HERBORIUM
Form 10QSB
July 23, 2007

U.S. Securities And Exchange Commission
Washington, D.C. 20549

Form 10-QSB

(check one)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended May 31, 2007

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE EXCHANGE ACT OF 1934

Commission File Number 000-25277

Herborium Group, Inc.
(Exact Name Of Small Business Issuer As Specified In Its Charter)

Nevada
(State Or Other Jurisdiction Of Incorporation Or Organization)

88-0353141
(I.R.S. Employer Identification No.)

3 Oak Street, Teaneck, NJ 07666
(Address Of Principal Executive Offices)

(201) 836-2424
(Issuer's Telephone Number)

Check whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes x No o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)
Yes o No x

As of July 6, 2007, there were 114,067,080 shares of the registrant's common stock, par value $.001 per share, issued and outstanding.

ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS
DURING THE PRECEDING FIVE YEARS

Check whether the issuer has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act after the distribution of securities under a plan confirmed by a court.
Yes x No o

Transmittal Small Business Disclosure Format (Check One):
Yes o No x

Herborium Group, Inc.
Index To Form 10-QSB

In this report, the terms the "Company", "we", "our" and "us" refer to Herborium Group, Inc., a Nevada corporation.

Cautionary Statement Regarding Forward-Looking Statements

Certain statements in the "Management's Discussion and Analysis or Plan of Operation" and elsewhere in this quarterly report constitute "forward-looking statements" (within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Act")) relating to us and our business, which represent our current expectations or beliefs including, but not limited to, statements concerning our operations, performance, financial condition and growth. All statements, other than statements of historical facts, included in this quarterly report that address activities, events or developments that we expect or anticipate will or may occur in the future, including such matters as our projections, future capital expenditures, business strategy, competitive strengths, goals, expansion, market and industry developments and the growth of our businesses and operations are forward-looking statements. Without limiting the generality of the foregoing, words such as "may," "believes," "expects," "anticipates," "could," "estimates," "grow," "continue," "will," "seek," "scheduled," "goal" or "future" or the negative or other comparable terminology are intend identify forward-looking statements. These statements by their nature involve substantial risks and uncertainties, such as credit losses, dependence on management and key personnel, variability of quarterly results, our ability to continue our growth strategy and competition, certain of which are beyond our control. Any or all of our forward-looking statements may turn out to be wrong. They may be affected by inaccurate assumptions that we might make or by known or unknown risks or uncertainties. Should one or more of these risks or uncertainties materialize or should the underlying assumptions prove incorrect, actual outcomes and results could differ materially from those indicated in the forward-looking statements.

Because of the risks and uncertainties associated with forward-looking statements, you should not place undo reliance on them. Further, any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events.

Herborium Group, Inc. And Subsidiaries
Condensed Consolidated Balance Sheets

	May 31, 2007 (Unaudited)	November 30, 2006 (Note 1)
ASSETS		
Current assets:		
Cash	$ 5,871	$ 4,649
Accounts receivable	5,552	5,416
Inventory	77,599	73,890
Prepaid expenses and other current assets	284	442
Total current assets	89,306	84,397
Property and equipment, net of accumulated depreciation of $19,984; $19,015-2006	5,201	6,170
Other assets, net of accumulated amortization of $8,385; $7,269-2006	29,817	27,728
TOTAL ASSETS	$ 124,324	$ 118,295
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
Current liabilities:		
Accounts payable and accrued expenses	$ 475,061	$ 346,008
Credit cards payable	138,335	134,126
Lines of credit payable	166,036	172,913
Due to others	40,494	21,513
Due to stockholders	170,648	166,682
Total current liabilities	990,574	841,242
Stockholders' deficiency:		
Common stock, $0.001 par value; 500,000,000 shares authorized, 114,067,080 shares issued and outstanding (108,567,080 - November 30, 2006)	25,500	20,000
Common stock subscribed; no shares issued and outstanding	188,500	188,500
Additional paid-in capital	449,500	180,000
Deferred consulting fees	(181,250)	--
Accumulated deficit	(1,348,500)	(1,111,447)
Total stockholders' deficiency	(866,250)	(722,947)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIENCY	$ 124,324	$ 118,295

See accompanying notes to condensed consolidated financial statements

Herborium Group, Inc. And Subsidiaries
Condensed Consolidated Statements Of Operations
(Unaudited)

	For The Three Months Ended May 31,		For The Six Months Ended May 31,	
	2007	**2006**	**2007**	**2006**
NET SALES	$ 197,319	$ 223,771	$ 412,678	$ 386,984
COST OF SALES	66,485	89,265	142,490	160,720
GROSS PROFIT	130,834	134,506	270,188	226,264
OPERATING EXPENSES				
Marketing and selling	72,999	94,945	148,713	171,843
General and administrative	189,407	108,040	336,241	171,901
TOTAL OPERATING EXPENSES	262,406	202,985	484,954	343,744
LOSS FROM OPERATIONS	(131,572)	(68,479)	(214,766)	(117,480)
Interest expense	(10,812)	(11,141)	(21,506)	(21,949)
LOSS BEFORE PROVISION FOR INCOME TAXES	(142,383)	(79,620)	(236,272)	(139,429)
Provision for income taxes		1,013	780	1,513
NET LOSS	$ (142,383)	$ (80,633)	$ (237,052)	$ (140,942)
Net loss per share - basic and dilutive	$ -	$ -	$ -	$ -
Weighted average number of shares outstanding during the period - basic and dilutive	114,067,080	108,567,080	112,304,649	108,567,080

See accompanying notes to condensed consolidated financial statements

Herborium Group, Inc. And Subsidiaries
Condensed Consolidated Statement Of Cash Flows
(Unaudited)

	Six months ended May 31,	
	2007	2006
CASH FLOWS USED IN OPERATING ACTIVITIES:		
Net loss	$ (237,052)	$ (140,942)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	2,085	2,469
Stock-based consulting fees	93,750	-
Changes in assets (increase) decrease:		
Accounts receivable	(136)	18,184
Inventory	(3,709)	4,620
Prepaid expenses and other current assets	158	96
Changes in liabilities increase (decrease):		
Accounts payable and accrued expenses	129,053	95,020
Net cash used in operating activities	(15,851)	(20,553)
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Purchase of equipment	-	(686)
Purchase of other assets	(3,206)	(6,640)
Net cash used in investing activities	(3,206)	(7,326)
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES:		
Repayment of lines of credit, net	(6,877)	(1,606)
Increase in other loans	18,981	--
Increase in credit card payable, net	4,209	3,719
Increase in due to stockholders	3,966	30,713
Net cash provided by financing activities	20,279	32,826
NET INCREASE IN CASH	1,222	4,947
CASH, BEGINNING OF PERIOD	4,649	182
CASH, END OF PERIOD	$ 5,871	$ 5,129
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Income taxes	$ -	$ 1,451
Interest	21,212	17,257

Supplemental disclosure of non-cash information:
During the six months ended May 31, 2007, the Company issued 5,500,000 shares of common stock valued at $275,000 for professional services.

See accompanying notes to condensed consolidated financial statements

Herborium Group, Inc. And Subsidiaries
Condensed Consolidated Statement Of Stockholders' Deficiency
For The Six Months Ended May 31, 2007
(Unaudited)

	Common Stock Shares	Common Stock Amount	Common Stock Subscribed Shares	Common Stock Subscribed Amount	Additional Paid-in Capital	Deferred Consulting Fees	Accumulated Deficit	Total
BALANCE, DECEMBER 1, 2006	108,567,080	$ 20,000	-	$ 188,500	$ 180,000	$ -	$ (1,111,447)	$ (722,947)
Common stock issued to consultant for services	5,500,000	5,500	-	-	269,500	(275,000)	-	-
Amortization of deferred consulting fees						93,750		93,750
Net loss for the period	-	-	-	-	-	-	(237,052)	(237,052)
BALANCE, May 31, 2007	114,067,080	$ 25,500	-	$ 188,500	$ 449,500	$ (181,250)	$ (1,348,500)	$ (866,250)

See accompanying notes to condensed consolidated financial statements

Herborium Group, Inc. And Subsidiaries
Notes To Condensed Consolidated Financial Statements
As Of May 31, 2007
(Unaudited)

NOTE 1. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles and reflect all adjustments which management believes necessary (which include only normal recurring accruals) to present fairly the financial position, results of operations, and cash flows of the Company. These statements, however, do not include all information and footnotes necessary for a complete presentation of the Company's consolidated financial position, results of operations and cash flows in conformity with accounting principles generally accepted in the United States. The interim financial statements should be read in conjunction with the consolidated financial statements and notes thereto, included in the Company's audited financial statements for the fiscal year ended November 30, 2006 included in its Annual Report on Form 10-KSB, and are not necessarily indicative of the results to be expected for the full year ending November 30, 2007. The consolidated balance sheet at November 30, 2006 has been derived from the audited balance sheet as of that date.

NOTE 2. ORGANIZATION AND NATURE OF BUSINESS

Herborium, Inc., (the "Company") was incorporated in the State of Delaware on June 4, 2002, and is the surviving entity following a merger of G.O. International, Inc., a New Jersey corporation, with and into the Company effective June 6, 2002. The Company provides unique, natural and complementary healthcare related products to consumers and healthcare professionals seeking alternative answers to the management of healthcare issues not currently met by standard Western medicine. Its products are botanical supplements comprised of unique herbal formulations, referred to as botanical therapeutics, that have a record of clinical efficacy and safety established in China; however, these products have not been evaluated according to standards of clinical efficacy and safety applicable to pharmaceutical products sold in the United States and other countries, and because these products are herbal-based, they are not recognized as pharmaceuticals by the Federal Drug Administration (the "FDA"). The Company's business model is based on (i) owning and/or marketing unique products with established clinical history in their country of origin, and (ii) a proactive approach to meeting the regulatory changes and challenges of the new healthcare marketplace. Historically, substantially all of the Company's revenue has been derived from the sale of AcnEase through its corporate website.

On September 18, 2006, Herborium was acquired by Pacific Magtron International Corporation, Inc. ("PMIC"), a publicly traded Nevada Corporation, pursuant to a Merger Agreement and PMIC's plan of reorganization in bankruptcy. The transaction was accomplished by the merger of a PMIC subsidiary into Herborium, with Herborium as the surviving corporation (the "Merger). Under the provisions of the Merger Agreement and the plan of reorganization, the stockholders of Herborium exchanged 100% of their common stock of the Company for 85% of the post-Merger PMIC common stock. The previously outstanding common shares of PMIC were cancelled under the plan of reorganization, and one new share of the Company was issued in exchange for each cancelled shares held by all PMIC shareholders, other than its majority shareholder, Advanced Communications Technologies, Inc ("ACT"). A total of 11,454,300 shares were issued to the shareholders of ACT in exchange for the cancellation of the PMIC shares and ACT's contribution of $50,000 to the bankruptcy. Shares of our common stock have been distributed to PMIC shareholders. Following this distribution, as well as certain other distributions that are included in the plan of reorganization, an aggregate of 108,567,080 shares of common stock of Herborium Group was issued and outstanding as of November 30, 2006. This number of shares was used in calculations of net loss per share for all periods presented on a retroactive basis for the three and six months ended May 31, 2006.

Although PMIC is deemed the legal acquirer, the Company is deemed the accounting acquirer since generally accepted accounting principles require that the entity whose stockholders retain a majority interest in a combination be treated as the acquirer. This reverse merger is treated as a recapitalization with no purchase price allocation. In connection with the merger, PMIC changed its name to Herborium Group, Inc. and adopted the fiscal year of Herborium Group, Inc. which is November 30.

Herborium Group, Inc. And Subsidiaries
Notes To Condensed Consolidated Financial Statements
As Of May 31, 2007
(Unaudited)

NOTE 3. BASIS OF ACCOUNTING AND SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Accounting

The Company's consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities in the normal course of business. The Company incurred net losses of $237,052 for the six months ended May 31, 2007 and $339,757 for the year ended November 30, 2006. The Company had a working capital deficiency of $901,268 and $756,845 as of May 31, 2007 and November 30, 2006, respectively. Management is pursuing additional capital and debt financing and the acquisition of the AcnEase formula. However, there is no assurance that these efforts will be successful.

Our independent auditors have added an explanatory paragraph to their audit reports issued in connection with our fiscal 2006 and 2005 financial statements, which states that our ability to continue as a going concern depends upon our ability to resolve liquidity problems by generating sufficient operating profits to provide additional working capital. Our ability to obtain additional funding and pay off our obligations will determine our ability to continue as a going concern. Our financial statements do not include any adjustments that might result from the outcome of this uncertainty.

b. Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Herborium, Inc. and Herborium.com, Inc. All significant intercompany accounts and transactions are eliminated in consolidation.

c. Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

d. Income taxes

Income tax expense includes current and deferred federal and state taxes arising from temporary differences between income for financial reporting and income tax purposes, as well as from the expected realization of net operating loss carryforwards. A valuation allowance is established when necessary to reduce deferred tax assets to the amounts expected to be realized.

e. Revenue

The Company recognizes revenue when inventory is shipped to its customers.

f. Loss per share

Basic earnings (loss) per share is computed by dividing net loss available to common stockholders by the weighted average number of common shares outstanding for the period. During the three and six months ended May 31, 2007,

the Company had no securities convertible into common stock. The number of shares used in the calculation of net loss per share for the six months ended May 31, 2006, was presented on a retroactive basis as described in Note 2.

g. Allowance for doubtful accounts

The Company makes judgments as to its ability to collect outstanding trade receivables and provides allowances, if deemed necessary, for the portion of receivables when collection becomes doubtful. Provisions are made based upon a specific review of all significant outstanding invoices.

Herborium Group, Inc. And Subsidiaries
Notes To Condensed Consolidated Financial Statements
As Of May 31, 2007
(Unaudited)

h. Recent accounting pronouncements

In December 2004 the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 123, "Share-Based Payment" ("SFAS No. 123R"), which addresses the accounting for share-based payment transactions in which a company receives employee services in exchange for (a) equity instruments of the company or (b) liabilities that are based on the fair value of the company's equity instruments or that may be settled by the issuance of equity instruments. SFAS 123R supercedes APB Opinion No. 25 and amends SFAS No. 95, "Statement of Cash Flows". Under SFAS 123R, companies are required to record compensation expense for all share-based award transactions measured at fair value as determined by an option valuation model. This statement is effective for fiscal years beginning after June 15, 2005. Since the Company currently recognizes compensation expense at fair value for share-based transactions in accordance with SFAS 123, it does not anticipate adoption of this standard will have a significant impact on its financial position, results of operations or cash flows.

On June 7, 2005, the FASB issued Statement of Financial Accounting Standards No. 154, "Accounting Changes and Error Corrections, ("SFAS 154"). A replacement of APB Opinion No. 20, Accounting Changes," and Statement No. 3, "Reporting Accounting Changes in Interim Financial Statements," SFAS 154 changes the requirements for the accounting for and reporting of a change in accounting principle. Previously, most voluntary changes in accounting principles required recognition of a cumulative effect adjustment within net income of the period of the change. SFAS 154 requires retrospective application to prior periods' financial statements, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. SFAS 154 is effective for accounting changes made in fiscal years beginning after December 15, 2005; however, the Statement does not change the transition provisions of any existing accounting pronouncements. The adoption of SFAS 154 has not had a material effect on the Company's financial position, results of operations, or cash flows.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157 - Fair Value Measurements ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles ("GAAP"), and expands disclosures about fair value measurements.

Prior to SFAS 157, there were different definitions of fair value and limited guidance for applying those definitions in GAAP. Moreover, that guidance was dispersed among the many accounting pronouncements that require fair value measurements. SFAS 157 clarifies that the exchange price is the price in an orderly transaction between market participants to sell the asset or transfer the liability in the market in which the reporting entity would transact for the asset or liability, that is, the principal or most advantageous market for the asset or liability.

This Statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company has evaluated the impact that SFAS 157 will have on its financial position, results of operations and cash flows and concluded it will not have a material impact.

In June 2006, the FASB issued Financial Accounting Standards Board Interpretation ("FIN") No. 48, "Accounting for Uncertainty in Income Taxes, an interpretation of SFAS 109." FIN No. 48 provides a comprehensive model for the recognition, measurement and disclosure in the financial statements of uncertain tax positions taken or expected to be taken on a tax return. FIN 48 is effective for fiscal years beginning after December 31, 2006. The Company is currently evaluating the impact this interpretation may have on its future financial position, results of operations, earnings per share, or cash flows.

In September 2006, the Securities and Exchange Commission issued SAB No. 108, “Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements.” SAB No. 108 was issued to address diversity in practice in quantifying financial statement misstatements. Current practice allows for the evaluation of materiality on the basis of either (1) the error quantified as the amount by which the current year income statement was misstated (“rollover method”) or (2) the cumulative error quantified as the cumulative amount by which the current year balance sheet was misstated (“iron curtain method”). The guidance provided in SAB 108 requires both methods to be used in evaluating materiality (“dual approach”). SAB No. 108 permits companies to initially apply its provisions either by (1) restating prior financial statements as if the dual approach had always been used or (2) recording the cumulative effect of initially applying the “dual approach” as adjustments to the carrying values of assets and liabilities as of January 1, 2006 with an offsetting adjustment recorded to the opening balance of retained earnings. There were no matters warranting the Company’s consideration under the provisions of SAB No. 108 and, therefore, it did not have an impact on the Company’s financial position, results of operations, net loss per share or cash flows.

In February 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities—Including an Amendment of FASB Statement No. 115.” This Standard allows entities to voluntarily choose, at specified election dates, to measure many financial assets and financial liabilities (as well as certain non-financial instruments that are similar to financial instruments) at fair value. The election is made on an instrument-by-instrument basis and is irrevocable. If the fair value option is elected for an instrument, the Statement specifies that all subsequent changes in fair value for that instrument shall be reported in earnings. SFAS No. 159 is effective beginning on January 1, 2008. We are currently evaluating the impact this new Standard could have on our financial position and results of operations.

Herborium Group, Inc. And Subsidiaries
Notes To Condensed Consolidated Financial Statements
As Of May 31, 2007
(Unaudited)

NOTE 4. MAJOR SUPPLIER

The Company purchased approximately 90% of its inventory from AH USA, its major supplier for the three and six month periods ended May 31, 2007 and 2006. The Company is party to into an agreement with AH USA, owner of an acne product of which the Company, as licensee, is the exclusive worldwide distributor. Negotiations between the Company and AH USA are ongoing to acquire the intellectual property rights to the product.

NOTE 5. LINES OF CREDIT AND CREDIT CARDS PAYABLE

The Company has entered into four revolving line of credit agreements with commercial banks. The credit agreements provide for aggregate borrowings of up to $187,500 and are payable on demand with no maturity dates set forth in the loan agreements. Borrowings under these facilities bear interest at rates ranging from prime plus 1.25% to 14%.

The Company also has entered into a number of standard credit card agreements that it uses for business expenses. Borrowings under these agreements, which have no set maturity dates, bear interest at rates ranging from 11.2% to 39.7%.

NOTE 6. DUE TO STOCKHOLDERS

Due to stockholders consist of unsecured demand loans to the Company with no specified terms, including the payment of interest, and, accordingly, this liability is included in current liabilities and no interest expense has been accrued. Repayment is not expected until such time as the Company has adequate funds available. For the six months ended May 31, 2007, the amount due to stockholders, which consists of unsecured demand loans to the Company with no specified terms, increased by $3,966.

NOTE 7. KEY EMPLOYEES

The Company relies extensively on the services of Drs. Agnes P. Olszewski and James P. Gilligan, its co-founders, who play key roles in all aspects of operations and management and the loss of their services would materially and adversely affect the Company's prospects. Until the Company raises substantial financing, neither of these key individuals will be able to receive cash compensation.

NOTE 8. STOCKHOLDERS' DEFICIENCY

On January 19, 2007, the Board of Directors of the Company approved the Herborium Group, Inc. 2007 Stock Plan ("Plan") which provides for a maximum aggregate of 20 million shares of common stock to be issued upon grants of restricted stock or upon exercise of options granted under the Plan, as compensation and incentive to eligible employees, directors, consultants and advisors. On January 26, 2007, the Company filed a Registration Statement on Form S-8 with the Securities and Exchange Commission in connection with the consultant's shares. On January 1, 2007, the Company entered into a two-year Consulting Agreement with an individual and in consideration of the services to be provided pursuant to the Financial Consulting Agreement, the Company agreed to initially issue up to 9 million shares of the Company's common stock pursuant and subject to the Plan, and when so issued, such shares shall be validly issued, fully paid and non-assessable, of which 7.5 million shares will vest immediately, with 5.5 million shares being issued immediately. The remaining shares will vest over the term of the Consulting Agreement, and, in the event the Company acquires the AcnEase formula, up to an additional 3 million shares could be issued per terms

of the Consulting Agreement. The shares issued and yet to be issued have been valued at $.05 per share based on the market value on the date granted for an aggregate cost of $450,000, which cost will be expensed over the period of the agreement. Accordingly, consulting expense in the amount of $93,750 was recorded during the six months ended May 31, 2007.

Item 2. Management's Discussion And Analysis Or Plan Of Operation

The following is management's discussion and analysis of certain significant factors that will or have affected our financial condition and results of operations. The discussion should be read in conjunction with our financial statements and the related notes and the other financial information appearing elsewhere in this report and included in the Company's Annual Report on Form 10-KSB for the year ended November 30, 2006. In addition to historical information, the following discussion and other parts of this quarterly report contain words such as "may," "estimates," "expects," "anticipates," "believes," "plan," "grow," "will," "could," "seek," "continue," "future," "goal," "scheduled" and similar expressions that are intended to identify forward-looking information that involves risks and uncertainties. In addition, any statements that refer to expectations or other characterizations of future events or circumstances are forward-looking statements. Actual results and outcomes could differ materially as a result of important factors including, among other things, general economic conditions, the Company's ability to renew or replace key supply and credit agreements, fluctuations in operating results, committed backlog, public market and trading issues, risks associated with dependence on key personnel, and competitive market conditions in the Company's existing lines of business, as well as other risks and uncertainties. See "Risk Related To Our Business" and "Risks Related To Our Stock" below.

GENERAL

We provide unique, natural and complementary healthcare related products to consumers and healthcare professionals seeking alternative answers to the management of healthcare issues not currently met by standard Western medicine. Our products are botanical supplements comprised of unique herbal formulations. We select products that have a record of clinical efficacy and safety established in China; however, these products have not been evaluated according to standards of clinical efficacy and safety applicable to pharmaceutical products sold in the United States and other countries, and because these products are herbal-based, they are not recognized as pharmaceuticals by the Federal Drug Administration (the "FDA").

Our business model is based on:

- owning and/or marketing unique products with established clinical history in their country of origin, and
- a proactive approach to meeting the regulatory changes and challenges of the new healthcare marketplace.

FINANCIAL CONDITION

We had net losses of $237,052 during the six months ended May 31, 2007. As of May 31, 2007, we had cash and current assets of $5,871 and $89,306, respectively, and current liabilities of $990,574, with obligations aggregating $475,061 for trade creditors and accrued expenses, $138,335 for credit card obligations, $166,036 payable for line of credit obligations, $40,494 for amounts due to others and $170,648 for amounts due to stockholders. We have been operating at a loss since inception and have been funding these losses in a number of ways, including lines of credit, credit card debt, advances from stockholders and others and entering into subscription agreements with "friends and family" for investment funds. While we are actively seeking a substantial amount of equity or debt financing, we have received no commitments for such financing. Our working capital at May 31, 2007 is not sufficient to meet our working capital needs for the next twelve-month period and we will need to obtain additional financing from one or more of the sources described above, or an entirely new source.

Our independent auditors have added an explanatory paragraph to their audit reports issued in connection with our fiscal 2006 and 2005 financial statements, which states that our ability to continue as a going concern depends upon our ability to resolve liquidity problems by generating sufficient operating profits to provide additional working

capital. Our ability to obtain additional funding and pay off our obligations will determine our ability to continue as a going concern. Our financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As described above, we merged into and with PMIC and became a publicly traded corporation; however, we have not closed, nor obtained a commitment for, the financing that was originally contemplated to close contemporaneously with the closing of the merger. As a result of this lack of funding, a condition unfavorably impacting us since inception, revenue and profitability have not increased as we believe would have otherwise been the case. Without sufficient financing, we have not been able to (i) acquire ownership of several products, particularly the intellectual property rights to and formulation of, our principal product, AcnEase®, (ii) market and promote our products, (iii) conduct certain clinical trials that would further such marketing and promotional activities and (iv) hire additional employees.

RELATED PARTY TRANSACTIONS

During the six months ended May 31, 2007, the Company's due to stockholders increased by $3,966 to $170,648.

COMPARISON OF THE THREE MONTHS ENDED MAY 31, 2007 TO THE THREE MONTHS ENDED MAY 31, 2006

Summary Results of Operations

The following table sets forth certain selected financial data as a percentage of sales for the three months ended May 31, 2007 and 2006:

	2007	2006
Net sales	100.0%	100.0%
Cost of sales	33.7	39.9
Gross profit	66.3	60.1
Operating expenses	133.0	90.7
Loss from operations before other expense	(66.7)	(30.6)
Other expense	(5.5)	(5.0)
Provision for income taxes	(0.0)	(0.4)
Net loss	(72.2)%	(36.0)%

Sales

Net sales for the three months ended May 31, 2007, were $197,319 compared to $223,771 for the three months ended May 31, 2006. The decrease of $26,452, or 11.8%, can be attributed to an unusually higher level of sales of AcnEase in both the United States and in the United Kingdom in the earlier period due in part to the timing of distributor orders.

Gross Profit

Gross profit decreased to $130,834 for the three months ended May 31, 2007 compared to $134,506 for the three months ended May 31, 2006, a decrease of $3,672 or 2.7%, with gross margin increasing to 66.3% from 60.1% for the prior period. The increase in gross profit is attributable to the increase in the higher realized gross margin, partially offset by the decline in net sales. This improvement in gross margin is a result of an improvement that commenced in late fiscal 2006 in the average selling price received for AcnEase due to a change in the mix of distribution channels into which we sell.

Operating Expenses

Total operating expenses increased by $59,420, or 29.3%, to $262,405 for the three months ended May 31, 2007, from $202,985 for the three months ended May 31, 2006, principally attributable to increases in payroll expenses of $22,587 for officer salary expense accrued but not paid and noncash professional fees of $56,250, partially offset by a decrease in website development expenses of $10,913.

Other Income (Expense)

Interest expense decreased to $10,812 from $11,141 for the three months ended May 31, 2007 as compared with the three months ended May 31, 2006, or a minor $329, as interest rates and debt outstanding were relatively constant

during both periods.

COMPARISON OF THE SIX MONTHS ENDED MAY 31, 2007 TO THE SIX MONTHS ENDED MAY 31, 2006

Summary Results of Operations

The following table sets forth certain selected financial data as a percentage of sales for the six months ended May 31, 2007 and 2006:

	2007	2006
Net sales	100.0%	100.0%
Cost of sales	34.5	41.5
Gross profit	65.5	58.5
Operating expenses	117.5	88.8
Loss from operations before other expense	(52.0)	(30.3)
Other expense	(5.2)	(5.7)
Provision for income taxes	(0.2)	(0.4)
Net loss	(57.4)%	(36.4)%

Sales

Net sales for the six months ended May 31, 2007 were $412,678 compared to $386,984 for the six months ended May 31, 2006. The increase of $25,694, or 6.6%, can be attributed to an overall increase in first quarter sales of AcnEase in both the United States and in the United Kingdom due to increased awareness of this product resulting from web-based promotion activities and growth in distributor orders.

Gross Profit

Gross profit increased to $270,188 for the six months ended May 31, 2007 compared to $226,264 for the six months ended May 31, 2006, an increase of $43,924 or 19.4%, with gross margin increasing to 65.5% from 58.5% for the prior period. The increase in gross profit is attributable to both the increase in net sales and the higher realized gross margin. This improvement in gross margin is a result of an improvement that commenced in late fiscal 2006 in the average selling price received for AcnEase due to a change in the mix of distribution channels into which we sell.

Operating Expenses

Total operating expenses increased by $141,210, or 41.1%, to $484,954 for the six months ended May 31, 2007, from $343,744 for the six months ended May 31, 2006, principally attributable to increases in payroll expenses of $55,701 for officer salary expense accrued but not paid and an increase in noncash professional fees of $93,750, partially offset by a decrease in website development expenses of $17,932.

Other Income (Expense)

Interest expense decreased to $21,506 from $21,949 for the six months ended May 31, 2007 as compared with the six months ended May 31, 2006, or a minor $443, as interest rates and debt outstanding were relatively constant during both periods.

Seasonality

There are no seasonality factors that affect the Company.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Company's financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors, and the Company does not have any non-consolidated special purpose entities.

LIQUIDITY AND CAPITAL RESOURCES

As of May 31, 2007, we had a cash balance of $5,871 and a negative cash flow from operations of $15,851 for the six-month period then ended. We have been operating at a loss since inception and have been funding these losses in a number of ways, including lines of credit, credit card debt, advances from stockholders and entering into subscription agreements with "friends and family" for investment funds. While we are actively seeking a substantial amount of equity or debt financing, we have received no commitments for such financing. Our working capital at May 31, 2007, is not sufficient to meet our working capital needs for the next twelve-month period and we will need to obtain additional financing from one or more of the sources described above, or an entirely new source.

Below is a discussion of our sources and uses of funds for the six months ended May 31, 2007 and 2006.

Net Cash Used In Operating Activities

Net cash used in operating activities was $15,851 and $20,553 in the six months ended May 31, 2007 and 2006, respectively. Cash used in operating activities for the six months ended May 31, 2007 was principally the result of a net loss of $237,052 partially offset by an increase in accounts payable and accrued expenses of $129,053, and non-cash expenses of 95,835. The use of cash in operating activities for the six months ended May 31, 2006 was principally the result of a net loss of $140,942, partially offset by a decrease in accounts receivable of $18,184 and an increase in accounts payable and accrued expenses of $95,020.

Net Cash Used In Investing Activities

Net cash used in investing activities was $3,206 and $7,326 in the six months ended May 31, 2007 and 2006, respectively. During the six months ended May 31, 2007 and 2006, cash used in investing activities principally consisted of expenditures for other assets of $3,206 and $6,640, respectively.

Net Cash Provided By Financing Activities

Net cash provided by financing activities for the six months ended May 31, 2007 amounted to $20,279, principally attributable to an increase of $18,981 in amount due to others. Net cash provided by financing activities for the six months ended May 31, 2006 amounted to $32,826, principally attributable to increases of $30,713 in amount due to stockholders.

Stock Issuance and Stock Plan

On January 1, 2007, we entered into a two-year consulting agreement with an individual and in consideration of the financial consulting services to be provided under this agreement, we agreed to initially issue up to nine million shares of our common stock pursuant and subject to the Herborium Group, Inc. 2007 Stock Plan (the “Plan”). Of these shares, 7.5 million shares vested immediately, and we have issued 5.5 million shares. The remaining shares will vest over the term of the consulting agreement. In addition, in the event certain transactions are consummated, up to an additional three million shares could be issued per terms of the agreement. The shares issued and yet to be issued have been valued at $.05 per share based on the market value on the date granted for an aggregate cost of $450,000, which cost will be expensed over the period of the agreement. Accordingly, we recorded an expense charge of $93,750 during the six months ended May 31, 2007.

Our Board of Directors approved the Plan on January 19, 2007. The Plan provides for a maximum aggregate of 20 million shares of common stock to be issued upon grants of restricted stock or upon exercise of options granted under the Plan, as compensation and incentive to eligible employees, directors, consultants and advisors. On January 26, 2007, we filed Registration Statement on Form S-8 with the Securities and Exchange Commission to in connection with the Plan.

RISK FACTORS

Our business and results of operations are subject to numerous risks, uncertainties and other factors that you should be aware of, some of which are described below and in the section entitled “Cautionary Statement Concerning Forward-Looking Statements.” The risks, uncertainties and other factors described below are not the only ones facing our company. Additional risks, uncertainties and other factors not presently known to us or that we currently deem immaterial may also impair our business operations. Any of the risks, uncertainties and other factors could have a materially adverse effect on our business, financial condition or results of operations and could cause the trading

price of our common stock to decline substantially.

Risks Relating to Our Business

We have a history of losses, and will incur additional losses.

We are a company with a limited history of operations, and do not expect to significantly increase ongoing revenues from operations in the immediately foreseeable future. To date, we have not been profitable. We had a net loss of $237,052 during the six months ended May 31, 2007 and $339,757 for the year ended November 30, 2006. Our losses have resulted principally from costs incurred in product development, including product testing and selection, and from general and administrative costs associated with our operations. While we seek to attain profitability, we cannot be sure that we will ever achieve product and other revenue sufficient for us to attain this objective.

With the exception of *AcnEase*®, our product candidates are in research or various stages of development. For some of these products we will want to conduct additional research, development and clinical trials in order to improve our ability to advertise and differentiate these products from others in the market place. We cannot be sure that we will successfully research, develop, commercialize, manufacture and market any other product candidates. We expect that these activities, together with future general and administrative activities, will result in significant expenses for the foreseeable future.

We need additional capital, which may not be available to us.

We have expended and will continue to expend substantial funds in the research, development, marketing and clinical testing of our herbaceutical supplements. In addition, we will require funds in excess of our existing cash resources to fund operating deficits, develop new products, purchase additional rights to existing products, establish and expand our manufacturing capabilities, and finance general and administrative and research activities. In particular, we will need additional capital to:

· acquire intellectual property rights relating to *AcnEase*® and other products;

· conduct clinical trials and fund marketing and new product launches;

· establish U.S. manufacturing capabilities; and

· fund general working capital requirements if we continue to experience deficits.

Due to market conditions, or due to our own financial condition, it is possible that we will be unable to obtain additional funding as and when we need it. Even if we are able to obtain capital, it may be on unfavorable terms or terms that excessively dilute existing shareholders or otherwise negatively affect the interests of existing shareholders. If we are unable to obtain additional funding as and when needed, we could be forced to delay our development, marketing and expansion efforts and, if we continue to experience losses, potentially cease operations.

We may not be able to obtain or sustain market acceptance for our services and products.

Failure to establish a brand and presence in the marketplace on a timely basis could adversely affect our financial condition and operating results. Moreover, we cannot be sure that we will successfully complete the development and introduction of new products or product enhancements or that any new products developed will achieve acceptance in the marketplace. We may also fail to develop and deploy new products and product enhancements on a timely basis. *AcnEase*® is currently our only product providing revenues.

Government regulation of the processing, formulation, packaging, labeling and advertising of our products can impact our ability to market products.

Under the Dietary Supplement Health and Education Act of 1994, companies that manufacture and distribute dietary supplements are limited in the statements that they are permitted to make about nutritional support on the product label without FDA approval. In addition, a manufacturer of a dietary supplement must have substantiation for any such statement made and must not claim to diagnose, mitigate, treat, cure or prevent a specific disease or class of disease. The product label must also contain a prominent disclaimer. These restrictions may restrict our flexibility in marketing our product.

The FDA has proposed GMPs (Good Manufacturing Practices) specifically for dietary supplements. These new GMPs, when finalized, will be more detailed than the GMPs that currently apply to dietary supplements and may, among other things, require dietary supplements to be prepared, packaged and held in compliance with certain rules

(including quality control provisions) similar to the GMPs applicable to drugs. There can be no assurance that, if the FDA adopts GMPs for dietary supplements, we and/or our suppliers will be able to comply with the new rules without incurring substantial expenses that might have a material adverse effect on our consolidated financial position or results of operations. As a formulator, distributor and marketer of dietary supplements, we are subject to the risk that one or more of the ingredients in our product may become subject to regulatory action in the future.

The processing, formulizing, packaging, labeling and advertising of such products, however, are subject to regulation by one or more federal agencies including the FDA, the Federal Trade Commission, the Consumer Products Safety Commission, the Department of Agriculture and the Environmental Protection Agency. Our activities also are subject to regulation by various agencies of the states and localities in which our products are sold. Among other things, such regulation puts a burden on our ability to bring products to market. Any changes in the current regulatory environment could impose requirements that would make bringing new products to market more expensive or restrict the ways we can market our products. In addition, the adoption of new regulations or changes in the interpretation of existing regulation may result in significant compliance costs or discontinuation of product sales and may adversely affect our revenue. The FDA may implement additional regulations with which we would have to comply, which would increase expenses.

No governmental agency or other third party makes a determination as to whether our products qualify as dietary supplements or not. We make this determination based on the ingredients contained in the products and the claims we make for the products and if our determination is denied by any regulatory authority we could face significant penalties that may require us to shut down our operations.

We face substantial competition.

The dietary supplement industry is growing rapidly and is highly competitive. Competition for the sale of nutritional products comes from many sources, including specialty retailers, supermarkets, large chain discount retailers, drug store chains and independent drug stores, health food stores, on-line merchants, mail order companies and a variety of other participants in the market for nutritional products. Some of our more prominent competitors include General Nutrition Centers, Inc., NBTY, Inc., Invite Health, Vitamin World and Vitamin Shoppe. We compete regularly with companies selling nationally advertised brand name products and with companies that may have more expanded product lines with much larger volume of sales. This competition could have a material adverse effect on our business, results of operations and financial condition since these companies have greater financial and other resources available to them and may possess manufacturing, distribution and marketing capabilities far greater than our own.

Certain existing products may become more mainstream and thereby increase competition for those products as more participants enter the market. We may not be able to compete effectively and our attempt to do so may require us to reduce our prices, which may result in lower margins. Failure to compete effectively could adversely affect our market share, revenues and growth prospects.

Our competitive position will be affected by the continued acceptance of our products, our ability to attract and retain qualified personnel, future governmental regulations affecting nutritional products, and publication of product safety studies by the media, government and authoritative health and medical authorities.

We currently have no manufacturing capabilities and we are dependent upon other companies to manufacture our products.

We currently have no manufacturing facilities. We are dependent upon relationships with independent manufacturers to fulfill our product needs. We use several manufacturers for various parts of the manufacturing processes for our products. We believe these are small privately held firms.

Because the manufacturing processes, which our contract manufacturers perform, are fairly standard in the industry, we believe that there are a large number of manufacturers who could provide us with these services if our current contract manufacturers are unavailable for any reason or seek to impose unfavorable terms. Our ability to market and sell our products requires that such products be manufactured in commercial quantities and in compliance with applicable federal and state regulatory requirements. In addition, we must be able to manufacture our products at a cost that permits us to charge a price acceptable to the customer while also accommodating distribution costs and

third-party sales compensation. Competitors who do own their own manufacturing may have an advantage over us with respect to pricing, availability of product and in other areas through their control of the manufacturing process.

We are dependent on key management and the loss of their services could have a material adverse impact on us.

We have relied extensively on the services of Drs. Agnes P. Olszewski and James P. Gilligan, our co-founders. Drs. Olszewski and Gilligan play key roles in our management and the loss of their services would materially and adversely affect us and our prospects. Until we raise substantial financing, neither of these key individuals will spend full-time working for us. Under her employment agreement, Dr. Olszewski is not required to do so until we have raised $1,250,000, and under his consulting/employment agreement, Dr. Gilligan is not required to do so until six months after we have raised $2,500,000 in financing. There is no assurance that we will be able to raise such amounts and without such financing and the full-time employment of these key executives we will in all likelihood not be able to further develop our business and will likely continue to experience losses. The loss of services of any of these persons could delay or reduce our product development and commercialization efforts and harm our ability to compete effectively.

We may be subject to product liability claims and may not have adequate insurance to cover such claims.

Like other retailers, distributors and manufacturers of products that are designed to be ingested, we face an inherent risk of exposure to product liability claims in the event that the use of our products results in injury. We intend to obtain general liability coverage of $3 to $5 million that will include product liability coverage. Because our policies will be purchased on a year-to-year basis, industry conditions or our own claims experience could make it difficult for us to secure the necessary insurance at a reasonable cost. In addition, we may not be able to secure insurance that will be adequate to cover liabilities. We generally do not obtain contractual indemnification from parties supplying raw materials or marketing our products. In any event, any such indemnification is limited by its terms and, as a practical matter, by the creditworthiness of the other party. In the event that we do not have adequate insurance or contractual indemnification, liabilities relating to defective products could require us to pay the injured parties' damages which may be significant compared to our net worth or revenues.

We may be adversely affected by unfavorable publicity relating to our product or similar products manufactured by our competitors.

We believe that the dietary supplement market is affected by national media attention regarding the consumption of these products. Future scientific research or publicity may be unfavorable to the dietary and nutritional supplement market generally or to any particular product and may be inconsistent with earlier favorable research or publicity. Adverse publicity associated with illness or other adverse effects resulting from the consumption of products distributed by other companies that are similar to our products could reduce consumer demand for our products and consequently our revenues. This may occur even if the publicity does not relate to our products. Adverse publicity directly concerning our products could be expected to have an immediate negative effect on the market for that product.

We depend on trade secrets to protect our proprietary technology, which may be inadequate to protect our position.

Our long-term success will substantially depend upon protecting our technology from infringement, misappropriation, discovery and duplication. We expect that we will apply for patent protection with respect to some of our products. Since we do not currently have patents on our products, a competitor could replicate our products. Any patents that we might obtain may not provide meaningful protection or significant competitive advantages over competing products, due to the complexity of the legal and scientific issues involved in patent defense and litigation. For these reasons we have elected to protect our current products through trade secrets.

Because of the complexity of the legal and scientific issues involved in patent prosecutions, we cannot be sure that any future patent applications for new products will be granted. Nor can we be sure that any patent rights that we do obtain will provide meaningful protection against others duplicating our products because of the complexity of the legal and scientific issues that could arise in litigation over these issues. Furthermore, patent applications are maintained in secrecy in the United States until the patents are approved, and in most foreign countries for a period of time following the date from which priority is claimed. A third party's pending patent applications may cover any technology that we currently are developing. Additionally, if we must resort to legal proceedings to enforce our intellectual property rights, the proceedings could be burdensome and expensive and could involve a high degree of risk to our proprietary rights if we are unsuccessful in, or cannot afford to pursue, such proceedings.

We rely at present completely on trade secrets and contract law to protect our proprietary technology. There can be no assurance that any such contract will not be breached, or that if breached, it will have adequate remedies. Currently, all of our products are protected by trade secrets owned by our licensor and other third parties . We rely on such third parties to adequately protect such trade secrets. There can be no assurance that these third parties will protect and continue to hold the trade secrets relating to our products. Furthermore, there can be no assurance that any of these trade secrets will not become known or independently discovered by third parties.

There can be no assurance that others will not independently develop substantially equivalent proprietary information and techniques or otherwise gain access to our trade secrets and know-how. In addition, we may be required to obtain licenses to patents or other proprietary rights from third parties. There can be no assurance that any licenses required under any patents or proprietary rights would be made available on acceptable terms, if at all. If we do not obtain required licenses, we may encounter delays in product development or find that the development, manufacture or sale of products requiring such licenses could be foreclosed.

We have limited the liability of our directors and officers for breaches of the duty of care.

Our articles of incorporation limit the liability of our directors for monetary damages for breaches of directors' fiduciary duty of care. This provision may reduce the likelihood of derivative litigation against directors and may discourage or deter shareholders or management from suing directors for breaches of their duty of care, even though such an action, if successful, might otherwise benefit our shareholders and us. In addition, our articles of incorporation provide for the indemnification of directors and officers in connection with civil, criminal, administrative or investigative proceedings when acting in their capacities as agents for us.

Our results of operations may be affected by changing market prices and requirements for dietary supplements.

Our results of operations may be affected by changing resale prices or market requirements for dietary supplements, some of which are priced on a commodity basis. Sales prices, and market demand for, these materials can be volatile due to numerous factors beyond our control, which may cause significant variability in its period-to-period results of operations.

Our results of operations will fluctuate.

Our revenues and results of operations will vary from quarter to quarter in the future. A number of factors, many of which are outside of our control, may cause variations in our results of operations, including:

- demand and price for our products;
- the timing and recognition of product sales;
- unexpected delays in developing and introducing products;
- unexpected delays in manufacturing our products;
- increased expenses, whether related to marketing, product development or administration or otherwise;
- insufficient demand in the marketplace could cause our distributors to return product;
- the mix of revenues derived from products;
- the hiring, retention and utilization of personnel; and
- general economic factors.

We may not succeed in our acquisition of additional products.

As part of our growth strategy, we intend to acquire and develop additional product candidates or approved products. The success of this strategy depends upon our ability to identify, select and acquire bioherbaceutical products that meet the criteria we have established. Any product candidate we acquire or license may require additional research and development efforts prior to commercial sale, including extensive pre-clinical and/or clinical testing. All product candidates are prone to the risks of failure inherent in product development, including the possibility that the product candidate will not be safe, non-toxic and effective. In addition, we cannot assure that any approved products that we develop, acquire or license will be manufactured or produced economically; successfully commercialized; widely accepted in the marketplace or that we will be able to recover our significant expenditures in connection with the development, acquisition or license of such products. In addition, proposing, negotiating and implementing an economically viable acquisition or license is a lengthy and complex process. Other companies, including those with substantially greater financial, marketing and sales resources, may compete with us for the acquisition or license of product candidates and approved products. We may not be able to acquire the rights to additional product candidates and approved products on terms that we find acceptable, or at all. In addition, if we acquire or license product candidates from third parties, we will be dependent on third parties to supply such products to us for sale. We could be materially adversely affected by the failure or inability of such suppliers to meet performance, reliability and quality standards.

Our non-U.S. sales present special risks.

A subcontractor in London handles fulfillment and coordinates market development for our products in the U.K. and continental Europe. We anticipate that sales outside the U.S. will continue to account for a significant percentage of our product sales and we intend to continue to expand our presence in international markets. Non-U.S. sales are subject to a number of special risks. For example:

- sales agreements may be difficult to enforce;
- receivables may be difficult to collect through a foreign country's legal system;
- foreign countries may impose additional withholding taxes or otherwise tax foreign income, impose tariffs or adopt other restrictions on foreign trade;
- intellectual property rights may be more difficult to enforce in foreign countries;

- terrorist activity or the outbreak of a pandemic disease may interrupt distribution channels or adversely impact customers or employees; and
- regulations may change relating to dietary supplements that may negatively impact the ability to market products in those geographical regions.

Any of these events could harm our operations or operating results.

Compliance with changing regulation of corporate governance and public disclosure will result in additional expenses.

Changing laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002 and new Securities and Exchange Commission regulations, are creating uncertainty for public companies. Our management team will be required to invest significant management time and financial resources to comply with both existing and evolving standards for public companies, which may lead to increased general and administrative expenses and a diversion of management time and attention from revenue generating activities to compliance activities.

It is possible that there are claims of which we are unaware that may come to light in the future and cost us considerable time, effort and expense to resolve.

It is possible that a claim, whether valid or not, may be asserted against us in the future with respect to matters arising prior to the merger. There can be no assurance given that some person will not devise a claim and attempt to assert it against us in the hopes of obtaining some monetary benefit. To resolve such a claim, including payment, may cost us considerable time, effort and expense. Any of these may impair management's implementation of the business plan with the consequence of a loss of opportunity.

Risks Related to Our Common Stock

Because our common stock is traded on the OTC Bulletin Board, your ability to sell your shares in the secondary trading market may be limited.

Our common stock currently is traded on the over-the-counter market on the OTC Bulletin Board. Consequently, the liquidity of our common stock is limited, not only in the number of shares that are bought and sold, but also through delays in the timing of transactions, and coverage by security analysts and the news media, if any, of us. As a result, prices for shares of our common stock may be lower than might otherwise prevail if our common stock was traded on a national securities exchange, such as The New York Stock Exchange or The Nasdaq Stock Market, LLC.

Our common stock may be removed from the OTC Bulletin Board, which would likely cause the trading price of our common stock to decline and affect our ability to raise capital in the future.

Under applicable NASD Rules, if we are delinquent in our reporting obligations three times in a 24-month period and/or are actually removed from the OTC Bulletin Board for failure to file two times in a 24-month period, in each case, we would be ineligible for quotation on the OTC Bulletin Board for a period of one year. On April 5, 2006, we received notice from the OTC Bulletin Board that unless we cured our delinquency in filing the Annual Report on Form 10-K for the year ended December 31, 2005 prior to the expiration of the grace period (May 5, 2006), our common stock would be removed from the OTC Bulletin Board effective May 9, 2006. We cured this delinquency with the filing of our Annual Report on Form 10-K on May 1, 2006. On March 2, 2007, we received notice from the OTC Bulletin Board that unless we cured our delinquency in filing the Annual Report on Form 10-K for the year ended November 30, 2006 prior to the expiration of the grace period (April 2, 2007), our common stock would be removed from the OTC Bulletin Board effective April 3, 2007. We cured this delinquency with the filing of our

Annual Report on Form 10-K on March 30, 2007. To date, we have been delinquent two times in the past 24-month period. Should quotation of our common stock on the OTC Bulletin Board or a similar facility cease for any reason, the liquidity of our common stock and our ability to raise equity capital would likely decrease.

Because our shares are "penny stocks," you may have difficulty selling them in the secondary trading market.

Federal regulations under the Exchange Act regulate the trading of so-called "penny stocks," which are generally defined as any security not listed on a national securities exchange, priced at less than $5.00 per share and offered by an issuer with limited net tangible assets and revenues. Since our common stock currently trades on the OTC Bulletin Board at less than $5.00 per share, our common stock is a "penny stock" and may not be traded unless a disclosure schedule explaining the penny stock market and the risks associated therewith is delivered to a potential purchaser prior to any trade.

In addition, because our common stock is not listed on any national securities exchange and currently trades at less than $5.00 per share, trading in our common stock is subject to Rule 15g-9 under the Exchange Act. Under this rule, broker-dealers must take certain steps prior to selling a "penny stock," which steps include:

- obtaining financial and investment information from the investor;
- obtaining a written suitability questionnaire and purchase agreement signed by the investor; and
- providing the investor a written identification of the shares being offered and the quantity of the shares.

If these penny stock rules are not followed by the broker-dealer, the investor has no obligation to purchase the shares. The application of these comprehensive rules will make it more difficult for broker-dealers to sell our common stock and our shareholders, therefore, may have difficulty in selling their shares in the secondary trading market.

Our stock price has been and may continue to be volatile and an investment in our common stock could suffer a decline in value.

Trading of our common stock has been sporadic, and the trading volume has generally been low. Even a small trading volume on a particular day or over a few days may affect the market price of our common stock. The market price of our common stock may fluctuate significantly in response to a number of factors, some of which are beyond our control. These factors include:

- announcements of research activities and technology innovations or new products by us or our competitors;
- changes in market valuation of companies in our industry generally;
- variations in operating results;
- changes in governmental regulations;
- results of research studies of our products or our competitors' products;
- regulatory action or inaction on our products or our competitors' products;
- changes in our financial estimates by securities analysts;
- general market conditions for companies in our industry;
- broad market fluctuations; and
- economic conditions in the United States or abroad.

Our directors and executive officers own a significant number of shares of our common stock to control our company, which could discourage or prevent a takeover, even if an acquisition would be beneficial to our stockholders.

Certain of our directors and our current executive officer own or control approximately 78% of our outstanding voting power. Accordingly, these stockholders, individually and as a group, will be able to influence the outcome of stockholder votes, involving votes concerning the election of directors, the adoption or amendment of provisions in our certificate of incorporation and bylaws and the approval of certain mergers or other similar transactions, such as a sale of substantially all of our assets. Such control by existing stockholders could have the effect of delaying, deferring or preventing a change in control of us.

We do not pay cash dividends, so any return on an investment must come from appreciation.

We do not intend to pay any cash dividends in the foreseeable future and, therefore, any return on an investment in our common stock must come from increases in the fair market value and trading price of our common stock.

We may issue additional equity securities that will dilute our stockholders.

We may issue additional equity securities to raise capital and through the exercise of options, warrants and convertible debt that is outstanding or may be outstanding. These additional issuances will have a dilutive effect on our existing stockholders.

Item 3. Controls And Procedures

(A) Evaluation Of Disclosure Controls And Procedures

Prior to the filing of this Report on Form 10-QSB, an evaluation was performed under the supervision of and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures. Based on the evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that, as of May 31, 2007, the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and is accumulated and communicated to the Company's management, as appropriate, to allow timely decisions regarding required disclosure. It should be noted that the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

(B) Changes In Internal Controls

During the six months ended May 31, 2007, there were no significant changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II-Other Information

Item 1. Legal Proceedings

None.

Item 2. Unregistered Sales Of Equity Securities And Use Of Proceeds

None

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission Of Matters To A Vote Of Security Holders

None.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit No.	Description[(1)]
2.1	Fourth Amended Plans of Reorganization for Pacific Magtron International Corp. and LiveWarehouse, Inc. (incorporated by reference to Exhibit 2.1 to Pacific Magtron International Corp.'s Current Report on Form 8-K filed on August 16, 2006).
2.2	Order Approving Fourth Amended Plans of Reorganization for Pacific Magtron International Corp. and LiveWarehouse, Inc. entered August 11, 2006 (incorporated by reference to Exhibit 2.2 to Pacific Magtron International Corp.'s Current Report on Form 8-K filed on August 16, 2006).
2.3	Agreement and Plan of Merger, dated as of September 18, 2006, by and among Pacific Magtron International Corp., LiveWarehouse, Inc. and Herborium, Inc. (incorporated by reference to Exhibit 2.3 to the Company's Current Report on Form 8-K filed on September 22, 2006)
3(i)	Second Amended and Restated Articles of Incorporation of Pacific Magtron International Corp. (incorporated by reference to Exhibit 3(i) to the Company's Current Report on Form 8-K filed on September 22, 2006)
3(ii)	Amended and Restated Bylaws of Pacific Magtron International Corp. (incorporated by reference to Exhibit 3(ii) to the Company's Current Report on Form 8-K filed on September 22, 2006)
31	Rule 13a-14(a) Certification of Agnes Olszewski

32 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(1) In the case of incorporation by reference to documents filed by the registrant under the Securities Exchange Act of 1934, as amended, the registrant's file number under the Exchange Act is 000-25277.

Signatures

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Herborium Group, Inc.

By:	*/s/Agnes Olszewski.*
Name:	*Agnes Olszewski.*
Title:	*Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Accounting Officer)*

Date: July 23, 2007