

AUDITORS' REPORT

To the Shareholders of
Mercator Transport Group Corporation

We have audited the consolidated balance sheet of Mercator Transport Group Corporation as at April 30, 2008 and the consolidated statements of deficit and comprehensive income, shareholders' equity 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 consolidated financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Consolidated financial statements as at April 30, 2007 and for the year then ended have been audited by Verrier Paquin Hébert s.e.n.c.r.l. (member of Samson Bélair / Deloitte & Touche s.e.n.c.r.l. since August 13, 2007) who expressed an opinion without reservation on those statements in their report dated July 4, 2007.



Chartered Accountants

June 20, 2008, except for Note 20, dated July 22, 2008

Samson Bélair / Deloitte & Touche s.e.n.c.r.l.

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CONSOLIDATED STATEMENT OF DEFICIT AND COMPREHENSIVE INCOME

	2008	2007
	\$	\$
Revenue	16,549,963	9,957,585
Direct costs	14,649,121	8,773,271
Gross profit	1,900,842	1,184,314
Administrative fees	24,120	276,100
	1,924,962	1,460,414
Operating expenses		
Depreciation and amortization <i>(Note 18)</i>	62,059	32,403
Insurance	60,673	43,548
Bad debts	19,292	5,055
Travel	152,083	100,341
Advertising	34,739	46,300
Maintenance and repairs	28,635	21,775
Consulting fees	47,497	67,178
Overhead and office expenses	85,273	76,467
Professional fees	128,738	179,108
Interest and bank charges <i>(Note 18)</i>	49,039	42,555
Rent	92,132	67,001
Salaries and fringe benefits	1,655,000	1,053,162
Telecommunications	35,370	28,115
	2,450,530	1,763,008
Loss before income taxes	(525,568)	(302,594)
Income taxes recovered <i>(Note 4)</i>	(118,913)	(136,797)
Net loss and comprehensive income	(406,655)	(165,797)
Basic and diluted loss per share <i>(Note 5)</i>	(0.015)	(0.009)

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

	2008			
	Capital stock	Contributed surplus	Deficit	Shareholders' equity
	\$	\$	\$	\$
Balance, beginning of year	1,021,349	47,058	(148,882)	919,525
Net loss	-	-	(406,655)	(406,655)
Issuance of shares (net of related expenses)	292,172	-	-	292,172
Adjustment related to stock options	6,083	75,420	-	81,503
Balance, end of year	1,319,604	122,478	(555,537)	886,545
	2007			
	Capital stock	Contributed surplus	Deficit	Shareholders' equity
	\$	\$	\$	\$
Balance, beginning of year	75,000	-	16,915	91,915
Net income	-	-	(165,797)	(165,797)
Issuance of shares (net of related expenses)	865,499	-	-	865,499
Issuance of shares	10	-	-	10
Adjustment related to stock options	80,840	47,058	-	127,898
Balance, end of year	1,021,349	47,058	(148,882)	919,525


The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEET

	2008	2007
	\$	\$
Assets		
Current assets		
Cash	594,146	498,398
Cash held in trust	35,000	56,000
Accounts receivable (Note 6)	2,736,056	1,905,146
Inventories	136,459	-
Prepaid expenses	48,649	157,817
	3,550,310	2,617,361
Equipment (Note 7)	38,082	29,246
Intangible assets (Note 8)	350,347	71,492
Future income taxes	343,567	216,567
	4,282,306	2,934,666
Liabilities		
Current liabilities		
Bank loans (Note 9)	290,000	45,037
Accounts payable (Note 10)	2,897,122	1,688,229
Current portion of obligations under capital leases (Note 11)	12,061	31,416
Current portion of long-term debt (Note 12)	41,820	41,820
	3,241,003	1,806,502
Obligations under capital leases (Note 11)	1,418	13,479
Long-term debt (Note 12)	153,340	195,160
	3,395,761	2,015,141
Commitments (Note 14)		
Shareholders' equity		
Capital stock (Note 13)	1,319,604	1,021,349
Contributed surplus (Note 13)	122,478	47,058
Deficit	(555,537)	(148,882)
	886,545	919,525
	4,282,306	2,934,666

The accompanying notes are an integral part of the consolidated financial statements.

Approved by the Board,



Jean-Pierre Apélian, Director



Michel G. Maila, Director

CONSOLIDATED STATEMENT OF CASH FLOWS

	2008	2007
	\$	\$
Operating activities		
Net loss	(406,655)	(165,797)
Adjustments for:		
Depreciation and amortization	62,059	32,403
Future income taxes	(118,913)	(136,797)
Stock-based compensation	76,502	18,111
Net change in non-cash working capital items <i>(Note 18)</i>	350,692	(468,059)
	(36,315)	(720,139)
Investing activities		
Acquisition of equipment	(18,256)	(21,618)
Acquisition of intangible assets	(19,994)	(5,486)
Collection of advance from a company under common control	–	50,000
Collection of advance from a private company	–	34,185
Net change in cash held in trust	21,000	(56,000)
	(17,250)	1,081
Financing activities		
Net change in bank loans	244,963	(50,565)
Repayment of obligations under capital leases	(31,416)	(36,880)
Increase in long-term financing	–	250,000
Long-term debt repayments	(41,820)	(13,020)
Reverse takeover	–	159,320
Common share issuing costs	(27,415)	–
Issuance of common shares	5,001	776,132
	149,313	1,084,987
Net change in cash and cash equivalents	95,748	365,929
Cash and cash equivalents, beginning of year	498,398	132,469
Cash and cash equivalents, end of year	594,146	498,398

The accompanying notes are an integral part of the consolidated financial statements.

1. DESCRIPTION OF BUSINESS

The Company, incorporated under the *Canada Business Corporations Act*, specializes in air and sea transportation engineering as well as international logistics and distribution.

Reverse takeover

On January 29, 2007, Capital Nature Genetiks Inc. ("Genetiks") finalized its qualifying transaction by purchasing all of the issued and outstanding shares of Mercator Group. In accordance with the transaction, Genetiks concluded a formal share purchase and exchange agreement with all of the shareholders of Mercator Group for an aggregate price of \$2,983,500, payable by the issuance of 16,575,000 common shares of Genetiks at a price of \$0.18 per share.

Following this transaction, the shareholders of Mercator Group directly or indirectly held approximately 71.11% of outstanding, voting shares of Genetiks, which at the time of the transaction was a non-operating public company and did not meet the definition of an economic unit for accounting purposes. Consequently, the transaction did not constitute a business combination. This transaction was recognized as a reverse takeover and consists of a restructuring of Mercator's capital.

The amount attributed to the issuance of common shares of the Company represents the net book value of Genetiks at the closing date of the transaction, being January 29, 2007. The operating results of Genetiks are included in these financial statements as of the date of the acquisition, being January 29, 2007. The figures presented for period before January 29, 2007 are those of Mercator Transport International Inc.

As part of this transaction, Genetiks changed its name to Mercator Transport Group Corporation.

During fiscal 2006, the year-end of Mercator Transport Inc. was changed from June 30 to April 30.

The assets and liabilities acquired as part of the reverse takeover are as follows:

	\$
Assets	
Cash and cash equivalents	159,320
Accounts receivable	12,270
Prepaid expenses	218,221
Advance receivable from private company	34,185
	423,996
Liabilities	
Accounts payable	85,935
Net assets acquired	338,061
The consideration was established as follows:	
Capital stock	288,274
Contributed surplus	49,787
	338,061

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and reflect the following significant accounting policies:

Principles of consolidation

The consolidated financial statements include the accounts of the Company and all its subsidiaries, which are wholly-owned.

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements, as well as the reported amounts of operating revenue and expenses reported during year covered by these financial statements. Actual results could differ from those estimates. Items that require management to make greater use of estimates are the provision for income taxes, allowance for doubtful accounts, useful life of intangible assets and estimation of the fair value of options granted under the stock option incentive plan.

Revenue recognition

Revenue is recognized when the requirements related to the transaction's completion are met and collectibility is reasonably assured at the time of the transaction. Revenue arising from administrative fees are recognized when services are rendered.

Cash and cash equivalents

Cash and cash equivalents comprise cash, bank balances and short-term liquid investments that have a term of three months or less.

Inventories

Inventories of goods are valued at the lower of cost and net realizable value. Average cost is used to determine cost.

Equipment

Equipment is recorded at cost. Depreciation is based on their respective useful lives using the following methods and rates:

	Method	Rate
Office furniture	Declining balance	20%
Computer equipment	Declining balance	30%

Intangible assets

Intangible assets are recorded at cost. Amortization is based on their respective useful lives using the following methods and periods:

	Method	Period
Exclusive distribution rights	Straight-line	5 years
Software	Straight-line	3 years
Web site	Straight-line	3 years

Impairment of long-lived assets

Long-lived assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recorded when the carrying value exceeds undiscounted cash flows expected to result from their use and eventual disposition. An impairment loss should be measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

Income taxes

The Company uses the liability method of accounting for income taxes. Future income taxes are recognized based on the deductible or taxable temporary differences between the carrying value and tax value of balance sheet items, measured using the enacted or substantively enacted tax rates expected to apply in the years in which those temporary differences are expected to reverse. Future income tax assets are recognized when, in management's opinion, it is more likely than not that these assets will be realized.

Stock-based compensation

The fair value method is used to account for stock-based compensation. This method consists of recording an expense over the vesting period of the options granted. When options are exercised, any consideration paid and the corresponding compensation recorded as contributed surplus are credited to capital stock.

Earnings per share

Earnings per share are calculated by dividing net earnings by the weighted-average number of common shares outstanding during the year. Diluted earnings per share are calculated by taking into account any potential dilution that may occur if securities or other contracts to issue common shares were exercised or converted to common shares at the beginning of the period or at the time of issuance, if later. The treasury stock method is used to determine the dilutive effect of stock purchase warrants and options on shares.

Currency translation

The Company's accounts are translated using the temporal method. Monetary assets and liabilities in foreign currencies are translated at the exchange rate in effect on the balance sheet date, and non-monetary assets and liabilities at their historical rates. Revenue and expense items are translated at the monthly rate in effect during the year. Gains and losses on exchange are included in earnings for the period.

Recent changes in accounting standard**Comprehensive income**

On May 1, 2007, the Company adopted Section 1530 of the Canadian Institute of Chartered Accountants (CICA) Handbook, "Comprehensive Income". It describes reporting and disclosure recommendations with respect to comprehensive income and

its components. Comprehensive income represents changes in net assets arising from transactions, events and circumstances not related to shareholders.

Equity

On May 1, 2007, the Company adopted Section 3251 of the CICA Handbook, "Equity" which describes standards for presentation of shareholders' equity and of changes in equity. As a result of the adoption of Sections 3251 and 1530 described above, the Company is now presenting a consolidated statement of shareholders' equity, which includes information about comprehensive income and accumulated other comprehensive income when applicable.

Financial instruments – Recognition and measurement

On May 1, 2007, the Company adopted Section 3855 of the CICA Handbook, "Financial Instruments – Recognition and Measurement". It describes the standards for recognizing and measuring financial instruments in the financial statements. Under this Section, financial assets available for sale, assets and liabilities held for trading and derivative financial instruments, when part of a hedging relationship or not, are measured and accounted for at fair value. Certain derivatives embedded in other contracts are also measured and accounted for at fair value.

Upon the adoption of this Section, the Company made the following classifications:

- Cash, cash equivalents and derivative financial instruments not designated as hedging relationships are classified as financial assets held for trading and are measured at fair value. Resulting gains and losses are recorded in earnings.
- Accounts receivable are classified as loans and receivable, bank loans, accounts payable, obligations under capital leases and accrued liabilities and long-term debt are classified as financial liabilities and are initially recorded at fair value. Subsequently, they are recorded at amortized costs using the effective interest rate method.

The CICA also reissued Section 3860 (as Section 3861) of the CICA Handbook, "Financial Instruments – Disclosure and Presentation", which establishes standards for the presentation of financial instruments and non-financial derivatives and identifies the information that should be disclosed about them. These revisions come into effect for years beginning on or after October 1, 2006. The Company adopted these new sections effective May 1, 2007, without restatement of comparative figures and the adoption of this Section did not have an impact on the Company's consolidated financial statements.

The adoption of this Section had no impact on the consolidated financial position and results of the Company.

Accounting changes

As at May 1, 2007, the Company adopted Section 1506 "Accounting changes". This Section establishes criteria to be met in order to change, together with the accounting treatment and disclosure required when there is a change in accounting policies, estimates and correction of errors.

The adoption of this Section had no impact on the consolidated financial position and results of the Company.

New accounting standards not yet adopted

Capital disclosures

In December 2006, the CICA published Section 1535, "Capital Disclosures". This new standard established disclosure requirements concerning capital such as: qualitative information about its objectives, policies and process for managing capital; quantitative data about what it regards as capital; whether it has complied with any externally imposed capital requirements and, if not, the consequences of such non-compliance. The Company will adopt this standard starting May 1, 2008. The Company is presently evaluating the impact of this new standard.

Financial instruments – Disclosures and presentation

During the next fiscal year, the Company will apply the new CICA accounting recommendations regarding the recognition, measurement and disclosure of financial instruments as follows: 3862 “Financial Instruments – Disclosures” and 3863 “Financial Instruments – Presentation”. The Company will adopt this standard starting May 1, 2008. The Company is presently evaluating the impact of these new standards.

General standards of financial statement presentation

In June 2007, the CICA amended Section 1400 to include requirements to assess an entity’s ability to continue as a going concern and disclose any material uncertainties that cast doubt on its ability to continue as a going concern. This new requirement will be effective for interim period and annual financial statements starting January 1, 2008. The Company will adopt this standard starting May 1, 2008. The Company does not expect that the application of this standard will have a material impact on the consolidated financial statements.

Inventories

The CICA issued the following standards effective for interim and annual financial statements for the fiscal years beginning on or after January 1, 2008: Accounting Standards Section 3031 “Inventories”. This Section replaces Section 3030, establishing standards for the measurement and disclosure of inventories. The Company will adopt these standards effective May 1, 2008. The adoption of this Section should not have any major impact on the Company’s annual consolidated financial statements except for a more detailed information disclosure.

Adoption of International Financial Reporting Standards (IFRS) in Canada

In 2006, the Canadian Accounting Standards Board (AcSB) adopted its strategic plan, which includes the decision to move financial reporting for Canadian publicly accountable enterprises to the IFRSs, as issued by the International Accounting Standards Board (IASB). Under the AcSB’s plan, this new framework will be effective for fiscal years beginning on or after January 1, 2011. Information regarding the enterprise’s plan for convergence and the anticipated effects is to be disclosed prior to the adoption, with the first disclosure by SNC-Lavalin expected to be made in the consolidated financial statements for the year ending April 30, 2009.

Goodwill and intangible assets

In February 2008, the CICA published Section 3064, “Goodwill and Intangible Assets”. This new standard establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The requirements will be effective for interim period and annual financial statements starting October 1, 2008. The Company will adopt these standards effective May 1, 2009. The Company is presently evaluating the impact of this new standard on the consolidated financial statements.

3. ACQUISITION OF EXCLUSIVE DISTRIBUTION RIGHTS

On December 28, 2007, the Company announced that it has acquired the assets of Cap Canada Distribution Inc. for a total consideration of \$311,500, which was paid by the issuance of 700,000 common share capital, for a unit price of \$0.445. The assets acquired are exclusive distribution rights and do not meet the definition of a business for accounting purposes. Following this acquisition, an exclusive distribution agreement was signed for the Canadian territory.

4. INCOME TAXES

a) Income tax expense (recovery) was as follows:

	2008	2007
	\$	\$
Current income taxes	-	-
Future income taxes	(118,913)	(136,797)
	(118,913)	(136,797)

b) The income tax expense (recovery) differs from the calculated amount applying the combined basic tax rate to the loss before income taxes for the following reasons::

	2008	2007
	\$	\$
Tax expense (recovery) based on combined Canadian and provincial basic tax rate	(166,283)	(53,088)
Tax expense adjustment due to the following items:		
Loss carryforwards from previous years	-	(45,453)
Change in tax rate, non-deductible and other items	47,370	(38,256)
	(118,913)	(136,797)

c) The main future tax asset components are as follows:

	2008	2007
	\$	\$
Equipment and intangible assets	(6,912)	(3,143)
Obligations under capital leases	4,098	13,244
Share issuance expenses	34,457	79,324
Non-capital loss carryforwards	311,924	123,112
Other	-	4,030
	343,567	216,567

As at April 30, 2008, the Company had accumulated tax losses of approximately \$1,051,195 that can be used to reduce taxable income in future years. The tax benefit from tax loss carryforwards was recorded as future income tax assets. The unused tax losses can be claimed in future years, but no later than 2028.

5. EARNINGS PER SHARE

The following table provides information on net earnings per basic share:

	2008	2007
Net loss	\$(406,655)	\$(165,797)
Weighted-average number of basic and diluted shares outstanding	26,799,910	18,301,831
Net loss per basic and diluted share	\$(0.015)	\$(0.009)

Options to purchase 2,008,334 common shares were outstanding as at April 30, 2008. They were, however, not included in the calculation of the diluted loss per share, because the Company incurred losses. Including these options and stock purchase warrants in the calculation would have had an antidilutive effect.

6. ACCOUNTS RECEIVABLE

	2008	2007
	\$	\$
Clients	2,437,892	1,109,599
Related companies	244,268	787,207
Taxes receivable	-	7,184
Other	53,896	1,156
	2,736,056	1,905,146

7. EQUIPMENT

	2008		
	Cost	Accumulated depreciation	Net book value
	\$	\$	\$
Office furniture	29,114	7,084	22,030
Computer equipment	25,340	9,288	16,052
	54,454	16,372	38,082
	2007		
	Cost	Accumulated depreciation	Net book value
	\$	\$	\$
Office furniture	18,536	2,898	15,638
Computer equipment	17,662	4,054	13,608
	36,198	6,952	29,246

8. INTANGIBLE ASSETS

	2008		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Exclusive distribution rights	311,500	25,958	285,542
Software	24,118	6,803	17,315
Web site	4,322	–	4,322
Software leased under capital leases	81,775	38,607	43,168
	421,715	71,368	350,347

	2007		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Software	8,446	2,011	6,435
Web site	12,000	8,611	3,389
Software leased under capital leases	81,775	20,107	61,668
	102,221	30,729	71,492

9. BANK LOANS

As at April 30, 2008, the Company had one line of credit of \$750,000 at prime rate plus 1.05%, secured by a first mortgage on trade accounts receivable and other receivables of which \$460,000 was unused as at April 30, 2008. This line of credit is renewable annually.

Under the terms of the credit agreement the Company must comply with certain debt covenants, including the maintenance of financial ratios. As at April 30, 2008, the Company was not in compliance with these financial ratios.

10. ACCOUNTS PAYABLE

	2008	2007
	\$	\$
Accounts payable and accrued liabilities	2,897,122	1,659,629
Related company	–	28,600
	2,897,122	1,688,229

11. OBLIGATIONS UNDER CAPITAL LEASES

	2008	2007
	\$	\$
Software lease contract, 9.5% interest, repayable in monthly instalments of \$2,227 including interest, maturing June 1, 2008, with a purchase option upon maturity.	4,402	29,417
Software lease contract, 18.1% interest, repayable in monthly instalments of \$724 including interest, maturing July 1, 2009, with a purchase option upon maturity.	9,077	15,478
	13,4790	44,895
Current portion	12,061	31,416
	1,418	13,479

Minimum payments due during the years ending April 30 are as follows:

	\$
2009	13,141
2010	1,448
Total payments due, including interest	14,589
Incidental expenses and interest included in payments	1,110
Balance of obligations	13,479

12. LONG-TERM DEBT

Loan from the Business Development Bank of Canada at an interest rate varying between 10.9% and 11.7%, repayable in one principal payment of \$2,565 and 71 monthly principal instalments of \$3,485 starting January 15, 2007, secured by a corporate guarantee, certain equipment and intangible assets, as well as trade accounts receivable and up to 50% of the commitment is by the Company's directors.

The estimated repayments of long-term debt over the next five years are as follows:

	\$
2009	41,820
2010	41,820
2011	41,820
2012	41,820
2013	27,880
	195,160

Notes to Consolidated Financial Statements for the years ended April 30, 2008 and 2007 (in dollars, except per share data)

13. CAPITAL STOCK

The Company's authorized capital stock consists of an unlimited number of common shares without par value, participating and voting, as well as an unlimited number of preferred shares, without par value and non-voting, issuable in series.

Paid and issued

The following table shows the changes in the Company's common capital stock during the year:

	Number	Amount
		\$
Balance as at April 30, 2007	26,568,335	1,021,349
Shares issued	700,000	311,500
Issuance expenses (net of future income taxes of \$8,087)	–	(19,328)
Shares issued upon exercise of stock options	25,000	6,083
Balance as at April 30, 2008	27,293,335	1,319,604

The following table shows the changes in the Company's common capital stock during the preceding year:

	Number	Amount
		\$
Balance as at April 30, 2006	5,333,335	75,000
Share issued Mercator Transport Group Corporation	–	10
Share issuing following the reverse takeover	16,575,000	288,274
Issuance expenses for the reverse takeover transaction (net of future income taxes of \$64,374)	–	(153,847)
Share issued for the related private placement (cash) on January 29, 2007	1,400,000	252,000
Share issue for private placement	2,860,000	514,800
Issuance expenses for the private placement transaction (net of future income taxes of \$14,950)	–	(35,728)
Share issuance upon exercise of stock options	400,000	80,840
Balance as at April 30, 2007	26,568,335	1,021,349

Contributed surplus	2008	2007
	\$	\$
Balance at beginning	47,058	–
Reverse takeover	–	49,787
Stock options granted	76,502	18,111
Stock options exercised	(1,082)	(20,840)
Balance at end	122,478	47,058
The balance of the contributed surplus as at April 30, 2008 was as follows:		
Stock-based compensation for options granted to directors and executives	100,478	25,058
Stock-based compensation for options granted to the underwriter	22,000	22,000
	122,478	47,058

Stock-based compensation plan

On January 16, 2004, the Company adopted a stock option incentive plan in accordance with TSX Venture Exchange policies, which states that the Company's Board of Directors may from time to time and at its discretion grant the Company's directors, executives, employees, consultants and technical advisors non-transferable stock options on common shares exercisable during a period of up to five years after the grant date. However, the number of common shares reserved for the issue under the terms of the stock-option plan may not exceed 3,497,881 shares.

Moreover, the number of common shares reserved for issue to a particular director, executive or employee may not exceed 5% of the common shares issued and outstanding. The number of common shares reserved for issue to a consultant or technical adviser may not exceed 2% of the common shares issued and outstanding.

The Board of Directors determines the price per common share and the number of common shares that can be allocated to each director, executive, employee, consultant and technical advisor, as well as all other terms and conditions of the option, subject to the rules of the TSX Venture Exchange. Holders must exercise their options within 90 days of resigning from their position or no longer holding their position within the Company. However, if the holder's death is the reason for the termination of employment as a director, consultant or employee, options must be exercised within the 12 months following the death, subject to their maturity date.

Options granted to directors and executives

During the year ended April 30, 2008, stock options on 675,000 common shares maturing over a maximum of five years were granted to directors and executives. These options were estimated at their fair value using the Black-Scholes option pricing model. An amount of \$76,502 was expensed as stock-based compensation for the year ended April 30, 2008 and the related credit was recorded in the contributed surplus.

In 2007, stock options on 1,350,000 common shares maturing over a maximum of three years were granted to directors and executives. These options were estimated at their fair value using the Black-Scholes option pricing model. An amount of \$18,111 was expensed as stock-based compensation for the year ended April 30, 2007 and the related credit was recorded in the contributed surplus.

Notes to Consolidated Financial Statements for the years ended April 30, 2008 and 2007 (in dollars, except per share data)

In 2004, stock options on 533,334 common shares maturing five years after the grant date were granted to directors and executives. These options were recorded at their fair value using the Black-Scholes option pricing model. Consequently, a stock-based compensation expense of \$27,787 was recorded in 2004 and the related credit was allocated to contributed surplus. As at April 30, 2008, 400,000 of these options were exercised.

	Number of options	Weighted-average exercise price
		\$
Beginning of year	1,483,334	0.20
Granted	675,000	0.22
Exercised	(25,000)	0.20
Cancelled	(125,000)	0.20
End of year	2,008,334	0.21
Exercisable options at the end of year	533,334	0.19

Options granted to directors and executives in 2007

	Number of options	Weighted-average exercise price
		\$
Beginning of year	933,334	0.15
Granted	1,550,000	0.20
Exercised	(400,000)	0.15
Cancelled	(600,000)	0.20
End of year	1,483,334	0.20
Exercisable options at the end of year	133,334	0.15

The following options were outstanding as at April 30, 2008:

Options outstanding				Exercisable options	
Granted in	Number of options	Weighted-average exercise price	Maturing	Number of options	Weighted-average exercise price
		\$			\$
2004	133,334	0.15	2009	133,334	0.15
2007	1,350,000	0.20	2010	350,000	0.20
2008	525,000	0.22	2009	50,000	0.25
	2,008,334			533,334	

The following assumptions were used to determine the fair value of options at the time of granting:

	2008	2007
Risk-free interest rate	4.11%	4.58%
Expected dividend yield	–	–
Expected life (years)	2.00	2.13
Expected volatility	75%	75%
Weighted-average fair value of options granted	0.185	0.075

14. COMMITMENTS

The Company rents premises under leases expiring June 30, 2009. Minimum payments over the next two fiscal years amount to \$91,764 in 2009 and \$15,294 in 2010.

15. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

	2008	2007
	\$	\$
Revenue	1,209,022	145,701
Administrative fees	104,000	98,365
Interest revenue	9,372	243,075

The Company is related to other companies that are controlled by common shareholders. Transactions between the Company and related companies are conducted in the ordinary course of business and are measured at the exchange amount, which is the consideration established and agreed upon by the related parties.

16. SEGMENTED INFORMATION

The Company's two main operating segments are international logistics and distribution.

	\$
Revenues by geographical segment	
Canada	10 445 306
International	5 002 148
US	1 102 509
	16 549 963

For the year ended April 30, 2008, one client represents 10% or more of the Company's revenue (20%) (in 2007, one customer represented 10% of revenue).

17. FINANCIAL INSTRUMENTS***Currency risk***

Part of the Company's sales and purchases are denominated in foreign currency. Consequently, the Company has a foreign currency exposure on certain assets, liabilities, revenue and expenses. As at April 30, 2008, cash, receivables and payables denominated in US dollars amounted to \$514,699, \$1,848,302 and \$1,069,292 respectively. Cash, receivables and payables in euros were €1,404, €34,730 and €39,092 respectively.

Credit risk

The Company provides credit to its clients in the normal course of its operations. It carries out, on a continuing basis, credit checks of its clients and maintains provisions for potential losses on receivables, which are consistent with management's forecasts, when they occur. As at April 30, 2008, the Company had receivables of \$309,236 from one client and \$230,833 from related companies.

Interest risk

The Company is exposed to financial risks as a result of interest rate fluctuations and the volatility of these rates. Short-term credit facilities described in Note 9 bear interest at floating rates whereas the long-term debt rate is fixed.

Fair value

The Company determines the fair market value of financial instruments based on current interest rates, the market value and current price of a financial instrument under comparable conditions. Unless otherwise specified, the carrying value of these financial instruments, particularly short-term instruments, approximates their fair value.

18. ADDITIONAL INFORMATION

	2008	2007
	\$	\$
a) The net change in non-cash working capital components was as follows:		
Accounts receivable	(830,910)	(995,596)
Inventories	(136,459)	–
Prepaid expenses	109,168	(140,058)
Accounts payable	1,208,893	713,212
Income taxes payable	–	(45,617)
	350,692	(468,059)
b) Additional information		
Interest paid	43,021	7,213
Income taxes paid	–	1,279
c) Foreign exchange loss	27,397	25,526
d) Depreciation and amortization		
Depreciation of equipment	9,420	6,952
Amortization of intangible assets	52,639	25,451
	62,059	32,403
e) Interest and bank charges		
Interest revenue	(15,143)	(8,931)
Interest on bank loans and other	14,165	13,340
Interest on long-term debt	25,034	16,507
Interest on obligations under capital leases	3,822	6,736
Bank charges	21,161	14,903
	49,039	42,555

Non-cash transactions

During the year, intangible assets of \$311,500 were purchased by the issuance of 700,000 common shares of the Company.

19. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

20. SUBSEQUENT EVENT

The Company renegotiated its credit line with a new institution on July 22, 2008. The new line of credit of \$1,000,000 bears interest at prime rate plus 1.5% and is secured by a first mortgage on trade accounts receivable and other receivables. Under the terms of the credit agreement the Company must comply with certain debt covenants, including the maintenance of financial ratios.