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MERCATOR TRANSPORT GROUP CORPORATION

MANAGEMENT DISCUSSION AND ANALYSIS
Fiscal years ended April 30, 2007 and 2006

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ecological notes

Corporate Social Responsibility is strategic for the company. We are increasingly approached by our customers, suppliers, employees, stakeholders to engage on these issues. Each employee is therefore encouraged to promote responsibility within his or her sphere of influence.

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MANAGEMENT DISCUSSION AND ANALYSIS

Management's analysis of the operating results and financial position of Mercator Transport Group Corporation (the "Mercator Group" or "the Company") for the fiscal periods ended April 30, 2007 and 2006 should be read in conjunction with the Company's most recent consolidated financial statements and notes to financial statements. The information contained in this analysis includes significant developments as of August 1, 2007, the date the Company'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 the Mercator Group's current results and to assess the Company'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 the Mercator Group'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 Company 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 related to economic conditions, the commercial context of the Company and its operations.

Readers are cautioned not to place undue confidence in these forward-looking statements, nor to consider trends in certain financial data as indicative of future activity of the Mercator Group. Given the analyses and uncertainties, actual events may differ materially from current expectations. The Company 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.

Ability to produce results

Sources of financing

The Mercator Group expects to access the sources of financing required to realize its vision. The Company does not have significant financing needs for its operations. With regard to the Company's external growth, the financing needed for future acquisitions is limited because of the Company's surplus liquid assets (see Analysis of cash position below). However, should the Mercator Group face exceptional events that require financing, such as acquisitions, important development projects or others, it will have specific financing to bring the projects in question to fruition.

Analysis of cash position

The Company has \$554,000 in cash and cash equivalents as at April 30, 2007, providing it the assurance that no specific trend or anticipated fluctuation will alter its financial situation at this time.

High-performance IT tools to respond to market requirements

The Mercator Group's shipment tracking system is designed to allow customers and their employees to offer Web-based visibility in real time. Business hours and days are no longer an obstacle to knowing the exact detailed status of a shipment or delivery. There are no longer geographical obstacles or time zone constraints to accessing information regarding a shipment handled by the Mercator Group.

With real-time visibility onto operations, customers avoid redundancies, saving them substantial time.

A wide range of information and statistics is available, from a statement of their quotations to shipment tracking from the loading to the unloading point. They have easy access to one of the simplest but most sophisticated tracking tools.

This service includes the following benefits:

- | Complete historical details for every shipment, order and product;
- | Update of the status of carriers by point of transit;
- | Proactive notification of events;
- | Multiple levels of security to control the visibility of data;
- | Integration of our tracking systems with our operational systems.

Because nothing is more crucial to the efficiency of an organization than the ability of all its members to transmit precise, appropriate and understandable information that respects the standards established by management, many indexes can be measured as part of our standard services and some can be added upon request.

IV. HIGHLIGHTS FOR THE FISCAL YEAR ENDED APRIL 30, 2007

- | As part of the Company's sustained growth, average monthly sales increased by \$352,000, or 74%, to reach a monthly average of \$830,000 in 2007, compared to \$478,000 a month in 2006.
- | The gross profit margin was 11.9% for the year, compared to 11.8% in 2006.
- | The Company showed net operating losses of \$165,797 for the year, compared to net earnings of \$157,895 in 2006. The net loss of \$165,797 in 2007 is primarily the result of costs of restructuring the Company, hiring key employees in the fourth quarter to strengthen the management team and issuance costs that were incurred in the reverse takeover and that could not be capitalized.
- | For the fiscal year ended April 30, 2007, shareholders' equity represented \$919,525, compared to \$91,915 for 2006, an increase of \$827,610. This increase is primarily due to the reverse takeover completed during the third quarter and a private placement of \$514,800 in the last quarter.
- | We completely reviewed our corporate structure and reorganized internal processes.

During the last fiscal year, the Company entered into certain transactions to make the transition from a private corporation to a public corporation to facilitate increasing capital to support growth.

The following transactions that occurred in 2006-2007 must be taken into consideration in interpreting the analyses.

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 periods 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.

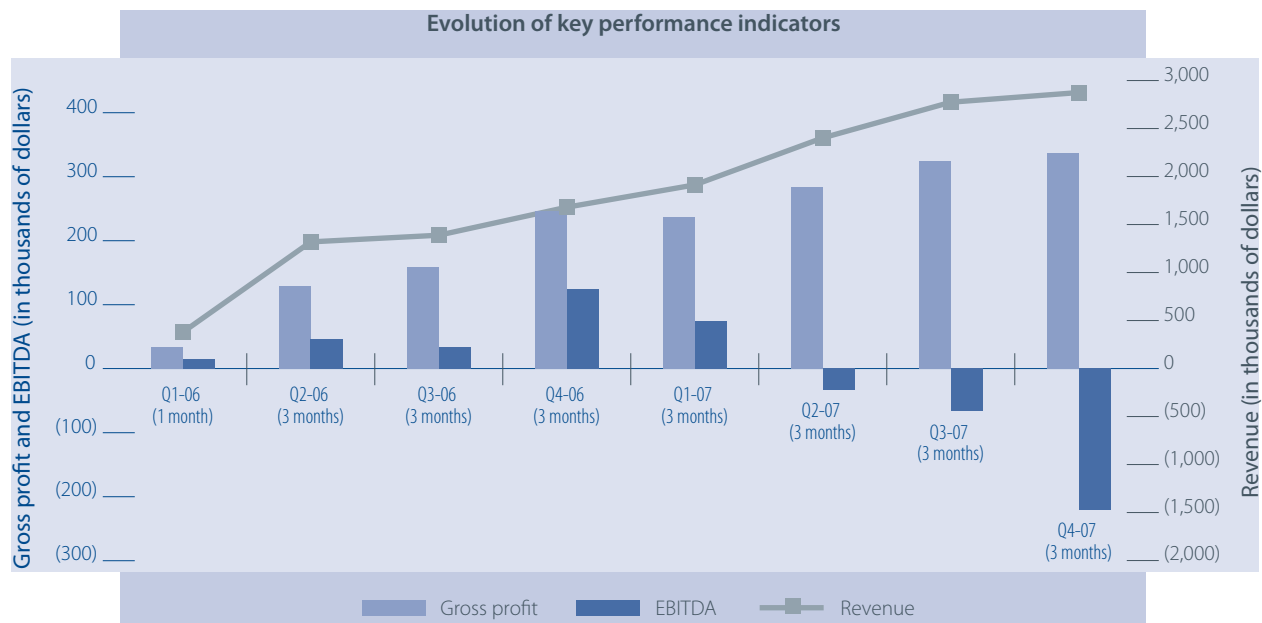
During fiscal 2006, the year end of Mercator Transport Inc. was changed from June 30 to April 30.

Private placement

On April 22, 2007, the Company announced the finalization of a private placement with Crystal-Vintage Growth Corporation in the amount of \$514,800 in return for the issuance of 2,860,000 common shares of the Company's equity capital.

V. HISTORICAL FINANCIAL INFORMATION

	2006					2007				
<i>(in thousands of dollars)</i>	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
	(1 month)	(3 months)	(3 months)	(3 months)	(10 months)	(3 months)	(3 months)	(3 months)	(3 months)	(12 months)
Revenue	380	1,325	1,388	1,683	4,776	1,905	2,414	2,760	2,879	9,958
Gross profit	33	128	158	245	564	236	286	326	336	1,184
EBITDA	17	45	33	124	219	74	(33)	(64)	(221)	(244)
Depreciation	1	2	2	2	7	7	8	8	9	32
EBIT	16	43	31	122	212	67	(41)	(72)	(230)	(276)
Interest	1	2	2	3	8	3	6	10	8	27
EBT	15	41	29	119	204	64	(47)	(82)	(238)	(303)
Income taxes	–	–	–	46	46	14	(11)	(9)	(131)	(137)
Net earnings (losses)	15	41	29	73	158	50	(36)	(73)	(107)	(166)
<i>(as a percentage of revenue)</i>										
Gross profit	8,7%	9,7%	11,4%	14,6%	11,8%	12,4%	11,8%	11,8%	11,7%	11,9%
EBITDA	4,5%	3,4%	2,4%	7,4%	4,6%	3,9%	(1,4%)	(2,3%)	(7,7%)	(2,5%)
EBIT	4,2%	3,2%	2,2%	7,2%	4,4%	3,5%	(1,7%)	(2,6%)	(8,0%)	(2,8%)
EBT	3,9%	3,1%	2,1%	7,1%	4,3%	3,4%	(1,9%)	(3,0%)	(8,3%)	(3,0%)
Net earnings (losses)	3,9%	3,1%	2,1%	4,3%	3,3%	2,6%	(1,5%)	(2,6%)	(3,7%)	(1,7%)
Cash and cash equivalents	57	13	12	132	132	100	165	692	554	554
Free cash flows	(33)	(41)	(61)	222	87	(106)	(40)	79	(607)	(674)



VI. CONSOLIDATED FINANCIAL RESULTS

Comparison between financial results for fiscal years ended April 30, 2007 (12 months) and 2006 (10 months)

Revenue

Average monthly sales increased by \$352,000, or 74%, to reach a monthly average of \$830,000 in 2007, compared to \$478,000 in 2006.

Gross profit margin

The gross profit margin for the year was 11.9%, compared to 11.8% in 2006.

Operating income

The Company showed a net operating loss of \$165,797 for the year, compared to net earnings of \$157,895 in 2006.

The net loss of \$165,797 in 2007 is primarily due to issuance costs that were incurred in the reverse takeover and that could not be capitalized (\$90,433), hiring key employees to strengthen the management and operations team (\$61,500), an amount of \$18,111 was charged as stock-based compensation cost and the cost of restructuring the Company.

Other major changes

Salaries and fringe benefits, based on a monthly average, increased by \$58,034, to an average of \$87,764 per month in 2007, compared to \$29,730 per month in 2006. This increase results primarily from the change in the method of compensating the main members of the management team. In 2006, when the Company was private, they were compensated through dividends. Additionally, the growth of the Company required hiring new employees and new members of management. Over the course of the fiscal year, the Company hired 11 new employees, thereby increasing its human resources from 9 as at April 30, 2006 to 20 as at April 30, 2007.

Travel expenses, based on a monthly average, increased by \$4,124, to an average of \$8,362 per month in 2007, compared to \$4,238 per month in 2006. This increase is primarily due to the increase in the number of employees who generate travel expenses, which is notably proportional to the increase in sales, as well as the increase in international travel to create new relationships with people in the field and to assess future projects.

Building occupancy expenses increased in keeping with the needs of the Company during the last fiscal year.

The increase in insurance expenses for the fiscal year ended April 30, 2007, compared to 2006, is primarily due to the increase in errors and omissions coverage for the corresponding increase in sales and the addition of coverage for officers and directors.

Significant projects

No significant project, aside from those explained above, influenced sales volume or profitability.

Various factors

There are no factors other than those explained above which significantly influenced changes.

VII. FOURTH QUARTER RESULTS**Comparison between the financial results for the quarters ended April 30, 2007 and 2006*****Revenue***

As part of the Company's sustained growth, revenue increased by \$1,196,000, or 71%, to \$2,879,000 during the fourth quarter of 2007, compared to \$1,683,000 for the same period in 2006.

During the fourth quarter ended April 30, 2007, the Company's revenues increased by \$119,000, or 4%, compared to the third quarter ended January 31, 2007.

Gross profit margin

The gross profit margin was 11.7% during the fourth quarter, compared to 14.5% for the same period in 2006.

Operating income

During the fourth quarter, the Company showed net operating losses of \$107,000 compared to a net profit of \$73,000 in 2006. The net loss is primarily due to hiring key employees during the fourth quarter to strengthen the management team.

Shareholders' equity

For the fiscal year ended April 30, 2007, shareholders' equity was \$920,000 compared to \$405,000 during the third quarter, representing an increase of \$515,000. This increase is primarily due to the conclusion of a private placement of \$514,800 during the last quarter.

Other important changes

The increase of \$256,192 in salaries and fringe benefits for the fourth quarter ended April 30, 2007 compared to the same period in 2006 is primarily due to the change in the method of compensating the main members of management. In 2006, when the Company was private, members of management were compensated through dividends. Furthermore, the growth of the Company required hiring key employees during the fourth quarter to strengthen the management team. Lastly, during the fourth quarter, an amount of \$18,111 was charged as stock-based compensation cost.

The increase in insurance expenses for the fourth quarter ended April 30, 2007 compared to the same period in 2006, results primarily from the increase in errors and omissions coverage for a corresponding increase in sales as well as from the addition of coverage for officers and administrators.

VIII. CONSOLIDATED BALANCE SHEET

Assets

Cash and accounts receivable

Amounts receivable and cash increased as forecasted due to the increase in the Company's sales.

Liabilities

Accounts payable

Given the growth described above, accounts payable for the fiscal year ended April 30, 2007 also increased significantly.

For the fiscal year ended April 30, 2007, the current ratio was 1.45, while for the fiscal year ended April 30, 2006, the ratio was 1.02, which shows an improvement in the structure of working capital in spite of the major growth underway.

Long-term debt

During the fiscal year, the Company incurred long-term debt of \$250,000 to support its growth.

Shareholders' equity

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 periods 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.

Private placement

On April 22, 2007, the Company announced the closing of a private placement with the Crystal-Vintage Growth Corporation in the amount of \$514,800 in return for the issuance of 2,860,000 common shares of the Company’s equity capital.

Disclosure regarding outstanding shares and other securities

As of the date hereof, equity securities and convertibles securities issued by the Company are as follows:

	Autorized	Outstanding
Voting or equity securities issued or outstanding	Unlimited common shares	26,568,335 common shares
Securities convertible or exercisable into voting or equity securities – stock option	3,497,881 options	1,483,334 options
Securities convertible or exercisable into voting or equity securities – underwriter	The underwriter may acquire up to 125,000 warrants	125,000 stock purchase warrants

Subsequent events

Aside from known and identified risks, management has no knowledge of any specific factor that could influence the Company’s revenue. Aside from these same risks, management has currently identified no commitment, event, known or unknown risk or uncertainty that could significantly influence sales volumes and gross earnings of Mercator Group. No direct effect of inflation will, in management’s opinion, significantly influence the results of the Company because it operates solely in international markets, and shortfalls in one market are often compensated for by the performance of another, with markets constantly rebalancing. No unusual event or transaction altered the results of the Company. No financing, aside from the line of credit used essentially as working capital, influenced the results of Mercator Group.

IX. CASH FLOW

Cash flow from operating activities

Operating activities represented a cash outflow of \$720,139 in 2007 and a cash inflow of \$95,585 in 2006. Changes in non-cash balances relating to operations represented cash outflow of \$468,059, compared to a cash outflow of \$69,174 in 2006. This cash outflow in 2007 is mainly due to the increase in accounts receivable.

Cash flow related to investment activities

Cash flow for the fiscal year ended April 30, 2007 primarily represented the acquisition of equipment and intangible assets (\$27,104) and the collection/disbursement of an advance receivable from an affiliated company (\$50,000) and from a private company (\$34,185).

Cash flow related to financing activities

Cash flow represented essentially:

- | the issuance of shares following the reverse takeover concluded January 29, 2007, in the amount of \$159,320 (net of issuance costs of \$218,221);
- | the conclusion of a private placement of \$464,122 (net of issuance costs of \$50,678);
- | a loan of \$250,000 contracted from BDC to finance the working capital of two start-ups.

Ability to finance operations and growth

The Mercator Group operates in an industry in which companies that consistently honour their commitments generally obtain the suppliers' credit required to finance both operations and growth. However, in the event that the Company were to encounter exceptional events that require financing, such as acquisitions, it would have recourse to specific financing to carry out the projects in question. Management anticipates no particular trend or fluctuation that could change this situation. No significant need for working capital is planned to meet recognized fixed objectives during the budget period. However, if management were to consider exceptional transactions, it would qualify the project and seek sufficient financing. Given the foregoing, management does not foresee any significant risk in terms of liquidity for the coming fiscal year. To date, the Mercator Group has never been in default or arrears or rescheduled any due date, and all of its commitments have been and should continue to be honoured. Furthermore, management believes that no significant obligation will have a material influence on cash flow.

Sources of financing

The Mercator Group incurred long-term debt, as planned, to finance the working capital necessary for the creation of two affiliated companies that are an integral part of the Company. These two companies will grow according to a different business model from that of the Mercator Group with regard to the availability of suppliers' credit.

X. OFF-BALANCE-SHEET ARRANGEMENTS AND OTHER CONTINGENCIES

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

XI. RISKS

The following risks, actively managed by the Company's management, could have an impact on its initiatives:

Risk of inflation

The Company 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 exchange risk

The Mercator Group uses the American dollar (USD) 80% of the time to conduct its commercial transactions. It uses the Canadian dollar (CAD) exclusively to settle operating expenses. Foreign exchange risk is therefore a factor to consider given the financial volume. There was no significant impact for the fiscal year ended April 30, 2007.

Risks related to problems with operations

The Company believes it is not exposed to significant operational risks to the extent that it is covered by errors and omissions liability insurance that provides coverage for any malpractice. The company is a member of the professional association CIFFA, which requires such coverage.

Credit risk

The Company believes its exposure to bad debt risk is limited for the following reasons:

- | Significant diversification of customers base. The Mercator Group's policy is that no one customer should systematically account for over 10% of revenue. This reduces the potential impact of bad debt;
- | Very strict and diligent credit policy for all customers;
- | Monthly review with finance companies of credit and payment ratings of all of its major customers;
- | 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 potential consequences for the company's results.

Risks related to dependence on management

Because the entire Company is under the management of a limited number of key people, the business is subject to risks related to resignations, death, disability or other personal factors that could affect members of management.

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

Risks related to planned acquisitions

Management plans to make strategic acquisitions, so it is likely that the risks inherent in an acquisition will be realized and that the integration of the acquired companies will not occur according to the forecasts of management.

Internal control over financial reporting

Internal control over financial reporting ("ICFR") is designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and its compliance with GAAP in its financial statements. The Chief Executive Officer and the Chief Financial Officer have evaluated whether there were changes to its ICFR during the period ended April 30, 2007 that have materially affected, or that are reasonably likely to materially affect its ICFR. No such changes were identified through their evaluation.

XII. OUTLOOK

Management currently anticipates that the last quarter's trend will continue as part of internal growth.

consolidated financial statements

Years ended April 30, 2007 and 2006

MERCATOR TRANSPORT GROUP CORPORATION

MANAGEMENT REPORT

The consolidated financial statements for the years ended April 30, 2007 and 2006 are the responsibility of the management of the Mercator Group and have been examined by the Audit Committee and approved by the Board of Directors. They were prepared in accordance with Canadian generally accepted accounting principles and include some amounts which are based on management's estimates and judgement. Management is also responsible for all other information contained in the Annual Report to ensure that it reflects the consolidated financial statements and activities of the Company.

Management of the Company is responsible for the development, establishment and maintenance of appropriate internal procedures and controls regarding financial information, so as to ensure that the publicly issued financial statements are fairly presented, in accordance with generally accepted accounting principles. Such internal control systems are intended to provide reasonable assurance as to the reliability of the financial information and the safeguarding of assets.

External auditors have full access to the Audit Committee, which is comprised of outside independent directors. The Audit Committee, which meets regularly during the fiscal year, and the external auditors, examine the consolidated financial statements and recommend their approval to the Board of Directors. The attached consolidated statements were audited by Verrier Paquin Hébert, Chartered Accountants, external auditors, the report of which follows.



Jean-Pierre Apélian
President and Chief Executive Officer
Montreal, Canada
August 1, 2007



Stéphane Joly
Chief Financial Officer
Montreal, Canada
August 1, 2007

AUDITORS' REPORT TO THE SHAREHOLDERS OF MERCATOR TRANSPORT GROUP CORPORATION

To the Shareholders of MERCATOR TRANSPORT GROUP CORPORATION

We have audited the consolidated balance sheet of MERCATOR TRANSPORT GROUP CORPORATION as at April 30, 2007 and the consolidated statements of income and retained earnings (deficit) and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at April 30, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at April 30, 2006 and for the ten-month period then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated July 24, 2006.



VERRIER PAQUIN HÉBERT SENCRL
Chartered Accountants

Drummondville,
July 4, 2007

CONSOLIDATED BALANCE SHEETS AS AT APRIL 30, 2007 AND 2006

	As at April 30, 2007	As at April 30, 2006
	\$	\$
Assets		
Current assets		
Cash	498,398	132,469
Cash and cash equivalents held in trust	56,000	-
Accounts receivable (note 5)	1,905,146	897,726
Prepaid expenses	157,817	17,759
	2,617,361	1,047,954
Advances receivable from a company under common control, without interest or repayment terms	-	50,000
Equipment (note 6)	29,246	14,580
Intangible assets (note 7)	71,492	9,682
Future income taxes (note 3)	216,567	-
	2,934,666	1,122,216
Liabilities		
Current liabilities		
Bank loans (note 8)	45,037	95,602
Accounts payable (note 9)	1,688,229	889,082
Income taxes payable	-	45,617
Current portion of obligations under capital leases (note 10)	31,416	-
Current portion of long-term debt (note 11)	41,820	-
	1,806,502	1,030,301
Obligations under capital leases (note 10)	13,479	-
Long-term debt (note 11)	195,160	-
	2,015,141	1,030,301
Shareholders' equity		
Capital stock (note 12)	1,021,349	75,000
Contributed surplus (note 12)	47,058	-
Retained earnings (Deficit)	(148,882)	16,915
	919,525	91,915
	2,934,666	1,122,216

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 STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED APRIL 30, 2007 AND 2006**

	For the years ended April 30	
	2007	2006
	(12 months)	(10 months)
	\$	\$
Operating activities		
Net earnings (net loss)	(165,797)	157,895
Adjustments for:		
Depreciation and amortization	32,403	6,864
Future income taxes	(136,797)	–
Stock-based compensation	18,111	–
Net change in non-cash working capital components <i>(note 17)</i>	(468,059)	(69,174)
	(720,139)	95,585
Investing activities		
Acquisition of Equipment	(21,618)	(8,205)
Acquisition of intangible assets <i>(note 7)</i>	(5,486)	–
Collection of advances receivable from a company under common control	50,000	35,000
Collection of advances receivable from a private company <i>(note 1)</i>	34,185	–
	57,081	26,795
Financing activities		
Net change in bank loans	(50,565)	60,292
Repayment of obligations under capital leases	(36,880)	–
Increase in long-term financing	250,000	–
Long-term debt repayments	(13,020)	–
Dividends paid	–	(140,600)
Reverse takeover <i>(note 1)</i>	159,320	–
Issuance of common shares (net of related expenses)	776,132	–
	1,084,987	(80,308)
Net change in cash and cash equivalents	421,929	42,072
Cash and cash equivalents – Beginning of year	132,469	90,397
Cash and cash equivalents – End of year	554,398	132,469

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

1. STATUTES OF INCORPORATION, NATURE OF ACTIVITIES AND REVERSE TAKEOVER

Statutes of incorporation and nature of activities

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

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 periods 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 a private company	34,185
	423,996

Liabilities

Accounts payable	85,935
	338,061
Net assets acquired	338,061
The consideration was established as follows:	
Capital stock (note 12)	288,274
Contributed surplus (note 12)	49,787
	\$ 338,061

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles 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 revenues 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 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.

Derivative financial instruments

The Company manages its foreign exchange exposure through the use of derivative financial instruments. It does not use financial instruments for trading or speculative purposes. The Company does not use hedge accounting. As a result, derivative financial instruments are recognized on the balance sheet at their fair value and changes in fair value are recognized in the net earnings of the fiscal period in which they occur.

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 when purchased.

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
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.

Notes to Consolidated Financial Statements for the years ended April 30, 2007 and 2006 (in dollars, except per share data)

3. INCOME TAXES

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

	April 30, 2007 (12 months)	April 30, 2006 (10 months)
	\$	\$
Current income taxes	–	45,595
Future income taxes	(136,797)	–
	(136,797)	45,595

b) The income tax expense (recovery) based on the actual tax rate differs from the tax expense based on the combined basic tax rate for the following reasons:

	April 30, 2007 (12 months)	April 30, 2006 (10 months)
	\$	\$
Tax expense (recovery) based on combined Canadian and provincial basic tax rate	(53,088)	44,361
Tax expense adjustment due to the following items:		
Loss carryforwards from previous years	(45,453)	–
Change in tax rate, non-deductible and other items	(38,256)	1,234
	(136,797)	45,595

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

	April 30, 2007	April 30, 2006
	\$	\$
Equipment and intangible assets	(3,143)	–
Obligations under capital leases	13,244	–
Share issuance expenses	79,324	–
Non-capital loss carryforwards	123,112	–
Other	4,030	–
	216,567	–

As at April 30, 2007, the Company had accumulated tax losses of approximately \$546,033 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 2027.

4. EARNINGS PER SHARE

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

	April 30, 2007 (12 months)	April 30, 2006 (10 months)
Net earnings (loss)	(165,797)	\$157,895
Weighted-average number of basic and diluted shares outstanding	18,301,831	16,575,000
Net earnings (loss) per basic and diluted share	(0,009)	0,010

Options and stock purchase warrants to purchase 1,483,334 and 125,000 common shares respectively were outstanding as at April 30, 2007. 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.

5. ACCOUNTS RECEIVABLE

	April 30, 2007	April 30, 2006
	\$	\$
Clients	1,109,599	769,294
Related companies	787,207	123,731
Taxes receivable	7,184	-
Other	1,156	4,701
	1,905,146	897,726

The companies are related, because they have common shareholders.

6. EQUIPMENT

	April 30, 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

	April 30, 2006		
	Cost	Accumulated depreciation	Net book value
	\$	\$	\$
Office furniture	10,907	2,133	8,774
Computer equipment	10,762	4,956	5,806
	21,669	7,089	14,580

Notes to Consolidated Financial Statements for the years ended April 30, 2007 and 2006 (in dollars, except per share data)

7. INTANGIBLE ASSETS

	April 30, 2007		
	Cost	Accumulated amortization	Net book value
Software	\$ 8,446	\$ 2,011	\$ 6,435
Web site	12,000	8,611	3,389
	20,446	10,622	9,824
Property leased under capital leases			
Software	81,775	20,107	61,668
	102,221	30,729	71,492

During the year, intangible assets were acquired for \$87,261, through \$81,755 in capital leases and \$5,486 in cash.

	April 30, 2006		
	Cost	Accumulated amortization	Net book value
Software	\$ 14,110	\$ 9,150	\$ 4,960
Web site	10,000	5,278	4,722
	24,110	14,428	9,682

8. BANK LOANS

As at April 30, 2007, the Company had two lines of credit. The first one was for \$50,000, guaranteed by a suretyship of certain shareholders at prime rate plus 3%, of which \$19,963 was unused as at April 30, 2007. The second line of credit was for \$150,000 at prime rate plus 1.9%, secured by a first mortgage on trade accounts receivable and other receivables, as well as a guarantee by a suretyship of certain shareholders of which \$135,000 was unused as at April 30, 2007. These lines of credit are renewable annually.

Under the terms of the credit agreement, a Subsidiary must comply with certain debt covenants, including the maintenance of financial ratios. As at April 30, 2007, the Subsidiary was not in compliance with these financial ratios.

9. ACCOUNTS PAYABLE

	April 30, 2007	April 30, 2006
Accounts payable and accrued liabilities	\$ 1,659,629	\$ 869,749
Related company	28,600	19,333
	1,688,229	889,082

The company is related, because it has common shareholders.

10. OBLIGATIONS UNDER CAPITAL LEASES

	April 30, 2007	April 30, 2006
	\$	\$
Computer software lease contract, repayable in monthly instalments of \$2,227, including interest of 9.5%, maturing June 1, 2008, with a purchase option upon maturity.	29,417	-
Computer software lease contract, repayable in monthly instalments of \$724, including interest of 18.1%, maturing July 1, 2009, with a purchase option upon maturity.	15,478	-
	44,895	-
Current portion	31,416	-
	13,479	-

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

	\$
2008	35,412
2009	13,142
2010	1,448
Total payments due, including interest	50,002
Incidental expenses and interest included in payments	5,107
Balance of obligations	44,895

11. LONG-TERM DEBT

Loan from the Business Development Bank of Canada at an interest rate varying between 10.9% and 11.7%, repayable in 1 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 and thereafter are as follows:

	\$
2008	41,820
2009	41,820
2010	41,820
2011	41,820
2012	41,820
Thereafter	27,880
	236,980

Notes to Consolidated Financial Statements for the years ended April 30, 2007 and 2006 (in dollars, except per share data)

12. 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.

Reported

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

	Number	Amount
		\$
Balance as at April 30, 2006	5,333,335	75,000
Shares issued Mercator Transport Group Corporation shares		10
Share issued 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)
Shares issued upon exercise of stock options	400,000	80,840
Balance as at April 30, 2007	26,568,335	1,021,349

Contributed surplus

	April 30, 2007 (12 months)	April 30, 2006 (10 months)
	\$	\$
Balance as at April 30, 2006	-	-
Contributed surplus following the reverse takeover	49,787	-
Contributed surplus after stock options were granted	18,111	-
Contributed surplus after stock options were exercised	(20,840)	-
Balance as at April 30, 2007	47,058	-
The balance of the contributed surplus as at April 30, 2007 was as follows:		
Stock-based compensation for options granted to directors and executives	25,058	-
Stock-based compensation for options granted to the underwriter	22,000	-
	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 state 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

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.

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, 2007, 400,000 of these options were exercised.

Options and stock purchase warrants granted to the underwriter

The Company granted stock options on 400,000 common shares at an exercise price of \$0.15 per share exercisable for a period of 18 months after the date of the underwriter's placement set forth in the prospectus, of which 50% were exercisable before the eligible transaction described in Note 1. These options were exercisable immediately on the grant date up to May 5, 2006. They were recorded at their fair value using the Black-Scholes option pricing model in 2004. Consequently, share issue expenses of \$22,000 were recorded as a reduction of the capital stock issued and the related credit was allocated to contributed surplus. When the options expired, the underwriter had not exercised them and they were cancelled.

Following the transaction with Nature Genetiks Capital, 125,000 stock purchase warrants were issued. These instruments have an exercise price of \$0.20 and expire 2 years after the transaction closing date.

Notes to Consolidated Financial Statements for the years ended April 30, 2007 and 2006 (in dollars, except per share data)

Changes in the number of stock options outstanding as at April 30, 2007 were as follows:

	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 the year	133,334	0,15

The following options were outstanding as at April 30, 2007:

Granted in	Options outstanding			Exercisable options	
	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
2005	-	-	-	-	-
2006	-	-	-	-	-
2007	1,350,000	0,20	2010	-	-
	1,483,334			133,334	

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

	2007	2005 and 2006	2004
Risk-free interest rate	4,58%	-	3,14%
Expected dividend yield		-	-
Expected life of options	2,13	-	1,33
Expected volatility	75%	-	75%
Weighted-average fair value of options granted	\$0,075	-	\$0,052

13. CONTRACTUAL COMMITMENTS

The Company rents premises under leases expiring June 30, 2008. Minimum payments over the next two fiscal years amount to: 2008 - \$87,784; 2009 - \$15,294.

14. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

	April 30, 2007 (12 months)	April 30, 2006 (10 months)
	\$	\$
Revenues	890,422	145,701
Direct costs	–	98,365
Administrative fees	276,100	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.

Transaction not concluded in the ordinary course of business

During the year, the Company acquired equipment and intangible assets from related companies for a cash consideration of \$7,293 and by assuming \$52,197 in capital leases. The transaction was recorded in the financial statements at the carrying value of the property previously entered in the related company's books, which was \$7,220 for equipment, \$52,270 for intangible assets and \$52,197 for capital leases.

15. SEGMENTED INFORMATION

The Company's only operating segment is transportation engineering and international logistics.

Providing the geographic information is impracticable as at April 30, 2007.

For the year ended April 30, 2007, no client represents 10% or more of the Company's revenues (in 2006, 3 customers represented 43% of revenues).

16. FINANCIAL INSTRUMENTS

a) 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, 2007, cash, receivables and payables denominated in US dollars amounted to \$189,280, \$966,839 and \$767,971 respectively. Receivables and payables in euros were \$995 and \$31,208 respectively. The Company manages part of its currency risk using currency conversion options.

b) 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, 2007, the Company had receivables of \$220,966 (in 2006) from one client and \$787,207 (nil in 2006) from a related company.

Notes to Consolidated Financial Statements for the years ended April 30, 2007 and 2006 (in dollars, except per share data)

c) 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.

17. ADDITIONAL INFORMATION

a) The net change in non-cash working capital components was as follows:

	April 30, 2007 (12 months)	April 30, 2006 (10 months)
	\$	\$
Accounts receivable	(995,596)	(280,033)
Prepaid expenses	(140,058)	(10,815)
Accounts payable	713,212	177,358
Income taxes	(45,617)	44,316
	(468,059)	(69,174)
b) Additional information		
Interest paid	35,492	7,213
Income taxes paid	45,617	1,279
c) Foreign exchange loss	18,090	25,526
d) Depreciation and amortization		
Depreciation of property, plant and equipment	6,952	2,571
Amortization of intangible assets	25,451	4,293
	32,403	6,864
e) Interest and bank charges		
Interest on bank and other loans	4,409	7,213
Interest on long-term debt	16,507	-
Interest on obligations under capital leases	6,736	-
Bank charges	14,903	6,746
	42,555	13,959

18. COMPARATIVE FIGURES

Certain prior year figures have been reclassified to conform with the current year presentation.