, beginning of period	**920,562**	550,265	**565,723**	615,724
Cash, end of period	**929,315**	432,651	**929,315**	432,651

See accompanying notes

Alegro Health Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2006

1. INCORPORATION AND NATURE OF BUSINESS

Alegro Health Corp. ["Alegro" or 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 2005 Annual Report. The disclosures in the interim financial statements conform in all material respects to the requirements of the Canadian generally accepted accounting principles for the annual financial statements included in the Company's 2005 Annual Report. The consolidated balance sheet June 30, 2006 consolidated statements of operations for the three months ended June 30, 2006 and 2005, and the consolidated statements of cash flows for the three and six months ended June 30, 2006 and 2005 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 six months ended June 30, 2006 shown herein are not necessarily indicative of the results that may be expected for the year ending December 31, 2006.

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, 2005.

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 assured. Accrued 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 reasonably assured.

Alegro Health Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2006

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 not amortized. 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.

Comparative Consolidated Financial Statements

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the June 30, 2006 interim financial statements.

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 six months ended June 30, 2006 were $155,250 (2005 - $198,000). 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:

	2006	2005
	$	$
Expenses		
Real World	**36,000**	36,000
Brenras	**83,250**	111,000
Disability Management	**36,000**	36,000
Osborne Group	**---**	15,000
	155,250	198,000

Alegro Health Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2006

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 outstanding, December 31, 2005	25,274,762	1,833,497
Issued on exercise of warrants	---	---
Issued and outstanding, June 30, 2006	25,274,762	1,833,497

[b] Stock-based compensation plan

As at June 30, 2006 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 six month period ended June 30, 2006 no options were exercised and none expired. On May 16, 2005, 500,000 options were granted to an officer and director of the company, which were recorded as a stock-based compensation expense of $122,000.

[c] Warrants

As at June 30, 2006, 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 June 30, 2006 no warrants were exercised. At a price of $0.30 per common share, 80,000 warrants were exercised during the three month period ending June 30, 2005.

Alegro Health Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2006

[d] 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, 2005	902,633
Options granted	----
Issued and outstanding, June 30, 2006	**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 June 30, 2006

	Work Able $	DMSU $	Direct $	Corporate $	Total $
Revenues	1,669,115	797,556	465,376	----	2,932,047
Operating Expenses	1,394,491	705,646	360,189	214,804	2,675,130
Net income (loss) Before income taxes	274,624	91,910	105,187	(214,804)	256,917
Total Assets	1,959,485	1,650,134	627,785	351,679	4,589,083

Three months ended June 30, 2005

	Work Able $	DMSU $	Direct $	Corporate $	Total $
Revenues	1,455,504	449,171	----	----	1,904,675
Operating Expenses	1,496,360	476,466	----	321,086	2,293,912
Net income (loss) before income taxes	(40,856)	(27,295)	----	(321,086)	(389,237)
Total Assets	1,810,255	1,462,431	----	413,134	3,685,820

Alegro Health Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2006

Six months ended June 30, 2006

	Work Able $	DMSU $	Direct $	Corporate $	Total $
Revenues	3,358,724	1,407,554	1,622,421	----	6,388,699
Operating Expenses	2,680,622	1,292,745	1,526,072	397,042	5,896,481
Net income (loss) Before income taxes	678,102	114,809	96,349	(397,042)	492,218
Total Assets	1,959,485	1,650,134	627,785	351,679	4,589,083

Six months ended June 30, 2005

	Work Able $	DMSU $	Direct $	Corporate $	Total $
Revenues	2,789,731	764,275	----	----	3,554,006
Operating Expenses	2,710,488	872,506	----	510,352	4,093,346
Net income (loss) before income taxes	79,243	(108,231)	----	(510,352)	(539,340)
Total Assets	1,810,255	1,462,431	----	413,134	3,685,820

6. 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 June 30, 2006, no amounts were owing or available under the Company's bank facilities.

7. 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 June 30, 2006 and June 30, 2005.