ALEGRO HEALTH CORP.

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

The following management discussion and analysis ("MD&A") dated this 27th day of October, 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 September 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 September 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 September 30, 2006 and subsequent events to the date of this MD&A

Regulatory changes affecting the medical assessment market in Ontario that had been in process for a period of time were finally fully implemented during March 2006, introducing a tort based system that eliminated the previously existing system of Designated Assessment Centers. Medical assessments continue to be required under the new tort based regulatory system and the Company has achieved preferred provider 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 second quarter of this fiscal year, the Company announced the formation of a Catastrophic Injury Assessment Division to service expected growth in this area of the Company's business. During the three and nine month periods ended September 30, 2006, the Company's disability management centres experienced increased volumes in catastrophic injury assessments compared to the same period in the prior year. However, given the limited time frame that the new regulatory environment has been in place, there remains uncertainty as to whether these improved volumes will continue in future reporting periods. During the three months ended September 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 as a result of prostate treatments that it commenced offering in the second quarter of 2005.

Overall Performance in the Three Months Ended September 30, 2006

Net income of $53,000 for the three months ended September 30, 2006 was slightly over than the $43,000 achieved in the same period in the prior year. Net income before tax was $80,000 for the period, over than the $43,000 earned in the same period in the prior year. 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 increased volume of prostate treatments performed by DMSU offset an increased level of corporate expenses compared to the same period in the prior year.

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, medical assessment, 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 large numbers of Canadian companies and government agencies.

On September 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 Atlantic Canada. At the time of the purchase primary customer of Direct was workers' compensation Board of Ontario (WSIB). The contract ended April 7, 2006 but the Company is continuing to develop its operations in Ontario and Eastern Canada

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 medical assessment and disability management services provided 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.

Direct Health Services Inc.
Direct provides case management and medical assessment services to the insurance industry and employers primarily in Ontario and Eastern Canada. Direct maintains leased offices 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. The WSIB re-allocated the LMR services contracts following a competitive bidding process resulting in the Company no longer providing LMR services to the WSIB. During the period from August 18, 2005 until April 7, 2006 a significant portion of Direct's revenue was generated from the LMR contract, but it contributed only marginal profits and accordingly, the Company does not expect ceasing the services under the LMR contract to have a significant impact on future income.

Direct will continue to provide vocational and 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 a leased 6,200 square foot in Toronto that includes two fully equipped operating theatres, one procedure room, 20 in-patient beds, a central nursing station, and physician offices. 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 September 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 September 30, 2006	September 30, 2005
Revenue	$ 2,651,346	$ 2,340,021
Net Income (loss)	$ 53,161	$ 42,700
Per Share	$ 0.00	$ 0.00
Per Share Diluted	$ 0.00	$ 0.00
Total Assets	$ 4,492,042	$ 4,336,611

	For nine months ended September 30, 2006	September 30, 2005
Revenue	$ 9,040,045	$ 5,894,027
Net Income (loss)	$ 369,239	$ (360,600)
Per Share	$ 0.01	$ (0.01)
Per Share Diluted	$ 0.01	$ (0.01)
Total Assets	$ 4,492,042	$ 4,336,611

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

For the three months ended September 30, 2006 the Company recorded net income of $53,000 compared to $43,000 for the same period last year. Each of the Company's operating subsidiaries generated improved income before income tax for the three months compared to the same period in the prior year, although increased corporate expenses during the three months offset the increased earnings. For the nine months ended September 30, 2006, each operating subsidiary posted increased profits compared to the same period in the prior year and corporate expenses declined compared to the prior year. As a result, the net income for the nine months improved by $736,000 compared to the prior year.

Revenues

Consolidated revenues for the three months ended September 30, 2006 amounted to $2,651,000, an increase of approximately 12% over consolidated revenues in the third quarter of 2005 of $2,340,000. The increase during the quarter was mostly attributable to additional revenue generated by prostate treatments performed at DMSU, compared to the same period in the prior year.

Work Able

Revenues from Work Able's disability management services were $1,480,000 for the third of quarter of 2006 comparable to the $1,410,000 earned for the third quarter of 2005. Work Able continued to experience the increased volumes of catastrophic injury assessments compared to the same periods last year that it enjoyed during the first two quarters of the current fiscal year. As a result of steps taken such as securing preferred service provider relationships with several of Canada's largest insurance providers and the formation of a new Catastrophic Injury Assessment Division in anticipation of regulatory changes that eliminated Designated Assessment Centers in March 2006, Work Able was able to generate improved revenue in the three months ended September 30, 2006 compared to the same period in the prior year.

Direct
Direct commenced operations on August 18, 2005 after completing the acquisition of certain assets from Concentra Integrated Services. Direct earned a total of $508,000 in revenue for the three month period ending September 30, 2006, primarily from services provided to insurance companies in Ontario and Eastern Canada. During the same period in the prior year, Direct's revenue of $482,000 was derived largely from a Labour Market Re-entry contract with the Ontario WSIB that ended April 7, 2006. 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 $725,000 for the quarter ended September 30, 2006, an increase of $277,000 from the same period in the prior year. The increase was attributable to increased pricing and volume of prostate cancer treatments that DMSU compared to the same period in fiscal 2005. Cosmetic surgery and prostate cancer treatments generated 58% of the total revenue recorded by DMSU in the third quarter of 2006 with the balance resulting from the global funding arrangement with the Ministry of Health.

Expenses
Consolidated expenses for the quarter ended September 30, 2006 amounted to $2,571,000, an increase of 11% over consolidated expenses in the same period in 2005 of $2,297,000. The increase resulted primarily from prostate cancer treatments costs at DMSU and increased general and administrative expenses compared to the same period in the prior year. For the nine months ended September 30, 2006, general and administrative expenses are comparable to the amounts incurred during the same period in the prior year.

Work Able
Expenses incurred by Work Able in the third quarter of 2006 were slightly greater than amounts recorded in the third quarter of 2005. Work Able's revenue increased due to increased volumes of catastrophic injury assessments and accordingly direct expenses also increased primarily due to increased medical consulting expenses related to the increased volume compared to the prior year.

Direct
Direct's expenses during the third quarter relate to the provision of services to insurance companies and employers. These services include both staff and medical consultant expenses. In the same period in the prior year, the majority of Direct's expenses were for third party supplier invoices related to the Labour Market Re-entry contract.

DMSU
DMSU's expenses for the period ending September 30, 2006 were $652,000, compared to $381,000 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 three months ended September 30, 2006 increased to $231,000 from $189,000 for the period ended September 30, 2005. For the nine months ended September 30, 2006, general and administrative expenses are comparable to the amounts incurred during the same period in the prior year.

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

Amortization Expense
Amortization expense amounted to $65,000 for the period ended September 30, 2006, compared to amortization expense of $61,000 recorded in the third quarter of 2005, an increase of $4,000.

Net Income
For the three month period ended September 30, 2006 the Company recorded net income of $53,000, or $0.00 per share compared to a net income of $43,000 or $0.00 per share for the period ended September 30, 2005. Each of the Company's operating subsidiaries posted an improved net income before income tax compared to the same three month period in the prior year.

Liquidity and Capital Resources

As at September 30, 2006, the Company had cash of $861,000, an increase of $404,000 from cash of $457,000 as at September 30, 2005.

During the third quarter of 2006, the Company's operating activities used cash of $68,000 compared to $24,000 generated by operating activities during the third quarter of 2005. The change in cash is primarily attributable to changes in the balances of working capital components during the period compared to the prior year.

Investing activities during the third 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 $16,000 during the third quarter of 2006 compared to cash used in investing activities in the same period of 2005 of $72,000. During the three months ended September 30, 2005, the Company completed the acquisition of Direct's assets.

There were no financing activities during the three month periods ended September 30, 2006 and September 30, 2005.

It is management's belief that the cash balance as at September 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 September 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 September 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. Warrants to purchase 3,901,000 common shares at an exercise price of $0.30 per common share expired on August 5, 2006. An additional 800,000 broker warrants priced at $0.25 each also expired August 5, 2006 as did each full warrant obtained on the exercise of the broker warrants. 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 September 30, 2006 and 2005, the Company incurred management fees of $64,000 and $54,000, 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 September 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 September 30, 2006 and 2005. Real World is wholly owned by a related party to Ms. Rasmussen, a shareholder and director of the Company.

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 September 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 September 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 service provider relationships with many of the large casualty insurers in Canada and accordingly revenue is expected to increase once the new system is fully implemented. However, in the near term, given the recent changes in the regulatory environment, it is not possible to accurately predict future revenue.

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

Although Direct was not successful in renewing its contract with the Ontario WSIB, revenues from new customers have replaced revenues generated from the LMR contract. Margins obtained from this WSIB contract were small and accordingly, management believes that margins will improve as a result of the new customer base. 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 September 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.

September 30, 2006

Alegro Health Corp.

CONSOLIDATED BALANCE SHEETS

	September 30, 2006 $	December 31, 2005 $
	(unaudited)	
ASSETS		
Current		
Cash and cash equivalents	**861,474**	565,723
Receivables	**1,258,761**	1,135,156
Accrued receivables	**351,218**	535,066
Prepaids	**53,206**	33,152
Future tax assets	**54,911**	55,765
	2,579,570	2,324,862
Due from related parties *[note 3]*	**40,000**	40,000
Capital assets, net	**577,192**	707,447
Goodwill	**1,193,678**	1,193,678
Future tax assets	**101,602**	70,624
	4,492,042	4,336,611
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Payables and accruals	**1,640,029**	2,056,886
Income taxes payable	**242,782**	39,733
	1,882,811	2,096,619
Shareholders' equity		
Share capital	**1,833,497**	1,833,497
Contributed surplus	**902,633**	902,633
Deficit	**(126,899)**	(496,138)
	2,609,231	2,239,992
	4,492,042	4,336,611

See accompanying notes

Alegro Health Corp.

CONSOLIDATED STATEMENTS OF INCOME AND DEFICIT

For the period ended September 30, 2006 (*unaudited*)	Three Months		Nine Months	
	2006	2005	**2006**	2005
	$	$	$	$
Revenue	**2,651,346**	2,340,021	**9,040,045**	5,894,027
Expenses				
Direct costs	**2,275,543**	2,046,851	**7,633,179**	5,435,467
General and administrative	**230,984**	188,773	**628,026**	619,269
Stock-based compensation	----	----	**----**	122,000
Amortization of capital assets	**64,879**	61,231	**206,682**	213,465
	2,571,406	2,296,855	**8,503,887**	6,390,201
Income (loss) before income taxes	**79,940**	43,166	**572,157**	(496,174)
Provision for (recovery of) income taxes				
Current	**55,900**	51,082	**233,044**	51,082
Future	**(29,121)**	(50,616)	**(30,125)**	(180,656)
	26,779	466	**202,919**	(129,574)
Net income (loss) for the period	**53,161**	42,700	**369,239**	(366,600)
Basic and diluted earnings (loss) per common share	**0.00**	0.00	**0.01**	(0.01)
Deficit, beginning of period	**(180,060)**	(557,350)	**(496,138)**	(148,050)
Net income (loss)	**53,161**	42,700	**369,239**	(366,600)
Deficit, end of period	**(126,899)**	(514,650)	**(126,899)**	(514,650)
Weighted Average Number of Shares	#	#	#	#
Basic	**25,247,762**	25,247,762	**25,247,762**	25,236,403
Diluted	**25,247,762**	26,268,522	**25,247,762**	27,085,204

See accompanying notes

Alegro Health Corp.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended September 30, 2006 (*unaudited*)	Three Months		Nine Months	
	2006	2005	**2006**	2005
	$	$	$	$
Increase (decrease) in cash				
OPERATING ACTIVITIES				
Net income (loss) for the period	**53,161**	42,700	**369,239**	(366,600)
Add (deduct) items not involving cash				
Amortization of capital assets	**64,879**	61,231	**206,682**	213,465
Future income taxes	**(29,121)**	(50,616)	**(30,124)**	(180,656)
Stock-based compensation	**----**	----	**----**	122,000
Changes in non-cash working capital items				
Receivables	**(213,825)**	(78,669)	**(123,606)**	58,595
Accrued receivables	**214,182**	(280,025)	**183,848**	(289,025)
Prepaids	**8,987**	21,527	**(20,054)**	(1,636)
Payables and accruals	**(176,216)**	329,487	**(416,856)**	351,595
Income taxes payable	**26,012**	51,082	**203,049**	51,082
	(51,941)	96,717	**372,178**	(41,180)
INVESTING ACTIVITIES				
Purchase of capital assets	**(15,900)**	(6,558)	**(76,427)**	(81,434)
Acquisitions, net of acquired cash	**----**	(65,764)	**----**	(65,764)
	(15,900)	(72,322)	**(76,427)**	(147,198)
FINANCING ACTIVITIES				
Proceeds from exercise of warrants	----	----	----	29,700
	----	----	----	29,700
Net increase (decrease) in cash	**(67,841)**	24,395	**295,751**	(158,678)
Cash, beginning of period	**929,315**	432,651	**565,723**	615,724
Cash, end of period	**861,474**	457,046	**861,474**	457,046

See accompanying notes

Alegro Health Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 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 September 30, 2006 consolidated statements of operations for the three months ended September 30, 2006 and 2005, and the consolidated statements of cash flows for the three and nine months ended September 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 nine months ended September 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.

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 September 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 nine months ended September 30, 2006 were $237,250 (2005 - $270,000). 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	**54,000**	54,000
Brenras	**129,250**	153,000
Disability Management	**54,000**	48,000
Osborne Group	**---**	15,000
	237,250	270,000

Alegro Health Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 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, September 30, 2006	25,274,762	1,833,497

[b] Stock-based compensation plan

As at September 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 nine month period ended September 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

On August 5, 2006 warrants to purchase 3,901,000 common shares at an exercise price of $0.30 per common share expired. Also, on August 5, 2006 an additional 800,000 broker warrants priced at $0.25 each to purchase units consisting of one common share and one half of the common share warrant expired. During the three month period ended September 30, 2006 no warrants were exercised. 80,000 warrants were exercised during the three month period ending September 30, 2005 at a price of $0.30 per common share.

[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, September 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		Nine Months	
	2006	2005	**2006**	2005
	$	$	$	$
Revenue				
Work Able	**1,480,425**	1,410,271	**4,934,634**	4,200,174
Direct	**508,427**	481,860	**2,134,860**	481,688
DMSU	**724,523**	447,890	**2,132,077**	1,212,164
Less: Inter-co	**(62,029)**	----	**(161,526)**	----
	2,651,346	2,340,021	**9,040,045**	5,894,026
Operating Expenses				
Work Able	**1,327,689**	1,277,017	**4,073,521**	3,989,859
Direct	**422,883**	449,762	**1,983,242**	449,762
DMSU	**651,879**	381,303	**1,944,624**	1,209,311
Corporate	**230,984**	188,773	**628,026**	741,269
Less: Inter-co	**(62,029)**	----	**(161,526)**	----
	2,571,406	2,296,855	**8,539,887**	6,390,201
Net Income (Loss) before Taxes				
Work Able	**152,736**	133,426	**861,113**	210,315
Direct	**85,544**	31,926	**151,617**	31,926
DMSU	**72,644**	66,587	**187,453**	2,853
Corporate	**(230,984)**	(188,773)	**(628,026)**	(741,269)
	79,940	43,166	**572,157**	(496,175)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2006

	September 30, 2006 $	December 31, 2005 $
Assets		
Work Able	**1,973,559**	1,562,113
Direct	**774,183**	728,278
DMSU	**1,641,833**	1,423,032
Corporate	**102,467**	623,188
	4,492,043	4,336,611

6. BANKING FACILITY

As no amounts were available under the terms of the Company's bank facilities, the arrangements were terminated.

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 September 30, 2006 and September 30, 2005.