Consolidated Interim Financial Statements of

PARAGON PHARMACIES LIMITED

(NOTICE – STATEMENTS HAVE BEEN PREPARED BY MANAGEMENT AND HAVE NOT BEEN SUBJECT TO REVIEW BY THE COMPANY'S AUDITORS)

(Unaudited)

November 30, 2006

PARAGON PHARMACIES LIMITED

Interim Consolidated Statement of Loss and Deficit

Three Month Periods Ended November 30, 2006 and 2005
(Unaudited)

	November 30, 2006 (Unaudited) (3 months) $	November 30, 2005 (Unaudited) (3 months) $
REVENUE	**16,274,593**	6,847,999
COST OF SALES	**11,001,243**	4,788,585
GROSS PROFIT	**5,273,350**	2,059,414
EXPENSES		
Selling, general and administration	**4,367,371**	1,986,464
Amortization	**517,434**	271,685
Bank charges and interest	**39,567**	12,289
Interest on long-term debt	**177,408**	49,695
	5,101,780	2,320,133
INCOME (LOSS) BEFORE OTHER ITEM	**171,570**	(260,719)
OTHER ITEM		
Loss on equity investments (Note 9)	**(98,678)**	(7,948)
Amalgamation costs greater than cash received	**(158,943)**	-
NET INCOME (LOSS) FROM CONTINUING OPERATIONS	**(86,051)**	(268,667)
LOSS FROM DISCONTINUED OPERATIONS	**-**	(1,435)
NET LOSS	**(86,051)**	(270,102)
DEFICIT, BEGINNING OF PERIOD	**(4,900,249)**	(3,651,356)
Disposition of Paragon Central Fill Ltd.	**-**	373,586
DEFICIT, END OF PERIOD	**(4,986,300)**	(3,547,872)

PARAGON PHARMACIES LIMITED

Interim Consolidated Balance Sheets
November 30, 2006 and August 31, 2006
(Unaudited)

	November 30, 2006 (Unaudited) $	August 31, 2006 (Audited) $
ASSETS		
CURRENT		
Cash and cash equivalents	**2,741,812**	86,331
Cash held in trust	**-**	1,500,000
Accounts receivable	**3,314,811**	2,828,929
Income taxes recoverable	**1,484**	-
Inventory	**9,866,364**	8,826,745
Prepaid expenses and deposits	**216,531**	165,449
Due from related parties (Note 5)	**319,404**	597,684
	16,460,406	14,005,138
Deferred costs	**19,187**	367,533
Capital assets (Note 3)	**1,369,576**	1,368,903
Intangible assets (Note 4)	**5,063,902**	5,457,545
Investment in private companies (Note 9)	**406,556**	435,445
Goodwill, at cost	**12,420,709**	12,420,709
	35,740,336	34,055,273
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	**6,668,765**	4,004,263
Current portion of long-term debt (Note 6)	**3,036,209**	3,037,853
Current portion of capital leases (Note 7)	**60,067**	61,061
	9,765,041	7,103,177
Long-term debt (Note 6)	**7,086,936**	7,891,608
Capital leases (Note 7)	**74,968**	86,138
	16,926,945	15,080,923
SHAREHOLDERS' EQUITY		
Share capital (Note 8)	**22,865,286**	22,939,536
Contributed surplus (Note 8)	**934,405**	935,063
Deficit	**(4,986,300)**	(4,900,249)
	18,813,391	18,974,350
	35,740,336	34,055,273

APPROVED BY THE BOARD

(signed) *"Craig Cameron"*, Director

(signed) *"Reginald Hihn"*, Director

PARAGON PHARMACIES LIMITED

Interim Consolidated Statement of Cash Flows
Three Month Periods Ended November 30, 2006 and 2005
(Unaudited)

	November 30, 2006 (Unaudited) (3 months) $	November 30, 2005 (Unaudited) (3 months) $
CASH FLOWS RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net income (loss) from continuing operations	**(86,051)**	(270,102)
Adjustments for:		
Amortization	**517,434**	271,685
Loss on equity investment	**98,678**	7,948
	530,061	9,531
Changes in non-cash working capital and other non-cash items:		
Accounts receivable	**(485,882)**	(190,760)
Inventory	**(1,039,619)**	36,155
Prepaid expenses and deposits	**(51,082)**	62,220
Accounts payable and accrued liabilities	**2,664,502**	501,874
Income taxes	**(1,484)**	-
Operating cash flow from continuing operations	**1,616,496**	419,020
Net loss from discontinued operations		
Current assets	**-**	184,834
Current liabilities	**-**	(120,619)
Operating cash flow from discontinued operations	**-**	64,215
	-	483,235
FINANCING		
Advances (repayment) from related parties	**278,280**	(286,081)
Deposits received in advance for issuance of shares	**-**	250,000
Issuance of share capital, net of share issuance costs	**(74,907)**	-
(Repayment) advances of long-term debt, net	**(806,316)**	(41,991)
Repayment of capital leases	**(12,164)**	(217,013)
	(615,107)	(295,085)
INVESTING		
Cash received from trust account	**1,500,000**	-
Proceeds on disposition of Paragon Central Fill Ltd.	**-**	250,000
Purchase of Prairie Supply Co-op shares	**(69,789)**	-
Purchase of interest in Catalyst Healthcare Ltd. (Note 9)	**-**	(263)
Deferred costs	**348,346**	-
Intangible assets	**(1,392)**	-
Proceeds on disposal of capital assets	**-**	294,145
Purchase of capital assets	**(123,073)**	(108,401)
	1,654,092	435,481
NET (DECREASE) INCREASE IN CASH	**2,655,481**	623,631
CASH, BEGINNING OF PERIOD	**86,331**	417,276
CASH, END OF PERIOD	**2,741,812**	1,040,907
Represented by:		
Cash - continuing operations	**2,741,812**	1,037,753
Cash – discontinued operations	**-**	3,154
	2,741,812	1,040,907
SUPPLEMENTARY INFORMATION:		
Interest paid	**216,975**	49,695

Notes to the Interim Consolidated Financial Statements
Three Month Periods Ended November 30, 2006 and 2005
(Unaudited)

1. BASIS OF PRESENTATION

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and follow the same accounting policies and methods of application with those used in the preparation of the audited annual consolidated financial statements for the year ended August 31, 2006 and 2005, and include all adjustments necessary to present fairly the results for the interim periods. Certain information and disclosure included in the year end consolidated financial statements have been condensed or omitted. In the opinion of Management, all adjustments considered necessary for fair presentation have been included in these interim consolidated financial statements. These financial statements should be read in conjunction with the consolidated financial statements and notes for the year ended August 31, 2006 and 2005.

Paragon Pharmacies Limited (the "Company") is comprised of one single operating segment which is drug store operations which focuses on the customer and communities in which they are located. In addition, the pharmacies offer supplemental services such as Canada Post outlets, lottery tickets and transit pass sales.

These interim consolidated financial statements also reflect the amalgamation of Rinoa Enterprises Ltd. ("Rinoa") and Paragon Pharmacies Ltd. ("Paragon") on October 31, 2006 to create Paragon Pharmacies Limited (Note 2).

2. AMALGAMATION WITH RINOA ENTERPRISES LTD.

On October 13, 2006 the respective shareholders of Paragon Pharmacies Ltd. ("Paragon") and Rinoa Enterprises Ltd. ("Rinoa") approved the amalgamation of both companies. On October 31, 2006, the Amalgamation was completed. The terms of the Amalgamation involved the reverse take over of Rinoa by Paragon to create a new company under the name Paragon Pharmacies Limited (the "Company").

Pursuant to the Amalgamation, all outstanding securities of both Paragon and Rinoa were exchanged for the Company's securities on a one for one basis. On November 2, 2006, the TSX Venture Exchange ("the Exchange") approved the amalgamation as Rinoa's Qualifying Transaction. As a result, on November 3, 2006, Rinoa ceased to be a Capital Pool Company and its common shares were delisted from trading on the Exchange. Also on November 3, 2006, in accordance with Exchange Policy 2.5, the common shares of Paragon Pharmacies Limited commenced trading on the Exchange.

As Paragon was deemed to be the acquirer for accounting purposes, the Company's assets and liabilities are included in the interim consolidated financial statements at their carrying value.

2. AMALGAMATION WITH RINOA ENTERPRISES LTD. (Continued)

As the shareholders of Paragon obtained control of Rinoa reverse takeover accounting was applied.

The consolidated interim financial statements of the combined entities are considered a continuation of the financial statements of Paragon Pharmacies Limited.

The accounting for the reverse take-over reflects the fair value of Rinoa's assets acquired, after reflecting the business combination with Paragon as follows:

	$
Current assets	3,896
Current liabilities	(79,815)
	(75,919)
Cash acquired	585,982
	510,063

Notes to the Interim Consolidated Financial Statements
Three Month Periods Ended November 30, 2006 and 2005
(Unaudited)

3. CAPITAL ASSETS

	November 30, 2006 (Unaudited) (3 months)			August 31, 2006 (Audited) (12 months)
	Cost $	Accumulated Amortization $	**Net Book Value** **$**	**Net Book Value** **$**
Furniture and fixtures	660,340	365,757	**294,583**	**282,674**
Automotive	155,622	74,211	**81,411**	**83,644**
Nursing home and pharmacy equipment	54,938	7,780	**47,158**	**10,598**
Computer equipment	563,765	342,308	**221,457**	**224,147**
Computer software	131,031	90,121	**40,910**	**60,827**
Assets under capital lease	185,806	33,533	**152,273**	**163,907**
Leasehold improvements	1,115,991	584,207	**531,784**	**543,106**
	2,867,493	1,497,917	**1,369,576**	**1,368,903**

4. INTANGIBLE ASSETS

	November 30, 2006 (Unaudited) (3 months)			August 31, 2006 (Audited) (12 months)
	Cost $	Accumulated Amortization $	**Net Book Value** **$**	**Net Book Value** **$**
Prescription files	7,245,105	2,631,745	**4,613,360**	**4,975,005**
Pre-operating costs	27,823	3,012	**24,811**	**26,098**
Operating leases	466,551	104,048	**362,503**	**391,109**
Loan financing fees	71,395	8,167	**63,228**	**65,333**
Non-competition agreement	10,000	10,000	**-**	-
	7,820,874	2,756,972	**5,063,902**	**5,457,545**

Notes to the Interim Consolidated Financial Statements

Three Month Periods Ended November 30, 2006 and 2005
(Unaudited)

5. DUE FROM (TO) RELATED PARTIES

	November 30, 2006 (Unaudited) (3 months) $	August 31, 2006 (Audited) (12 months) $
ACO Super Drug Mart Ltd.	**(118,082)**	(67,392)
Catalyst Healthcare Ltd.	**(44,905)**	96,904
1036985 Alberta Ltd. (Cochrane Super Drug Mart)	**347,249**	184,058
Super Drug Mart Partnership	**135,142**	384,114
	319,404	597,684

The amounts due from (to) related parties are non-interest bearing with no fixed terms of repayment. The parties are related as they have common shareholders.

During the period, the Company paid $67,627 (year ended August 31, 2006 - $95,168) in rent for premises leased under operating leases with related parties. These transactions have been recorded at fair market value.

6. LONG-TERM DEBT

	November 30, 2006 (Unaudited) (3 months) $	August 31, 2006 (Audited) (12 months) $
Toronto Dominion Bank Loan payable bearing interest at tiered rates from prime plus 0.50% to prime plus 1.50% per annum, repayable in monthly instalments of $166,667 plus interest, due April 2011, secured by a general security agreement, first charge on all the assets of the Company including its subsidiaries, with a specific first charge on the inventory of the Company, and unlimited guarantees of advances executed by the Company and its subsidiaries	**8,833,333**	9,333,333
Third Party Loan Agreement Non-interest bearing loan, repayable in monthly instalments of $83,333, due February 2008, secured by a general security agreement	**1,204,094**	1,500,000
CIT Financial Ltd. Loan bearing interest at prime plus 4.9%, secured by a general security agreement, a general assignment of book debts and personal guarantees, repayable at $823 per month, including interest	**14,719**	16,887
Microsoft Capital Corporation Loan payable bearing interest at 2.567% per annum, payable in blended monthly instalments of $941, due September 2007, secured by certain capital assets, a general security agreement covering all assets and undertakings of Black Mountain Pharmacy (1979) Ltd.	**9,296**	12,046

Notes to the Interim Consolidated Financial Statements
Three Month Periods Ended November 30, 2006 and 2005
(Unaudited)

6. LONG-TERM DEBT (Continued)

	November 30, 2006 (Unaudited) (3 months) $	August 31, 2006 (Audited) (12 months) $
Ford Credit		
Non-interest bearing loan, repayable in monthly instalments of $450, due May 2009, secured by a general security agreement covering all assets and undertakings of the Company	**13,049**	14,400
Non-interest bearing loan, repayable in monthly instalments of $463, due November 2010, secured by a general security agreement covering all assets and undertakings of the Company	**21,750**	23,601
Non-interest bearing loan, repayable in monthly instalments of $572, due November 2010, secured by a general security agreement covering all assets and undertakings of the Company	**26,904**	29,194
	10,123,145	10,929,461
Less current portion	**3,036,209**	3,037,853
	7,086,936	7,891,608

Principal payments required in each of the next five twelve month periods ended November 30 are as follows:

	$
2007	**3,036,209**
2008	**2,229,792**
2009	**2,012,422**
2010	**2,011,387**
2011 and subsequent	**833,330**

7. CAPITAL LEASES

	November 30, 2006 (Unaudited) $
Period ending November 30, 2008	**68,765**
2009	**35,037**
2010	**22,784**
2011	**12,986**
2012	**15,017**
Total minimum lease payments	**154,988**
Less amount representing interest at rates ranging from 3% - 18.2%	**19,553**
Balance of obligation	**135,035**
Less current portion	**60,067**
	74,968

8. SHARE CAPITAL

	Number of Common Shares Issued	**Amount** **$**
Authorized		
Unlimited number of common voting shares		
Unlimited number of first and second preferred shares, issuable in series, rights to be determined by directors		
Issued		
Balance, August 31, 2006	26,884,599	**24,525,924**
Shares issued to the shareholders of Rinoa on the acquisition of Rinoa by Paragon	5,299,825	**510,063**
Issuance of common shares on exercise of agent options	5,060	**1,670**
Balance, November 30, 2006	32,189,484	**25,037,657**

	November 30, 2006 (Unaudited) $	August 31, 2006 (Audited) $
Shares issued	**25,037,657**	24,525,924
Share issuance costs	**(2,172,371)**	(1,586,388)
Share capital	**22,865,286**	22,939,536

8. SHARE CAPITAL (Continued)

Granting of options

During the three month period ended November 30, 2006, the Company issued nil options (twelve month period ended August 31, 2006 - Nil) with a weighted average exercise price of $Nil (August 31, 2006 - $Nil), which vested immediately, to certain directors, officers, employees and consultants of the Company.

28,825 Rinoa agent options were exercised prior to October 31, 2006 with a weighted average exercise price of $0.20. 250,000 Rinoa directors' options were exercised on October 31, 2006 with a weighted average exercise price of $0.20.

5,060 options with a weighted average exercise price of $0.20 were exercised during November 2006 (twelve month period ended August 31, 2006 - Nil) and 20,000 options (twelve month period ended August 31, 2006 - Nil options) with a weighted average exercise price of $1.00 (August 31, 2006 - $Nil) were cancelled.

The options outstanding at November 30, 2006 were as follows:

Date Issued	Number of Options Outstanding	Exercise Price $	Expiry Date
February 27, 2004	197,000	1.00	February 27, 2009
December 10, 2004	118,500	1.50	December 10, 2009
June 30, 2005	250,000	1.50	June 30, 2010
	565,500		
November 3, 2005 (Outstanding options of Rinoa at November 30, 2006)	145,115	0.20	November 3, 2007
	710,615		

The weighted average exercise price of the options outstanding and exercisable at November 30, 2006 is $1.10 (August 31, 2006 - $1.31).

8. SHARE CAPITAL (Continued)

Warrants

The following warrants were issued entitling the holder thereof to purchase one common share of the Company as described below:

Date Issued	Number of Warrants	Number of Warrants Exercised	Number of Warrants Expired	Total Warrants Outstanding	Exercise Price $	Expiry Date
June 13, 2003	19,500	9,750	9,750	-	1.00	June 12, 2005
July 17, 2003	14,940	-	14,940	-	1.00	July 17, 2005
July 24, 2003	13,800	-	13,800	-	1.00	July 24, 2005
December 11, 2003	113,600	-	113,600	-	1.00	December 11, 2005
March 23, 2004	10,536	-	10,536	-	1.00	March 23, 2006
April 16, 2004	52,792	-	52,792	-	1.50	April 16, 2006
May 31, 2004	60,270	-	60,270	-	1.50	May 31, 2006
August 6, 2004	18,720	-	18,720	-	1.50	August 6, 2006
September 15, 2004	15,787	-	15,787	-	1.50	September 15, 2006
December 1, 2004	9,200	-	-	9,200	1.50	December 1, 2006
December 15, 2004	32,000	-	-	32,000	1.50	December 15, 2006
February 28, 2006	2,000,000	-	-	2,000,000	1.25	August 25, 2008
April 28, 2006	3,635,000	-	-	3,635,000	0.80	April 28, 2008
	5,996,145	9,750	310,195	5,676,200		

Warrants (continued)

The weighted average exercise price of the warrants outstanding and exercisable at November 30, 2006 is $0.96 (August 31, 2006 - $0.97). The weighted average exercise price of the warrants granted during the three month period ended November 30, 2006 was $Nil (twelve month period ended August 31, 2006 – $0.96). The weighted average exercise price of the warrants exercised and expired during the three month period was $Nil and $1.50, respectively (twelve month period ended August 31, 2006 – $Nil and $1.28, respectively).

Subsequent to November 30, 2006, on December 1, 2006 and December 15, 2006 warrants totalling 9,200 and 32,000, respectively, expired and were therefore cancelled.

8. SHARE CAPITAL (Continued)

Stock-based compensation

Contributed surplus results from the recording of stock-based compensation as follows:

	$
Contributed surplus, August 31, 2006	**935,063**
Exercise of Agents Options	**(658)**
Contributed surplus, November 30, 2006	**934,405**

The fair value of each option and warrant granted was estimated to be $0.26 to $0.33 and $0.10 to $0.19, respectively, on the date of grant, using the Black-Scholes option-pricing model with weighted average assumptions as follows:

Options	
Discount rate - equivalent to 3 to 5 year bond	3.13 - 3.47%
Expected life (years)	5 years
Expected volatility	17 - 21%
Expected dividends	0
Warrants	
Discount rate - equivalent to 1 to 3 year bond	2.34% - 4.12%
Expected life (years)	2 – 2.5 years
Expected volatility	14 - 22%
Expected dividends	0

9. INVESTMENT IN PRIVATE COMPANIES AND LOSS ON EQUITY INVESTMENTS

a) *Catalyst Healthcare Ltd.*

On October 24, 2005, the Company purchased 2,630,297 common shares in the initial share issuance of Catalyst Healthcare Ltd. ("Catalyst") for cash consideration of $263. This acquisition represented a 32.6% interest in Catalyst. On October 31, 2005, the Company was issued an additional 169,603 shares in Catalyst with an aggregate value of $169,603 (Note 3). This additional issuance increased the Company's investment in Catalyst to 33.9%. Due to further share issuances by Catalyst, the Company's investment at November 30, 2006 was 28.0% (August 31, 2006 – 28.5%).

The Company has recognized its share of Catalyst's net loss, which aggregated $72,645 for the three month period ended November 30, 2006 (for the twelve month period ended August 31, 2006 - $97,221), in the interim consolidated statement of loss and against its investment on the interim consolidated balance sheet. Since the Company's portion of this loss, totalling $72,645, exceeded its total investment, the investment was written down to $Nil at November 30, 2006.

b) *1036985 Alberta Ltd. (operating as Cochrane Super Drug Mart)*

On April 28, 2006, the Company purchased 50% beneficial interest in the outstanding shares in 1036985 Alberta Ltd. ("Cochrane Super Drug Mart") for $350,025, an equity investment. For the three month period ended November 30, 2006 and the twelve month period ended August 31, 2006, Cochrane Super Drug Mart reported net income of $52,066 and $25,550, respectively. The Company has recognized its portion of this income, totalling $26,033 and $12,775, in the consolidated statements of loss and in its investment on the consolidated balance sheet at November 30, 2006 and August 31, 2006, respectively.

c) *ACO Super Drug Mart Ltd.*

On April 28, 2006, the Company purchased a 50% beneficial interest in the outstanding shares in ACO Super Drug Mart Ltd. ("ACO") for $12,325, an equity investment. For the period ended August 31, 2006, ACO reported a net loss of $59,203. Since the Company's portion of this loss, totalling $29,602, exceeded its total investment, the investment was written down to $Nil at August 31, 2006.

Notes to the Interim Consolidated Financial Statements

Three Month Periods Ended November 30, 2006 and 2005
(Unaudited)

9. INVESTMENT IN PRIVATE COMPANIES AND LOSS ON EQUITY INVESTMENTS (Continued)

d) Prairie Supply Co-op

In November 2006, the Company purchased a share certificate for 69,789 common class A shares valued at $1.00 per common share in Prairie Supply Co-op ("Prairie") for dividends on inventory previously purchased. All new members with Prairie are required to have an investment of three months dividends converted into common class A shares, valued at $1.00 per share, which are redeemable upon account closure. The investment is being carried at cost.

10. COMMITMENTS

a) The Company and its subsidiaries lease premises under operating leases, which expire between July 2007 and January 2018. Rental payments, excluding operating costs and taxes, over the next five periods ended November 30 are as follows:

	$
2007	**1,551,242**
2008	**1,365,575**
2009	**1,046,431**
2010	**759,769**
2011	**614,249**

Three of the above leases were entered into with related parties, related via common shareholders. These transactions were recorded at fair market value and represent annual rent of $263,391 in 2007, $290,475 in 2008, $272,547 in 2009, $199,437 in 2010 and $199,437 in 2011.

b) In fiscal 2003, Glenpark I.D.A. Pharmacy Ltd. entered into a lease for certain equipment requiring annual payments of $2,808 for a five year term.

11. FINANCIAL INSTRUMENTS

Fair value

The carrying amount reported on the interim consolidated balance sheet for cash and cash equivalents, accounts receivable, income taxes recoverable, due from (to) related parties and accounts payable and accrued liabilities approximated their fair value due to the short-term nature of these accounts. The carrying value of capital leases approximated their fair value given that the interest rates inherent in the leases reflect rates currently available for leases with similar terms and maturities. The long-term debt is subject to both fixed and floating interest rates. The floating rate debt appropriately reflects rates currently available for debt with similar terms and maturities. Accordingly, the fair value of this debt is not materially different from the carrying value. The fixed rate debt, which has a carrying value of $1,275,093 at November 30, 2006 (August 31, 2006 - $1,579,241), has a fair value of $1,228,644 (August 31, 2006 - $1,493,030).

Interest rate risk

A portion of long-term debt is at a floating interest rate and as a result, the Company is exposed to changes in interest rates. Increases or decreases in these rates could affect the Company’s earnings.

Credit risk

The Company is exposed to credit risk to the extent that its customers may experience financial difficulty and would be unable to meet their obligations. However, the Company has a large number of diverse customers, thereby minimizing the concentration of credit risk.

12. SUBSEQUENT EVENT

On January 11, 2007 the Company agreed to a financing to raise up to $4,000,000 through a private placement of units of the Company ("Units") at a price of $0.80 per Unit, with each Unit being comprised of one common share and one-half of one common share purchase warrant ("Purchase Warrant"). Each whole Purchase Warrant shall entitle the holder to acquire one common share of the Company for a period of 24 months from the closing date at an exercise price of $1.00 per common share. Closing of the private placement is subject to necessary TSX Venture Exchange (“TSXV”) approval and is expected to occur on or about February 16, 2007.

12. SUBSEQUENT EVENT (Continued)

The Company has also agreed, subject to receipt of applicable TSXV and shareholder approval, among other things, to complete an additional financing with a private investment fund (the "Lender") for a combination of (i) $3,000,000 of Units at a price of $0.80 per Unit, with each Unit being comprised of one common share ("Common Share") and one-half of one Common Share purchase warrant ("Warrant"). Each whole Warrant shall entitle the holder to acquire one Common Share for a period of 24 months from the closing date at an exercise price of $1.00 per Common Share; and (ii) $20,000,000 of secured convertible debt with a 2 year term (the "Convertible Debt"), the proceeds of which are to be used by the company to complete future acquisitions. The Convertible Debt will pay interest at a rate of 15% and will convert into Common Shares under certain circumstances, or at the option of the Lender, at a price of $0.8028 per Common Share. Interest may be paid in additional Common Shares from treasury based on market price at the time, and additional interest, also potentially payable in Common Shares based on market price at the time, may apply if acquisitions do not meet certain financial criteria. The Convertible Debt financing will require shareholder approval, as the Lender, assuming conversion of the Convertible Debt, will acquire a substantial interest in the Company. The Company anticipates that a shareholder meeting will be held on or about March 30, 2007, with closing of the financing expected in April of 2007. This Convertible Debt financing will be subject to terms and conditions customary of transactions of this nature.