

EQUITECH CORPORATION

**ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS
APRIL 22, 2002**

**MANAGEMENT INFORMATION CIRCULAR
DATED MARCH 18, 2002**

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Currency

Except as otherwise stated, all dollar amounts in this Information Circular are in Canadian dollars.

Forward-Looking Statements

Some information contained in this Information Circular may contain forward-looking statements. The use of any of the words “anticipate”, “continue”, “estimate”, “expect”, “may”, “project”, “should”, “believe” and similar expressions are intended to identify uncertainties. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in any forward-looking statements. The Corporation believes the expectations reflected in those forward-looking statements are reasonable. However, the Corporation cannot provide any assurance that these expectations will prove to be correct. Investors should not unduly rely on forward-looking statements included in this prospectus. The Corporation’s actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors and other factors set forth in this Information Circular.

The Canadian Venture Exchange (the "Exchange") has not in any way passed upon the merits of the Qualifying Transaction described herein and any representation to the contrary is an offence.

INFORMATION CIRCULAR

For the Annual General and Special Meeting of Shareholders
to be held at 1500 Manulife Place, 10180 - 101 Street, Edmonton, Alberta, T5J 4K1
on April 22, 2002

PROXIES

Solicitation Of Proxies

This Information Circular is furnished in connection with the solicitation of proxies by the management of EQUITECH CORPORATION (the "Corporation") for use at the Annual General and Special Meeting of the shareholders (the "Shareholders") of common shares ("Common Shares") of the Corporation to be held on April 22, 2002, at 1500 Manulife Place, 10180 - 101 Street, Edmonton, Alberta, T5J 4K1 at 11:00 a.m. (Edmonton time) and at any adjournment thereof (the "Meeting"), for the purposes set forth in the Notice of Meeting. Proxies must be delivered to Computershare Trust Company of Canada at the address shown on the envelope not less than 48 hours before the time for holding the Meeting. Only a Shareholder of record at the close of business on March 18, 2002, will be entitled to vote at the Meeting, unless that Shareholder has transferred any Common shares subsequent to that date and the transferee Shareholder establishes ownership to the Common shares and demands, at least ten days before the Meeting, that his or her name be included on the list of Shareholders.

The instrument appointing a proxy shall be in writing and shall be executed by the Shareholder or his or her attorney authorized in writing or, if the Shareholder is a corporation, under its corporate seal or by an Officer or attorney thereof duly authorized.

The persons named in the enclosed Form of Proxy are Directors and Executive Officers of the Corporation. A Shareholder submitting the proxy has the right to appoint a person (who need not be a Shareholder) to represent him or her at the Meeting. To exercise this right, the Shareholder must insert the name of the desired representative in the blank space provided in the Form of Proxy and strike out the other names, or submit another appropriate proxy.

Revocability of Proxy

A Shareholder who has submitted a proxy may revoke it at any time prior to the exercise thereof. If a person who has given a proxy attends personally at the Meeting such person may revoke the proxy and vote in person. In addition to revocation in any other manner permitted by law, a proxy may be revoked by instrument in writing executed by the Shareholder or his or her attorney duly authorized in writing or, if the Shareholder is a corporation, under its corporate seal or by an Officer or attorney thereof duly authorized, and deposited either at the head office of the Corporation at any time up to 4:30 p.m. (Edmonton time) on the last business day before the day of the Meeting, or with the Chairman of the Meeting on the day of the Meeting, and upon either of such deposits, the proxy is revoked.

Persons Making the Solicitation

This solicitation is made on behalf of the management of the Corporation. The costs incurred in the preparation and mailing of the Form of Proxy, Notice of Meeting and this Information Circular will be borne by the Corporation. In addition to the use of mail, proxies may be solicited by personal interviews, or by other means of communication or by the Directors, Officers and employees of the Corporation, who will not be remunerated therefor.

Exercise of Discretion by Proxy

The Common Shares represented by proxies in favour of management nominees will be voted on any ballot at the Meeting and where the Shareholder specifies a choice with respect to any matter to be acted upon, the Common Shares will be voted on any ballot in accordance with the specification so made.

In the absence of such specification, such Common Shares will be voted IN FAVOUR of the matters to be acted upon as set out herein. The persons appointed under the Form of Proxy furnished by the Corporation are conferred with discretionary authority with respect to amendments or variations of those matters specified in the Form of Proxy and Notice of Meeting and with respect to any other matters which may properly be brought before the Meeting. In the event that amendments or variations to matters identified in the Notice of Meeting are properly brought before the Meeting, it is the intention of the persons designated in the enclosed Form of Proxy to vote in accordance with their best judgment on such matter or business. At the time of printing this Information Circular, the management of the Corporation knows of no such amendment, variation, or other matter.

Advice to Beneficial Holders of Securities

The information set forth in this section is of significant importance to many Shareholders, as a substantial number of the Shareholders do not hold their Common Shares in their own name. Shareholders who do not hold their Common Shares in their own name (referred to in this Information Circular as “Beneficial Shareholders”) should note that only proxies deposited by Shareholders whose names appear on the records of the Corporation as the registered holders of Common Shares can be recognized and acted upon at the Meeting. If Common Shares are listed in an account statement provided to a Shareholder by a broker, then in almost all cases those shares will not be registered in the Shareholder’s name on the records of the Corporation. Such shares will most likely be registered under the name of the Shareholder’s broker or an agent of that broker. In Canada, the vast majority of such Common Shares are registered under the name of CDS & Co. (The registration name for The Canadian Depository for Securities), which company acts as nominee for many Canadian brokerage firms. Common Shares held by brokers or their nominees can only be voted (for or against resolutions) upon the instructions of the Beneficial Shareholder. Without specific instructions, brokers/nominees are prohibited from voting shares for their clients. The Directors and Officers of the Corporation do not know for whose benefit the Common Shares registered in the name of CDS & Co. or of other brokers/agents are held.

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of shareholders’ meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting. Often the form of proxy supplied to a Beneficial Shareholder by its broker is identical to the form of proxy provided by the Corporation to the registered Shareholders. However, its purpose is limited to instructing the registered Shareholder how to vote on behalf of the Beneficial Shareholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to Independent Investor Communication Corporation (“IICC”). IICC typically applies a special sticker to the proxy forms, mails those forms to the Beneficial Shareholders and asks Beneficial Shareholders to return the proxy form to IICC. IICC then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Common Shares to be represented at the Meeting. **A Beneficial Shareholder receiving a proxy with an IICC sticker on it cannot use that proxy to vote Common Shares directly at the Meeting - the proxy must be returned to IICC well in advance of the Meeting in order to have the Common Shares represented by such proxy voted.**

MATTERS TO BE ACTED UPON AT THE MEETING

Election of Directors

At the Meeting, the Shareholders will be asked to fix the number of Directors at six (6), or such other number as is allowed by the Directors in accordance with the Articles of the Corporation, and elect six (6) Directors to serve until the next annual general meeting, or until their respective successors have been elected or appointed. Unless otherwise directed, the Common Shares represented by proxy in favour of management nominees will be voted for

the nominees herein listed. Management does not contemplate that any of the nominees will be unable to serve as a Director.

The Board of Directors currently consists of five Directors, all of which have served since the initial public offering of the Corporation. Of the six individuals nominated for the Board of Directors, five nominees have been Directors since the incorporation of the Corporation and Dr. Jamali will be added. Management nominees for the Board of Directors and information concerning them as furnished by the individual nominees are set out below:

Name	Director Since	Principal Occupation	Common Shares Beneficially Owned Directly and Indirectly *	
			Prior to the Qualifying Transaction ⁽¹⁾⁽²⁾	After the Qualifying Transaction
Dr. Antoine Noujaim ⁽³⁾ Edmonton, Alberta	June 23, 2000	Scientist; Chairman of the Board of Directors of AltaRex Inc. (1995 to present); President and CEO of AltaRex Inc. (1995 to 1998); Chairman of the Board and President of Noustar Technologies Inc. (1995 to present); Former Vice President of Biomira Inc. (1990 to Dec. 1995) and President of Biomira Research Inc (1993 – 1995).	400,000 (9.9%)	730,883 ⁽⁴⁾⁽⁵⁾ (12.2%)
Kerry Brown, C.A. ⁽⁶⁾ Edmonton, Alberta	June 23, 2000	Chartered Accountant since 1982; Chairman of the Board and Chief Executive Officer of Foundation Equity Corporation (1992 to present) and McCoy Bros. Inc. (1995 to February, 2000).	400,000 (9.9%)	400,000 (6.67%)
Bruce D. Hirsche, Q.C. Edmonton, Alberta	June 23, 2000	Partner with Parlee McLaws, Barristers and Solicitors, Edmonton, Alberta; Mr. Hirsche has been in private practice in Edmonton since 1974. His areas of practice are securities, intellectual property and corporate.	400,000 (9.9%)	400,000 (6.67%)
Richard N. Edgar ⁽⁶⁾ Calgary, Alberta	June 23, 2000	Since September, 1996, President and Chief Executive Officer of Energy North Inc.. From September, 1995 to September, 1996 was President of Richco Exploration Ltd., a private oil & gas company. From 1992 to 1995, Vice President, Exploration, at Harbour Petroleum Company Limited, a public oil & gas company, listed on the TSE.	100,000 (2.5%)	100,000 (1.67%)
Marcus Little ⁽⁶⁾ Toronto, Ontario	June 23, 2000	Since April, 1992, Partner in Performance Improvement Consultants, a business consulting firm operating from Toronto, Ontario.	100,000 (2.5%)	100,000 (1.67%)

Name	Director Since	Principal Occupation	Common Shares Beneficially Owned Directly and Indirectly *	
			Prior to the Qualifying Transaction ⁽¹⁾⁽²⁾	After the Qualifying Transaction
Dr. Fakhreddin Jamali Edmonton, Alberta	Not Applicable	Professor, Faculty of Pharmacy, University of Alberta. Since 1981, Associate Dean for the Faculty of Pharmacy and Pharmaceutical Sciences at the University of Alberta. From 1996 to 2000, the President of the Canadian Society for Pharmaceutical Sciences (CSPS), which Dr. Jamali helped found.	Nil	617,647 ⁽⁴⁾⁽⁵⁾ (10.31%)

*Does not include shares to be received on exercise of options.

Notes:

- (1) All of the shares currently owned by the Directors of the Corporation are subject to escrow restrictions. See “Escrow of Securities”.
- (2) In addition to the shares disclosed in the table above, certain of the Directors have been allocated stock options. See “Executive Compensation-Incentive Stock Option Program”.
- (3) Dr. Noujaim is a Director and Shareholder of Zagros Pharma Limited. See “Summary of Qualifying Transaction”, “Interest of Insiders in Material Transactions”
- (4) Assuming shares are advanced pursuant to the “Share Exchange Agreement” immediately after approval of the Qualifying Transaction. See Material Contracts.
- (5) The shares received on the share exchange pursuant to the Share Exchange Agreement will be held by FRIA Enterprise Inc. (Dr. Noujaim owns 90% of this company) and CINA Inc. (Dr. Jamali owns 50% of the shares of CINA Inc. The other 50% of the shares of CINA Inc. are owned by Dr. Jamali’s spouse.)
- (6) Member of the Audit Committee.

The principal occupation of each Director and Officer for the previous five years is as indicated in the preceding table. See “Management of the Corporation” herein for a more detailed biographical description of the Officers of the Corporation. All Directors hold office until the earlier of their resignation or removal and the date of the Corporation’s next annual general meeting of Shareholders at which Directors are elected.

As of the date hereof, the Directors and Officers and their associates, as a group, directly or indirectly, hold 1,400,000 Common Shares or 34.8% of the total numbered issued and outstanding shares before giving effect to the Common Shares issued in connection with the Qualifying Transaction. The Directors and Officers and their associates, as a group, directly or indirectly, will hold 2,738,530 (including 390,000 shares issued upon exercise of Options. See Compensation of Executive Officers and Directors, Share Options) Common Shares or 46% after giving effect to the Common Shares issued to acquire Zagros Pharma Limited.

Appointment of Subsequent Directors

The Articles of Incorporation of the Corporation permit the existing Board of Directors to appoint new directors totalling in number up to 1/3 of its existing directors between annual shareholder meetings. At sometime following approval of the Qualifying Transaction but before the next annual meeting of shareholders it is intended by management that Yves Lussier, CA be appointed to the Board of Directors of the Corporation. The following table describes Mr. Lussier:

Name	Principal Occupation	Common Shares Beneficially Owned Directly and Indirectly	
		Prior to the Qualifying Transaction ⁽¹⁾⁽²⁾	After the Qualifying Transaction
Yves Lussier, CA Montreal , Quebec	Vice President Finance of Ethypharm Inc. since July 1999 and Secretary of Ethypharm Corp. since July 1999. Prior to joining the Ethypharm group of companies , Mr. Lussier was a partner at Ernst & Young in Montreal for 25 years.	Nil	Nil

MR. YVES LUSSIER WILL BE APPOINTED AS A DIRECTOR OF THE CORPORATION BY THE BOARD OF DIRECTORS PURSUANT TO THEIR ABILITY TO DO SO IN THE ARTICLES OF INCORPORATION OF THE CORPORATION AND SHAREHOLDERS WILL NOT BE PROVIDED WITH THE RIGHT TO VOTE FOR MR. LUSSIER UNTIL THE NEXT ANNUAL SHAREHOLDERS MEETING HELD AFTER HE IS APPOINTED.

Appointment of Auditors

Pursuant to National Policy 31, the board of directors of the Corporation have resolved to appoint Skolney & Company, Chartered Accountants, as the new auditors of the Corporation, thereby replacing Robert D. J. Williams as auditor of the Corporation . On January 16, 2002, the Corporation received the resignation of Robert D.J. Williams, Chartered Accountant, as auditor of the Corporation. The Corporation has never had any disagreements with Robert D.J. Williams, Chartered Accountant, and there has never been any reportable events as defined in National Policy 31.

Unless otherwise directed, Common Shares representing proxies in favour of management nominees will be voted in favour of the appointment of Skolney & Company, Chartered Accountants, Suite 1420, Weber Centre, 5555 Calgary Trail South, Edmonton, Alberta, T6H 5P9 as auditors of the Corporation, to hold office until the next annual general meeting of the Shareholders, or until their successors are duly elected or appointed, and to authorize the board of Directors to fix their remuneration.

Attached hereto as Schedule "A" is the reporting package required to be provided to shareholders in connection with the change of auditors pursuant to National Policy 31.

Stock Option Plan

Prior to the closing of its initial public offering on November 27, 2000 the Corporation adopted an incentive stock option program (the "Stock Option Program"). The Stock Option Program provides that the Board of Directors may issue options to purchase Common Shares to Directors and Officers, thereby providing these individuals with an incentive to obtain maximum value for Shareholders of the Corporation and an opportunity to participate in the growth of the Corporation.

The Corporation now wishes to adopt a formal Stock Option Plan. Any subsequent proposed amendments to the Plan must be accepted by the Exchange prior to the adoption of any amended stock option.

A copy of the Plan is attached and the highlights of the Plan are as follows:

1. the exercise price of options granted shall be determined by the Board of Directors in accordance with the guidelines of the Exchange;
2. the maximum number of options which may be reserved for issuance at any one time shall not be greater than ten percent (10%) of the number of outstanding Common Shares; no single participant may be issued

options representing greater than five percent (5%) of the number of outstanding Common Shares at the time of grant; the number of Common Shares reserved under option for issuance to all consultants of the Corporation may not exceed two percent (2%) of the number of outstanding Common Shares at the time of grant;

3. the total number of Common Shares which may be issued under the Plan will be fixed until such number is increased by Shareholders from time to time;
4. the Board of Directors may determine the term of the options, but the term shall in no event be greater than five years from the date of issuance;
5. the options expire 180 days from the date on which a participant ceases to be a Director, Officer, employee or consultant of the Corporation; and
6. terms of vesting of the options, the eligibility of Directors, Officers, employees and consultants to receive options and the number of options issued to each participant shall be determined at the discretion of the Board of the Directors, but all options shall vest over a minimum period of 18 months.

In accordance with the policies of the Exchange, the Corporation requests Shareholders to consider, and if thought fit, approve at the Meeting an ordinary resolution substantially in the form set forth below.

“BE IT RESOLVED THAT:

1. subject to regulatory approval, the implementation of the Corporation’s stock option plan in the form attached as Schedule “B” is hereby approved, whereby a maximum of 10% of the issued and outstanding listed Common Shares of the Corporation will be reserved for issuance under the stock option plan immediately following the completion of the Qualifying Transaction and listing of the additional shares issued in connection therewith, provided that the number of listed securities that may be reserved for issuance under stock options granted to any one individual or insiders of the Corporation shall not exceed five (5%) percent of the Corporation’s issued and outstanding listed securities, and the same is hereby approved; and
2. the proper Officers of the Corporation are hereby authorized to do such acts and execute all instruments and documents necessary or desirable to carry out the foregoing.”

The foregoing resolution must be approved by a majority of the votes cast by Shareholders who vote in person or by proxy in respect of the resolution at the Meeting.

Approval of Qualifying Transaction - Acquisition of Zagros Pharma Limited

Summary of Qualifying Transaction

The shareholders of the Corporation will be asked to approve the exchange all of the issued and outstanding shares of Zagros Pharma Limited ("Zagros") in exchange for common shares (the "Transaction Shares") in the Corporation (the "Transaction"). The Transaction Shares will be subject to escrow restrictions in accordance with the policies of the Canadian Venture Exchange and hold periods under applicable securities legislation.

The proposed acquisition of Zagros is an arm’s-length transaction except for Dr. Antoine Noujaim for whom it is a non-arms length transaction. See “Interest of Insider in Material Transaction”.

Corporation shares valued at \$750,000 shall be issued from treasury to the Zagros shareholders “Vendors” in exchange for their Zagros shares, in proportion to their respective shareholdings in Zagros, within seven days of approval of the Corporation shareholders at a meeting called for the purpose of approving the Transaction. These shares are valued at the weighted average trading price per share as reported by the Canadian Venture Exchange for the five trading days prior to the dissemination of a news release announcing this agreement in principle. The

number of shares issued constitutes 1,102,941 shares which will be issued by the Corporation at a deemed price of \$0.68 per share. Later, provided a patent issues for the Zagros Technology, Corporation shares valued at \$250,000 will be issued from treasury to the Vendors, in proportion to their former respective shareholdings in Zagros, within a reasonable time following the issuance of a United States patent and filing of PCT applications for Zagros' core Technology. Zagros has already filed for a United States provisional patent for this Technology. This Technology makes possible improved approaches for the treatment of pain and specifically, it is enabling of delivery of analgesics in a faster, more effective oral method. The Corporation share price for this second tranche shall be the weighted average price per share of Corporation shares as reported by the Canadian Venture Exchange for the five trading days prior to the day that a United States patent for the Zagros technology is issued. A further press release will be made upon issuance of this second tranche. In addition, concurrent with the completion of the Qualifying Transaction, the Corporation has agreed to exchange 250,000 Common Shares of the Corporation with Dr. Jamali in return for a transfer by Dr. Jamali of all his right, title and interest in and to newly developed non-racemic ibuprofen formulations and Cox-2 inhibitor formulations (see Summary of Terms of Qualifying Transaction).

Concurrent with the closing of the Qualifying Transaction, the directors of the Corporation have agreed to arrange for a private placement of \$100,000 consisting of 100,000 common shares at a price of \$1.00 per common share in order that the Corporation meet the minimum listing requirements pursuant to the policies of the Canadian Venture Exchange. The completion of Qualifying Transaction is contingent on the closing of this private placement.

The completion of the Qualifying Transaction is subject to, among other things, obtaining all necessary regulatory approvals, including the approval of the Exchange and the approval of the shareholders of the Corporation. The resolution to approve a Qualifying Transaction will be voted on by the shareholders of the Corporation on the basis of the "Majority of the Minority" test, which requires that the resolution approving the Qualifying Transaction be passed by at least 50% plus one vote of the votes cast by the "minority shareholders" of the Corporation. The "minority shareholders" are all shareholders of the Corporation other than those persons who are promoters, Directors, Officers or other insiders of the Corporation or Zagros, and associates and affiliates of all such persons and companies.

Requirements to Complete a Qualifying Transaction

The Corporation is currently a Capital Pool Company ("CPC") and, as such, is subject to the provisions of Policy 2.4 of the Exchange (the "CPC Policy").

As a CPC, the Corporation must complete a Qualifying Transaction within 18 months of its initial public offering. Pursuant to the CPC Policy, the Qualifying Transaction must be approved by a majority vote of the Corporation's shareholders, excluding promoters, Officers, Directors, other insiders of the Corporation and associates or affiliates thereof and Related Parties, (as defined in the CPC Policy) to either the issuer or the other parties to the Qualifying Transaction. The Policy defines "Related Parties" in relation to a corporation, as its promoters, Officers, Directors, other insiders and associates or affiliates of those persons or companies.

The completion of a Qualifying Transaction and satisfaction of the Exchange's minimum listing requirements will result in the Corporation no longer being subject to the CPC Policy (with the exception of sections 11 and 14.10 of Policy 2.4) and, therefore, no longer being classified as a CPC.

Any Qualifying Transaction must be submitted to the Exchange and to the shareholders of the Corporation for approval.

A "Qualifying Transaction" means a transaction whereby the Corporation:

- a) issues or proposes to issue, in consideration for the acquisition of Significant Assets, common shares or securities convertible, exchangeable or exercisable into common shares which, if fully converted, exchanged or exercised would represent more than twenty-five (25%) percent of its common shares issued and outstanding immediately prior to the issuance;

- b) enters into an arrangement, amalgamation, merger or reorganization with another company with Significant Assets, whereby the ratio of securities which are distributed to the shareholders of the capital pool company and the other company results in the shareholders of the other company acquiring control of the resulting issuer; or
- c) otherwise acquires Significant Assets (other than cash),

but excludes a transaction which consists solely of the issuance for cash by the capital pool company of common shares or securities convertible, exchangeable or exercisable into common shares, representing more than twenty-five (25%) percent of the capital pool company's common shares issued and outstanding immediately prior to the issuance.

The term "Significant Assets" means one or more assets or businesses which, when acquired by the Corporation, together with any other concurrent transactions, results in the capital pool company meeting the minimum listing requirements under Policy 2.1 of the Exchange.

Notwithstanding the definition of Qualifying Transaction, the Exchange may choose not to approve the Corporation's proposed Qualifying Transaction where:

- a) the Corporation fails to satisfy the minimum listing requirements prescribed by Policy 2.1 of the Exchange upon completion of the Qualifying Transaction;
- b) if, following completion of the Qualifying Transaction, the Corporation will be a finance company or a mutual fund as defined under the securities legislation, securities regulation and securities rules, as amended, and the policies, notices, instruments and blanket orders in force from time to time in the Provinces of Alberta or British Columbia; or
- c) for any other reason at the sole discretion of the Exchange.

The Corporation will be considered to have completed its Qualifying Transaction on the date of the shareholders meeting of the Corporation at which the Qualifying Transaction is approved by the majority of the Shareholders, provided that all post-meeting documentation is subsequently filed with the Exchange and a notice is issued by the Exchange as to its final acceptance of the Qualifying Transaction (the "Final Exchange Notice").

Following completion of the Qualifying Transaction and the issuance by the Exchange of a Final Exchange Notice, the Corporation will no longer be considered a CPC and the requirements of Policy 2.4 will no longer apply, with the exception of Sections 11 and 14.10 of the Policy and the Discount Seed Share Escrow Agreement and the Seed Share Escrow Agreement, as applicable, which will continue in full force and effect. See "Escrow Provisions" and "Material Contracts".

Recommendation and Approval

The Board of Directors of the Corporation, having considered all factors it deemed necessary to be considered based on the information available to it, has concluded that the proposed Qualifying Transaction as described in this Information Circular is favourable to the Corporation and recommends approval of the Qualifying Transaction. Management of the Corporation believes the acquisition of Zagros to be in the best interests of the Corporation. **In the absence of contrary directions, the Management Designees intend to vote proxies in the accompanying Form of Proxy in favour of the Qualifying Transaction.**

In accordance with the policies of the Exchange, the corporation requests Shareholders to consider, and if thought fit, approve at the Meeting an ordinary resolution substantially in the form set below approving the Qualifying Transaction as follows:

“BE IT RESOLVED THAT:

1. The Corporation issue 1,102,941 common shares to the shareholders of Zagros Pharma Limited in exchange for all shares held by the shareholders of Zagros Pharma Limited such that the Corporation on the date of the Qualifying Transaction becomes the 100% shareholder of Zagros Pharma Limited;
2. The Corporation issue common shares of the Corporation valued at \$250,000 to the shareholders of Zagros in equal proportionate amounts at the time Zagro’s patent is approved.
3. Any Director or Officer of the Corporation is hereby authorized and directed, for and on behalf of the Corporation to execute and deliver all documents and do all such other acts or things as he may determine to be necessary or advisable to give effect to this resolution, provided that the board of Directors of the Corporation may, at its discretion, revoke this resolution before it is acted upon without further approval or authorization of the holders of common shares of the Corporation.
4. The Corporation issue to Dr. F. Jamali 250,000 Common Shares at \$0.68 per share in exchange for all right, title and interest in and to Dr. F. Jamali's non-racemic ibuprofen and Cox-2 formulations and technology.

None of the Related Parties of the Corporation or the Qualifying Transaction or Zagros will be eligible to vote on the foregoing resolution, which must be approved by greater than 50% of the votes cast with respect to the resolution at the Meeting.

Other Matters

As of the date of this Information Circular, the Board of Directors and management of the Corporation know of no amendment, variation or other matter to come before the Meeting other than the matters referred to in the Notice of Annual General and Special Meeting. However, if any other matter properly comes before the Meeting, proxies in favour of management nominees will be voted on such matter in accordance with the best judgment of the person or persons voting the proxy.

The contents and the sending of this Information Circular have been approved by the Directors of the Corporation.

Financial Statements

The audited financial statements of Zagros for the year ended December 31, 2000, the review engagement financial statements of Zagros for the six months ended October 2, 2001, the unaudited pro forma balance sheet of the Corporation after giving effect to the acquisition of all the issued and outstanding shares of Zagros and the audited financial statements of the Corporation for the year ended December 31, 2001 are appended as Schedule “C” to this Information Circular.

INFORMATION CONCERNING THE CORPORATION**Corporate Summary**

The Corporation was incorporated on June 23, 2000 under the laws of the Province of Alberta. In conjunction with its initial public offering, the Corporation filed Articles of Amendment on November 23, 2000 which removed the private company trading restrictions. The Corporation has not carried on any active business since incorporation other than a public offering of Common Shares in the Province of Alberta by prospectus dated November 27, 2000. The offering was completed as a Capital Pool Company in accordance with Policy 2.4 of the Canadian Venture Exchange Corporate Finance Manual.

The Corporation’s Common Shares were subsequently listed on the Exchange on January 18, 2001 under the trading symbol “EQT”.

The head office of the Corporation and the registered office of the Corporation is 1500 Manulife Place, 10180 - 101 Street, Edmonton, Alberta, T5J 4K1.

Voting Shares and Principal Holders Thereof

The Corporation is authorized to issue an unlimited number of Common Shares (the "Common Shares"), of which 4,025,000 Common Shares are issued and outstanding as fully paid and non-assessable as the date hereof. Of the 4,025,000 Common Shares outstanding, 1,400,000 Common Shares were issued to Directors, Officers and other Shareholders as founding Shareholders at a price of \$0.10 per share, all of which 1,400,000 Common Shares are subject to an escrow agreement. See "Escrow of Securities". A further 2,500,000 Common Shares were issued to public Shareholders at a price of \$0.20 per share in conjunction with the initial public offering of the Corporation pursuant to a prospectus dated November 27, 2000. The remaining 125,000 Common Shares outstanding were issued to Yorkton Securities Inc. (the "Agent") as a result of the exercise of the Agent's option to purchase Common Shares at \$0.20 per Common Share in accordance with the prospectus dated November 27, 2000. At the Meeting, upon a show of hands, every Shareholder present in person or represented by proxy and entitled to vote shall have one vote, subject to certain restrictions imposed on the ability of a proxyholder to vote by a show of hands where such proxyholder has conflicting instructions from more than one Shareholder. On a poll or ballot, every Shareholder present in person or by proxy has one vote for each Common Share of which he is the registered holder. A Shareholder present in person or represented by proxy may demand a ballot either before or after any vote by a show of hands.

The Directors of the Corporation have set March 18, 2002 as the record date (the "Record Date") for the purpose of determining Shareholders entitled to receive notice of the Meeting. Subject to the restrictions herein contained, a holder of Common Shares on the Record Date will be entitled to vote the shares then registered in such holder's name on the basis of one vote per Common Share, except to the extent that:

- a) the holder has transferred the ownership of any such Common Shares after the Record Date; and
- b) the transferee of those Common Shares produces properly endorsed share certificates, or otherwise establishes ownership of the Common Shares, and demands at least ten days before the date of the Meeting to be included in the list of persons entitled to vote at the Meeting;

in which case the transferee will be entitled to vote his shares at the Meeting.

To the knowledge of the Directors and Officers of the Corporation, there are no beneficial owners or persons exercising control or direction over securities of the Corporation carrying more than 10% of the outstanding securities of the Corporation.

Description of Share Capital

The Corporation is authorized to issue an unlimited number of Common Shares of no par value, of which 4,025,000 Common Shares are issued and outstanding as fully paid and non-assessable as the date hereof.

Common Shares

The holders of the Common Shares are entitled to dividends if, as and when declared by the Board of Directors, to one vote per Common Share at meetings of the shareholders of the Corporation, and upon dissolution, and subject to the prior rights and privileges attaching to any other class of shares of the Corporation, to receive such assets of the Corporation as are distributable to the holders of the Common Shares. All of the Common Shares to be outstanding on completion of the Qualifying Transaction will be fully paid up and non-assessable.

Prior Sales

As of the date hereof, the Corporation has 4,025,000 common shares outstanding. A summary of the share issuances of the Corporation are as follows:

Date	No. of Shares Issued	Price Per Share (\$)	Total Consideration (\$)	Nature of Consideration Received
June 23, 2000 ⁽¹⁾	1,400,000	\$0.10	140,000	Cash
November 27, 2000 ⁽²⁾	2,500,000	\$0.20	500,000	Cash
March 19, 2001 ⁽³⁾	125,000	\$0.20	25,000	Cash

Notes:

1. Issued on the date of incorporation, which shares are held in escrow.
2. Issued pursuant to a Prospectus dated November 27, 2000.
3. Issued on the exercise of stock options pursuant to an Agent's Option Agreement.

Trading History

The following table shows the particulars of the trading of the Common Shares on the Exchange since the Common Shares were listed and posted for trading on January 18, 2001.

Period	High	Low	Trading Volume (Shares)
January 18 - 31, 2001	0.35	0.25	14,500
February, 2001	0.75	0.26	270,750
March 1 - 14, 2001	0.70	0.50	168,830
April, 2001	Nil	Nil	Nil
May, 2001	Nil	Nil	Nil
June, 2001	Nil	Nil	Nil
July, 2001	Nil	Nil	Nil
August, 2001	Nil	Nil	Nil
September, 2001	Nil	Nil	Nil
October, 2001	0.55	0.35	166,800
November, 2001	0.65	0.41	169,200
December, 2001	0.85	0.60	127,950
January, 2002	0.75	1.35	236,100
February, 2002	1.05	1.34	99,550
March 1 – 8, 2002	1.15	1.25	29,300
March 11 – 15, 2002	1.35	1.15	24,500

Capitalization

The following table sets out the capitalization both before and after giving effect to the Qualifying Transaction:

Authorized Capital	Outstanding as at the date hereof	Outstanding after giving effect to completion of the Qualifying Transaction, Share for Technology Exchange Between the Corporation and Dr. F. Jamali and Exercise of Options for 515,000 Shares
Common Shares (Unlimited)	4,025,000 (\$538,546)	5,992,941 (\$953,958)

Dividend Policy

No dividends have been paid on any securities of the Corporation since the date of its incorporation and it is not contemplated that any dividends will be paid in the immediate or foreseeable future.

Indebtedness Of Directors And Officers

No Director, proposed director, senior officer or executive officer of the Corporation, nor any of their respective associates or affiliates, is or has been indebted to the Corporation at any time since its incorporation.

Legal Proceedings

There are no legal proceedings against the Corporation and management is not aware of any pending or threatened legal proceedings.

Promoters

Dr. Antoine (Tony) Noujaim and Mr. Kerry Brown may be considered to be the promoters of the Corporation in that they took the initiative in founding and organizing the Corporation and pursuing the completion of the Qualifying Transaction.

Management Of The Corporation

The following is a brief biographical description of the Directors and Officers of the Corporation:

Dr. Antoine (Tony) Noujaim - Chairman of the Board and Director

Dr. Noujaim holds a doctorate in bionucleonics from Purdue University. He has been Chairman of the board of AltaRex Inc. (a public biopharmaceutical company listed on the Toronto Stock Exchange ("TSE")), since November, 1995. Dr. Noujaim also served as President and Chief Executive Officer of AltaRex Inc. from November, 1995 to February, 1998. From 1999 to present, Dr. Noujaim has been a Director of Oncolytic Biotech Inc., a company currently trading on the TSE. From 1994 to 1999, Dr. Noujaim was a Director of Synsorb Inc., a company trading on NASDAQ and the TSE. Both Oncolytic Biotech Inc. and Synsorb Inc. are Canadian biopharmaceutical companies based in Calgary, Alberta. Prior to the formation of AltaRex Inc., Dr. Noujaim was the President of Biomira Research Inc., a division of Biomira Inc., a public biopharmaceutical company trading on NASDAQ and the TSE, which Dr. Noujaim helped found. From 1985 to 1995, he was Senior Vice President and Chief Operating Officer of the Immunoconjugate Division of Biomira Inc. For the past five years, Dr. Noujaim has been serving as Chairman of the Board and President of Noustar Technologies Inc., a technology venture capital company which is 100% owned by Dr. Noujaim. Dr. Noujaim is also a significant shareholder in and Chairman of the Board of Novolytic Corp., an Edmonton based private biotechnology company dealing with cancer research and development. Dr. Noujaim is formerly the President and currently a director of the Alberta Biotechnology Association and serves on boards of directors of several knowledge-based companies.

Kerry Brown, C.A. President, Chief Executive and Financial Officer and Director

Mr. Brown is a Chartered Accountant. He obtained his Bachelor of Commerce degree from the University of Alberta in 1979 and his Chartered Accountant Certification from the Institute of Chartered Accounts of Alberta in 1982. He worked for Clarkson Gordon (now Ernst & Young) from 1981 to 1987 last serving as manager of the Entrepreneurial Services Group. Mr. Brown has been the Chairman of the Board and Chief Executive Officer of Foundation Equity Corporation since 1992, a venture capital company founded by Mr. Brown. Prior to that, he was managing director of Capital Markets West, a private venture capital company. From 1995 to February, 2000, Mr. Brown was the Chairman of the Board and Chief Executive Officer of McCoy Bros. Inc, a public company listed on the TSE, and he remains Chairman of the Board of McCoy Bros. Inc.. From 1992 to present, Mr. Brown has been a Director of Global Thermoelectric Inc. and was formerly a managing officer of that company, a public company listed on the TSE. Mr. Brown is Chairman of the Board of Homebank Technologies Inc. listed on the Canadian Venture Exchange (the "Exchange"). He also serves on the Boards of Roam IT Canada Holdings Inc., Lacent Technologies Inc and Economic Development Edmonton.

Bruce D. Hirsche Q.C. - Secretary and Director

Mr. Hirsche is a partner of the firm Parlee McLaws and practices in the areas of securities, intellectual property and corporate law. He has been admitted to the bar in Alberta since 1975. He is a member of the Board of Directors of several corporations including acting as a member of the Board of Directors and secretary of MSR Explorations Inc. (now Quicksilver Resources Inc.) from 1991 to 1997. He is also a former chairman of that Board. Quicksilver Resources Inc. was formerly listed on the TSE and now listed on AMEX/NASDAQ. From 1997 to present, he has been a Director and secretary of Shelton Canada Corp. and a Director of Global Tree Technologies Inc. and from February 2000 to present, a Director of Rock Resources Ltd., all of which are listed on the Exchange.

Richard N. Edgar - Director

Mr. Edgar holds a degree in Bachelor of Science in Geology from the University of Alberta and has extensive experience in the oil & gas industry. From 1996 to present, he has served as President and Chief Executive Officer of Energy North Inc., a public company listed on the Exchange. From 1998 to the present, Mr. Edgar has been a Director of Shelton Canada Corp., a company listed on the Exchange. Mr. Edgar served as Vice President Exploration for Chauvco Resources Ltd. from 1987 to 1991, a company listed on the TSE, and was later elected a Director and Vice President Exploration for Harbour Petroleum Corporation Limited from 1992 to 1995, a public oil & gas company listed on the TSE. Mr. Edgar has worked extensively in the Western Canadian Basin for more than 20 years and, in addition, has been responsible for the conception, planning and implementation of many successful oil and gas exploration, exploitation and acquisition programs in Alberta, Saskatchewan and British Columbia.

Marcus Little - Director

Mr. Little holds a degree in Bachelor of Commerce from the University of Toronto and has extensive experience in the financial services sector. Since 1992, Mr. Little has been a partner with Performance Improvement Consultants, a business consulting firm in Toronto, Ontario. From 1988 to 1992, he was a principal in the Financial Services management consulting practice of Ernst & Young, Chartered Accountants, in their Toronto office. Prior to 1988, Mr. Little held senior management positions with several organizations in the financial services industry. He was a Director of Resolution Energy Ltd. (an Exchange listed company) from 1996 to 2001.

Dr. Fakhreddin Jamali - To be Nominated a Director

Dr. Fakhreddin Jamali will be appointed to the Board of Directors of the Corporation and appointed to be the Corporation's Chief Scientific Officer and Vice-President of Research and Development, subject to completion of the Qualifying Transaction. Dr. Jamali holds a doctorate in Biopharmaceutics and Pharmacokinetics from the University of British Columbia and a Doctor of Pharmacy from the University of Tehran in Iran. Since 1981, Dr. Jamali has served as Associate Dean for the Faculty of Pharmacy and Pharmaceutical Sciences at the University of Alberta and he remains a professor in that Faculty. From 1996 to 2000, Dr. Jamali was the President of the Canadian Society for Pharmaceutical Sciences (CSPS), which Dr. Jamali helped found. In 1995, he was also

recognized as a Fellow of the American Association of Pharmaceutical Scientists (AAPS), a professional, scientific society aiming to advance science by exchange of scientific knowledge. Since 1999, Dr. Jamali has been involved with the Editorial Board for AAPS PharmSci, a scientific journal featuring the latest pharmaceutical research. He has also been Editor-in-Chief for the Journal of Pharmacy & Pharmaceutical Sciences since 1997. From 1996 to 1997, Dr. Jamali was on the Editorial Board for the Journal of Clinical Pharmacology. For the past three years, Dr. Jamali has been serving as Co-Chair for the AAPS Pharmaceutical Science Congress of Americas, which features symposia presenting the latest scientific research and the future of pharmaceutical science. In 1999, he served as the Co-Chair for the Second Annual CSPS Conference held in Montreal, Quebec. Dr. Jamali has also prepared protocols and conducted analytical, bioequivalence, basic and clinical pharmacology, and toxicology studies for Canadian, U.S., and European pharmaceutical firms. In addition, he has served as a consultant for several Canadian, U.S. and European pharmaceutical companies, including Bayer, Boots, Searle, and Whitehall-Robins.

James Chivers-Wilson - To be Appointed President

Mr. James Chivers-Wilson has agreed to serve as President of the Corporation and of Zagros (subject to approval of the Qualifying Transaction). Mr. Chivers-Wilson holds a Masters degree in neurophysiology from the University of Western Ontario. He has served in numerous management and business development roles in the biotechnology sector. Mr. Chivers-Wilson has recently been self-employed as a Consultant. From 1998 to 1999, Mr. Chivers-Wilson served as the Chief Operating Officer of Cytovax Biotechnologies Inc., a company currently trading on the Toronto Stock Exchange ("TSE"). From 1995-1998, Mr. Chivers-Wilson was the Manager of Business Development for the Protein Engineering Network of Centres of Excellence (PENCE). Prior to 1995, Mr. Chivers-Wilson worked in various senior roles with Allelix Biopharmaceuticals Inc. and Ciba Geigy Canada Ltd. (now Novartis). Mr. Chivers-Wilson is also a Director of the Edmonton Council for Advanced Technology (ECAT).

Upon completion of the Qualifying Transaction, the Corporation has no immediate plans to increase its management staff. As the Corporation grows through its acquisition strategy, the Corporation will continue to evaluate its management needs and take the appropriate steps at that time. See "Management of Zagros".

Compensation Of Executive Officers And Directors

Compensation of Directors

During the financial year ended December 31, 2000, the Corporation paid no cash compensation (including salaries, Director's fees, commissions, bonuses paid for services rendered, bonuses paid for services rendered in a previous year, and any compensation other than bonuses earned by the Directors for services rendered) to the Directors for services rendered other than as described in the "Related Party" transaction disclosure. See "Related Party Transaction".

Executive Officers of the Corporation who also act as Directors of the Corporation, do not receive any additional compensation for services rendered in such capacity, other than as paid by the Corporation to such Executive Officers in their capacity as Executive Officers. See "Compensation of Executive Officers".

Stock Options

The Corporation has in place an incentive stock option program of the Exchange (the "Program") pursuant to which the board of Directors of the Corporation may allocate non-transferable options to purchase Common Shares to Directors, Officers, employees and consultants of the Corporation and of its subsidiaries, if any. The aggregate number of shares that may be available for issuance from time to time under the Stock Option Program is not to exceed ten (10%) percent of the number of shares issued and outstanding in the capital of the Corporation, calculated on a fully diluted basis. At the time of its initial public offering, the Corporation issued a total of 390,000 stock options to Directors and Officers at an exercise price of \$0.20 per share. None of these options have been exercised at this time but all will be exercised concurrently with the closing of the Qualifying Transaction, as well as the 125,000 Share Options held by Yorkton Securities. The exercise of the existing Directors' Options will allow the Corporation to maintain the 10% requirement under the proposed Stock Option Plan and at the same time permit options to be granted to James Chivers-Wilson, the University of Alberta and/or Dr. Fakhreddin Jamali. Any further options issued by the Corporation after completion of the Qualifying Transaction will have an exercise price not less than the market

value of the Common Shares on the Exchange at such time, less the permissible discount, if any. The following sets forth the total number of options outstanding as at the date hereof under the Program. There is no assurance that the options described herein will be exercised in whole or in part.

1. Dr. Antoine Noujaim, Chairman of the Board and a Director of the Corporation, was granted 111,540 stock options on December 1, 2000 with an exercise price of \$0.20 and an expiry date of November 27, 2005;
2. Kerry Brown, the President, Chief Executive Officer and a Director of the Corporation, was granted 111,540 stock options on December 1, 2000 with an exercise price of \$0.20 and an expiry date of November 27, 2005;
3. Bruce D. Hirsche, Q. C., Secretary and a Director of the Corporation, was granted 111,540 stock options on December 1, 2000 with an exercise price of \$0.20 and an expiry date of November 27, 2005;
4. Richard N. Edgar, a Director of the Corporation, was granted 27,690 stock options on December 1, 2000 with an exercise price of \$0.20 and an expiry date of November 27, 2005; and
5. Marcus Little, a Director of the Corporation, was granted 27,690 stock options on December 1, 2000 with an exercise price of \$0.20 and an expiry date of November 27, 2005.
6. Dr. Fakhreddin Jamali, future Director of the Corporation, Vice-President of Research and Chief Scientific Officer and Director of Zagros has been granted an option to purchase 111,540 Common Shares with an exercise price of \$0.68 effective on the date the Qualifying Transaction is approved and expiring five (5) years from that date.
7. James Chivers-Wilson, future President of Zagros, has been granted an option to purchase 111,540 Common Shares with an exercise price of \$0.68 effective on the date the Qualifying Transaction is approved and expiring five (5) years from that date.
8. The University of Alberta has been granted an option to purchase 111,540 Common Shares with an exercise price of \$0.68 effective on the date the Qualifying Transaction is approved and expiring five (5) years from that date.

There are no assurances that the options described above will be exercised in whole or in part.

Further, the aggregate number of Common Shares to be issued upon the exercise of options granted thereunder to any one individual shall not exceed 5% of the total number of Common Shares issued and outstanding at the time of granting the options.

Options granted pursuant to the Program will have an exercise price of not less than the closing price at which the Common Shares are traded on the Exchange, or such other principal market on which the Common Shares are then traded, on the business day immediately preceding the day when such options are granted, less any applicable discount permitted by such applicable exchange or market.

All Common Shares acquired on exercise of Directors' or Officers' options shall be subject to escrow unless such Common Shares are acquired after the completion of the Qualifying Transaction.

All options granted pursuant to the Program are non-transferable and will expire, if unexercised, on the earliest of:

- a) their expiry date;
- b) twelve (12) months following the date that the optionee ceases to be a Director or Officer in the Corporation by reason of death or long term permanent disability that makes it impossible for the Director to serve the Corporation; and

- c) ninety (90) days after the optionee ceases to be a Director or Officer by virtue of resignation or retirement, or immediately if the optionee is terminated.

The Corporation has also granted to Yorkton Securities Inc (“Yorkton”) a single, non-transferable option to purchase 250,000 Common Shares, at a price of \$0.20 per share which options will expire 18 months from the date of listing and posting of the Corporation’s Common Shares on the Exchange. No more than 50% of the Common Shares held pursuant to the exercise of this option may be sold prior to the completion of a Qualifying Transaction without the prior written consent of the Exchange. As at the date hereof, Yorkton has exercised its option for the purchase of 125,000 Common Shares at \$0.20 per share. Yorkton has agreed to exercise its option on closing.

The Corporation intends to adopt a formal Stock Option Plan (the “Plan”) in connection with the Annual and Special Meeting. See "Adoption of Stock Option Plan". The Plan still allows the Corporation to grant options to Directors, Officers, employees and consultants to purchase a number of Common Shares up to 10% of the outstanding Common Shares. Certain directors have agreed to exercise enough of their stock options on approval of the Qualifying Transaction to allow the options mentioned herein to be granted in compliance with the Stock Option Plan restriction, such that the number of listed shares reserved for issuance under stock options at any time be not more than 10% of the issued and outstanding shares of the Corporation.

Compensation of Executive Officers

As at December 31, 2000, the Corporation had one Executive Officer, who continues to serve with the Corporation. The aggregate cash compensation (including salaries, fees (including Director’s fees), commissions, bonuses to be paid for services rendered, bonuses paid for services rendered in a previous year, and any compensation other than bonuses earned, the payment of which is deferred), paid to such Executive Officers and corporations controlled by them by the Corporation or the Subsidiaries for services rendered during the fiscal year ended December 31, 2000 was nil. The Corporation did not pay or accrue any other aggregate additional direct non-cash compensation to the Executive Officers during the financial year ended December 31, 2000.

Summary Compensation Table

The following table sets forth a summary of the annual and long term compensation for services paid during the Corporation’s three most recently completed financial years ended December 31, 2000 to the Chief Executive Officer and the Corporation’s most highly compensated senior Executive Officers and employees (hereinafter the “Named Executive Officers”).

Name and Principal Position	Year	Long-Term Compensation						
		Annual Compensation			Awards		Payouts	All Other Compensation (\$)
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Securities Under Options/SARs Granted (#)	Restricted Shares or Restricted Share Units (\$)	LTIP Payouts (\$)	
Kerry Brown, President and Chief Executive Officer	Dec. 31, 2000	Nil	Nil	Nil	111,540	400,000 in escrow	Nil	Nil

Long-Term Incentive Plans – Awards in Most Recently Completed Financial Year

The following table sets forth information in respect of the long-term incentive plan awards granted to the Named Executive Officers during the financial year ended December 31, 2000.

Name	Securities, Units or Other Rights (#)	Performance or Other Period Until Maturation or Payout	Estimated Future Payouts Under Non-Securities-Price-Based plans		
			Threshold (\$ or #)	Target (\$ or #)	Maximum (\$ or #)
Kerry Brown	nil	nil	nil	nil	nil

Options/SAR Grants During the Most Recently Completed Financial Year

The following table sets forth information in respect of securities underlying the options granted to the Named Executive Officers during the Corporation's financial year ended December 31, 2000.

Name	Securities, Under Options/ SARs Granted (#)	% of Total pptions/ SARs Granted to Employees in Financial Year	Exercise or Base Price (\$/Security)	Market Value of Securities Underlying Options/ SARs on the Date of Grant (\$/Security)	Expiration Date
Kerry Brown	111,540	Nil	\$0.20	\$22,308	November 27, 2005

No options were exercised during the most recently completed financial year.

Other Compensation

Other than as set forth above, the Corporation did not pay any additional compensation to the Named Executive Officers or Directors (including personal benefits and securities or properties paid or distributed which compensation was not offered on the same terms to all full time employees) during the most recently completed financial year of the Corporation other than as described under "Related Party Transactions".

Indebtedness Of Directors, Executive Officers And Senior Officers

Management of the Corporation is not aware of any indebtedness outstanding by Directors, senior Officers or Executive Officers of the Corporation to the Corporation, or any guarantees, support agreements, letters of credit or other similar arrangements provided by the Corporation and any Directors, senior Officers or Executive Officers of the Corporation at any time since incorporation, and no compensation will be paid by the Corporation to any Officer or Director prior to the completion of a Qualifying Transaction.

Interest Of Insiders In Material Transactions

Other than as set forth below, management of the Corporation is not aware of any material interest in any matter to be acted on or any material transaction, direct or indirect, of any Director or senior Officer of the Corporation or of any person beneficially owning, directly or indirectly, more than 10% of the Corporation's voting securities or any associate or affiliate thereof. **The proposed Acquisition for Dr. Noujaim is a non-arm's length transaction but arms-length for the remaining Directors of the Corporation.**

Dr. Antoine Noujaim is a Director and a 90% shareholder of Fria Enterprise Inc., the registered holder of 100 Class "A" voting shares (33 1/3%) in the capital stock of Zagros Pharma Limited (See "Summary of Transaction and Resulting Issuer and Business"). As well, Dr. Fakhreddin Jamali is a nominee for election as Director and he is a Director and fifty percent shareholder of Cina Inc., which is the registered and beneficial owner of 100 Class "A" voting shares (33 1/3%) in Zagros Pharma Limited. The Corporation intends to purchase such shares in Zagros Pharma Limited pursuant to its Qualifying Transaction. The other shareholder of Zagros Pharma Limited is Ethypharm Corp., a private corporation, which is also a holder of 100 Class "A" voting shares (33 1/3%). The

100% shareholder of Ethypharm Corp. is Ethypharm SA, a private French pharmaceutical company. The owners of the shares of Ethypharm SA are members of the Debregeas family (30,000,000 Shares) and the Leduc family (30,000,000 Shares). All members of these families reside in France. (See "Summary of Transaction and Resulting Issuer and Business")

Auditors, Registrar And Transfer Agent

The auditor of the Corporation is Robert D.J. Williams, Chartered Accountant, Edmonton, Alberta and has acted as auditor since incorporation of the Corporation. Mr. Williams will not continue to act for the Corporation upon completion of the Qualifying Transaction. It is proposed that Skolney & Company, Chartered Accountants, of Suite 1420 Weber Centre, 5555 Calgary Trail South, Edmonton, Alberta T6H 5P9 be appointed as auditors of the Corporation. See "Appointment of Auditor".

Computershare Trust Company of Canada (formerly Montreal Trust Company of Canada), through its office in Calgary, Alberta, is the transfer agent and registrar of the Common Shares and will continue to act following completion of the Qualifying Transaction.

Material Contracts

The Corporation and Zagros Pharma Limited have not entered into any material contracts since their incorporation, other than:

1. Directors' and Management Stock Option Agreements between the Corporation and each of its Directors and Officers dated as of December 1, 2000. See "Executive Compensation and Indebtedness of Management".
2. Agency Agreement dated as of November 22, 2000 among the Corporation, Yorkton Securities Inc. and Computershare Trust Company of Canada (formerly Montreal Trust Company of Canada).
3. Transfer Agency and Registrarship Agreement dated November 22, 2000 between the Corporation and Computershare Trust Company of Canada (formerly Montreal Trust Company of Canada).
4. Discount Seed Capital Escrow Agreement dated November 22, 2000 among the Corporation, Computershare Trust Company of Canada (formerly Montreal Trust Company of Canada) and those shareholders that executed such Escrow Agreement as to 1,400,000 Common Shares of the Corporation. See "Voting Shares and Principal Holders Thereof" and "Escrowed Securities".
5. Share Exchange Agreement dated February 22, 2001 between the Corporation and the shareholders of Zagros Pharma Limited. See "Business of the Meeting - Approval of Qualifying Transaction".
6. Agreement dated September 1, 2001 with the University of Alberta to grant an option for purchase of 111,540 shares of the Corporation on finalization of the Qualifying Transaction in return for all University interest in the Zagros Pharma Limited Technology.
7. Agreement dated September 1, 2001, between Zagros Pharma Limited and Dr. Fakhreddin Jamali (Employee) and BioRule Inc. (Consultant).
8. Agreement dated September 1, 2001, with Dr. Fakhreddin Jamali to grant an option for purchase of 111,540 shares of the Corporation on the completion of Qualifying Transaction.
9. Technology Transfer and Share for Asset Exchange Agreement under which Dr. Jamali receives 250,000 shares in exchange for new technology developed by Dr. Jamali effective on the date the Qualifying Acquisition is approved.
10. Employment Agreement between James Chivers-Wilson and Zagros Pharma Limited to be effective on completion of the Qualifying Transaction.

11. General Security Agreement and Promissory Note, both dated November 19, 2001, pursuant to which the Corporation agreed to loan to Zagros Pharma Limited \$100,000.
12. Letter of Agreement from the University of Alberta dated December 21, 2001 pursuant to which the University of Alberta agrees to allow the Corporation/Zagros to conduct contract research at the Faculty of Pharmacy.

Copies of these agreements will be made available for inspection at the registered offices of the Corporation during ordinary business hours prior to the date of the Meeting.

**INFORMATION RELATING TO THE PROPOSED QUALIFYING TRANSACTION INCLUDING
DISCLOSURE OF TARGET ISSUER AND RESULTING ISSUER**

A. Summary of Terms of Qualifying Transaction

The proposed Qualifying Transaction of the Corporation is the exchange all of the issued and outstanding shares of Zagros Pharma Limited ("Zagros") for common shares (the "Transaction Shares") in the Corporation (the "Transaction"). The Transaction Shares will be subject to escrow restrictions in accordance with the policies of the Canadian Venture Exchange and hold periods under applicable securities legislation.

The proposed acquisition of Zagros is an arm's-length transaction except for Dr. Antoine Noujaim for whom it is a non-arms length transaction. See "Interest of Insider in Material Transaction".

Corporation shares valued at \$750,000 shall be transferred to the Zagros shareholders "Vendors" in exchange for their Zagros shares, in proportion to their respective shareholdings in Zagros, within seven days of approval of the Corporation shareholders at a meeting called for the purpose of approving the Transaction. These shares are valued at the weighted average trading price per share as reported by the Canadian Venture Exchange for the five trading days prior to the dissemination of a news release announcing this agreement in principle. The number of shares issued constitutes 1,102,941 shares which will be issued by the Corporation at a deemed price of \$0.68 per share. Later, provided a patent issues for the Zagros Technology, Corporation shares valued at \$250,000 will be transferred to the Vendors, in proportion to their former respective shareholdings in Zagros, within a reasonable time following the issuance of a United States patent and filing of PCT applications for Zagros' core Technology. Zagros has already filed for a United States provisional patent for this Technology. This Technology makes possible improved approaches for the treatment of pain and specifically, it is enabling of delivery of analgesics in a faster, more effective oral method. The Corporation share price for this second tranche shall be the weighted average price per share of Corporation shares as reported by the Canadian Venture Exchange for the five trading days prior to the day that a United States patent for the Zagros technology is issued. A further press release will be made upon issuance of this second tranche. In addition, concurrent with the completion of the Qualifying Transaction, the Corporation has agreed to exchange 250,000 Common Shares of the Corporation with Dr. Jamali in return for a transfer by Dr. Jamali of all his right, title and interest in and to newly developed non-racemic ibuprofen formulations and Cox-2 inhibitor formulations (see Summary of Terms of Qualifying Transaction).

The completion of the Qualifying Transaction is subject to, among other things, obtaining all necessary regulatory approvals, including the approval of the Exchange and the approval of the shareholders of the Corporation. The resolution to approve a Qualifying Transaction will be voted on by the shareholders of the Corporation on the basis of the "Majority of the Minority" test, which requires that the resolution approving the Qualifying Transaction be passed by at least 50% plus one vote of the votes cast by the "minority shareholders" of the Corporation. The "minority shareholders" are all shareholders of the Corporation other than those persons who are promoters, Directors, Officers or other insiders of the Corporation or Zagros, and associates and affiliates of all such persons and companies.

The Acquisition of Zagros

The Corporation and Zagros entered into a letter agreement dated February 22, 2001, which sets out the basic terms and conditions for the acquisition by the Corporation of all the issued and outstanding shares of Zagros.

B. Business and Technology of Zagros

Zagros was incorporated on November 27, 1997 under the *Business Corporations Act* (Alberta). The head office of the Corporation is located at 11420 - 142 Street, Edmonton, Alberta, T5M 1V1 and the registered office of the Corporation is Suite 1000, 10035 - 105 Street, Edmonton, Alberta, T5J 3T2. Zagros will not be merging with the Corporation and accordingly both corporations will maintain their existing names. Upon completion of the Qualifying Transaction, Zagros will be a wholly subsidiary of the Corporation.

Zagros is developing new, enhanced performance analgesic products for the large and growing pain relief market (the "Technology"). Zagros has been developing novel combinations of proven ingredients and creating formulations that deliver pain relief more quickly and effectively. Positive results have already been demonstrated in animal studies.

Dr. Jamali, the inventor of the Zagros technology, has made key discoveries on the effect of pain and the effectiveness of pain relief medication¹. Current pain relieving drugs, when ingested orally, have a slow absorption rate into the body. Dr. Jamali discovered that when a person needs fast relief because they are suffering from acute pain (short duration pain with a distinct cause), the absorption is even slower due to suppression of the vagal nervous system, which results in reduced gastric juice secretion and motility. When a person needs pain relief the most, they often don't get the level of pain medication that they need.

Building on this discovery, Dr. Jamali set out to develop medications that have increased bioavailability under these conditions. Dr. Jamali has established expertise in creating novel drug formulations, the different combinations of active and inactive ingredients that make up the pills that patients take. To accelerate the development of new, enhanced pain relief compounds, Dr. Jamali has developed an experimental animal screening system that mimics the body's changes during acute pain. This screening model simulates acute pain conditions by treating rats with propantheline, an anticholinergic agent with known vagal suppressive properties. This permits rapid evaluation of new drug formulations and their ability to deliver the active ingredients more effectively to subjects experiencing vagal suppression.

Using ibuprofen, Dr. Jamali has generated three novel and innovative formulations that enable rapid absorption of the medication and have been proven to work despite vagal suppression in the animal screening model. Results from the screening model demonstrate that each of the new formulations is statistically more effective in delivering pain relief medication under acute pain conditions than the standard ibuprofen product currently available on the market. A provisional patent has been filed for both the screening model and the three ibuprofen formulations.

Zagros is combining widely used, extensively-proven ingredients in new, proprietary combinations that could deliver unique and tangible benefits to their customers. Zagros' use of proven ingredients may also accelerate the process of gaining regulatory approval, one of the largest barriers to market entry in the pharmaceutical industry.

Market Overview

The worldwide analgesics market was estimated to be over \$23 billion (US) in 1998. Non-prescription, over-the-counter (OTC) analgesic medications represented 42% of the total analgesic market.²

North America represents the largest single market for pharmaceutical products, with approximately half of the worldwide pharmaceutical expenditures occurring in the U.S. Japan and Europe both represent other significant geographical segments for analgesic products. Over 88% of worldwide pharmaceutical consumption is in these three regions.³

¹ Pain-mediated altered absorption and metabolism of ibuprofen: an explanation for decreased serum enantiomer concentration after dental surgery. *British Journal of Clinical Pharmacology*, 1999, 47, 391-396.

² Analgesia - Markets and Therapies. Informa Pharmaceuticals, March 2000.

³ Monthly Midas. IMS Health, March 2000-February 2001.

The analgesics market is made of a number of products that have multiple uses, and are marketed across a number of different market segments. For example, NSAID users range from rheumatoid arthritis sufferers to people dealing with headaches or stiffness following physical activity. Zagros' initial OTC ibuprofen analgesics are directed at the needs of a specific market segment, delivering relief more quickly and effectively to people experiencing acute pain. Examples of the types of pain that these initial compounds will be able to most effectively treat include:

- Dental pain
- Fractures
- Menstrual pain
- Muscular pain
- Post-operative pain
- Migraine and non-migraine headaches

Over-the-counter pain remedies represent a \$3.2 billion (U.S.) market in the United States alone. This is a market segment that has recorded consistent growth for a number of years, with an average increase of 3.5% annually seen for orally administered analgesics from 1984 to 2000.⁴

The OTC pain remedies market is comprised of a few key brands sold by a handful of large companies and a number of generic products that are offered through various manufacturers and distribution channels. Four companies dominate the branded OTC analgesic market:

- Johnson and Johnson (J&J) through its McNeil Consumer Healthcare division
- American Home Products (AHP) through its Whitehall-Robins Healthcare division
- Bristol-Myers Squibb (BMS)
- Bayer through its Bayer Consumer Care division.

The following table lists the market share as a dollar amount (\$US M) held by the key brands in the OTC pain relief analgesic market after one year, as of October 2000 and provides the change in market share from the previous year.⁵

Company	Brand						
	Generics	Tylenol®	Advil®	Excedrin®	Motrin®	Aleve®	Aspirin®
		J&J	AHP	BMS	J&J	Bayer	Bayer
Market Share	21.8	17.2	13	6.7	7.7	5.5	5.4
Change in Dollar Growth(%)	+2.1	-1.8	+5.5	+1.8	+5.8	+22.2	-0.5

The two key branded ibuprofen products, Advil® and Motrin®, have a combined market share of more than 20% and both ibuprofen brands have enjoyed healthy market share growth. Although the newer COX-2 selective products are taking the inflammation treatment segment by storm, ibuprofen continues to enjoy a position of strength in the pain relief marketplace.

The market share held by the different compounds (branded and generic) are broken down in the following table.⁵

	Compound					
	Acetamin- -ophen	Aspirin® (ASA)	Combination	Ibuprofen	Ketoprofen	Naproxen
Market Share	38.1%	22.5%	6.0%	26.6%	0.3%	6.1%
Change in Dollar Growth	-1.1%	+1.7%	+9.2%	5.1%	-14.3%	20.1%

⁴ AC Nielsen 2 Outlet Data 1984-1991, AC Nielsen 3 Outlet data 1992-1995, AC Nielsen 3 Outlet Data YTD 9/23/00

⁵ Nielsen Total FDM Dollar Shares 52 Weeks Ending 10/21/00

Ibuprofen is a strong drug in the pain remedy marketplace, with over a quarter of the market share and healthy market share growth recorded last year.

A number of different encapsulation and formulation methods are being offered in the OTC analgesic market, with the most recent innovation being the Advil® Liqui-Gels® format. The market share, defined in dollars (\$US M), held by the different drug formats and the change seen over the previous year is detailed in the table below.⁵

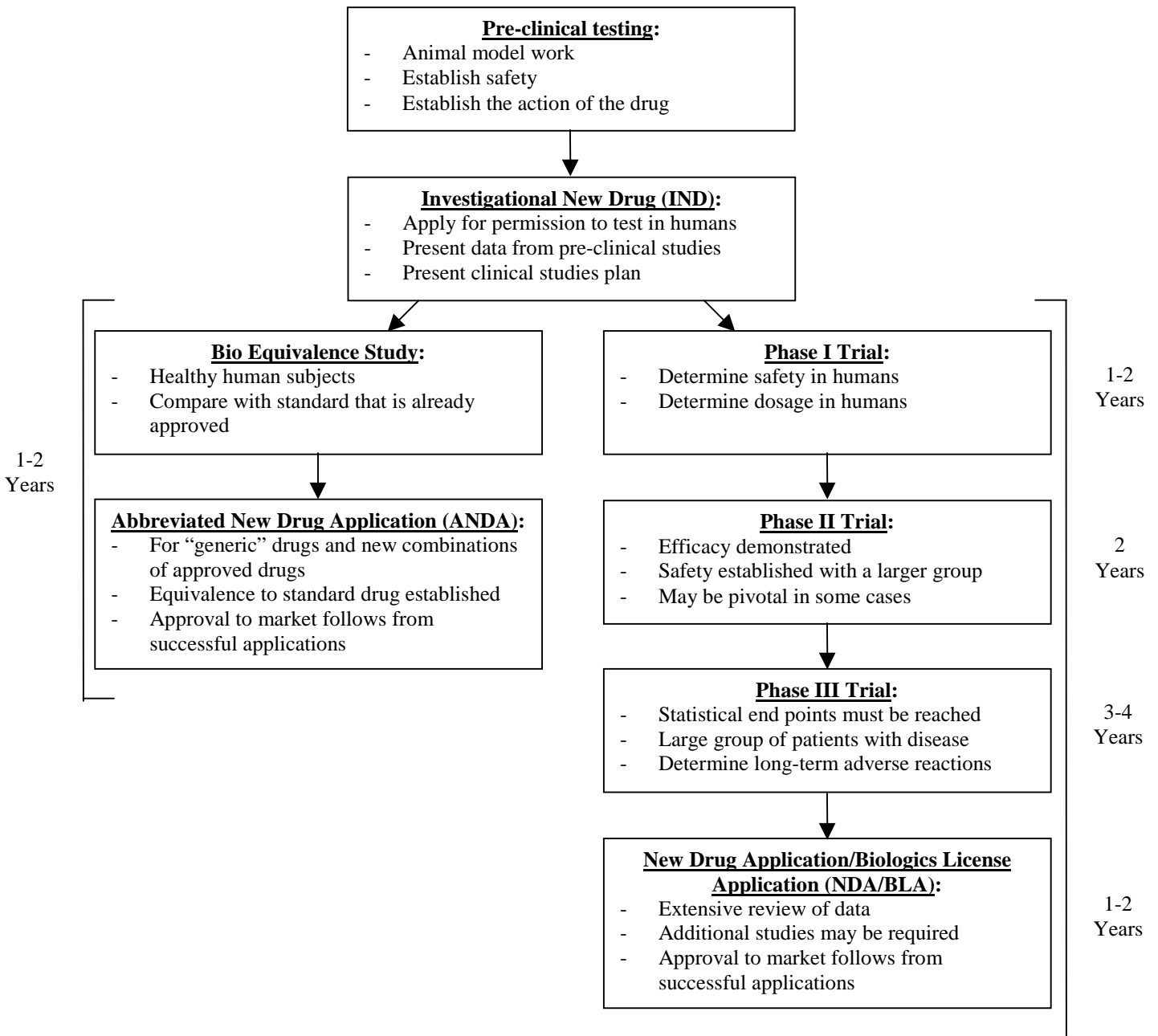
	Tablet	Caplets	Geltab®	Other	Liqui-Gels®
Market Share	39	29	21	9	2
Change in Market Share (%)	-2.1	+2.5	+3.3	+2.7	+31.7

The Advil® Liqui-Gels® format, launched in 1998, demonstrated robust market share growth over the past year. The Advil® Liqui-Gels® format is being positioned as a fast-acting ibuprofen product. The strong growth that it has demonstrated further reinforces the existence of significant demand for faster acting versions of proven NSAID products.

Regulatory Process

There are a number of steps that are common to pharmaceutical development efforts. Once discovery has occurred, much of the work that is done before a new drug is marketed is to satisfy regulatory requirements. Gaining approval from agencies such as the HPB (Canada) and the FDA (U.S.) can be a lengthy and involved process. The validation of new pharmaceutical products proceeds through a number of stages. The two most common pathways are shown in the chart below, but variations are possible depending on the nature of the drug being tested. Zagros’ use of extensively-proven ingredients in new, proprietary combinations may allow Zagros to follow the pathway on the left and to accelerate the process of regulatory approval.

While its products are based on already approved ingredients, Zagros’ objective is to offer products that are more effective and provide faster pain relief. Therefore Zagros will also need to do a clinical trial phase to establish the greater efficacy of its product in humans.



Product Development and Manufacturing Strategy

Zagros' product development process closely matches the regulatory process described above:

- expand research capability by acquiring the necessary equipment to carry out new formulation development and validation using the acute pain-mimicking animal screening model,
- new formulations are manufactured in small quantities in the lab for pre-clinical testing,
- formulations that show efficacy in the animal screening model, such as the ibuprofen-based formulations, will be produced in pilot quantities. All production batches from this point forwards must be manufactured under cGMP (certified Good Manufacturing Practices) standards.
- further pre-clinical testing will be carried out using the animal screening model using the pilot production batches, to ensure results similar to those found previously,
- a second production run will then be carried out at a pilot scale-up level for human clinical trials,
- Standard Operating Procedures (SOPs) will be developed for larger production runs,
- human clinical trials will be carried out for bio equivalence and for efficacy,
- application for regulatory approval will follow immediately following successful clinical trials,
- once regulatory approval is received for the formulation, the product will be produced in large quantities for the worldwide market.

Research and Manufacturing Facilities

Zagros has an agreement with the University of Alberta to enter into Contract Research Agreements as required and therefore allowing Zagros to use research laboratory space for near term development work at the Faculty of Pharmacy. This will allow for continued hands-on work by Dr. Jamali, the inventor of the Zagros technology.

Zagros will not have GMP manufacturing capabilities in-house. Pilot production and full market production batches will be done under contract with external manufacturers. Ethypharm Corp. has agreed to do this manufacturing at its GMP facility in Montreal.

Strategic Partners

Ethypharm, a worldwide leader in drug delivery solutions, is a key strategic partner of Zagros. It has recently entered the North American market, following its entry into major European, Asian, and South American markets over the last two decades. Ethypharm has 25 years of experience developing and manufacturing pharmaceutical products under GMP standards. Ethypharm's development centre in Montreal was established 1999, fully equipped with GMP-certified pilot production capabilities.

Ethypharm specializes in modified release drug delivery systems and they have a number of proprietary, patent protected technologies in this area. Having Ethypharm as an equity partner in Zagros provides important validation for Zagros' technology and access to pilot and full scale GMP production.

Zagros will be using Ethypharm's new, state-of-the-art facility in Montreal to manufacture pilot production runs of their product formulations for clinical development activities followed by a scale up to commercial level manufacturing once the products are approved for marketing.

Business Development Strategy

Zagros intends on pursuing a business development and partnering strategy which involves actively seeking partnerships in specific segments of the pain relief market place. These partnerships may include either advancing Zagros' own product pipeline to the market or accelerating and adding value to a partners research and product development programs. At the present time potential partnerships with Zagros products will be entered into after completion of early clinical trials. The objective is to evaluate partnering opportunities very carefully to ensure maximum return to Zagros.

Further Products

The intention of Zagros management is to continue to develop a series of products which specifically deal with the treatment of acute and chronic pain. Zagros is in the early stages of development of new formulations based on COX-2 inhibitors.

The prescription analgesic market is dominated by COX-2 selective products used to treat arthritis. COX-2 products have had a significant impact on the analgesic market over the past two years. Because these are prescription products that are under patent protection, they are priced significantly higher than the other NSAIDs that are available OTC and have generic competition. The future for COX-2 product growth will be largely based on the securing of additional treatment indicators, including pain, cancer and prevention. If COX-2 products receive approval for pain as an indication, this category would be a significant market opportunity.

Zagros is also in the very early stages of developing a non-racemic Ibuprofen formulation which also deals with acute pain.

C. Summary and Analysis of Financial Operations

The table set forth below provides a summary of Zagros's operations for the period ended October 2, 2001, December 31, 2000 and December 31, 1999.

	Period Ended October 2, 2001	Period Ended December 31, 2000	Period Ended December 31, 1999
Sales	Nil	Nil	Nil
Gross Profits	Nil	Nil	Nil
Research and Development Expenses (net of investment tax credits)	2,000*	1,482*	17,770*
Sales and Marketing Expenses			
General and Administrative Expenses	5,022	8,097	1,926
Net Income (Loss)	(7,022)	(9,022)	(19,001)
Working Capital	14,060	25,145	13,954
Property, Plant and Equipment	Nil	Nil	Nil
Deferred Research and Development	Nil	Nil	Nil
Other Intangibles	Nil	798	24,686
Long Term Liabilities	110	90,068	89,960
Shareholders' equity			
Dollar Amount	89,990	30	30
Number of Securities	303	300	300

*The majority of Research and Development expenses of Zagros are not reflected in the financial statements. A study done by Deloitte Touche verified that between \$535,613 and \$745,853 in research and development expenses were incurred by Zagros during the three periods represented in the above table.

D. Organizational Structure and Division of Responsibilities

Zagros has no full time management employees but does have a full time research staff employee. The following table sets forth the number of full-time and part-time employees:

	Number of Employees	Name of Employee
Full Time	One	Dr. Ali Aghazadeh-Habashi
Part Time	Two	Dr. F. Jamali, VP Research and Chief Scientific Officer and Tricia A. Cisakowski, President

Management of Zagros

A number of key individuals will be brought into Zagros, as needed over the next three years of operation, in order to get Zagros quickly moving towards accomplishments in research, product development and business development milestones. Upon completion of the Qualifying Transaction, Mr. James Chivers-Wilson will be appointed President of Zagros and Mr. Kerry Brown will remain Chief Executive Officer. Dr. Jamali will remain Vice President of Research and Chief Scientific Officer and Dr. Ali Aghazadeh-Habashi will remain full time in performing research and development. See "Management of the Corporation" for biographical information about management of Zagros after the Qualifying Transaction is completed. Dr. Jamali has already signed a non-competition and non-disclosure agreement with Zagros. James Chivers-Wilson will be required to sign a non-competition and non-disclosure agreement prior to the completion of the Qualifying Transaction.

E. Available Funds and Use of Funds

The estimated available pro-forma combined working capital available to the Corporation assuming completion of the Qualifying Transaction is estimated to be \$546,109 as at October 2, 2001

The available working capital funds are as follows:

The Corporation had working capital of \$532,049 as at October 2, 2001.

Zagros had working capital of \$14,060 as at October 2, 2001.

The Corporation and Zagros intend to utilize the Available Funds, expressed in terms of quarterly expenses for the 12 month period following completion of the Qualifying Transaction, as follows:

There will be \$203,000 in unallocated funds in the Treasury upon closing of the Qualifying Transaction: \$103,000 will be derived from exercise of all outstanding options and \$100,000 will be derived from private placement which will take place concurrent with the Qualifying Transaction.

KEY MILESTONES FOR PERIOD JANUARY TO DEC 2002	Quarter Completed	Cost
Manufacturing		
Technology Transfer of lead IB formulation to Ethypharm	Q2	\$64,000
Manufacture of Pilot Batch IB formulation (includes stability testing)	Q2	\$94,000
Regulatory		
Finalize regulatory/clinical trial strategy with consultant	Q1	\$5,000
Pre-submission meetings with Therapeutic Products Directorate and FDA	Q2	\$10,000
Submit Clinical Trial Application to TPD & IND to FDA for proof-of concept clinical trials	Q2	\$130,000
Clinical Trials		
Proof-of-concept pilot trial in approximately 12-15 subjects (U of A Dental faculty)	Q4	\$60,000
Intellectual Property		
Convert Existing Provisional IB & animal model to US Application for	Q2	\$7,500
Administration		
Move into head office facilities	Q2	\$15,000
Personnel		<u>\$128,000</u>
	Total	\$513,500

The Corporation will spend the funds available to it on the completion of the Qualifying Transaction to further its stated business objectives set out under “Business and Technology of Zagros” above. There may be circumstances where, for sound business reasons, a reallocation of funds may be necessary in order for the Corporation to achieve its stated business objectives.

F. Directors and Officers of Zagros

As of the Record Date, the directors and officers of Zagros were as follows:

Name and Municipality of Residence	Position Held	Director and Officer Since
Tricia A. Cisakowski Edmonton, Alberta	Director President	November 27, 1997 June 5, 1998
Antoine A. Noujaim Edmonton, Alberta	Director	November 27, 1997
Elaheh Keshavarz-Jamali Edmonton, Alberta	Director	November 27, 1997
Fakreddin (Mo) Jamali Edmonton, Alberta	Director	November 27, 1997
Pierre Lapalme Ville de Laval, Quebec	Director	October 29, 1999
Yves Lussier Laval, Quebec	Director	May 2, 2001

The individuals listed above will all resign their positions as directors and officers of Zagros. As at the closing of the Qualifying Transaction the directors will be Bruce D. Hirsche, James Chivers-Wilson and Kerry Brown.

G. Security Holdings Upon Completion of the Qualifying Transaction

The table provided under “Election of Directors” sets forth information regarding directors, officers and promoters who will hold securities upon completion of the Qualifying Transaction and their security holdings before and after completion of the Qualifying Transaction.

The directors, officers and promoters and their associates, as a group, directly or indirectly, will hold 2,738,530 Common Shares or 46.0% after giving effect to the Common Shares issued to acquire Zagros.

The following proposed directors, officers or promoters of the Corporation after the Qualifying Transaction, or within 5 years prior to the date hereof, have been a director, officer or promoter of the reporting issuers which have been listed in their biographies under “Management of the Corporation”: Antoine Noujaim, Kerry Brown, Bruce D. Hirsche, Richard Edgar and Marcus Little.

H. Corporate Cease Trade Order and Bankruptcies

No director, officer or promoter of the Corporation was a director, officer or promoter of any reporting issuer during the past five years that was, during the period such person so acted, struck off the register of companies, was the subject of a cease trade order or similar order or an order that denied the issuer access to any statutory exemptions for a period of more than 30 consecutive days or was declared bankrupt or insolvent.

I. Penalties or Sanctions

During the past 10 years, no director, officer or promoter of the Corporation has been the subject of any penalties or sanctions by a court or securities regulatory authority related to the trading in securities, promotion or management of a publicly traded issuer, or theft or fraud except for the following:

Mr. Brown and Foundation Equity Corporation, a venture capital company founded by Mr. Brown and of which he is currently the Chairman and Chief Executive Officer, entered into a settlement agreement and undertaking (the "Agreement") with the Alberta Securities Commission dated December 13, 1999. Pursuant to the terms of the Agreement, Foundation Equity Corporation and Kerry Brown agreed jointly to pay an administrative penalty in the sum of \$28,000 and the sum of \$2,000 to help defray the costs incurred by the Alberta Securities Commission and both agreed to comply diligently with the Alberta Securities Act and Rules in the future. The execution of the Agreement resolved all matters between the Alberta Securities Commission, Foundation Equity Corporation and Kerry Brown.

J. Individual Bankruptcies

No director, officer or promoter of the Corporation during the past five years has declared bankruptcy or has made a voluntary assignment in bankruptcy or a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

K. Conflicts of Interest

None of the directors of the Corporation are directors and officers of other companies engaged in business similar to the Corporation's business. However, there may be potential conflicts of interest to which the Directors and Officers of the Corporation may become subject in connection with the operations of the Corporation. Some of the Directors and Officers have been and will continue to be engaged in the identification and evaluation of businesses and assets with a view to the potential acquisition of or participation in interests on their own behalf and on behalf of other corporations, and situations may arise, in the future, where the Directors and Officers will be in direct competition with the Corporation. Conflicts, if any, will be subject to the procedures and remedies under the *Business Corporations Act* (Alberta).

L. Indebtedness of Directors, Officers, Promoters and Other Management

Management of Zagros is not aware of any indebtedness outstanding by directors, senior officers or executive officers of Zagros to Zagros as of the date of this Information Circular. All previous shareholder loans have been converted to share capital.

M. Executive Compensation

Zagros has two part-time executive officers. The total compensation paid by Zagros to the executive officers during in the financial year ended December 31, 2001 was nil. Upon completion of the Qualifying Transaction, the Corporation intends to pay approximately \$80,000 per annum to James Chivers-Wilson as President of the Corporation and \$48,000 per annum to Dr. F. Jamali's company, BioRule Inc..

Summary Compensation Table

The following table sets forth a summary of the annual and long term compensation for services paid during the Zagros's two most recently completed financial years ended December 31, 2000 and December 31, 1999 and for the interim period ended October 2, 2001 to the Chief Executive Officer and the Corporation's most highly compensated senior Executive Officers and employees (hereinafter the "Named Executive Officers").

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation			All Other Compensation (\$)
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Awards		Payouts	
					Securities Under Options/SARs Granted (#)	Restricted Shares or Restricted Share Units (\$)	LTIP Payouts (\$)	
Tricia A. Cisakowski, President	1999	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2000	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	Oct. 2001	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Other Compensation

Other than as set forth above, Zagros did not pay any additional compensation to the Named Executive Officer or Directors (including personal benefits and securities or properties paid or distributed which compensation was not offered on the same terms to all full time employees) during the most recently completed financial year end.

N. Related Party Transactions

Since Zagros was incorporated, Dr. F. Jamali and Dr. A. Noujaim have provided research and development services to Zagros. Dr. Jamali has been reimbursed for his out-of-pocket expenses and paid a small amount of cash for his work in developing the Zagros technology. The majority of the research and development work done, however, has not been directly paid for in that Dr. Jamali and Dr. Noujaim have done the work to enhance the value of Zagros.

Bruce D. Hirsche, Q.C. is a partner with the firm of Parlee McLaws and is a Director and Shareholder of the Corporation. Parlee McLaws has been paid and will continue to be paid legal fees by the Corporation for services rendered.

O. Risk Factors

The following risk factors should be read carefully. The risks and uncertainties described below are not the only ones that will be faced by the Corporation and Zagros. Other risks and uncertainties, including those management of the Corporation or Zagros do not currently consider material, may impair the Corporation's business. The risk factors discussed below may materially adversely affect the business, financial condition, operating results or cash flow of the Corporation. In addition to matters set forth elsewhere in this Information Circular, shareholders should consider the following risk factors relating to the business of the Corporation and Zagros. The order in which risk factors appear is not intended as an indication of the relative weight or importance thereof. Such information is presented as of the date hereof and is subject to change, completion or amendment without notice. The industry in which Zagros operates is intensely competitive and highly speculative and should be considered only by those who are able to make a long-term commitment and who are prepared to rely upon management and risk loss of their entire investment.

Volatility of Share Price

The price of shares of pharmaceutical companies in general tends to be volatile. Factors such as the announcement (to the public or at science conference) of technological innovations, new commercial products, patents, the obtainment of exclusive rights by other companies, the results of clinical tests, regulations, publications, quarterly financial results, public concerns over the risks of development of new drugs, future sales of shares by the Corporation or its current shareholders, and many other elements could materially affect the price of the Corporation's Common Shares.

History of Operating Losses

To date, Zagros has not recorded any revenues from the sale of therapeutic products. Since incorporation, Zagros has accumulated net losses and expect such losses to continue as they commence product and clinical development and eventually seek regulatory approval for the sale of Zagros product. Zagros expects to continue to incur substantial operating losses unless and until such time as product sales generates sufficient revenues to fund their continuing operations. Neither the Corporation nor Zagros has ever paid a dividend and they do not anticipate paying any dividends in the foreseeable future.

Limited Operating History

Zagros and the Corporation were only recently incorporated and have not begun to market any product or generate revenues. The Corporation expects to spend a significant amount of capital to fund research and development and on further laboratory and animal studies and human clinical trials. As a result, the Corporation expects that its operating expenses will increase significantly in the near term and, consequently, it will need to generate significant revenues to become profitable. Even if the Corporation does become profitable, it may not be able to sustain or increase profitability on a quarterly or annual basis. The Corporation cannot predict when, if ever, it will be profitable. There can be no assurances that the Technology will meet applicable regulatory standards, obtain required regulatory approvals, be capable of being produced in commercial quantities at reasonable costs, or be successfully marketed.

The Corporation will be undertaking additional laboratory and animal studies and human clinical trials on the Technology, and there can be no assurance that the results from such studies or trials will result in a commercially viable product or will not identify unwanted side effects.

Unproven Market

The Corporation believes that the anticipated market for its potential product and technology will continue to exist and expand. These assumptions may prove to be incorrect for a variety of reasons, including competition from other products and the degree of commercial viability of the potential product.

Lack of Manufacturing, Pharmaceutical Development and Marketing Experience

Neither the Corporation nor Zagros has any manufacturing, pharmaceutical development or marketing experience. To be successful, any product must be manufactured and packaged in commercial quantities in compliance with regulatory requirements and at acceptable costs. In order to manufacture and package any products in commercial quantities, if it elects to do so, the Corporation will need to develop its own manufacturing or packaging facilities or contract with third parties to manufacture or package such product. No assurance can be given that the Corporation will be able to make the transition to commercial production. In addition, production of any products may require raw materials for which the sources and amount of supply are limited. An inability to obtain adequate supplies of such raw materials could significantly delay the development, regulatory approval and marketing of any products.

Neither the Corporation nor Zagros has any experience in pharmaceutical development, including the management of multi-centre clinical trials, and will be significantly reliant on third party consultants to provide the requisite advice and management. There can be no assurance that the clinical trials and product development will not encounter delays which could adversely affect prospects for the Corporation's success.

To be successful, a product must also be successfully marketed. Neither the Corporation nor Zagros has any experience in marketing pharmaceutical products and there can be no assurance that the Corporation can market any product which may be developed in a manner which could assure its acceptance in the market place.

Need for Additional Capital and Access to Capital Markets

Although the Corporation believes that on completion of the Qualifying Transaction there will be sufficient capital to complete the research and the next phase of clinical trial development in Canada in respect of the Technology,

unexpected or unforeseen costs may arise. Greater than anticipated amounts of capital will be required if the animal studies are delayed or take longer than expected to be completed or if Zagros is required to increase the size and/or length of the next phase of clinical trials. In addition, the seeking of regulatory approval for the product, development and protection of the patent portfolio and marketing of any product will also incur significant further funding. There can be no assurance that additional funding will be available at all or on acceptable terms to permit successful commercialization of the Technology even if regulatory approval to market a pharmaceutical product is obtained.

Government Regulations

The manufacture and sale of human therapeutic products in Canada, the United States and other countries is governed by a variety of statutes and regulations in such countries. These laws require control of manufacturing facilities, controlled research and testing of products, government review and clearance of a submission containing manufacturing, pre-clinical and clinical data in order to obtain marketing approval based on establishing the safety and efficacy of the product for each use sought, including adherence to good manufacturing practice during production and storage, and control of marketing activities, including advertising and labelling.

The Technology will require significant development, pre-clinical testing and investment of significant funds prior to its commercialization. There can be no assurance that any commercially viable product will be developed. The process of completing clinical testing and obtaining required approvals is likely to take a number of years and require the expenditure of substantial resources. Any failure to obtain or a delay in obtaining such approvals could adversely affect the Corporation's ability to utilize the Technology, therefore adversely affecting operations. Further, there can be no assurance that any product which is developed will prove to be safe and effective in clinical trials or receive regulatory approvals. Markets, other than the United States and Canada, have similar restrictions.

Conflicts of Interest

The directors and officers of the Corporation and of Zagros are directors and officers of other corporations. Conflicts may arise between their duties to the Corporation and Zagros and their duties to such other corporations. All such conflicts will be dealt with pursuant to the provisions of the applicable corporate legislation.

Use of Funds

The Corporation's management will have significant discretion as to the use of the Corporation's funds. The Corporation currently intends to use the funds available on completion of the Qualifying Transaction as described herein. However, the directors of the Corporation may decide to alter their current business plan and may decide to expend the funds in a materially different manner.

Shareholder Control

Some of the Corporation's existing shareholders can exert control over it, and may not make decisions that are in the best interests of all shareholders. If certain shareholders act together, they may be able to exert a significant degree of influence over the Corporation's management and affairs and over matters requiring shareholder approval, including the election of directors and approval of significant corporate transactions. In addition, this concentration of ownership may facilitate or delay or prevent a change in control of the Corporation and might affect the market price of the Common Shares, even when a change may or may not be in the best interests of all shareholders. In addition, the interests of this concentration of ownership may not always coincide with the Corporation's interests or the interests of other shareholders and accordingly, they could cause the Corporation to enter into transactions or agreements which it would not otherwise consider.

Reliance on Third Parties and Future Collaboration

Zagros' strategy is and has been to enter into various arrangements with corporate and academic collaborators, licensors, licensees and others for research, development, clinical testing, manufacturing, marketing and commercialization of the Technology and any resulting commercially viable product. There can be no assurance,

however, that Zagros will be able to maintain its current collaborations or establish new collaborations on favourable terms, if at all, or that its current or future collaborative arrangements will be successful.

Patents and Proprietary Rights

The Corporation's success will depend, in part, on the ability of the Corporation to obtain patents, maintain trade secret protection and operate without infringement on the proprietary rights of third parties or having third parties circumvent Zagros' rights. The Corporation and Zagros are actively pursuing applications for patents in the U.S. and other countries. The patent positions of pharmaceutical firms and universities are uncertain and involve complex legal and factual questions for which important legal principles are largely unresolved. For example, no consistent policy has emerged regarding the breadth of pharmaceutical patent claims that are granted by the United States Patent and Trademark Office or enforced by the U.S. Federal courts. In addition, the scope of the originally claimed matter in a patent application can be significantly reduced before a patent is issued. The pharmaceutical patent situation outside the U.S. is even more uncertain and is currently undergoing review and revision in many countries. The laws of certain non-U.S. countries may not protect Zagros' existing or planned licensed intellectual property rights to the same extent as the laws of the United States and Canada. Thus, there can be no assurance that any of Zagros' licensed patent applications or those of the Corporation will result in a patent grant, that Zagros will develop additional proprietary products that are patentable, that any patents issued to Zagros or the Corporation will provide the Corporation or Zagros with any competitive advantages, that such patents will not be challenged by any third parties, that the patents of third parties will not impede the ability of the Corporation and Zagros to do business or that third parties will not be able to circumvent Zagros' licensed patents. Furthermore, there can be no assurance that others will not independently develop similar products which duplicate any of the Corporation's or Zagros' products, or, if patents are issued to the Corporation or Zagros, design around the patented products developed by them.

A number of pharmaceutical companies and research and academic institutions have developed technologies, filed patent applications or received patents on various technologies that may be related to Zagros' business. Some of these technologies, patent applications or patents may conflict with the technologies, patent applications or patents licensed or intended to be licensed by Zagros. Such conflict could limit the scope of the patents, if any, that Zagros or the Corporation may be able to obtain or result in the denial of the patent applications. In addition, if patents that cover Zagros' activities are issued to other companies or institutions, there can be no assurance that Zagros or the Corporation would be able to obtain licenses to these patents at a reasonable cost or be able to develop or obtain alternative technology. If the Corporation or Zagros does not obtain such licenses, they could encounter delays in the introduction of products, or could find that the development, manufacture or sale of products requiring licenses is prohibited. In addition, the Corporation and Zagros could incur substantial costs in defending themselves in lawsuits brought against the Corporation or Zagros on patents they might infringe, in filing suits against others to have such patents declared invalid or in filing suits against others for infringement of Zagros' licensed patents, if any. The Corporation believes that there may be significant litigation in the pharmaceutical industry regarding patent and other intellectual property rights. Such litigation may affect the Corporation's and Zagros' efforts to form collaborations, to conduct research and development, to conduct clinical testing, manufacturing, marketing and the sale of any products under development. If the Corporation or Zagros become involved in such litigation, it could consume a substantial portion of their resources. If the outcome of any such litigation were to be adverse, the Corporation's business could be materially affected.

Under current law, any patent application that the Corporation or Zagros may file in the U.S. will be subject to provisions allowing the patent application to be published, the same as its non-U.S. counterparts. Since publication of discoveries in the scientific or patent literature often lag behind actual discoveries, the Corporation cannot be certain it was the first creator of inventions described in the pending patent applications or patents. Moreover, the Corporation and Zagros might have to participate in interference proceedings declared by the U.S. Patent and Trademark Office to determine priority of invention, which could result in substantial cost to the Corporation and Zagros, even if the eventual outcome were to favour the Corporation and Zagros. An adverse outcome could subject the Corporation and Zagros to significant liabilities to third parties and require the Corporation to license disputed rights from third parties or cease using the Technology. There can be no assurance that Zagros' licensed patents, if issued, would be held valid or enforceable by a court or that a competitor's technology or product would be found to infringe such patents. Furthermore, substantial costs can be incurred due to the filing of lawsuits to enforce the patent rights against apparent infringers, even if the Corporation and Zagros are successful in the lawsuits.

At this time a provisional patent has been filed, based on the screening technology and lead ibuprofen based compounds that have been generated. A full patent application will need to be filed in the next 6 months. As with all patent applications, there is a degree of uncertainty surrounding the eventual granting of the claims in the patent application by the examiners at the patent office. Zagros will continue to collect experimental data to further bolster the position of enhanced performance that they are claiming for the lead products.

Product Liability Claims and Uninsured Risks

The testing, marketing and sale of human pharmaceutical products involves unavoidable risks. If the Corporation succeeds in developing new pharmaceutical products, the sale of such products may expose the Corporation and Zagros to potential liability resulting from the use of such products. Such liability might result from claims made directly by consumers or by regulatory agencies, pharmaceutical companies or others selling products. Neither the Corporation nor Zagros currently has product liability insurance. The Corporation intends to obtain such insurance coverage but there can be no assurance that it will be able to obtain such insurance or, if obtained, that such insurance can be acquired in sufficient amounts to protect the Corporation and Zagros against product liability or at a reasonable cost. The obligation to pay any product liability claim in excess of whatever insurance the Corporation and Zagros are able to acquire, or the recall of any of their products, could have a material adverse affect on the business, financial condition and future prospects of the Corporation and Zagros.

Hiring and retention of key personnel

A number of highly skilled personnel will be needed to carry out the business development, research and development, regulatory, and manufacturing activities at Zagros. In some cases, these personnel may be in high demand. The unexpected loss or departure of any of Zagros' key officers or employees could be detrimental to the future operations of Zagros. Zagros will attempt to mitigate these risks by offering competitive salaries, allowing employees the opportunity to participate as equity partners, and by using outside expert consultants whenever possible.

Demonstration of success in human patients

The lead ibuprofen-based Zagros formulations demonstrate faster delivery of medication in animal subjects under simulated pain conditions. In the near future, the lead formulation will be tested in human volunteers in a clinical trial. Until the compound is tested in humans, there is a level of uncertainty surrounding the ability of the Zagros product to produce its intended benefits. The model that Dr. Jamali has developed to screen the Zagros formulations significantly minimizes the risk of the product not working in humans as anticipated, by mirroring the conditions found in humans when they are experiencing acute pain.

Receiving approval from regulatory authorities

One of the greatest risk variables in the drug development process is the eventual receipt or denial of regulatory approval to market a pharmaceutical product. Zagros products will be subject to the approval processes of regulatory agencies such as the EMEA (Europe), FDA (U.S.), and HPB (Canada). The Zagros strategy of using established active compounds and formulation ingredients, in previously approved dosages, is intended to expedite and enhance the chance for success in the regulatory process. Zagros products will enter the approvals process with some of the regulators' concerns already addressed because commonly used pharmaceutical ingredients that have been demonstrated to be safe are being incorporated into the Zagros formulations.

Strategic partners

Zagros partners with Ethypharm, who will provide pilot-scale manufacturing of Zagros' novel formulations. These products will be used for pre-clinical and clinical testing. It is also planned that Ethypharm will also be involved in full-scale production once regulatory approval is obtained. Any significant changes to the programs in which Zagros' partners participate, or any deterioration in Zagros' relationship with any of its strategic partners, could negatively impact Zagros' business and financial position.

Time to market

Pharmaceutical development is also a time-intensive process. Zagros has chosen a drug development strategy that minimizes the amount of time required to bring a new product to the market. However, the stages of the development process are time-consuming, including formulation discovery and testing, pre-clinical screening and clinical trials. Zagros does not expect its lead product to be ready for market launch until mid 2003 at the earliest.

Competition

A number of other companies developing products targeted at fast-acting pain relief have been identified below, some of which have been in business longer or have greater financial or marketing resources than Zagros. There are already products on the market that are labeled as fast-acting pain relief medications, and they have shown to have healthy market growth over the past few years. Increased competition may have an adverse effect on profitability as a result of increased barrier to market entry and potentially lower market share.

Elan Pharmaceuticals develops new drug delivery technologies, with a specialization in modified oral release products. The technologies being developed by Elan include fast melt formulations and the ultra fine NanoCrystal® version of compounds. Elan has a partnership with Atrix Laboratories to develop break-through pain management products and an established joint venture with Lyotropic Therapeutics, a company with a focus on pain management.

Biovail Corporation, a Canadian based company, develops branded, controlled release formulations of generic medications, with a focus on once-a-day dosing. Biovail is a fully integrated company, with development, regulatory, and manufacturing capabilities. In the fast-acting drug product area they have a patented technology, FlashDose®, which has been used to create a fast dissolving ibuprofen formulation that doesn't need to be taken with water. This product has been successfully brought to the marketplace and it is distributed by Boots Healthcare International as Nurofen Meltlets®.

Penwest Pharmaceuticals is co-developing (with Endo Pharmaceuticals) a pain relief product based on controlled (slower) release technology. However, they do have formulation ingredients that can be used to enhance disintegration and dissolution such as Prosolv™ (micro crystalline cellulose) and Explotab®.

Lavipharm Laboratories specializes in particle and formulation design. Two of their technologies can be used to create fast acting drug products. Microparticulate solubilization technology can provide enhanced bioavailability and quicker onset of action. Patents have been issued for this technology. The other technology is an intra-oral delivery system (IODS) with films that precisely control the release of the drug over a defined time period and to a specific site.

Strategy to Deal with Competition

Zagros has two key strategies for countering the competitive aspects posed by companies developing and offering technologies and formulation ingredients for the creation of new, fast acting products.

The first strategic thrust involves demonstrating the Zagros products' ability to uniquely provide faster and more effective pain relief during episodes of acute pain. Clinical trial data will be gathered to support these claims. A formulation that is simply faster dissolving, but has not been screened using the Zagros screening model (that

mimics the conditions found in patients actually experiencing pain), will not have the same level of performance as the Zagros products.

The second strategic thrust involves bringing products to market faster than the competition. Because proven ingredients in approved dosages are being used in the Zagros products, they should require clinical trials of shorter duration and a fewer number of subjects than completely novel products require before regulatory approval is granted.

P. Prior Share Issuances

The following table sets out the particulars of Zagros's securities issued for the preceding 12 month period prior to the date hereof as well as the number of shares outstanding:

	Number of Issued Securities	Price Per Security (\$)	Total Consideration (\$)
Prior sales of securities within the last 12 months	3	N/A (exchange for debt)	All shareholders loans (\$89,960)
Issued as of November 30, 2001	303	Exchange for debt and \$0.10 per share	\$89,990

Q. Fully Diluted Share Capital and Consolidated Share and Loan Capital of the Corporation After Qualifying Transaction

Fully Diluted Share Capital Table

	Number of Securities	Percentage of Total
Issued by the Corporation as of November 30, 2001	4,025,000	61.06%
Common Shares reserved by the Corporation for future issuance of stock options and agent's options upon completion of the Qualifying Transaction	599,294	9.09%
Common Shares which will be issued pursuant to exercise of the existing Options concurrently with closing the Qualifying Transaction	515,000	7.8%
Common Shares to be issued to acquire Zagros	1,102,941	16.73%
Common Shares issued to Dr. Jamali for acquisition of technology concurrent with closing	250,000	3.79%
Common Shares issued on private placement concurrent with the Qualifying Transaction	100,000	1.52%
Total	6,592,235	100%

Consolidated Share and Loan Capital Table

Designation of Security	Amount authorized to be authorized	Amount outstanding as of the date of the most recent balance sheet in the Information Circular	Amount outstanding as at November 30, 2001	Amount outstanding upon completion of the Qualifying Transaction
Common Shares	Unlimited	4,025,000	4,025,000	5,992,941

R. Proposed Compensation

The following table sets forth a summary of the proposed annual and long-term compensation for services of the officers and directors of the Corporation to be paid within the 12 months following completion of the Qualifying Transaction.

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation			All Other Compensation (\$)
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Awards		Payouts	
					Securities Under Options/SARs Granted (#)	Restricted Shares or Restricted Share Units (\$)	LTIP Payouts (\$)	
James Chivers-Wilson, President	2002	\$80,000	Nil	Nil	111,540	Nil	Nil	Nil
Dr. F. Jamali, Chief Scientific Officer and Vice-President, Research and Development	2002	\$48,000	Nil	Nil	111,540	Nil	Nil	Nil

S. Security Holdings Upon Completion of the Qualifying Transaction

To the knowledge of the Directors and Officers of the Corporation, there are no beneficial owners or persons exercising control or direction over securities of the Corporation carrying more than 10% of the outstanding securities of the Corporation as at December 31, 2001, however, upon completion of the Qualifying Transaction the following individuals will hold, either beneficially own, directly or indirectly, or exercise control or direction over, voting securities greater than 10% of the outstanding securities of the Corporation:

<u>Name and Municipality of Residence</u>	<u>Type of Ownership</u>	<u>Number of Common Shares Held</u>	<u>Percentage of Common Shares Held</u>
Dr. Antoine Noujaim Edmonton, Alberta	beneficial	730,883	12.2%
Dr. Fakhreddin Jamali Edmonton, Alberta	beneficial	617,647	10.31%

T. Public and Insider Ownership

The following table sets forth the aggregate number of voting securities that will be held by the public and the aggregate number of voting securities to be held by promoters and insiders upon the completion of the Qualifying Transaction:

	Aggregate Number of Voting Securities after the Qualifying Transaction	Percentage Total Issued and Outstanding after the Qualifying Transaction
Public	3,254,411	54%
Insiders	2,738,530	46%

U. Securities Held in Escrow

The following table sets out the securities escrowed as of the date hereof and the security holders:

Securityholder	Number of Securities Held in Escrow	Percentage of Common Shares Prior to the Qualifying Transaction	Percentage of Common Shares After Giving Effect to Qualifying Transaction
Antoine Noujaim	400,000	9.9%	12.2%
Kerry Brown	400,000	9.9%	6.67%
Bruce D. Hirsche	400,000	9.9%	6.67%
Richard N. Edgar	100,000	2.5%	1.67%
Marcus Little	100,000	2.5%	1.67%
Total:	1,400,000	34.7%	28.88%

All of the 1,400,000 Common Shares issued to Directors, Officers and other founding Shareholders of the Corporation prior to the time of the initial public offering of the Corporation and an additional 42,000 Common Shares acquired in connection with the initial public offering of the Corporation have been placed into escrow with Computershare Trust Company of Canada (formerly Montreal Trust Company of Canada) pursuant to an Escrow Agreement dated November 22, 2000 (the "Escrow Agreement"). In addition to the deposit of 1,400,000 Common Shares held pursuant to the Escrow Agreement, all shares of the Corporation beneficially owned, directly or indirectly, or acquired pursuant to the exercise of options prior to completing a Qualifying Transaction by promoters, Officers, Directors, other insiders of the Corporation and associates or affiliates of those persons or companies ("Related Parties") will be held pursuant to the Escrow Agreement. If any securities of the Corporation are acquired in a secondary market prior to the completion of a Qualifying Transaction by any Control Person (as defined below) shall also be held in escrow.

Pending satisfactory completion of the Qualifying Transaction, these Common Shares issued prior to and in connection with the initial public offering will be released (subject to the approval of the Executive Director of the Alberta Securities Commission) in accordance with the terms of a Discount Seed Share Escrow Agreement dated November 22, 2000 and a Seed Share Escrow Agreement dated November 2, 2000 in accordance with the CPC Policy as follows:

- (a) 10% following issuance of a Final Notice from the Exchange that the Qualifying Transaction has been accepted by the Exchange;
- (b) 15% six (6) months following the initial release;
- (c) 15% twelve (12) months following the initial release;
- (d) 15% eighteen (18) months following the initial release;
- (e) 15% twenty-four (24) months following the initial release;
- (f) 15% thirty (30) months following the initial release; and

- (g) 15% thirty-six (36) months following the initial release.

All Shares of the Corporation acquired by the Zagros Shareholders (1,102,941) on the initial closing of the Qualifying Transaction, the 250,000 shares to be transferred to Dr. Jamali in exchange for technology and the additional \$250,000 worth of shares when the Zagros patent is approved, shall be subject to a Tier 2 Surplus Escrow Agreement. These shares are to be placed in escrow with Computershare Trust Company and in accordance with the Exchange CPC policy will be released as follows:

**SCHEDULE B(4) – TIER 2 SURPLUS SECURITY ESCROW AGREEMENT
RELEASE OF SECURITIES**

Timed Release

Release Dates	Percentage of Total Escrowed Securities to be Released	Total Number of Escrowed Securities to be Released
[date of Exchange Notice]	0%	
[date 6 months following Exchange Notice]	5%	
[date 12 months following Exchange Notice]	5%	
[date 18 months following Exchange Notice]	5%	
[date 24 months following Exchange Notice]	5%	
[date 30 months following Exchange Notice]	10%	
[date 36 months following Exchange Notice]	10%	
[date 42 months following Exchange Notice]	10%	
[date 48 months following Exchange Notice]	10%	
[date 54 months following Exchange Notice]	10%	
[date 60 months following Exchange Notice]	10%	
[date 66 months following Exchange Notice]	10%	
[date 72 months following Exchange Notice]	10%	
TOTAL	100%	

Notwithstanding the above schedule regarding the release of escrowed securities after completion of the Qualifying Transaction, if the Corporation reasonably believes that after closing of the Qualifying Transaction it will meet the minimum listing requirements of a Tier 1 issuer described in Policy 2.1 – Minimum Listing Requirements, the Corporation may make an application to the Exchange in accordance with Exchange policies to be listed as a Tier 1 issuer and shall concurrently provide notice to the escrow agent, Computershare Trust Company of Canada (the "Escrow Agent") of such application.

If the Exchange issues a notice (the "Exchange Acceptance Notice") confirming final acceptance for listing of the Corporation on Tier 1, the Corporation shall forthwith issue a news release disclosing that it has been accepted for graduation to Tier 1 and disclosing the number of securities to be released and the dates of release and shall promptly provide such news release, together with a copy of the Exchange Acceptance Notice to the Escrow Agent and the above schedule shall be deemed to be replaced with the following early release schedule:

- (i) 25% following issuance of the Exchange Acceptance Notice;
- (ii) 25% 6 months following the Exchange Acceptance Notice;
- (iii) 25% 12 months following the Exchange Acceptance Notice; and
- (iv) 25% 18 months following the Exchange Acceptance Notice.

In the event the early release schedule becomes effective, the Escrow Agent, within 10 days of the issuance by the Exchange of the Exchange Acceptance Notice, shall release from escrow any securities which, pursuant to the early release schedule, would have been releasable at a date prior to the issuance of the Exchange Acceptance Notice.

If a Qualifying Transaction (other than a private placement) is not completed, the escrowed securities shall not be released.

For the purposes of the Policy, "Control Person" means any person or company that holds or is one of a combination of persons or companies that holds:

1. a sufficient number of securities to affect materially the control of the Corporation, or
2. more than 20% of the outstanding voting securities of the Corporation except where there is evidence showing the holding of those securities does not affect materially the control of the Corporation.

All shares held in escrow will be deposited with an escrow agent, pursuant to an escrow agreement which shall provide, in addition to the provisions set forth above, that all voting rights attached to escrowed securities shall be exercised by the registered holder of the shares.

V. Sponsorships

Yorkton Securities Inc. has agreed to act as sponsor for the Corporation with respect to the Qualifying Transaction. Yorkton Securities Inc. is located at Suite 2200, 440 – 2nd Avenue S.W., Calgary, Alberta, T2P 5E9. However, shareholders are cautioned that an agreement to sponsor should not be construed as any assurance with respect to the merits of the Qualifying Transaction or the likelihood of completion. Yorkton Securities Inc. is neither a related nor a connected party to the Corporation or Zagros under applicable securities legislation.

W. Relationship between the Corporation and Professional Persons

No person or company whose profession or business gives authority to a statement made by the person or company and who is named as having prepared or certified a part of this Information Circular has any beneficial ownership, direct or indirect, in the securities of the Corporation, and no such person and no director, officer or employee of any such company is or is expected to be elected, appointed, or employed as a director, officer or employee of the Corporation except for Bruce D. Hirsche, who is a partner of the law firm of Parlee McLaws LLP, solicitors for the Corporation. Mr. Hirsche is Secretary and a director of the Corporation and also holds securities of the Corporation. For details of the securities held by Mr. Hirsche, refer to the headings "Management of the Corporation" and "Description of the Corporation's Share Capital".

CERTIFICATES

CERTIFICATE OF THE CORPORATION

Dated: March 18, 2002

The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made. The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities of the Corporation assuming Completion of the Qualifying Transaction. The foregoing has been approved by the Board of Directors.

(signed) "Kerry Brown"

Kerry Brown
Chief Executive Officer and Chief Financial Officer

BY THE BOARD OF DIRECTORS

(signed) "Richard Edgar"

Richard N. Edgar

(signed) "Bruce Hirsche"

Bruce Hirsche

CERTIFICATE

The foregoing as it relates to Zagros Pharma Limited constitutes full, true and plain disclosure of all material facts relating to the particular matters to be acted upon by the security holders.

(signed) "Fakhreddin Jamali"

Dr. Fakhreddin Jamali
Chief Executive Officer and Chief Financial Officer

BY THE BOARD OF DIRECTORS

(signed) "Antoine Noujaim"

Dr. Antoine Noujaim

(signed) "Fakhreddin Jamali"

Dr. Fakhreddin Jamali

SCHEDULE "A" - CHANGE OF AUDITORS REPORTING PACKAGE

NOTICE OF CHANGE OF AUDITORS

EQUITECH CORPORATION

TO: Alberta Securities Commission
British Columbia Securities Commission
The Canadian Venture Exchange

Pursuant to National Policy 31, Change of Auditor of a Reporting Issuer, EquiTech Corporation (the "Corporation") hereby provides notice of a change of auditor as follows:

1. The current auditor of the Corporation, Robert Williams, Chartered Accountant (the "Former Auditor"), advised that he has resigned as the auditor of the Corporation effective January 16, 2002. Subject to all applicable regulatory and Shareholder approvals, the Corporation's new auditor will be Skolney & Company, Chartered Accountants (the "Successor Auditor").
2. There were no reservations in the auditors' report for the Corporation's financial statements for any period subsequent to the most recently completed period for which an audit report was issued and preceding the date hereof.
3. The resignation of the Former Auditor and the appointment of the Successor Auditor was considered and approved by the Audit Committee and the Board of Directors of the Corporation.
4. In the opinion of the Audit Committee and the Board of Directors of the Corporation, there were no "Reportable Events" within the meaning of National Policy No. 31 of the Canadian Securities Administrators.

Dated the 16th day of January, 2002.

EQUITECH CORPORATION

per: (signed) "Kerry Brown" _____

Skolney & Company

Chartered Accountants

* Glenn W. Skolney
Professional Corporation
* Kenneth Ewanishan
Professional Corporation

Albrumac Business Center
Suite 1420 5555 Calgary Trail S
Edmonton, Alberta T6H 5P9
Telephone (780) 469-1381
Fax (780) 469-5822
Email skolney@telusplanet.net

January 17, 2002

The Canadian Venture Exchange
10th Floor
300 - 5th Avenue SW
Calgary AB T2P 3C4

Alberta Securities Commission
20th Floor, 10025 Jasper Avenue
Edmonton AB T5J 3Z5

British Columbia Securities Commission
701 West Georgia Street
Vancouver BC V7Y 1L2

Equitech Corporation
Suite 1500, 10180 - 101 Street
Edmonton AB T5J 4K1

Robert D. J. Williams
Hudson Peterson Weis & Williams
Chartered Accountants
Suite 800 Centre 104
5241 Calgary Trail
Edmonton AB T6H 5G8

Dear Sirs:

RE: Equitech Corporation

Change of Auditors

As the successor auditors of Equitech Corporation and pursuant to National Policy No. 31 of the Canadian Securities Administrators, we confirm that we have reviewed the Notice of Change of Auditor of the Corporation dated January 16, 2002 and, based on our knowledge of the information at the time, we agree with the information contained in the Notice.

We understand that a copy of the Notice, this letter and a letter from the former auditor will be disclosed in the Information Circular to be mailed to all shareholders of the Corporation.

Yours very truly,

SKOLNEY & COMPANY

(signed) "Glenn Skolney"

Per;

Glenn W. Skolney, B.Comm, C.A.

GWS/ltg

*Hudson Pederson Weis & Williams**

Chartered Accountants

Glen Hudson, B.Comm., C.A. 1
Carl W. Pederson, B.Comm., C.A. 1
Donna P. Weis, B.A., C.A.
Robert D. J. Williams, B.Comm., C.A.

Suite 800 Centre 104
5241 Calgary Trail South
Edmonton, AB T6H 5G8
Bus: (780) 437-1122
Fax: (780) 435-3880
E-mail: HPWW@ocii.com

January 16, 2002

Direct line: (780) 437-1122
E-mail: rwilliam@ocii.com

The Alberta Securities Commission Agency
British Columbia Securities Commission
The Canadian Venture Exchange

Dear Sirs

EquiTech Corporation Change of Auditors

As the former auditor of EquiTech Corporation (the "Corporation") and pursuant to National Policy No. 31 of the Canadian Securities Administrators, I confirm that I have reviewed the Notice of Change of Auditor of the Corporation dated January 16, 2002 (the "Notice") and, based on my knowledge of the information at the time, I agree with the information contained in the Notice.

I understand that a copy of the Notice, this letter and a letter from the successor auditor will be disclosed in the Information Circular to be mailed to all shareholders of the Corporation.

Yours truly

"Robert Williams"

Robert D. J. Williams
Chartered Accountant

TO: Alberta Securities Commission

AND TO: British Columbia Securities Commission

AND TO: The Canadian Venture Exchange

AND TO: Skolney & Company
Chartered Accountants

AND TO: Robert Williams
Chartered Accountant

CONFIRMATION

The undersigned, being a member of the audit committee and a director of EquiTech Corporation (the "Corporation"), hereby confirms on behalf of the audit committee of the Corporation, that the notice of change of auditor, the letter from the former auditor and the letter from the proposed successor auditor of the Corporation, a copy of each of which is attached to this confirmation, have been reviewed by the audit committee of the Corporation.

DATED as of the 16th day of January, 2002.

(signed) "Kerry Brown"

Kerry Brown

SCHEDULE "B" - STOCK OPTION PLAN

EQUITECH CORPORATION **STOCK OPTION PLAN**

PART 1- INTRODUCTION

1.1 **Purpose**

The purpose of the Plan is to secure for the Corporation and its shareholders the benefits of incentives inherent in share ownership by, *inter alia*, the Directors, management, employees and consultants of the Corporation and any of its subsidiaries who, in the judgment of the Board, will be largely responsible for its future growth and success. It is generally recognized that a stock option plan of the nature provided for herein aids in retaining and encouraging Directors, management, employees and others of exceptional ability because of the opportunity offered them to acquire a proprietary interest in the Corporation.

1.2 **Definitions**

Whenever used herein, the following words and expressions shall have the following meanings, namely:

- 1.2.1 "Board" means the board of directors of the Corporation as it may be constituted from time to time;
- 1.2.2 "Corporation" means Equitech Corporation, a corporation incorporated under the laws of the Province of Alberta;
- 1.2.3 "Exchange" means the Canadian Venture Exchange;
- 1.2.4 "Option" means an option granted under the terms of the Stock Option Plan;
- 1.2.5 "Option Period" means the period during which an Option may be exercised;
- 1.2.6 "Optionee" means a Service Provider to whom an Option has been granted under the terms of the Stock Option Plan;
- 1.2.7 "Participant" means, in respect of the Plan, a Service Provider who elects to participate in the Plan;
- 1.2.8 "Service Provider" means:
 - 1.2.8.1 an employee, Officer or Director of the Corporation or of any of its subsidiaries;
 - 1.2.8.2 any person or company engaged to provide ongoing management services for the Corporation or for any entity controlled by the Corporation; and
 - 1.2.8.3 any person or company retained by the Corporation or any of its subsidiaries to provide ongoing consulting services pursuant to a written agreement, but excluding a person or company engaged in investor relations activities;
- 1.2.9 "Shares" means the common shares of the Corporation from time to time authorized by the charter documents of the Corporation;
- 1.2.10 "Stock Option Agreement" means an agreement entered into pursuant to Section 2.4 hereof; and

1.2.11 "Stock Option Plan" or "Plan" means the plan established and operated pursuant to Part 2 hereof.

PART 2 - STOCK OPTION PLAN

2.1 Participation

Options shall be granted only to *bona fide* Service Providers.

2.2 Determination of Option Recipients

The Board shall make all necessary or desirable determinations regarding the granting of Options to Service Providers and may take into consideration the present and potential contributions of a particular Service Provider to the success of the Corporation or any of its subsidiaries and any other factors which it may deem proper and relevant.

2.3 Price

The exercise price per Share shall be determined from time to time by the Board but, in any event, shall not be lower than the lowest exercise price permitted by the Exchange.

2.4 Grant of Options

The Board may at any time authorize the granting of Options to such Service Providers as it may select for the number of Shares that it shall designate, subject to the provisions of the Stock Option Plan. The Board, at its discretion, may grant Options on such terms and conditions as it considers appropriate provided that such terms and conditions are not inconsistent with the Stock Option Plan.

Each Option granted to a Service Provider shall be evidenced by a Stock Option Agreement with terms and conditions consistent with the Plan and as approved by the Board (which terms and conditions need not be the same in each case and may be changed from time to time). Until such time as the Board shall otherwise determine, and subject to the provisions of Section 3.8 hereof, the form of Stock Option Agreement adopted for use hereunder shall be that which is attached hereto as Appendix "A".

2.5 Terms of Options

The Option Period shall be of such length as is determined by the Board but in any event shall not exceed five (5) years from the date such Option is granted, and may also be reduced with respect to any such Option as provided in Section 2.7 hereof covering termination of employment or death of the Optionee.

Subject to the other terms and conditions of this Plan, Options shall have such vesting provisions as determined by the Board from time to time, provided that such Options must vest over such period as prescribed by the Exchange from time to time. Any Options remaining unexercised after the period prescribed by the Exchange may be exercised in whole or in part at any time during the remainder of the Option Period.

Except as set forth in Section 2.7, no Option may be exercised by the following Service Providers unless the specified Optionees are, at the time of such exercise:

- (a) in the case of an employee, in the employ of the Corporation or any of its subsidiaries and shall have been continuously so employed since the grant of the Option, but absence on leave, having the approval of the Corporation or any of its subsidiaries, shall not be considered an interruption of employment for any purpose of the Stock Option Plan;

- (b) in the case of a Director, a Director of the Corporation or any of its subsidiaries and shall have been such a Director continuously since the grant of the Option;
- (c) in the case of an Officer, an Officer of the Corporation or any of its subsidiaries and shall have been such an Officer continuously since the grant of the Option; or
- (d) in the case of a consultant, a consultant on retainer by the Corporation or an entity controlled by the Corporation and shall have been continuously so retained since the grant of the Option.

The exercise of any Option will be contingent upon receipt by the Corporation of cash payment of the full purchase price for the Shares being purchased. No Optionee or his or her legal representatives, legatees or distributees will be, or will be deemed to be, a holder of any Shares subject to an Option, unless and until certificates for such Shares are issued to him or them under the terms of the Stock Option Plan.

2.6 Lapsed Option

If Options are surrendered, terminated or expire without being exercised in whole or in part, new Options may be granted covering the Shares not purchased under such lapsed Options to the extent permitted by the Exchange.

2.7 Effect of Termination of Employment or Death

If an Optionee shall die while employed by or while a Director or Officer of the Corporation or any of its subsidiaries any Option held by him and vested at the date of death shall be exercisable, but only by the person or persons to whom the Optionee's rights under the Option shall pass by the Optionee's will or the laws of descent and distribution. All such Options shall be exercisable only for one (1) year after the date of death or prior to the expiration of the Option Period in respect thereof, whichever is sooner.

If an Optionee ceases to be employed by or to be a Director or Officer of the Corporation or any of its subsidiaries for cause, no Option held by such Optionee may be exercised following the date on which such Optionee ceases to be so employed or ceases to be a Director or Officer, as the case may be. If an Optionee ceases to be employed by or a Director or Officer of the Corporation for any reason other than cause then any Option held by such Optionee and vested at the effective date thereof shall be exercisable for a period of ninety (90) days thereafter.

If an Optionee ceases to be retained by the Corporation or an entity controlled by the Corporation by virtue of a breach of the consulting agreement, no Option held by such Optionee may be exercised following the date on which such Optionee ceases to be so retained. If an Optionee ceases to be retained as a consultant of the Corporation or an entity controlled by the Corporation by reason of the expiry of the consulting agreement or for any reason other than a breach of the consulting agreement then any Option held by such Optionee and vested at the effective date thereof shall be exercisable for a period of ninety (90) days thereafter.

2.8 Effect of Takeover Bid

If a bona fide offer (the "Offer") for Shares is made to the Optionee or to shareholders of the Corporation generally or to a class of shareholders which includes the Optionee, which Offer, if accepted in whole or part, would result in the offeror exercising control over the Corporation within the meaning of the *Securities Act* (Alberta), then the Corporation shall, immediately upon receipt of notice of the Offer, notify each Optionee currently holding an Option of the Offer, with full particulars thereof; whereupon, notwithstanding the applicability, if any, of Section 2.5 hereof, such Option (whether vested or not) may be exercised in whole or in part by the Optionee so as to permit the Optionee to tender the Shares received upon such exercise (the "Optioned Shares") pursuant to the Offer. If:

- (a) the Offer is withdrawn by the offeror; or
- (b) the Optionee does not tender the Optioned Shares pursuant to the Offer; or

- (c) all of the Optioned Shares tendered by the Optionee pursuant to the Offer are not taken up and paid for by the offeror in respect thereof;

then the Optioned Shares or, in the case of subsection (c) above, the Optioned Shares that are not taken up and paid for, shall be returned by the Optionee to the Corporation and reinstated as authorized but unissued Shares and the terms of the Option as set forth in Section 2.5 (including vesting provisions), if applicable, shall again apply to the Option. If any Optioned Shares are returned to the Corporation under this Section, the Corporation shall refund the exercise price to the Optionee for such Optioned Shares. In no event shall the Optionee be entitled to sell the Optioned Shares otherwise than pursuant to the Offer.

2.9 Effect of Amalgamation, Consolidation or Merger

If the Corporation amalgamates, consolidates with or merges with or into another corporation, any Shares receivable on the exercise of an Option (whether vested or not) shall be converted into the securities, property or cash which the Participant would have received upon such amalgamation, consolidation or merger if the Participant had exercised his or her Option immediately prior to the record date applicable to such amalgamation, consolidation or merger, and the Option price shall be adjusted appropriately by the Board and such adjustment shall be binding for all purposes of the Stock Option Plan.

2.10 Adjustment in Shares Subject to the Plan

If there is any change in the Shares through a consolidation, subdivision or reclassification of Shares, or otherwise, the number of Shares available under the Stock Option Plan, the Shares subject to any Option (whether vested or not), and the purchase price thereof shall be adjusted appropriately by the Board and such adjustment shall be effective and binding for all purposes of the Stock Option Plan.

2.11 Loans to Service Providers

Subject to the *Business Corporations Act* (Alberta) or any other laws applicable to the Corporation, the Board may at any time authorize the Corporation to loan money to a Service Provider on such terms and conditions as the Board in its sole discretion may determine, to assist such Service Provider to exercise an Option held by him provided that all loans shall be on a full recourse basis and shall be repayable within five (5) years from the date of grant of the Option.

2.12 Approval

The terms of the Options granted from time to time hereunder, and the Optionees to whom Options are granted, are subject to the Exchange accepting notice of such terms and proposed Optionees (if such acceptance is required by the Exchange).

2.13 Prior Options

Options granted by the Corporation prior to the adoption of this Plan are in full force and effect in accordance with the terms thereof and the validity of such Options is not affected by the implementation of this Plan.

PART 3 - GENERAL

3.1 Number of Shares

The aggregate number of Shares that may be available for issuance, from time to time, under the Plan at the Effective Date hereof shall not exceed 10% of the issued and outstanding shares of the Corporation as at the closing of the Qualifying Transaction. Should the number of issued shares increase after the closing of the Qualifying Transaction, 10% of the additional shares shall be available for issuance, from time to time, under the Plan. In addition, the aggregate number of Shares so available for issuance under the Plan to any one person shall not exceed

5% of the issued and outstanding Shares. The aggregate number of Shares so available for issuance under the Plan to all consultants retained by the Corporation shall not exceed 2% of the issued and outstanding Shares.

3.2 Transferability

All benefits, rights and options accruing to any Participant in accordance with the terms and conditions of the Plan shall not be transferable unless specifically provided herein. During the lifetime of a Participant all benefits, rights and options may only be exercised by the Participant.

3.3 Employment

Nothing contained in the Plan shall confer upon any Participant any right with respect to employment or continuance of employment with the Corporation or interfere in any way with the right of the Corporation to terminate the Participant's employment at any time. Participation in the Plan by a Participant is voluntary.

3.4 Record Keeping

The Corporation shall maintain a register in which shall be recorded:

- (a) the name and address of each Participant;
- (b) the number of Options granted to a Participant and the number of Options outstanding.

3.5 Necessary Approvals

The Plan shall be effective only upon the approval of the Exchange, if the Shares are listed for trading on the Exchange and, if required by such Exchange, of the shareholders of the Corporation in the manner prescribed by the Exchange from time to time.

The obligation of the Corporation to sell and deliver Shares in accordance with the Plan is subject to the approval of any governmental authority having jurisdiction and/or the Exchange which may be required in connection with the authorization, issuance or sale of such Shares by the Corporation. If any Shares cannot be issued to any Participant for any reason including, without limitation, the failure to obtain such approval, then the obligation of the Corporation to issue such Shares shall terminate and any Option price paid to the Corporation shall be returned to the Participant.

3.6 Administration of the Plan

The Board is authorized to interpret the Plan from time to time and to adopt, amend and rescind rules and regulations for carrying out the Plan. The interpretation and construction of any provision of the Plan by the Board shall be final and conclusive. Administration of the Plan shall be the responsibility of the appropriate Officers of the Corporation and all costs in respect thereof shall be paid by the Corporation.

3.7 Income Taxes

As a condition of and prior to participation in the Plan, a Participant shall authorize the Corporation in written form to withhold from any remuneration otherwise payable to such Participant any amounts required by any taxing authority to be withheld for taxes of any kind as a consequence of such participation in the Plan.

3.8 Amendments to the Plan and the Stock Option Agreement

The Board reserves the right to amend, modify or terminate the Plan and to amend or modify the Stock Option Agreement at any time if and when it is advisable in the absolute discretion of the Board. Any amendment to any provision of the Plan or the Stock Option Agreement shall be subject to the approval, if required, of the

Exchange or any regulatory body having jurisdiction over the securities of the Corporation, and if required by such Exchange, of the shareholders of the Corporation in the manner prescribed by the Exchange from time to time. Any reduction in the exercise price of an Option held by an Insider shall require the approval of disinterested shareholders of the Corporation in accordance with the policies of the Exchange.

3.9 No Representation or Warranty

The Corporation makes no representation or warranty as to the future market value of any Shares issued in accordance with the provisions of the Plan.

3.10 Governing Law

Except as otherwise set forth herein, the Plan shall be governed by the laws of the Province of Alberta excluding any conflicts of law, rule or principle which might refer such construction to the laws of another jurisdiction.

3.11 Interpretation

Words used herein importing the singular number include the plural and vice versa and words importing the masculine gender include the feminine and neuter genders.

3.12 Compliance with Applicable Law, etc.

If any provision of the Plan or any agreement entered into pursuant to the Plan contravenes any law or any order, policy, by-law or regulation of the Exchange or any regulatory body having authority over the Corporation or the Plan then such provision shall be deemed to be amended to the extent required to bring such provision into compliance therewith.

Edmonton, Alberta
Approved by the Directors.
Approved by the Shareholders.

December 13, 2001
_____, 2002

APPENDIX "A"

EQUITECH CORPORATION
STOCK OPTION AGREEMENT

THIS AGREEMENT made as of the ● day of ●, 200●.

BETWEEN:

●, of the City of ●, in the Province of ●,
(herein referred to as the "Optionee")

OF THE FIRST PART

- and -

EQUITECH CORPORATION., a body corporate, incorporated under the laws of
the Province of Alberta
(herein referred to as the "Corporation")

OF THE SECOND PART

WHEREAS the Corporation has established a Stock Option Plan (hereinafter referred to as the "Plan") for the granting of stock options, a copy of which has been provided to the Optionee;

AND WHEREAS the Optionee is a bona fide Service Provider (as defined in the Plan);

AND WHEREAS the Board of Directors of the Corporation has authorized the granting to the Optionee pursuant to the Plan of an option to purchase common shares in the authorized unissued share capital of the Corporation in the number, at the time, at and for the price and upon the other terms and conditions hereinafter contained;

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the mutual covenants and premises herein set forth, and for other good and valuable consideration (the receipt whereof is hereby acknowledged by the Corporation), the parties hereto agree as follows:

ARTICLE 1
DEFINITIONS AND INTERPRETATION

- 1.1 In this Agreement, the following words and expressions, shall have the following meanings:
- (a) "Expiration Date" shall mean ●, 200●;
 - (b) "Option" means the option to purchase Shares granted to the Optionee pursuant to this Agreement, and includes any portion of that option;
 - (c) "Option Period" means the period during which the Option may be exercised;
 - (d) "Option Shares" means the Shares the Optionee is entitled to purchase under this Agreement; and
 - (e) "Share" means a Common Share of the Corporation as constituted on the date hereof.

ARTICLE 2
GRANT OF OPTION

- 2.1 The Corporation hereby grants to the Optionee, subject to the terms and conditions hereinafter set out, an irrevocable option to purchase up to ● Shares of the Corporation at a price of \$● per Share.
- 2.2 The Option is granted in accordance with and subject to the terms and conditions of the Plan.
- 2.3 The Option to purchase the Option Shares granted hereby may be exercised in accordance with the terms hereof and the Plan until the Expiration Date, as follows:
- (a) the Optionee may exercise his or her rights as to 25% of the Shares under option, or any lesser part thereof, on or after the day that is four (4) months from the date of the grant under the Stock Option Agreement;
 - (b) the Optionee may exercise his or her rights to an additional 25% of the Shares under option, or any lesser part thereof, on or after the day that is eight (8) months from the date of the grant under the Stock Option Agreement;
 - (c) the Optionee may exercise his or her rights to an additional 25% of the Shares under option, or any lesser part thereof, on or after the day that is twelve (12) months from the date of the grant under the Stock Option Agreement; and
 - (d) the Optionee may exercise his or her rights as to the final 25% of the Shares under option, or any lesser part thereof, on or after the day that is eighteen (18) months from the date of the grant under the Stock Option Agreement.

Any Options remaining unexercised after the above eighteen (18) month period may be exercised in whole or in part at any time during the remainder of the Option Period.

- 1.4 Subject to sooner termination in accordance with the terms of the Plan, the Option shall expire and terminate upon the Expiration Date as to such of the Option Shares in respect of which the Option has not then been exercised.

ARTICLE 3
RESERVATION OF SHARES

- 3.1 The Corporation shall at all times during the term of this Agreement, keep available a sufficient number of unissued Shares in its authorized capital equal to those of the Option Shares which have not been issued.

ARTICLE 4
ASSIGNMENT AND ENUREMENT

- 4.1 The Option is personal to the Optionee and non-assignable and neither this Agreement nor any rights hereunder shall be transferable or assignable by the Optionee except as expressly permitted under the terms of the Plan.
- 4.2 This Agreement shall enure to the benefit of and be binding upon the parties hereto and their permitted successors and assigns.

ARTICLE 5
EXERCISE OF THE OPTION

- 5.1 The Option may be exercised by the Optionee by delivery of written notice of such exercise and by tendering therewith payment for the purchase price of the Option Shares to be purchased in cash or by certified cheque to the Corporation at its principal office in the City of Edmonton, in the Province of Alberta, or at such other place as may be directed by notice in writing from the Corporation to the Optionee from time to time. Such notice shall state the number of Option Shares with respect to which the Option is then being exercised. The Option shall be deemed for all purposes to have been exercised to the extent stated in such notice upon delivery of the notice and a tender of payment in full for the Option Shares being purchased notwithstanding any delay in the issuance and delivery of the

certificate(s) for the Shares so purchased. The Corporation shall, within a reasonable period of time, issue the Shares so purchased in the name of the Optionee and deliver the certificate(s) therefor to the Optionee.

ARTICLE 6
RIGHTS OF THE OPTIONEE PRIOR TO THE EXERCISE DATE

- 6.1 The Option herein granted shall not entitle the Optionee to any right whatsoever as a shareholder of the Corporation with respect to any Shares subject to the Option until it has been exercised and the Option Shares thereby purchased have been issued as fully paid and non-assessable.
- 6.2 Nothing contained in this Agreement or done pursuant hereto shall obligate the Optionee to purchase and/or pay for any Option Shares except those Option Shares in respect of which the Optionee shall have validly exercised this Option.

ARTICLE 7
REGULATORY APPROVAL

- 7.1 Notwithstanding anything to the contrary in this Agreement, the Optionee hereby agrees that he will not exercise the Option, and that the Corporation will not be obliged to issue any Shares hereunder, if the exercise of the Option or the issuance of the Shares shall constitute a violation by the Optionee or the Corporation of any provision of any law or regulation or of any order, regulation, policy or rule of any governmental authority, regulatory body or stock exchange. Any determination in this connection made by the Board of Directors of the Corporation shall be final, binding and conclusive.
- 7.2 The Corporation shall in no event be obliged, by any act of the Optionee or otherwise, to issue, register or qualify for resale any securities issuable upon exercise of the Option pursuant to a prospectus or similar document or to take any other affirmative action in order to cause the exercise of the Option or the issue or resale of the Shares issuable pursuant thereto to comply with any law or regulation or any order, regulation, policy or rule of any governmental authority, regulatory body or stock exchange; provided that, if applicable, the Corporation shall notify the Canadian Venture Exchange and other appropriate regulatory bodies in Canada of the existence of the Option and any exercise thereof.

ARTICLE 8
FURTHER ASSURANCES

- 8.1 The parties hereto covenant that they shall and will from time to time and at all times hereafter do and perform all such acts and things and execute all such deeds, documents and writings as may be required to give effect to the true intent of this Agreement.

ARTICLE 9
INTERPRETATION AND GENERAL

- 9.1 It is understood and agreed by the parties hereto that questions may arise as to the interpretation, construction or enforcement of this Agreement or the Plan and the parties are desirous of having the Board of Directors of the Corporation determine any such question or interpretation, construction or enforcement. It is, therefore, understood and agreed by and between the parties hereto that any question arising under the terms of this Agreement or the Plan as to interpretation, construction or enforcement shall be referred to the Board of Directors of the Corporation and their majority decision shall be final and binding on both of the parties hereto.
- 9.2 Neither the Corporation nor its Directors or Officers, or any of them, shall be liable to the Optionee or to the Optionee's personal representative by reason of any loss or anticipated loss of economic benefit by reason of any action or event, whether or not concurred in by them, which has the effect of curtailing or abrogating the benefits which have accrued or might have accrued to the Optionee hereunder, including, without limitation, the voluntary or involuntary winding up of the Corporation, the sale of all or substantially all of its assets, the delisting of the Shares from public trading, or any decline in the value of the Shares for any reason whatsoever.
- 9.3 The payment of all income taxes or other taxes or assessments in the nature of taxes levied upon the Optionee as a result of the granting or exercise of the Option shall be solely the responsibility of the Optionee.

- 9.4 In this Agreement, words importing the singular number include the plural and vice versa and words importing the masculine gender include the feminine and neuter genders.
- 9.5 This Agreement, including any schedules annexed hereto, constitute the entire agreement between the parties hereto and there are no oral statements, representations, warranties, undertakings or agreements between the parties modifying the provisions of this Agreement. No supplement, amendment, modification, waiver or termination of this Agreement shall be binding unless executed in writing by the parties hereto.
- 9.6 Time shall be of the essence of this Agreement.

ARTICLE 10
GOVERNING LAW

- 10.1 Except as otherwise set forth in the Plan, this Agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the laws of the Province of Alberta excluding any conflicts of law, rule or principle which might refer such construction to the laws of another jurisdiction.
- 10.2 Each of the parties hereto hereby irrevocably attorns to the jurisdiction of the Courts of the Province of Alberta and the Supreme Court of Canada.

ARTICLE 11
NOTICES

11.1 Any notice to be given pursuant to the provisions hereof shall be conclusively deemed to have been given and received by a party hereto and to be effective on the day on which it is delivered to such party at the addresses set forth below (or at such other address that such party shall supply to the other parties in writing) or if sent by mail, on the fifth business day after the day on which mailed, addressed to such party at said address:

(a) If to the Optionee, at

(b) If to the Corporation, at

EquiTech Corporation
c/o 1500, 10180 – 101 Street
Edmonton, Alberta T5J 4K1

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the day and year first above written.

SIGNED AND DELIVERED)
In the presence of:)
)
)
)
)

WITNESS

_____ ●

EQUITECH CORPORATION

Per: _____

Per: _____

SCHEDULE "C" - FINANCIAL STATEMENTS

**ZAGROS PHARMA LIMITED
FINANCIAL STATEMENTS
DECEMBER 31, 2000**

1. Auditors' Report
2. Statement of Loss and Deficit
3. Balance Sheet
4. Statement of Cash Flows
- 5 - 8. Notes to the Financial Statements

Skolney & Company

Chartered Accountants

* Glenn W. Skolney
Professional Corporation
* Kenneth Ewanishan
Professional Corporation

Albrumac Business Center
Suite1420 5555 Calgary Trail S
Edmonton, Alberta T6H 5P9
Telephone (780) 469-1381
Fax (780) 469-5822
Email skolney@telusplanet.net

AUDITORS' REPORT

To the Shareholders of
Zagros Pharma Limited

We have audited the balance sheet of Zagros Pharma Limited as at December 31, 2000 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, 2000 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"

CHARTERED ACCOUNTANTS

Edmonton, Alberta
November 6, 2001

ZAGROS PHARMA LIMITED
STATEMENT OF LOSS AND DEFICIT
FOR THE YEAR ENDED DECEMBER 31, 2000

	2000	(Unaudited)
	\$	1999
		\$
REVENUE	557	625
OPERATING EXPENSES		
Travel	5,545	-
Professional fees	2,288	1,829
Research expenses (net of investment tax credits)	1,482	17,700
Office	264	97
	9,579	19,626
NET LOSS	(9,022)	(19,001)
DEFICIT, beginning of year	(51,214)	(32,213)
DEFICIT, end of year	(60,236)	(51,214)

ZAGROS PHARMA LIMITED
BALANCE SHEET

AS AT DECEMBER 31, 2000

	2000	(Unaudited)
	\$	1999
		\$
ASSETS		
<u>CURRENT</u>		
Cash and cash equivalents (Note 2)	5,145	13,954
Investments (Note 2)	20,000	-
Accounts receivable	75	136
Investment tax credits (Note 2)	798	24,686
	26,018	38,776
PATENT COSTS (Note 2)	3,844	-
	29,862	38,776

LIABILITIES

CURRENT

Accounts payable and accrued liabilities	108	-
DUE TO SHAREHOLDERS (Notes 3 and 9)	89,960	89,960

SHARE CAPITAL AND DEFICIT

SHARE CAPITAL (Note 4 and 9)	30	30
DEFICIT	(60,236)	(51,214)
	29,862	38,776

SIGNED ON BEHALF OF THE BOARD:

(signed) "Fakhreddin Jamali" _____ Director

(signed) "Antoine Noujaim" _____ Director

ZAGROS PHARMA LIMITED
STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2000

	2000	(Unaudited)
	\$	1999
	\$	\$
<hr/>		
<u>OPERATING ACTIVITIES</u>		
Net loss	(9,022)	(19,001)
Net change in non-cash working capital items related to operations (Note 5)	24,057	(13,376)
	<hr/> 15,035	<hr/> (32,377)
<hr/>		
<u>FINANCING ACTIVITIES</u>		
Advances to shareholder (net)	-	29,990
		<hr/> 29,990
<hr/>		
<u>INVESTING ACTIVITIES</u>		
Increase in investments	(20,000)	-
Purchase of trademarks and patents	(3,844)	-
	<hr/> (23,844)	<hr/> -
<hr/>		
	(8,809)	(2,387)
<u>DECREASE IN CASH</u>		
CASH, Opening	13,954	16,341
CASH, Closing	<hr/> 5,145	<hr/> 13,954

ZAGROS PHARMA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

1. NATURE OF OPERATIONS

Zagros Pharma Limited is a development stage company engaged in developing technologies and intellectual properties that would improve the delivery of analgesics. The Company has incurred operating losses since inception and its ability to realize the carrying value of its assets is dependent on successfully bringing its technologies to market and achieving future profitable operations, the outcome of which cannot be determined at this time. It will be necessary for the Company to raise additional funds for the continuing development of its technologies.

2. SIGNIFICANT ACCOUNTING POLICIES

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. The significant accounting policies are summarized below:

A. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and balances with banks as well as all highly liquid short-term investments. The company considers all highly liquid short-term investments having a term of less than three months at the acquisition date to be cash equivalents.

B. Short Term Investments

Short-term investments are valued at the lower of amortized cost and market value and do not meet the company's definition of highly liquid short-term investments.

C. Investment Tax Credits

Investment tax credits, which are earned as a result of qualifying research and development expenditures, are recognized when the expenditures are made and their realization is reasonably assured. They are applied to reduce related capital costs and research and development expenses in the year recognized.

ZAGROS PHARMA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

2. SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Research and Development

Research costs, including research performed under, contract by third parties, are expensed as incurred. Development costs are also generally expensed as incurred unless such costs meet the criteria under generally accepted accounting principles for deferral and amortization. To qualify for deferral, the costs must relate to a technically feasible, identifiable product which the Company intends to produce and market, there must be a clearly defined market for the product and the Company must have the resources, or access to resources, necessary to complete the development.

E. Patents

Patents represent costs, including professional fees, incurred for the registration of patents for product marketing and manufacturing purposes, net of related government grants and accumulated amortization. Amortization on the patents will commence upon completion and will be calculated using the straight line basis over their estimated useful life. No amortization has been recorded to date.

F. 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 basis 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.

3. DUE TO SHAREHOLDERS

The amount due to shareholders of \$89,960 is unsecured, non-interest bearing and due on demand. However, the shareholders have indicated that they will not request repayment within the next fiscal year. Consequently, this item has been classified as a long term liability in the accompanying financial statements.

ZAGROS PHARMA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

4. SHARE CAPITAL

	2000	1999
	\$	\$
<hr/>		
Authorized:		
Unlimited Class "A" voting shares		
Issued and fully paid:		
300 Class "A" shares	30	30
<hr/>		

5. NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

	2000	1999
	\$	\$
<hr/>		
Accounts receivable	61	(136)
Accounts payable and accrued liabilities	108	(3,084)
Investment tax credits (Note 2)	23,888	(10,156)
	<hr/>	<hr/>
	24,057	(13,376)
<hr/>		

6. FINANCIAL INSTRUMENTS

The company's financial instruments consist of cash, accounts receivable, temporary investments, accounts payable and amounts due to (from) related parties. 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. COMPARATIVE FIGURES

The 1999 comparative figures are unaudited and are presented for information purposes only.

ZAGROS PHARMA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

8. LOSS CARRY-FORWARD/SCIENTIFIC RESEARCH AND DEVELOPMENT POOL

The company has a non-capital loss carry-forward of \$13,387 available to reduce taxable income of future years, expiring as follows:

	\$
2005	4,471
2006	1,340
2007	7,576

The company also has an undeducted Scientific Research and Experimental Development pool balance carry-forward of \$46,964.

9. SUBSEQUENT EVENT

On October 1, 2001, the shareholders signed a resolution to exchange the balance of their shareholder loan for equity interests in the corporation.

10. JURISDICTION OF INCORPORATION

The company was incorporated under the laws of the Province of Alberta.

ZAGROS PHARMA LIMITED
INTERIM FINANCIAL STATEMENTS
OCTOBER 2, 2001
(UNAUDITED)

1. Interim Statement of Loss and Deficit
2. Interim Balance Sheet
3. Interim Statement of Cash Flows
- 4 - 6. Notes to the Interim Financial Statements

ZAGROS PHARMA LIMITED
INTERIM STATEMENT OF LOSS AND DEFICIT
FOR THE NINE MONTH PERIOD ENDED OCTOBER 2, 2001
(UNAUDITED)

	9 Months Ended		3 Months Ended	
	October 2, 2001 \$	October 2, 2000 \$	October 2, 2001 \$	October 2, 2000 \$
REVENUE	-	-	-	-
OPERATING EXPENSES				
Professional fees	5,002	1,189	5,002	-
Research costs net of investment tax credit	2,000	1,482	2,000	600
Office	15	200	15	15
Interest and bank charges	5	7	5	-
Travel	-	4,092	-	-
	7,022	6,970	7,022	615
LOSS FROM OPERATIONS	(7,022)	(6,970)	(7,022)	(615)
OTHER INCOME				
Interest income	282	250	282	139
	(6,740)	(6,720)	(6,740)	(476)
NET LOSS				
DEFICIT, beginning of year	(60,236)	(51,214)	(60,236)	(57,458)
DEFICIT, end of year	(66,976)	(57,934)	(66,976)	(57,934)

ZAGROS PHARMA LIMITED
INTERIM BALANCE SHEET
FOR THE NINE MONTH PERIOD ENDED OCTOBER 2, 2001
(UNAUDITED)

	October 2, 2001	December 31, 2000
	\$	\$
<u>ASSETS</u>		
<u>CURRENT</u>		
Cash	14,060	25,145
Accounts receivable	75	75
Goods and services tax receivable	363	-
Refundable investment tax credit	798	798
	15,296	26,018
PATENT COSTS (Note 2)	7,828	3,844
	23,124	29,862
<u>LIABILITIES</u>		
<u>CURRENT</u>		
Accounts payable and accrued liabilities	110	108
	-	89,960
<u>DUE TO SHAREHOLDERS</u>		
<u>SHARE CAPITAL AND DEFICIT</u>		
SHARE CAPITAL (Note 3)	89,990	30
	(66,976)	(60,236)
<u>DEFICIT</u>	23,124	29,862

ZAGROS PHARMA LIMITED
INTERIM STATEMENT OF CASH FLOWS
FOR THE NINE MONTH PERIOD ENDED OCTOBER 2, 2001
(UNAUDITED)

	2001	2000
	\$	\$
Cash flows from (used in)		
<u>OPERATING ACTIVITIES</u>		
Net loss	(6,740)	(9,022)
Net change in non-cash working capital items		
Related to operations (Note 4)	(361)	24,057
	(7,101)	15,035
<u>INVESTING ACTIVITIES</u>		
Purchase of trademarks and patents	(3,984)	(3,844)
	(11,085)	11,191
Net change in cash and cash equivalents		
Cash and cash equivalents - beginning of period	25,145	13,954
	14,060	25,145
<u>Supplementary non-cash information:</u>		
Shareholders loans exchanged for equity interest	89,960	-

ZAGROS PHARMA LIMITED
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED OCTOBER 2, 2001
(UNAUDITED)

1. NATURE OF OPERATIONS

Zagros Pharma Limited is a development stage company engaged in developing technologies and intellectual properties that would improve the delivery of analgesics. The Company has incurred operating losses since inception and its ability to realize the carrying value of its assets is dependent on successfully bringing its technologies to market and achieving future profitable operations, the outcome of which cannot be determined at this time. It will be necessary for the Company to raise additional funds for the continuing development of its technologies.

2. SIGNIFICANT ACCOUNTING POLICIES

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. The significant accounting policies are summarized below:

A. Investment Tax Credits

Investment tax credits, which are earned as a result of qualifying research and development expenditures, are recognized when the expenditures are made and their realization is reasonably assured. They are applied to reduce related capital costs and research and development expenses in the year recognized.

B. Research and Development

Research costs, including research performed under contract by third parties, are expensed as incurred. Development costs are also generally expensed as incurred unless such costs meet the criteria under generally accepted accounting principles for deferral and amortization. To qualify for deferral, the costs must relate to a technically feasible, identifiable product which the Company intends to produce and market, there must be a clearly defined market for the product and the Company must have the resources, or access to resources, necessary to complete the development.

ZAGROS PHARMA LIMITED
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED OCTOBER 2, 2001
(UNAUDITED)

2. SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Patents

Patents represent costs, including professional fees, incurred for the registration of patents for product marketing and manufacturing purposes, net of related government grants and accumulated amortization. Amortization on the patents will commence upon completion and will be calculated using the straight line basis over their estimated useful life. No amortization has been recorded to date.

D. 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 basis 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.

3. SHARE CAPITAL

	2001	2000
	\$	\$
<hr/>		
Authorized:		
Unlimited Class "A" voting shares		
Issued and fully paid:		
300 Class "A" shares	30	30
3 On conversion of debt to equity on October 1, 2001	89,960	-
303	89,990	30

ZAGROS PHARMA LIMITED
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED OCTOBER 2, 2001
(UNAUDITED)

4. NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

	2001	2000
	\$	\$
Accounts receivable	-	61
Accounts payable and accrued liabilities	2	108
Goods and services tax	(363)	-
Refundable investment tax credit	-	23,888
	(361)	24,057

5. FINANCIAL INSTRUMENTS

The company's financial instruments consist of cash, accounts receivable, accounts payable and amounts due to (from) related parties. 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.

6. LOSS CARRY-FORWARD/SCIENTIFIC RESEARCH AND DEVELOPMENT POOL

The company has a non-capital loss carry-forward of \$13,387 available to reduce taxable income of future years, expiring as follows:

	\$
2005	4,471
2006	1,340
2007	7,576

The company also has an undeducted Scientific Research & Experimental Development pool balance carry-forward of \$46,964.

7. JURISDICTION OF INCORPORATION

The company was incorporated under the laws of the Province of Alberta.

PRO FORMA BALANCE SHEET

**EQUITECH CORPORATION
(UNAUDITED)**

OCTOBER 2, 2001

Skolney & Company

Chartered Accountants

* Glenn W. Skolney
Professional Corporation
* Kenneth Ewanishan
Professional Corporation

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COMPILATION REPORT

To the Directors of
Equitech Corporation

We have reviewed, as to compilation only, the accompanying unaudited pro forma balance sheet of Equitech Corporation as at October 3, 2001 prepared for inclusion in this information circular dated March 18, 2002 relating to the proposed acquisition of Zagros Pharma Limited. In our opinion, the unaudited pro forma balance sheet has been properly compiled to give effect to the proposed transactions and the assumptions described in the notes thereto.

SIGNED "SKOLNEY & COMPANY"

CHARTERED ACCOUNTANTS

Edmonton, Alberta
March 18, 2002

Equitech Corporation

UNAUDITED PRO FORMA BALANCE SHEET

October 3, 2001

	Equitech Corporation October 2, 2001 \$	Zagros Pharma Ltd. October 2, 2001 \$	(Note 2)	Pro Forma Adjustment s \$	Pro Forma Consolidated \$
				Decrease (Increase)	
ASSETS					
Current					
Cash	532,049	14,060	(b) (d) (e)	103,000 100,000 (8,853)	740,256 1,236
Accounts receivable		1,236			
	532,049	15,296		194,147	741,492
Total current assets					
Patent costs		7,828	(a)	150,148	7,828
Goodwill			(c)	39,250	189,398
	532,049	23,124		383,545	938,718

LIABILITIES AND SHAREHOLDERS' EQUITY

Current					
Accounts payable and accrued liabilities		110			110
		110			110
Total current liabilities					

SHAREHOLDERS' EQUITY

Share capital	547,399	89,990	(a) (a) (b) (c) (d) (e)	(89,990) 173,162 103,000 39,250 100,000 (8,853)	953,958
Deficit	(15,350)	(66,976)	(a)	66,976	(15,350)
Total Shareholders' Equity	532,049	23,014		383,545	938,608
	532,049	23,124		383,545	938,718

See accompanying notes to the unaudited pro forma balance sheet.

Equitech Corporation

NOTES TO UNAUDITED PRO FORMA BALANCE SHEET

October 3, 2001

1. BASIS OF PRESENTATION

The accompanying unaudited pro forma balance sheet of Equitech Corporation has been prepared in accordance with accounting principles generally accepted in Canada. In our opinion, this unaudited pro forma balance sheet includes all adjustments necessary for fair presentation of the proposed issuance of common shares described below.

2. PRO FORMA ADJUSTMENTS

The unaudited pro forma balance sheet includes the following pro forma adjustments reflecting transactions as disclosed in the Circular.

(a) the completion of the qualifying transaction by which Equitech Corporation has acquired all of the issued and outstanding shares of Zagros Pharma Ltd. in exchange for 1,102,941 shares of Equitech Corporation.

The acquisition was recorded under the purchase method. The purchase price was determined using the estimated fair value of Equitech's common shares, using the estimated fair value of Equitech's net assets, being:

	\$
Cash	532,049
Estimated fair value of public listing	100,000
	<u>632,049</u>

divided by the number of Equitech common shares outstanding (4,025,000) immediately before the acquisition. The allocation of the purchase price is as follows:

	\$
Cash	14,060
Accounts Receivable	1,236
Patent Costs	7,828
Goodwill	150,148
Liabilities assumed	(110)
	<u>173,162</u>

Equitech Corporation

NOTES TO UNAUDITED PRO FORMA BALANCE SHEET

October 3, 2001

2. PRO FORMA ADJUSTMENTS - Continued

As described in the Information Circular, the proposed acquisition of Zagros Pharma Limited is a non-arms length transaction for one of the directors of Equitech Corporation but arm's length for the remaining Directors of the Corporation.

- (b) the issuance of 515,000 common shares at \$0.20 per share for aggregate proceeds of \$103,000
- (c) the issuance of 250,000 common shares issued to Dr. Jamali for acquisition of technology
- (d) common shares issued on private placement at \$1.00 per share.
- (e) Additional issue costs charged to share capital are \$8,853.

3. SHARE CAPITAL CONTINUITY

A continuity of Equitech Corporation issued common share capital and related recorded values after giving effect to the pro forma transactions described in Note 2 above is set out below:

Common Shares	Number of Shares	Amount \$
Equitech shares held in escrow pursuant to IPO and agent's options exercised	1,400,000	140,000
Equitech shares issued	2,625,000	407,399
Equitech shares issued pursuant to qualifying transaction (Note 2(a))	1,102,941	173,162
Equitech shares to be issued for cash (Note 2(b))	515,000	103,000
Equitech shares to be issued pursuant to acquisition of technology from Dr. Jamali (Note 2c)	250,000	39,250
Equitech shares issued pursuant to private placement (Note 2(d))	100,000	100,000
Additional issue costs (Note 2(e))	-	(8,853)
	5,992,941	953,958

EQUITECH CORPORATION
FINANCIAL STATEMENTS
DECEMBER 31, 2001

Auditors' Report
Statement of Loss and Deficit
Balance Sheet
Statement of Cash Flows
Notes to the Financial Statements

Skolney & Company

Chartered Accountants

* Glenn W. Skolney
Professional Corporation
* Kenneth Ewanishan
Professional Corporation

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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
	\$	\$
<u>SALES</u>	-	-
<u>OPERATING EXPENSES</u>		
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	-
	(78,961)	-
<u>(LOSS) FROM OPERATIONS</u>	20,598	-
<u>OTHER INCOME</u>	(58,363)	-
<u>NET LOSS</u>		
Loss per share (Note 2)	(.015)	-
Weighted average number of shares	3,998,630	-
<u>DEFICIT, beginning of year</u>	-	-
Net loss	(58,363)	-
<u>DEFICIT, end of year</u>	(58,363)	-

EQUITECH CORPORATION
BALANCE SHEET
AS AT DECEMBER 31, 2001

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

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
	\$	\$
<hr/>		
<u>Increase (decrease) in cash and cash equivalents</u>		
<u>OPERATING ACTIVITIES</u>		
Net loss	(58,363)	-
Change in non-cash working capital items related to operations		
Accounts payable and accrued liabilities	22,160	25,000
	<u>(36,203)</u>	<u>25,000</u>
<hr/>		
<u>FINANCING ACTIVITIES</u>		
Issue of capital stock, net of issue costs	(13,121)	526,667
Due from Zagros Pharma Limited	(19,621)	-
	<u>(32,742)</u>	<u>526,667</u>
<hr/>		
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	<u>482,722</u>	<u>551,667</u>
<hr/>		
Cash and cash equivalents consists of:		
Cash	29,889	30,634
Government of Canada T-Bill	452,833	521,033
	<u>482,722</u>	<u>551,667</u>
<hr/>		

EQUITECH CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

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.

EQUITECH CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

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.

EQUITECH CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

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
	\$	\$
<hr/>		
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:

EQUITECH CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

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.

EQUITECH CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

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)
	<u>(71,484)</u>	<u>(113,333)</u>

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

EQUITECH CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

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.