

THE CHRYSALIS REPORT



THE CHRYSALIS CAPITAL GROUP

Letter to Shareholders & Partners

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CHRYSALIS III ANNOUNCES QUALIFYING TRANSACTION

On October 10, Chrysalis III signed an Agreement in Principle with U.S. Silver Corporation

CHRYSALIS II COMPLETES TANGARINE ACQUISITION

On August 15th, Chrysalis II completed its Qualifying Transaction and began trading as Tangarine (TSXV: TAN)

PHARMENG (CHRYSALIS I) CLOSES \$9M FINANCING

On August 8th, PharmEng completed a financing providing for access to up to \$9M in funds

CHRYSALIS III COMPLETES IPO

On June 27th, Chrysalis III completed a \$1.2M IPO, bringing gross funds raised to \$1.6M

CHRYSALIS III DONATES 100,000 OPTIONS TO SICKKIDS

Continuing a long standing tradition of corporate giving, Chrysalis III issued 100,000 options to SickKids.

Other Developments

- ✂ Marc Lavine featured in "The Merger Report"
- ✂ Marc Lavine profiled in nationwide "Report on (small) Business" magazine
- ✂ Chrysalis launches new corporate website - (www.tccg.ca)

It's been three years since I pulled together a group of experts to create what would become the first in a series of Chrysalis Capital Pool Companies ("CPCs"). I've been following the CPC program since 1996, when we used a CPC to take Cyberplex public, and I've watched it evolve from a little known investment vehicle into a leading source of Public Venture Capital, attracting an increasingly higher quality of target companies and investors - providing an environment for dramatic financial returns.

About a year ago, following the early successes of Chrysalis, the decision was made to dedicate more resources, time and capital to our CPCs and as such The Chrysalis Capital Group ("The Group") was formed in March 2006 as the parent company to all of our CPCs, with Rob Munro joining full time as President and co-founder.

Chrysalis is entirely focused on generating superior shareholder returns through the creation of a series of unique Capital Pool Companies

In the short time since forming The Group, Chrysalis has solidified its position as CPC leader. Our singular focus on the CPC program is unique in the industry; no other group dedicates its efforts solely towards CPCs. This gives Chrysalis and the CPCs it creates significant advantages over other CPCs; access to the best deal flow for our Qualifying Transactions, an infrastructure designed to accelerate the various stages of the CPC process and a relationship with the TSX Venture Exchange that strengthens with every CPC we create.

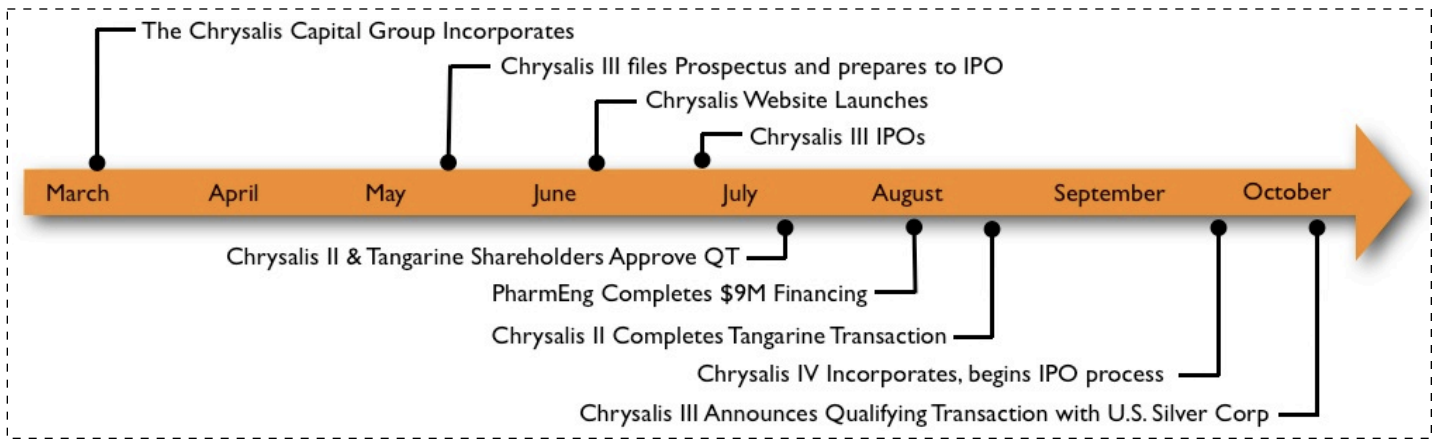
Unlike other CPC founders, Chrysalis, by nature of our series of CPCs, has an ongoing responsibility to our shareholders; a responsibility that has led to the creation of a broad communications effort, starting in June 2006 with the introduction of our comprehensive website at www.tccg.ca and is furthered today through The Chrysalis Report - the first in a series of newsletters designed to keep you, our shareholders and partners, up to date on the activities surrounding our CPCs as well as provide commentary on the state of the CPC industry.

Finally, on behalf of Chrysalis and our Board members, we would like to thank you for your continued commitment and support. We reiterate our promise for continual improvement and dedication of all our energies and passions towards sustaining and growing Chrysalis as a CPC leader.

Sincerely,

Marc Lavine
Chairman

Robert Munro
President



CHRYSALIS III ANNOUNCES QUALIFYING TRANSACTION WITH U.S. SILVER CORPORATION

On October 10th, Chrysalis announced its Qualifying Transaction with U.S. Silver Corporation, the owner and operator of a producing underground silver mine in the Coeur d'Alene mining district, a region known for silver, lead and zinc production, near the base of the panhandle of northern Idaho.

***Insight:** The announcement of this QT was made just over 3 months from the date Chrysalis III IPO'd - demonstrating the effectiveness of devoting more time and effort to our CPCs.*

CHRYSALIS II COMPLETES TRANSACTION WITH TANGARINE PAYMENT SOLUTIONS

On August 11th, Chrysalis Capital II announced the closing of its previously announced acquisition of Tangarine Concepts Corporation (now Tangarine Payment Solutions).

Tangarine is the largest non-bank Point of Sale ("POS") terminal provider in Canada and has over 9,000 terminals currently in market. In addition, their Prepaid MasterCard product (called MyCard) has over 10,000 subscribers.

The shares now trade under the new stock symbol TAN.

***Insight:** The POS marketplace is growing and consolidating. While staying focussed on building its business organically, Tangarine, as a public company, is now well positioned to seek out acquisition opportunities to accelerate its business objectives.*

PHARMENG COMPLETES \$9M FINANCING

PharmEng International Inc. has completed a private financing with Laurus Master Fund Ltd., which will provide the company with up to U.S.\$7M of convertible debt and an equity private placement and share-for-debt conversion which will provide the company with an additional \$1.8M in gross proceeds.

***Insight:** These funds will be used to complete construction of the \$50M capacity drug manufacturing facility in Cape Breton, which is scheduled to be completed in 2007.*

CHRYSALIS III COMPLETES \$1.2M IPO

On June 27th, Chrysalis III completed a \$1,200,000 initial public offering ("IPO"), bringing the gross proceeds to \$1,600,000. The shares of Chrysalis III trade on the TSX Venture Exchange under the trading symbol of "CYX.P".

***Insight:** Having successfully completed 3 CPC IPOs, Chrysalis has established itself as a premier creator of CPCs.*

CHRYSALIS III DONATES 100,000 SHARES TO SICKKIDS FOUNDATION

Continuing a tradition of corporate giving established with our prior CPCs, Chrysalis III granted 100,000 Charitable Options to SickKids Foundation as part of the IPO.

***Insight:** Chrysalis believes strongly that the CPC program provides the ideal structure for corporate giving. We intent to continue this tradition with our future CPCs.*

Did You Know...CPC Facts and Stats:

- ✂ The average size of the 44 CPCs that listed in the first 6 months of 2006 was \$950k - Chrysalis III is \$1.6M
- ✂ The average amount invested by the Founders of these same 44 CPC's (in the Seed round) was \$280k - Chrysalis III was \$400k
- ✂ Since Chrysalis initiated tracking of all CPCs, the average time between IPO and the announcement of a Qualifying Transaction (via a Press Release) has been approx 8 months - Chrysalis III was just over 3

PRESS RELEASE GLOSSARY

*Please click on the date to view the entire press release

Chrysalis Capital III Corporation

- [October 11, 2006](#) Chrysalis Capital III Corporation Announces Qualifying Transaction
- [June 27, 2006](#) Chrysalis Capital III Corporation Completes \$1,200,000 Initial Public Offering

Chrysalis Capital II Corporation - now Tangarine Payment Solutions Corporation

- [November 2, 2006](#) Tangarine Refinances Long Term Debt
- [September 12, 2006](#) Tangarine Signs Deal with MTS Allstream for Transaction Transmission to Proprietary Gateway
- [August 31, 2006](#) Agreement to Install 80 Wireless Point of Sale Terminals with Advance Unique Taxi & Limousine Services Ltd. Brings Total "fleetX" Deployments to 2,400
- [August 22, 2006](#) Shareholder Letter from Keith Turner
- [August 21, 2006](#) Tangarine Signs Agreement with Casino taxi to Install 275 Wireless Point of Sale Terminals
- [August 11, 2006](#) Chrysalis Capital Corporation Announces Change of Name and Completion of Qualifying Transaction

Chrysalis Capital I Corporation - now PharmEng International Inc.

- [Nov 14, 2006](#) PharmEng Reports Third Quarter Earnings for 2006
- [Oct 31, 2006](#) PharmEng names Bert Loveless as Chief Financial Officer - Bernie Boudreau Elected to the Board
- [Aug 23, 2006](#) PharmEng Reports Second Quarter Earnings for 2006
- [Aug 17, 2006](#) PharmEng Announces Board Changes
- [Aug 8, 2006](#) PharmEng Completes Financings
- [July 11, 2006](#) PharmEng Extends Vertical Integration Strategy and Acquires Laboratory Instrumentation Solution Services Company
- [March 21, 2006](#) Euro-Pharma Selects PharmEng as Private Label Supplier

Please visit www.tccg.ca for more information and to sign up to
The Chrysalis Capital Group's mailing list