EQUITECH CORPORATION
FINANCIAL STATEMENTS
DECEMBER 31, 2001

Skolney & Company

Chartered Accountants

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AUDITORS' REPORT

To the Shareholders of
Equitech Corporation

We have audited the balance sheet of Equitech Corporation as at December 31, 2001 and the statements of loss and deficit and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

SIGNED "SKOLNEY & COMPANY"

Edmonton, Alberta **CHARTERED ACCOUNTANTS**

February 5, 2002

EQUITECH CORPORATION

STATEMENT OF LOSS AND DEFICIT

FOR THE YEAR ENDED DECEMBER 31, 2001

	2001 $	2000 $
SALES	-	-
OPERATING EXPENSES		
Consulting fees	65,226	-
Agency fees	4,380	-
Professional fees	3,404	-
Office	3,143	-
Other operating	765	-
Telephone and utilities	685	-
Advertising and promotion	642	-
Memberships and licenses	535	-
Interest and bank charges	181	-
	78,961	-
(LOSS) FROM OPERATIONS	(78,961)	-
OTHER INCOME	20,598	-
NET LOSS	(58,363)	-
Loss per share (Note 2)	(.015)	-
Weighted average number of shares	3,998,630	-

DEFICIT, beginning of year	-	-
Net loss	(58,363)	-
DEFICIT, end of year	(58,363)	-

EQUITECH CORPORATION

BALANCE SHEET

AS AT DECEMBER 31, 2001

	2001 $	2000 $
ASSETS		
CURRENT		
Cash and cash equivalents (Note 1)	482,722	551,667
ADVANCES TO ZAGROS PHARMA LIMITED (Note 2)	19,621	-
	502,343	551,667
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	22,160	25,000
SHARE CAPITAL AND DEFICIT		
SHARE CAPITAL (Note 3)	538,546	526,667
DEFICIT	(58,363)	-
	502,343	551,667

SIGNED ON BEHALF OF THE BOARD:

(signed) "Kerry Brown" Director

(signed) "Bruce D. Hirsche" Director

EQUITECH CORPORATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2001

	2001 $	2000 $
Increase (decrease) in cash and cash equivalents		
OPERATING ACTIVITIES		
Net loss	(58,363)	-
Change in non-cash working capital items related to operations		
Accounts payable and accrued liabilities	22,160	25,000
	(36,203)	25,000
FINANCING ACTIVITIES		
Issue of capital stock, net of issue costs	(13,121)	526,667
Due from Zagros Pharma Limited	(19,621)	-
	(32,742)	526,667
Net change in cash and cash equivalents	(68,945)	551,667
Cash and cash equivalents, beginning of year	551,667	-
Cash and cash equivalents, end of year	482,722	551,667

Cash and cash equivalents consists of:		
Cash	29,889	30,634
Government of Canada T-Bill	452,833	521,033
	482,722	551,667

1. MEASUREMENT UNCERTAINTY

The financial statements have been prepared by management in accordance with generally accepted accounting principles and require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are summarized below:

A. Description of Operations

The Company was incorporated by a Certificate of Incorporation issued pursuant to the provisions of the Business Corporations Act (Alberta) on June 23, 2000.

The company is a Capital Pool Corporation and its common shares are listed on the Canadian Venture Exchange. The Corporation will be required to complete its qualifying transaction within 18 months from November 27, 2000, the date the Corporation's shares became listed with the Canadian Venture Exchange.

As its qualifying transaction, the Corporation entered into a letter of intent to acquire shares of Zagros Pharma Limited ("Zagros") on March 8, 2001. Under the terms of the agreement, Zagros shareholders will exchange 100% of their Zagros shares for 1,102,941 shares of Equitech Corporation.

Concurrently with the qualifying transaction, the Corporation will issue 250,000 common shares for acquisition of technology from a related party and will also issue 100,000 shares at $1.00 per share pursuant to a private placement.

2. **SIGNIFICANT ACCOUNTING POLICIES** - Continued

A. Description of Operations - Continued

Upon the issuance of a United States patent, the original Zagros shareholders will also receive $250,000 in additional Equitech Corporation shares priced at the weighted average trading price for the 5 trading days prior to the date the patent is issued.

The transaction is conditional on due diligence, regulatory approval and shareholder approval.

B. Income Taxes

The company employs the liability method of accounting for income taxes.

Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized.

C. Loss per Share

Loss per share is calculated on the basis of the weighted average number of common shares outstanding during the period. The effect of the options being exercised and the shares intended to be issued on the qualifying transaction would be anti-dilutive for purposes of calculating the fully diluted loss per share.

D. Initial Public Offering

On December 23, 2000, the company completed an initial public offering issuing 2,500,000 common shares at a price of $0.20 per share. The net proceeds of this offering credited to capital stocks amounted to $373,546, after deducting the underwriting fee and other issue costs. As additional compensation in connection with the offering, the Company granted the underwriters options representing 10% of the offered shares. Prior to the year end, the underwriter had exercised 50% of the options.

2. SIGNIFICANT ACCOUNTING POLICIES - Continued

E. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and balances with banks, net of bank overdrafts, and highly liquid temporary money market instruments with original maturities of three months or less.

3. ADVANCES TO ZAGROS PHARMA LIMITED

The Corporation agreed to loan Zagros Pharma Limited $100,000 pursuant to a general security agreement and promissory note dated November 19, 2001. As the corporation has indicated it will not request repayment within the next fiscal year this item has been recorded as a long term asset in the accompanying financial statements.

4. SHARE CAPITAL

	2001 $	2000 $
Authorized:		
Unlimited number of voting common shares		
Issued and fully paid:		
1,400,000 Escrow shares (a)	140,000	140,000
2,500,000 Initial Public Offering, net of issue costs (Note 2D)	373,546	386,667
Transactions during the year:		
125,000 Exercise of stock options pursuant to an Agent's option agreement	25,000	-
4,025,000	538,546	526,667

(a) Escrow shares

Pursuant to the Escrow Agreement dated November 22, 2000 between the Corporation, Montreal Trust Company of Canada and certain shareholders of the Corporation, 1,400,000 of the issued and outstanding common shares have been deposited in escrow.

Upon the Corporation completing a Qualifying Transaction, these common shares shall be released as follows:

4. SHARE CAPITAL - Continued

(i) 10% immediately following the issuance of the bulletin of the Exchange announcing final acceptance of the Qualifying Transaction (the "Initial Release");
(ii) 15% six months following the Initial Release;
(iii) 15% twelve months following the Initial Release;
(iv) 15% eighteen months following the Initial Release;
(v) 15% twenty-four months following the Initial Release;
(vi) 15% thirty months following the Initial Release;
(vii) 15% thirty-six months following the Initial Release.

b) Summary of option, warrants and convertible securities outstanding

Options - issued to directors and officers	390,000	$0.20	November 27, 2005
- agent's options (Note 2D)	125,000	$0.20	July 18, 2003
Total options	515,000		

The Corporation has granted related parties options to purchase 334,620 common shares with an exercise price of $.68, expiring five years from the date of the qualifying transaction.

The Corporation may grant incentive stock options totalling up to 10% of its common shares outstanding.

5. RELATED PARTY TRANSACTIONS

During the year, the company paid professional fees to a company controlled by a director of $4,853 (2000 - $14,000). These costs have been classified as part of the costs of issuing share capital.

6. FINANCIAL INSTRUMENTS

The company's financial instruments consist of cash, temporary and long term investments, loans receivable and accounts payable and accrued liabilities. Unless otherwise noted it is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

7. INCOME TAXES

The Canadian statutory income tax rate of 42.11% is comprised of 28.12% and provincial income tax at 13.99%.

A reconciliation of the combined Canadian federal and provincial income tax rate with the Corporation's effective income tax rate is as follows:

	2001 **$**	**2000** **$**
Expected statutory rate	(42.11%)	(44.62%)
Loss before income taxes	(58,363)	-
Share issue costs and other	(13,121)	(113,333)
	(71,484)	(113,333)

The company has a non-capital loss carry-forward of $184,367 available to reduce taxable income of future years, expiring as follows:

December 31, 2007	$112,859
December 31, 2008	71,508

The potential income tax benefit related to these losses has not been recognized in these financial statements.

8. EARNINGS PER SHARE

The outstanding number and type of securities that could potentially dilute basic earnings per share in the future but that were not included in the computation of diluted earnings per share because to do so would have reduced the loss per share (anti-dilutive) is as follows:

Agent options	125,000
Directors' options	390,000
Other related party options	334,620
Common shares to be issued at the completion of the qualifying transaction	2,052,235

9. SEGMENT INFORMATION

After the intended qualifying transaction described in Note 2 is completed, the company will operate in one business segment, being the development of analgesic products, with all of its assets and operations located in Canada.