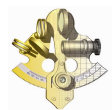


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MERCATOR TRANSPORT GROUP CORPORATION
MANAGEMENT DISCUSSION AND ANALYSIS
UNAUDITED QUARTERLY REPORT
FOR THE THREE-MONTH PERIOD ENDED JANUARY 31, 2009 AND 2008



To our shareholders

Mercator announces its financial results for the three-month period ended January 31, 2009.

Mercator (GMT: TSX venture) announces a 70% increase in revenues for the third quarter of 2009, compared to the same period in 2008.

Financial Highlights

Selected Consolidated Results

(in thousands of Canadian dollars, except per share amount)	T3 2009	T3 2008	T2 2009
Revenue	6,818	4,021	6,196
Gross profit	891	481	942
EBITDA ¹	22	(202)	241
Net income (net loss)	(37)	(189)	122
Net earnings (loss) per basic	(0.001)	(0.007)	0.004

HIGHLIGHTS

The following highlights of the third quarter of 2009 must be considered in order to understand the overall analysis of Mercator's results.

- In January 2009, the Corporation created two new subsidiaries:
 - Mercator Industrial Projects Inc. ("Mercator Projects"), a Montreal based division created to pursue the development of Mercator's logistics services for important international scale industrial projects, and
 - The Las Vegas subsidiary provides freight forwarding, international logistics and distribution services. More specifically, Mercator provides logistic services for the construction of hotels and casinos in the Las Vegas region.
- As part of the Corporation's sustained growth, quarterly revenues increased by \$2,796,000 or 70% to reach

\$6,818,000 in the third quarter of 2009 compared to the third quarter of 2008.

- The gross profit margin significantly increased to 13.1% in the third quarter of 2009, compared to 11.9% for the same period in 2008.
- The Corporation generated an EBITDA¹ of \$21,881 for the three-month period ended January 31, 2009 compared to a loss (EBITDA¹) of \$202,886 for the three-month period ended January 31, 2008. This significant positive change in EBITDA¹ is mainly the result of organic growth, which led to increased sales volume.
- The Corporation reported a net loss of \$37,000 (\$ 0.001 per share) for the three-month period ended January 31, 2009 compared to a net loss of \$189,000 (\$ 0.007 per share) for the same quarter in 2008.
- As at January 31, 2009, shareholder's equity was at \$1,085,000 compared to \$ 887,000 as at April 30, 2008 (corresponding to the Company's fiscal year-end).

MANAGEMENT DISCUSSION AND ANALYSIS

Management's analysis of the operating results and financial position of Mercator Transport Group Corporation (the "Mercator" or "Corporation") for the three-month periods ended January 31, 2009 and 2008 should be read in conjunction with the Corporation's most recent consolidated financial statements and related notes. The information contained in this analysis includes significant developments as of March 12, 2009, the date the Corporation's Board of Directors approved the analysis.

I. FORWARD-LOOKING STATEMENTS

Management's analysis of the operating results and financial position is intended to provide readers with the information that management believes is required for the interpretation of Mercator's current results and to assess the Corporation's future prospects. Accordingly, certain statements in this analysis of operating results and financial position, including statements regarding future results and performance, are, within the meaning of the *Securities Act*, forward-looking statements based on current expectations. These forward-looking statements, by their nature, are not guarantees of Mercator's future operating or financial performance and are subject to risks and uncertainties that could cause actual results to differ materially from those projected in such statements. Words such as "can," "have," "should," "anticipate," "believe," "project," "estimate," "plan," "continue" or similar expressions are intended to identify forward-looking statements. The Corporation cautions the reader that these assumptions regarding future events, many of which are beyond the control of management, may ultimately prove to be incorrect.

Factors that could cause actual results to differ materially from those contemplated in forward-looking statements include risks associated with economic conditions, risks associated with the Corporation's business environment, and operational risk.

Readers are cautioned not to place undue confidence in these forward-looking statements or to consider trends in certain financial data as indicative of Mercator's future activity. Given the analyses and uncertainties, actual events may differ materially from current expectations. The Corporation disclaims any intention or undertaking to update or revise any forward-looking statements, even as a result of future events or otherwise, except as required by applicable law.

Within this document, all financial data are expressed in Canadian dollars and are prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP), unless otherwise indicated.

II. NON-GAAP FINANCIAL MEASURES

In this management discussion and analysis, we also use certain non-GAAP financial measures. The Corporation believes that some of these measures, presented in conjunction with comparable GAAP financial measures, provide useful supplemental information for investors and other readers in order that they may evaluate the Corporation's performance. The non-GAAP financial measures used are the following:

EBITDA¹	EBIT	EBT	Free cash flow
<i>Earnings (loss) before interest, taxes, depreciation and amortization</i>	<i>Earnings (loss) before interest and taxes</i>	<i>Earnings (loss) before taxes</i>	<i>Cash flow related to operating activities minus net acquisitions of property, plant and equipment</i>

This information should not be taken out of context and should not be considered as a substitute for net earnings (net loss), cash flow from operating, investing and financing activities, or any other financial data presented in the financial statements as return or liquidity indicators. Non-GAAP earnings measures do not have standardized meanings prescribed by GAAP and therefore may not be comparable to similar measures presented by other issuers.

III. CORPORATION PROFILE

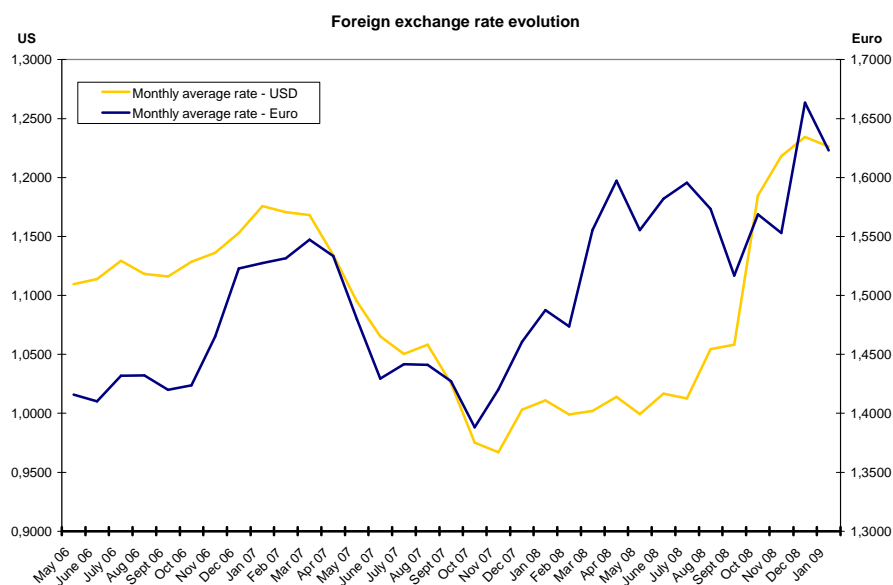
Mercator specializes in freight forwarding, international logistics and distribution. The Corporation offers high value-added services in global supply chain management and designs tailor-made solutions. Customer intimacy and commitment differentiates Mercator in its ability to implement customers' requirements.

Mercator offers global supply chain management, designs and supplies all of logistic solutions, manages documents, regulation, transport and custom transactions of their customer's merchandise. Revenues are generated from the billing of these services.

Relevant economic data

Mercator's results are impacted by US dollar and Euro fluctuations against the Canadian dollar. In the third quarter of 2009, the value of the Canadian dollar significantly declined, suffering a 23% decrease with respect to the US dollar, and an 11% decrease with compared to the Euro.

The graphics below show the evolution of these currencies.



Foreign exchange – average

	2007					2008					2009		Change	Change		
	Q1	Q2	Q3	Q4	Annual	Q1	Q2	Q3	Q4	Annual	Q1	Q2	Q3 2009 Q3 2008	Q3 2009 Q2 2009		
\$CDN/\$USD	1,1175	1,1210	1,1550	1,1577	1,1378	1,0701	1,0196	0,9938	1,0050	1,0221	1,0096	1,0092	1,2263	1,1117	23,4%	21,5%
\$CDN/Euro	1,4193	1,4253	1,5052	1,5374	1,4718	1,4504	1,4188	1,4562	1,5422	1,4669	1,5777	1,5531	1,6131	1,5813	10,8%	3,9%

IV. FINANCIAL POSITION HIGHLIGHTS

(in thousands of dollars)	As at January 31, 2009	As at April 30, 2008	Change \$	Foreign exchange impact	Explanation of variations other than foreign exchange impact
Cash	681	594	87	78	The variation is mainly the result of the increase of the transaction volumes in canadian dollar for \$11,000, in american dollar for (\$163,000) and in Euro for \$161,000. Also refer to the cash flow section for more details.
Cash held in trust	45	35	10	n/a	No significant variation
Accounts receivable	2 120	2 736	(616)	127	The decrease in accounts receivable represents the variation in the transaction volume in canadian dollar for \$9,000, in american dollar for \$1,299,000 and in euro for \$565,000. The decrease is also explained by more favorable paiement terms related to the new air charter services offered since the beginning of 2009.
Inventories	144	136	8	-	No significant variation
Prepaid expenses and other assets	183	49	134	n/a	The increase is mainly attributed to the increase in consultants fees and other expenses related to the development of new companies (\$105,000). The increase is also related to the increase in the foreign exchange contracts for the period (\$17,000).
Equipment	69	38	31	n/a	During the period, the Company acquired furniture (\$15,000) and computer hardware amounting to \$25,000. The depreciation for the period represented \$9,000.
Intangible assets	309	350	(41)	n/a	During the period, the Company acquired and improved its softwares for an amount of \$47,000. The depreciation for the period represented \$88,000.
Future income taxes	266	344	(78)	n/a	The decrease of future income taxes amounting to \$78,000 is the result of the increase in the net earnings before taxes.
Bank loans	41	290	(249)	n/a	Refer to the cash explanations above and to the cash flow section for more details.
Accounts payable	2 501	2 897	(396)	228	The decrease in accounts payable represents the variation in the transaction volume in canadian dollar for \$6,000, in american dollar for \$898,000 and in euro for \$268,000. The decrease is also explained by more favorable paiement terms related to the new air charter services offered since the beginning of 2009.
Obligations under capital leases	3	13	(10)	n/a	The decrease represents the repayment of the capital during the period.
Long term debt	164	195	(31)	n/a	The decrease represents the repayment of the capital during the period.
Shareholders' equity	1 085	887	198	n/a	The shareholder's equity increase is mainly the result of the net earnings of \$112,000 for the period, the exercise of the purchase warrants for \$33,000 and the issuance of options for \$53,000.

V. HISTORICAL FINANCIAL INFORMATION

For the last several quarters, Mercator has had to face business conditions in constant evolution (i.e. significant exchange rate fluctuations, transport and oil prices fluctuation, etc.). Recent events on the market and tightening of credit which has resulted, have reduced available liquidities and slowed down the overall economic activity. Such difficult business conditions directly impacted the volume of transactions in some sectors of activity in which we evolve. As a result, Mercator reacted proactively, by diversifying its logistics services and integrating its new charter services in January 2009. This new service compensated for the decrease in volume in certain sectors.

Moreover, considering how difficult avoiding the consequences of an economic downturn may be, Mercator closely monitors its exposure to the following potential risks which may potentially affect its profitability and

future cash flows. Mercator is ready to address these risks proactively:

- Sustained decrease in the number of transactions;
- Decrease in available credit to its clientele;
- Deterioration of the financial situation of key customers and suppliers.

However, some factors remain favourable in this period of uncertainty:

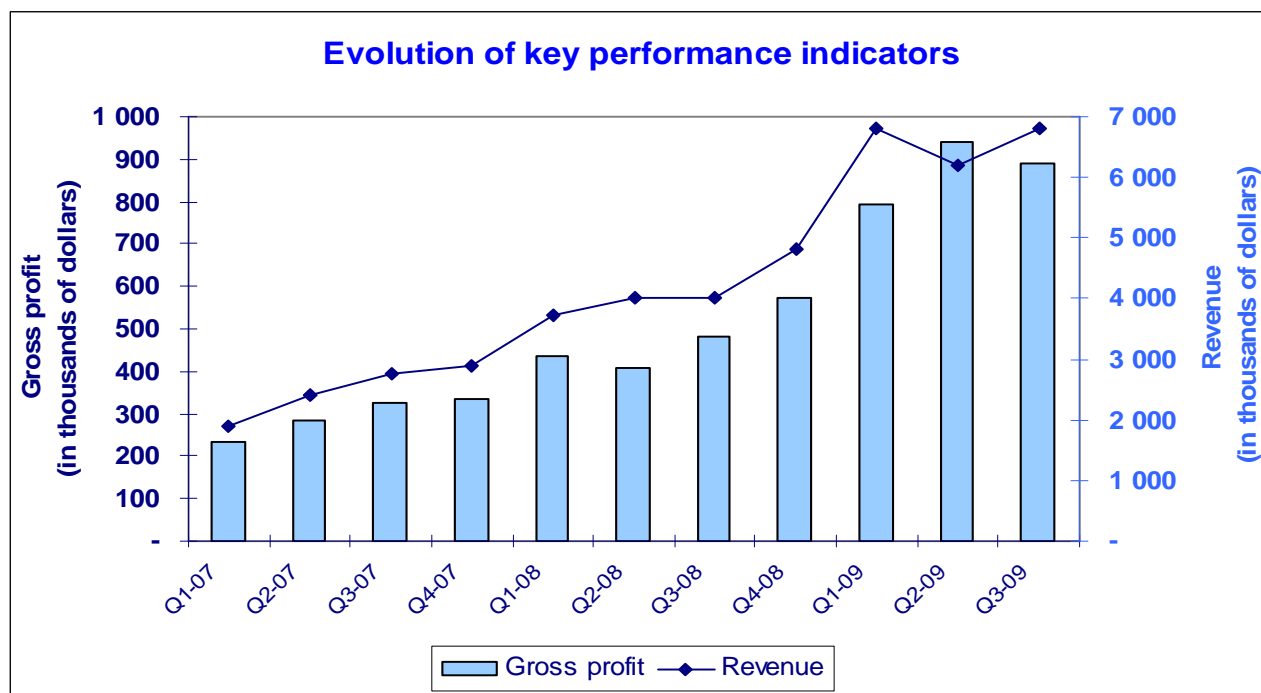
- Depreciation of the Canadian dollar to the US dollar and Euro;
- Decrease in oil prices;
- Decrease in transportation costs.

Such factors have allowed Mercator to curtail third quarter net losses to \$36,643, compared to net losses of \$189,313 for the same period in the previous year.

As part of the Corporation's sustained growth, quarterly revenues increased by \$2,796,000 or 70% to reach \$6,818,000 in the third quarter of 2009 compared to the third quarter of 2008.

Summary of historical financial information

(in thousands of dollars)	2007					2008					2009			
	Q1 (3 months)	Q2 (3 months)	Q3 (3 months)	Q4 (3 months)	Total (12 months)	Q1 (3 months)	Q2 (3 months)	Q3 (3 months)	Q4 (3 months)	Total (12 months)	Q1 (3 months)	Q2 (3 months)	Q3 (3 months)	Total (9 months)
Revenue	1 905	2 414	2 760	2 879	9 958	3 719	4 007	4 021	4 802	16 549	6 820	6 196	6 818	13 016
Gross profit	236	286	326	336	1 184	437	408	481	574	1 900	795	942	891	1 737
EBITDA	74	(33)	(64)	(221)	(244)	(99)	(84)	(202)	(41)	(426)	78	241	22	319
Depreciation	7	8	8	9	32	8	10	18	26	62	31	32	39	63
EBIT	67	(41)	(72)	(230)	(276)	(107)	(94)	(220)	(67)	(488)	47	209	(17)	256
Interest	3	6	10	8	27	9	8	10	10	37	9	11	8	20
EBT	64	(47)	(82)	(238)	(303)	(116)	(102)	(230)	(77)	(525)	38	198	(25)	236
Income taxes	14	(11)	(9)	(131)	(137)	(32)	(28)	(41)	(17)	(118)	12	76	11	88
Net earnings (losses)	50	(36)	(73)	(107)	(166)	(84)	(74)	(189)	(60)	(407)	26	122	(36)	148
Net earnings (loss) per share (in dollars)	0,046	(0,034)	(0,004)	(0,007)	(0,009)	(0,003)	(0,003)	(0,007)	(0,015)	(0,015)	0,001	0,004	(0,001)	0,004
(as a percentage of revenue)														
Gross profit	12,4%	11,8%	11,8%	11,7%	11,9%	11,8%	10,2%	12,0%	12,0%	11,5%	11,7%	15,2%	13,1%	13,3%
EBITDA	3,9%	-1,4%	-2,3%	-7,7%	-2,5%	-2,7%	-2,1%	-5,0%	-0,9%	-2,6%	1,1%	3,9%	0,3%	2,5%
EBIT	3,5%	-1,7%	-2,6%	-8,0%	-2,8%	-2,9%	-2,3%	-5,5%	-1,4%	-2,9%	0,7%	3,4%	-0,2%	2,0%
EBT	3,4%	-1,9%	-3,0%	-8,3%	-3,0%	-3,1%	-2,5%	-5,7%	-1,6%	-3,2%	0,6%	3,2%	-0,4%	1,8%
Net earnings (losses)	2,6%	-1,5%	-2,6%	-3,7%	-1,7%	-2,3%	-1,8%	-4,7%	-1,2%	-2,5%	0,4%	2,0%	-0,5%	1,1%
Cash and cash equivalents	100	165	692	554	554	495	35	253	629	629	872	673	681	681
Free cash flows	(106)	(40)	79	(607)	(674)	(161)	(452)	102	456	(55)	534	(233)	152	453



VI. CONSOLIDATED FINANCIAL RESULTS

Comparison of financial results for the three-month periods ended January 31, 2008 and 2009

Sales

As part of the Corporation's sustained growth, quarterly revenues increased by \$2,796,000 or 70% to reach \$6,818,000 in the third quarter of 2009 compared to the third quarter of 2008.

Such growth is mainly attributable to the organic growth in sales in the logistics segment of Mercator, mainly represented by its newly created division, Mercator Industrial Projects Inc. ("Mercator Projects"), notably providing new air charter services (\$1,519,000). The depreciation of the Canadian dollar to the US dollar and Euro also contributed to the sales increase.

Even though sales have increased during the third quarter of 2009 compared to the previous quarter (\$621,000 or 10%), the third

quarter suffered from the beginning of the economic crisis, as well as a certain downturn in the economic activity of our clients. We have witnessed a decrease in sales in the ocean sector compared to the previous quarter (\$719,000). Such decrease was compensated by the inauguration of Mercator Projects in January 2009.

Gross margin

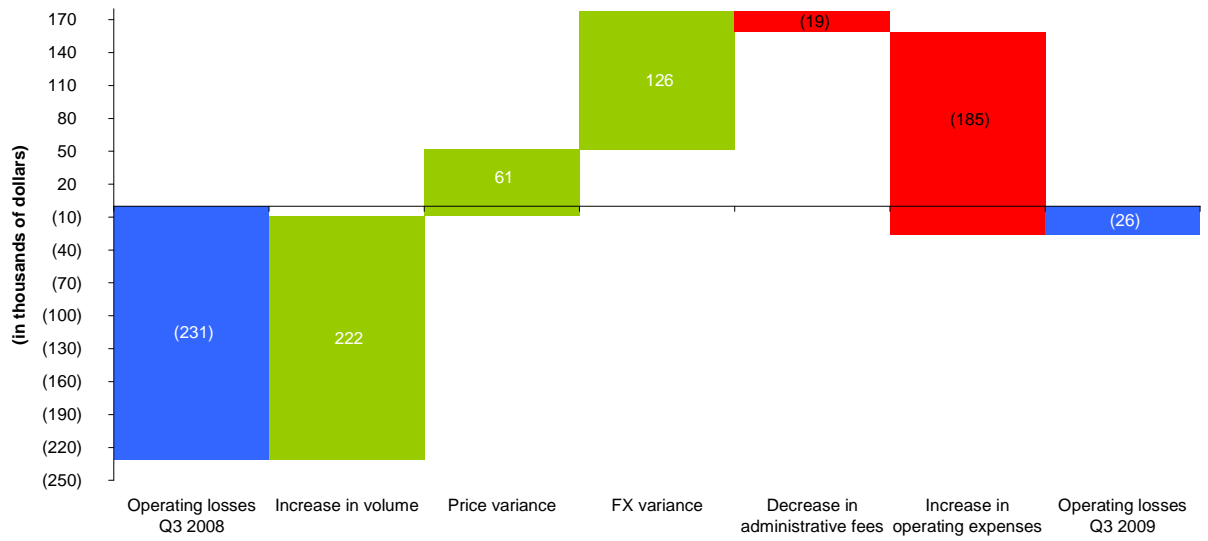
Gross margin significantly increased to reach 13.1% in 2009, compared to 11.9% for the previous year. This increase mainly stems from the implementation of a purchasing optimisation operational strategy adopted at the beginning of fiscal 2009 to optimize purchases. This increase was also

affected by the appreciation of the American and European currencies, as well as by the decrease in transportation and oil costs.

EBITDA¹

The Corporation generated an EBITDA¹ of \$22,000 for the three-month period ended January 31, 2009 compared to a loss (EBITDA¹) of \$202,000 for the three-month period ended January 31, 2008. This significant EBITDA¹ appreciation mainly results from organic growth leading to an increase in sales volume. Gross profit increased by \$410,000 (85%). Moreover, operating costs (excluding depreciation and interest expenses) increased by \$166,000 (24%). This increase in operating costs mainly stems from human resources investments incurred in 2007-2008 to meet anticipated growth.

The main variations of the operating losses for the three-month period ended January 31, 2009 are illustrated below; we can see that the increase in volume, the price variance and the foreign exchange variance allowed to offset the Q3 2008 operating loss in addition to the increase in operating charges:



Other major changes

Salaries and fringe benefits rose by \$143,000 to \$586,000 in 2009, against \$443,000 in 2008. This increase results from new employee recruitment and accruals for employee compensation plans.

The \$23,000 gap in doubtful accounts recorded between the third quarters of 2009 and 2008 mainly stems from the Corporation's general allowance for bad debt. The allowance was indeed created in the third quarter of 2008, with greater sums having thus been allocated for that purpose in the third quarter of 2008.

Increase in insurance costs (\$15,000) is mainly attributable to foreign exchange contracts incurred in 2009 compared to the same quarter in 2008.

Traveling expenses were up \$13,000 to reach \$58,000 for the three-month period ended January 31, 2009, compared to \$45,000 for the same period in 2008. This increase results from traveling expenses being granted to an increased number of employees, as well as to a higher volume of international travel for building business

relationships and identifying prospective potential business ventures.

The decrease of \$11 000 in consulting fees is mainly attributable to fees paid to various consultants in 2008 for the purchase of exclusive distribution rights acquired in December 2007 by the subsidiary Mercator Global Services inc.

Depreciation reached \$39,000 in 2009, compared to \$18 000 for the same period in 2008. This increase mainly results from amortization of exclusive distribution rights acquired in December 2007 by the subsidiary Mercator Global Services inc., changes in the useful life of software, as well as capital investments made in 2009 for improvement of computer systems and network.

Shareholders' equity

As at January 31, 2009, shareholders' equity represented \$1,085,000 compared to \$887,000 as at April 30, 2008, an increase of \$198,000 mainly resulting from an appreciation of net earnings aggregated in the first three quarters of 2009.

Comparison of financial results for the nine-month periods ended January 31, 2009 and 2008

Sales

Reflecting the Corporation's sustained growth, revenue increased by \$8,086,000 (69%) to reach \$19,834,000 for the nine-month period ended January 31, 2009, compared to \$11,748,000 for the comparable period in 2008.

This increase is mainly attributable to organic growth in sales in the logistics segment of Mercator, mainly represented by its newly created division, Mercator Industrial Projects Inc. ("Mercator Projects"), notably providing new air charter services (\$1,519,000). The depreciation of the Canadian dollar to the US dollar and Euro also contributed to the sales increase. This increase mainly stems from the organic growth in sales Mercator's sales was mainly organic. The depreciation of the Canadian dollar to the US dollar and Euro also contributed to the sales increase.

Gross margin

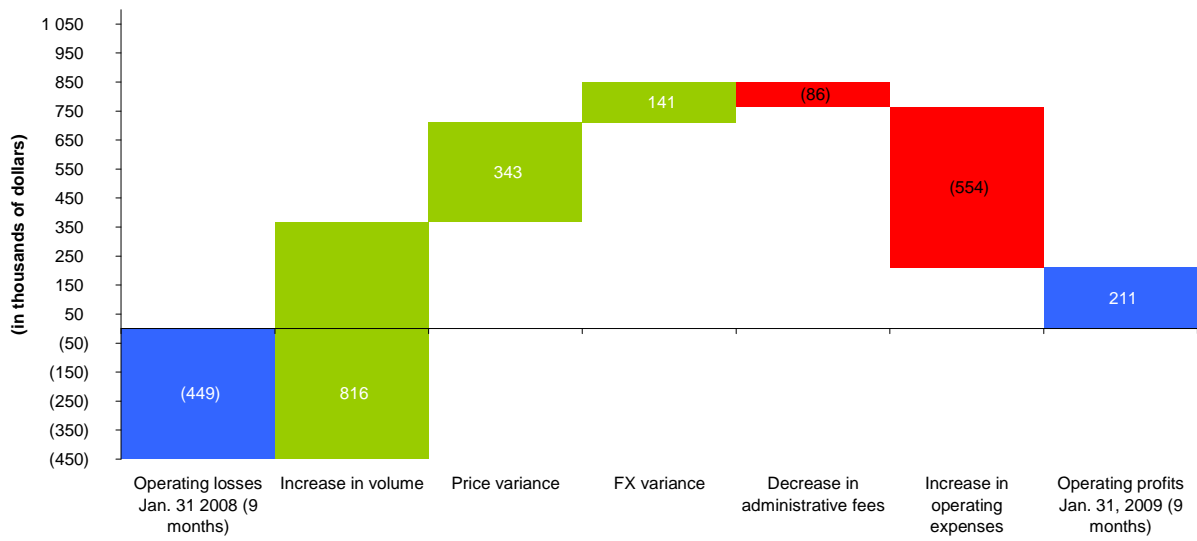
The gross profit margin grew significantly to 13.3% in 2009, compared to 11.3% the previous year. This increase mainly stems from the implementation of a purchasing optimisation operational strategy adopted at the beginning of fiscal 2009. This increase was also affected by the appreciation of the American and European currencies, as well as by the decrease in transportation and oil costs.

EBITDA¹

The Corporation generated an EBITDA¹ of \$267,000 for the nine-month period ended January 31, 2009, compared to a loss

(EBITDA¹) of \$485,000 for the nine-month period ended January 31, 2008. This significant EBITDA¹ appreciation mainly results from organic growth leading to an increase in sales volume, as well as the reception of an \$81,000 indemnity payment by the Corporation for breach of contractual obligations recorded as salaries and fringe benefits. Gross profit increased by \$1,301,000 (98%). Moreover, operating costs (excluding depreciation and interest expenses) increased by \$479,000 (26%). This increase in operating costs mainly stems from human capital investments incurred in 2007-2008 to meet anticipated growth.

The main variations of the operating profits for the nine-month period ended January 31, 2009 are illustrated below; we can see that the increase in volume, the price variance and the foreign exchange variance allowed to offset the Q3 2008 operating loss in addition to the increase in operating charges:



Other major changes

Salaries and fringe benefits rose by \$304,000, reaching \$1,504,000 in 2009, against \$1,199,000 in 2008. This increase results from new employee recruitment and accruals for employee compensation plans.

Depreciation reached \$102,000 in 2009, compared to \$36,000 for the same period in 2008. This increase mainly results from amortization of exclusive distribution rights acquired in December 2007, changes in the useful life of software, as well as capital investments made in 2009 for improvement of computer systems and network.

Increase in insurance costs (\$22,000) is mainly attributable to foreign exchange contracts incurred in 2009 compared to the same quarter in 2008.

Traveling expenses were up \$69,000 to reach \$184,000 for the nine-month period ended January 31, 2009, compared to \$115,000 for the same period in 2008. This increase results from traveling expenses being granted to an increased number of employees, as well as to a higher volume of international travel for building business relationships and identifying prospective potential business ventures.

Advertising expenses increased by \$42,000, reaching \$71,000 for the nine-month period ended January 31, 2009, compared to \$29,000 for the same period in 2008. This increase partly results from the Corporation's new development activities implemented in 2009.

The \$25,000 increase in consulting fees is mainly attributable to the increase in auditor's fees for 2009.

The \$18,000 increase in interest and bank charges is mainly attributable to a decrease in interest income (\$13,000) for 2009.

Shareholders' equity

As at January 31, 2009, shareholders' equity represented \$1,085,000, compared to \$887,000 as at April 30, 2008, representing an increase of \$198,000. This increase is mainly attributable to the net earnings generated in the first three quarters of 2009.

Business segments review

(in thousands of dollars)	Revenue				EBITDA ¹			
	3 months		9 months		3 months		9 months	
	2009	2008	2009	2008	2009	2008	2009	2008
Logistics	6 112	3 506	17 664	11 302	14	(196)	267	(485)
Distribution	1 079	758	3 421	758	20	27	28	27
Other and eliminations	(373)	(244)	(1 251)	(312)	(12)	(33)	46	63
	6 818	4 020	19 834	11 748	22	(202)	341	(395)

Business segment review - Comparison of financial results for the three-month periods ended January 31, 2008 and 2009

Logistics

Quarterly revenue for the logistics segment increased by \$2,606,000 (74%), to reach \$6,112,000 in the third quarter of 2009, compared to the third quarter of 2008.

This increase is mainly explained by the organic growth in sales in the logistics segment of Mercator, mainly represented by its newly created division, Mercator Industrial Projects Inc. ("Mercator Projects"), notably providing new air charter services (\$1,519,000). The depreciation of the Canadian dollar to the US dollar and Euro also contributed to the sales increase.

The logistics segment generated an EBITDA¹ of \$14,000 for the three-month period ended January 31, 2009, compared to a loss (EBITDA¹) of \$196,000 for the three-month period ended January 31, 2008. This significant EBITDA¹ appreciation is mainly attributable to organic growth which led to an increase in sales volume, as well as the creation of Mercator Projects.

Distribution

Quarterly revenue for the distribution segment increased by \$321,000 (42%), reaching \$1,079,000 for the third quarter of

2009, compared to the third quarter of 2008. The increase in sales in 2009 mainly stems from the acquisition of exclusive distribution rights in December 2007. Only two months of operations were consequently reported for the third quarter of 2008.

The distribution segment generated an EBITDA¹ of \$20,000 for the three-month period ended January 31, 2009 compared to \$27,000 for the same period in 2008. This decrease in EBITDA¹ in 2009 is mainly explained by the variations in transportation costs for this segment.

Business segment review - Comparison of financial results for the nine-month periods ended January 31, 2008 and 2009

Logistics

Revenue for the nine-month period ended January 31, 2009 in the logistics segment increased by \$6,362,000 (56%), to reach \$17,664,000 in 2009, compared to the same period in 2008.

This increase is mainly explained by the organic growth in sales in the logistics segment of Mercator, mainly represented by its newly created division, Mercator Industrial Projects Inc. ("Mercator Projects"), notably providing new air charter services (\$1,519,000). The depreciation of the Canadian dollar to the US dollar and Euro also contributed to the sales increase.

The logistics segment generated an EBITDA¹ of \$267,000 for the nine-month period ended January 31, 2009, compared to a loss (EBITDA¹) of \$485,000 for the same period in 2008. This significant EBITDA¹ appreciation is mainly attributable to organic growth which led to an increase in sales volume, as well as the creation of Mercator Projects.

Distribution

Revenue for the distribution segment increased by \$2,663,000 (351%), reaching \$3,421,000 for the nine-month period ended January 31, 2009, compared to the same

period in 2008. The increase in sales in 2009 mainly stems from the acquisition of exclusive distribution rights in December 2007. Only two months of operations were thus reported for 2008.

The distribution segment generated an EBITDA¹ of \$28,000 for the nine-month period ended January 31, 2009 compared to \$27,000 for the same period in 2008. The stability of EBITDA¹ in 2009 is mainly explained by the variations in transportation costs for this segment, as well as to appreciation of the US dollar, the main supply source of the distribution segment being the United States.

VII. CASH FLOW

Cash from Operations

Cash from operations generated a total of \$494,000 in 2009 (generated of \$174,000 for the third quarter) compared to an amount of cash requirement of \$500,000 in 2008 (generated \$103,000 for the third quarter). Changes in non-cash working capital items represented an inflow of \$142,000 in 2009 (inflow of \$141,000 for the third quarter), versus an outflow of \$110,000 a year earlier (inflow of \$331,000 for the third quarter). This 2009 inflow is mainly attributable to an increase in account receivables (\$616,000) and a decrease in accounts payable (\$397,000), resulting from business volume generated through internal growth.

Investing Activities

In 2009, investment projects required a total of \$95,000, for the main following reasons:

- Developing a new market for the logistics segment (chartering), representing start up and prospecting costs (\$45,000).
- Acquisition of new computer equipment (\$22,000).
- Investing in the development of new computer management tools (\$28,000).

Financing Activities

Financing cash flows essentially represent net variations in bank loans, repayment of capital leasing obligations and long-term debt.

Ability to finance operations and growth

In Mercator's industry, those who make it a priority to respect their business engagements generally to not find it difficult to obtain the supplier credit required to finance operations and development. Nevertheless, the Corporation may, in the future, require additional financing to develop unexpected business opportunities such as, for instance, acquisitions or to face any other financial situation. As of the date of this MD&A, management does not anticipate any particular trend or fluctuation to affect its current position. Should it however decide to consider the conclusion of exceptional transactions, management will first proceed with their assessment and solicit proper financing, should it consider appropriate to do so. Management does not foresee any material liquidity risk for the coming fiscal year. To date, Mercator has indeed never defaulted, been in arrears or postponed any due date, and all of its commitments have been and should continue to be honoured. Moreover, management does not expect its cash flow to be materially affected by any of its obligations.

Consolidated financial position as at January 2009 and April 30, 2008

(in thousands of dollars)	2009	2008
Working capital ^A	563	309
Bank loans	41	290
Current portion of obligations under capital leases	3	12
Current portion of long-term debt	42	42
Obligations under capital leases	-	1
Long-term debt	122	153
Total debt	2,731	3,396
Shareholders' equity	1,085	887
Total equity and debt	3,816	4,282
Ratio of debt / total equity and debt	71.6%	79.3%

Working capital includes , cash, accounts receivable, inventories, prepaid expenses less bank loans, accounts payable, current portion of obligations under capital leases and the invest portion of long-term debt.

Liquidity available via the Company's credit facilities, along with the cash flow generated by its operating activities, will provide it with sufficient funds to meet its financial obligations. At the end of the third quarter of 2009, Mercator had \$959,000 available through its \$1 million credit facility.

Capital stock information

As at January 31, 2009, the issued and outstanding capital stock consists of 27,418,335 common shares (27,293,335 as at April 30, 2008). Moreover, as at January 31, 2009, stocks options providing for the acquisition of 2,233,334 common shares were issued and outstanding and no stock purchase warrants were outstanding (2,008,334 and 125,000 respectively as at April 30, 2008). During the period, 600,000 options were issued and 375,000 cancelled. An amount of \$62,000 was expensed as stock-based compensation for 2009 (\$42,000 for the third quarter) compared to \$58,000 in 2008 (\$19,000 for the third quarter) the related credits accounted for as contributed surplus.

Contractual obligations and other commitments

The Corporation's principal contractual obligations and commercial commitments relate to outstanding debt, operating leases and capital leases.

(in dollars)	Total	2009	2010	2011	2012	2013
Long-term debt	163,795	10,392	41,820	41,820	41,820	27,943
Capital leases	3,464	3,464	-	-	-	-
Operating leases	114,705	22,941	91,764	-	-	-
Total	281,964	36,797	133,584	41,820	41,820	27,943

Related-party transactions

During the year, the Corporation also entered into transactions with companies controlled by common shareholders. These transactions took place during the normal course of business and were measured at the exchange amount.

Off-balance-sheet arrangements and other contingencies

To date, the Corporation has no significant off-balance-sheet arrangements or other contingencies and does not anticipate any in the foreseeable future.

Significant accounting policies

These unaudited interim consolidated financial statements and the notes thereto have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") with the exception that they do not conform in all material respects to the requirement of GAAP for annual financial statements. These financial statements should be read with the most recent annual financial statements of the Corporation, which have been prepared using the same accounting policies except for the following:

Recent changes in accounting standards

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 Corporation adopted these standards effective May 1, 2008. The adoption of this Section had no impact on the Corporation's consolidated financial statements except for a more detailed information disclosure.

Financial instruments - Disclosures and presentation

On May 1, 2008, the Corporation adopted the new CICA Handbook accounting recommendations regarding the recognition, measurement and disclosure of financial instruments as follows: 3862 "Financial Instruments - Disclosures" and 3863 "Financial Instruments - Presentation".

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

Capital disclosures

On May 1, 2008, the Corporation adopted Section 1535 of the CICA handbook, "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.

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. The Corporation adopted this new recommendation on May 1, 2008.

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

New accounting standards not yet adopted

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 Standard Board (IASB). Under the IASB's plan, this new framework will be effective for fiscal years beginning on or after January 1, 2011. Information regarding the Corporation's plan for convergence and the anticipated effects is to be disclosed prior to the adoption, with the first disclosure by the Corporation 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 Corporation will adopt these standards effective May 1, 2009. The Corporation is presently evaluating the impact of this new standard on the consolidated financial statements.

Business combinations

In January 2009, the CICA issued Handbook Section 1582, *Business Combinations*, which replaces Section 1581, *Business Combinations*, and provides the equivalent to IFRS 3, *Business Combinations* (January 2008). The new Section expands the definition of a business subject to an acquisition and establishes significant new guidance on the measurement of consideration given, and the recognition and measurement of assets acquired and liabilities assumed in a business combination. The new Section requires that all business acquisitions be measured at the full fair value of the acquired entity at the acquisition date even if the business combination is achieved in stages, or if less than 100 percent of the equity interest in the acquiree is owned at the acquisition date. The measurement of equity consideration given in a business combination will no longer be based on the average of the fair value of the shares a few days before and after the day the terms and conditions have been agreed to and the acquisition announced, but rather at the acquisition date. Subsequent changes in fair value of contingent consideration classified as a liability will be recognized in earnings and not as an adjustment to the purchase price. Restructuring and other direct costs of a business combination are no longer considered part of the acquisition accounting. Instead, such costs will be expensed as incurred, unless they constitute the costs associated with issuing debt or equity securities. The Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of

the first annual reporting period beginning on or after January 1, 2011. Earlier adoption is permitted. This new Section will only have an impact on our consolidated financial statements for future acquisitions that will be made in periods subsequent to the date of adoption.

Consolidated financial statements and non-controlling interests

In January 2009, the CICA issued Handbook Section 1601, *Consolidated Financial Statements*, and Handbook Section 1602, *Non-Controlling Interests*, which together replace Section 1600, *Consolidated Financial Statements*. These two Sections are the equivalent to the corresponding provisions of International Accounting Standard 27, *Consolidated and Separate Financial Statements (January 2008)*. Section 1602 applies to the accounting for non-controlling interests and transactions with non-controlling interest holders in consolidated financial statements. The new Sections require that, for each business combination, the acquirer measure any noncontrolling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The new Sections also require non-controlling interest to be presented as a separate component of shareholders' equity. Under Section 1602, non-controlling interest in income is not deducted in arriving at consolidated net income or other comprehensive income. Rather, net income and each component of other comprehensive income are allocated to the controlling and non-controlling interests based on relative ownership interests. These Sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011, and should be adopted concurrently with Section 1582. The Company is currently assessing the future impact of these new Sections on its consolidated financial statements.

International Financial Reporting Standards

In February 2008, the Accounting Standards Board ("AcSB") confirmed that the use of International Financial Reporting Standards ("IFRS") will replace Canadian GAAP in 2011 for publicly accountable profit-oriented enterprises. The transition from current Canadian GAAP to IFRS will be applicable for the Corporation for the fiscal year beginning on January 1, 2011. The Corporation will convert to these new standards according to the timetable set for these new rules. The Corporation has established its transition plan and is currently assessing the impact of these new standards on its consolidated financial statements.

Internal control over financial reporting

Internal control over financial reporting ("ICFR") is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. The Chief Executive Officer and the Chief Financial Officer have evaluated whether there were changes to its ICFR during the three-month period ended January 31, 2009 that have materially affected, or that are reasonably likely to materially affect its ICFR. No such changes have been identified by management.

Disclosure controls and procedures

As of January 31, 2009, an evaluation of the effectiveness of the Corporation's disclosure controls and procedures was carried out under the supervision of and with the participation of the Chief Executive Officer and the Chief Financial Officer. Based on that evaluation, the CEO and CFO concluded that the design and operation of the Corporation's disclosure controls and procedures were effective and provided reasonable assurance.

Risk management

The following risks, actively managed by management, could have an impact on the Corporation's projects:

Inflation risk

The Corporation does not believe it is exposed to inflationary risk as any increase in freight rates due to inflation is recovered through its own rates. The effects are not immediately felt because there is a lag given the time required for its implementation.

Foreign currency risk

The Corporation is exposed to foreign currency fluctuations arising from the translation of revenues, expenses, assets and liabilities of operations using foreign currencies. Mercator uses the U.S. dollar (USD) 70% to 80% of the time to conduct its commercial transactions. It uses the Canadian dollar (CDN) exclusively to settle operating expenses. Foreign exchange risk is therefore a factor to consider given the financial volume.

In accordance with its policy, the Corporation may use derivative financial instruments to cover itself against exchange rate fluctuations. The Corporation's objective in managing its foreign currency is to minimize the impact of currency fluctuation and by keeping a partial natural hedge between the different entities of the Group. As at January 31, 2009, the Corporation had concluded currency contracts in order to partially cover itself against exchange rate fluctuations.

Operational risk

The Corporation does not believe it is exposed to significant operational risks to the extent that it has errors and omissions liability insurance that provides coverage for any professional misconduct. The Corporation is a

member of the professional association CIFFA, which requires such coverage.

Credit risk

The Corporation's exposure to credit risk relates to the Corporation's cash and cash equivalents, financial instruments and deposits with banks and financial institutions. The Corporation manages this risk by dealing with only creditworthy institutions.

The Corporation is exposed to credit risk on its accounts receivable from customers. In order to reduce this risk, the Corporation's credit policy includes:

- an analysis of the financial position of its customers;
- A very strict and diligent credit policy for all customers;
- Monthly review of all customers' credit rating with the relevant agencies;
- Significant diversification of customer base. Mercator's policy is that no one customer should systematically account for over 10% of sales. This reduces the potential impact of bad debt;
- Selection of customers as part of a well-established marketing strategy.

In conclusion, management believes that these measures allow for an effective assessment of the risk incurred with a particular customer and the potential consequences for the Corporation's results.

Risks related to dependence on management

Because the entire Corporation is managed by a limited number of key people, the business is subject to risks associated with

resignations, death, disability or other personal factors that could affect these individuals.

As part of its growth, the Corporation plans to appoint seasoned people in addition to the managers already in place to mitigate these risks.

Acquisition risk

Because management plans to make strategic acquisitions, related inherent risks are likely to materialize and the integration of the acquired companies may not occur according to plan.

Outlook

As regards organic growth, management expects the trend of the last quarter to continue.

Additional information related to Mercator may be found on SEDAR at www.sedar.com.

¹ Non-GAAP measure as defined on page 3 of this MD&A