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08

MANAGEMENT DISCUSSION AND ANALYSIS

Fiscal years ended April 30, 2008 and 2007

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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 "Company") for the fiscal periods ended April 30, 2008 and 2007 should be read in conjunction with the Company's most recent consolidated financial statements and related notes. The information contained in this analysis includes significant developments as of August 1, 2008, 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 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 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 associated with economic conditions, risks associated with the Company'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 Group's future activity. 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.

II. NON-GAAP FINANCIAL MEASURES

In this management discussion and analysis, we also use certain non-GAAP financial measures. The Company 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 Company's performance. The non-GAAP financial measures used are the following:

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

This information should not be taken out of context and should not be considered as a substitute for net earnings (net loss), cash flows 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. COMPANY PROFILE

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

Main performance indicators

To achieve its objectives, vision and strategy, the Company focuses on the following growth levers:

- **Increasing market share:** Both through organic growth and by building a unique positioning in a market where the Company enjoys a solid competitive edge.
- **Valuing human capital:** In selecting human resources, Mercator Group has developed a hiring policy with the highest standards on the market and that is underpinned by a strong multicultural approach (90% of employees are bilingual and have higher education). The operations and commercial teams have international and specific expertise (international regulations, customs law, insurance law, banking law, etc.).
- **Dealing with competent, diversified suppliers:** In order to maintain its independence and its ability to choose only the best and most reliable partners, Mercator Group works with a diverse group of high-quality suppliers.

IV. HIGHLIGHTS FOR THE YEAR ENDED APRIL 30, 2008

Over the past two years, the Company carried out certain transactions to further its growth. The following transactions, completed in 2007 and 2008, must be considered in order to understand the overall analysis of Mercator Group's results.

- On December 28, 2007, the Company acquired the assets of Cap Canada Distribution Inc. for a total consideration of \$311,500, which was paid by the issuance of 700,000 common shares of Mercator Group at a price of \$0.445 per share. Following this acquisition, an exclusive Canadian distribution agreement was signed.
- In December 2007, the Company negotiated a new \$750,000 credit facility with Royal Bank of Canada.
- On April 22, 2007, the Company announced the closing 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.
- On January 29, 2007, Capital Nature Genetiks Inc. ("Genetiks") acquired all of the issued and outstanding shares of Mercator Group. Under the terms of the transaction, Genetiks concluded a formal share purchase and exchange agreement with all of Mercator Group's shareholders 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 control approximately 71.11% of the outstanding voting shares of Genetiks, which at the time of the transaction was a non-operating public enterprise and did not meet the definition of an economic unit for accounting purposes. Consequently, the transaction was not a merger. Rather, it was recognized as a reverse takeover and constitutes a recapitalization of Mercator Group.

The amount allocated for the issuance of the Company's common shares is equal to the net book value of Genetiks at the closing date of the transaction, January 29, 2007. Genetiks' operating results are included in these financial statements as of the date of the acquisition, that is, January 29, 2007. The figures presented for fiscal 2006 are those of Mercator Transport International Inc.

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

On January 29, 2007, the Company also concluded a financing deal for \$252,000 in consideration for the issuance of 1,400,000 common shares of its capital stock.

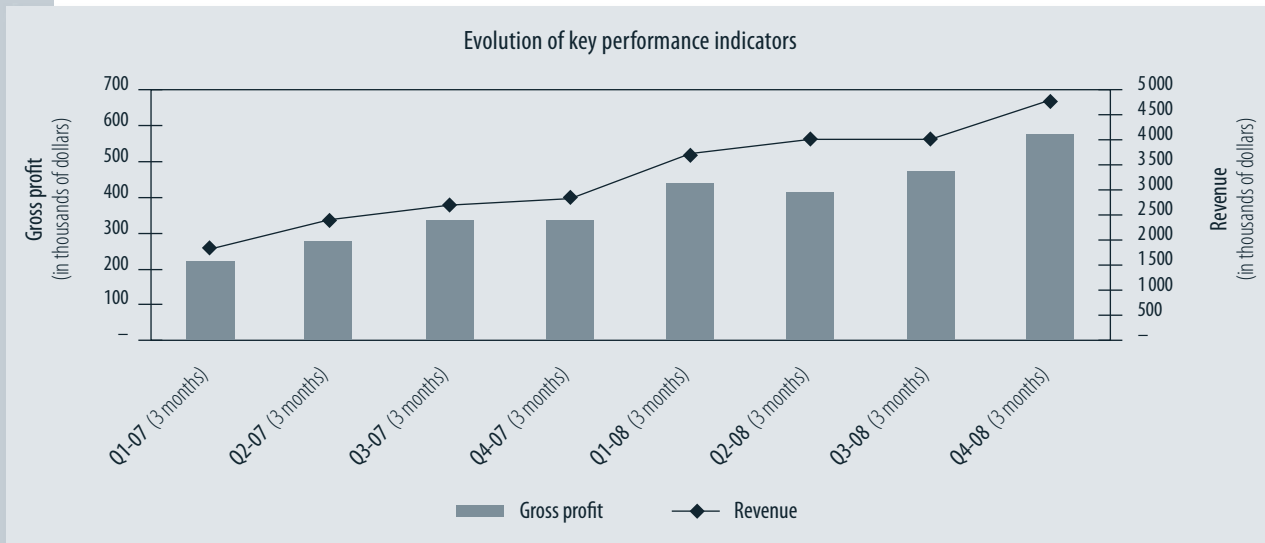
In 2006, Mercator Transport International Inc. changed its fiscal year-end from June 30 to April 30.

V. HISTORICAL FINANCIAL INFORMATION

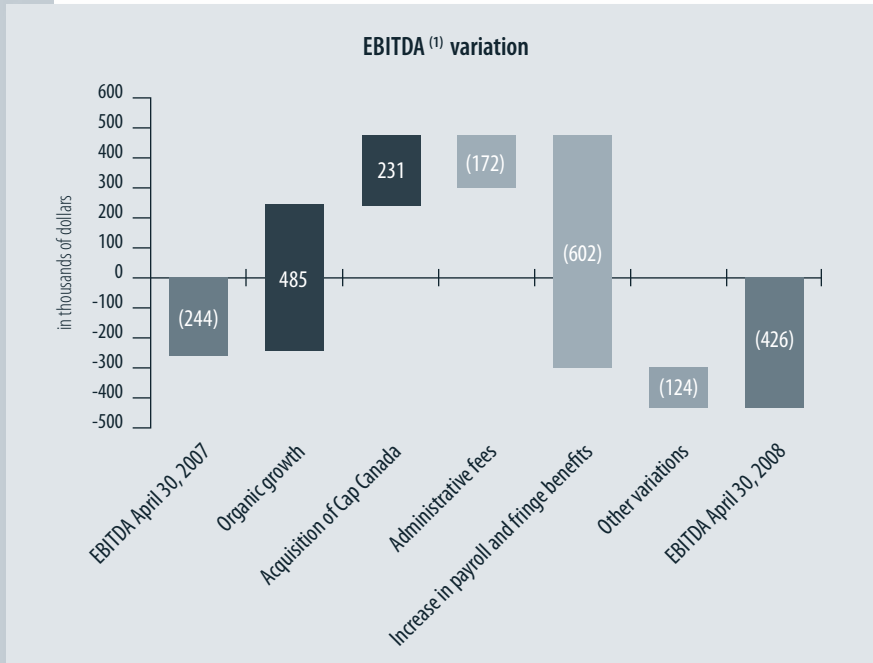
In 2008, sales grew by 66% or \$6,592,000 to \$16,550,000, compared with \$9,958,000 in 2007. However, despite the gain, the EBITDA loss widened due to a sharp increase in payroll brought about by the recruitment of key management employees as well as other personnel required to ensure the Company's growth. As at April 30, 2008, Mercator Group had 25 employees, versus 20 a year earlier. The net loss was \$407,000 or \$0.015 per share, against \$166,000 or \$0.009 per share in 2007.

	2006					2007					2008					
<i>(in thousands of dollars)</i>	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
	(10 months)	(3 months)	(3 months)	(3 months)	(3 months)	(12 months)	(3 months)	(3 months)	(3 months)	(3 months)	(12 months)	(3 months)	(3 months)	(3 months)	(3 months)	(12 months)
Revenue	4,776	1,905	2,414	2,760	2,879	9,958	3,719	4,007	4,021	4,803	16,550					
Gross profit	564	236	286	326	336	1,184	437	408	481	574	1,900					
EBITDA	219	74	(33)	(64)	(221)	(244)	(99)	(84)	(202)	(41)	(426)					
Depreciation	7	7	8	8	9	32	8	10	18	26	62					
EBIT	212	67	(41)	(72)	(230)	(276)	(107)	(94)	(220)	(67)	(488)					
Interest	8	3	6	10	8	27	9	8	10	10	37					
EBT	204	64	(47)	(82)	(238)	(303)	(116)	(102)	(230)	(77)	(525)					
Income taxes	46	14	(11)	(9)	(131)	(137)	(32)	(28)	(41)	(17)	(118)					
Net earnings (losses)	158	50	(36)	(73)	(107)	(166)	(84)	(74)	(189)	(60)	(407)					
<i>(as a percentage of revenue)</i>																
Gross profit	11.8%	12.4%	11.8%	11.8%	11.7%	11.9%	11.8%	10.2%	12.0%	12.0%	11.5%					
EBITDA	4.6%	3.9%	-1.4%	-2.3%	-7.7%	-2.5%	-2.7%	-2.1%	-5.0%	-0.9%	-2.6%					
EBIT	4.4%	3.5%	-1.7%	-2.6%	-8.0%	-2.8%	-2.9%	-2.3%	-5.5%	-1.4%	-2.9%					
EBT	4.3%	3.4%	-1.9%	-3.0%	-8.3%	-3.0%	-3.1%	-2.5%	-5.7%	-1.6%	-3.2%					
Net earnings (losses)	3.3%	2.6%	-1.5%	-2.6%	-3.7%	-1.7%	-2.3%	-1.8%	-4.7%	-1.2%	-2.5%					
Cash and cash equivalents	132	100	165	692	554	554	495	35	253	629	629					
Free cash flows	87	(106)	(40)	79	(607)	(674)	(161)	(452)	102	456	(55)					

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



The main changes to EBITDA ⁽¹⁾ are illustrated below.



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

VI. CONSOLIDATED FINANCIAL RESULTS

Comparison of financial results for the years ended April 30, 2008 and 2007

Sales

Reflecting sustained growth, sales grew by 66% or \$6,592,000 to \$16,550,000, compared with \$9,958,000 in 2007. The acquisition of Cap Canada Distribution Inc. in December 2007 translated into \$1,073,000 of additional sales during the year.

The average net sale in U.S. dollars and euros rose in most of our transactions as a result of higher prices charged by our suppliers due to the higher cost of gas and the scarcity of cargo space for Canadian exports.

Gross margin

Gross margin stood at 11.5% in 2008, as against 11.9% a year earlier.

The decrease stems primarily from revenue growth in importing activities, which generally have a lower margin than exporting. EBITDA ⁽¹⁾

The Company generated a negative EBITDA ⁽¹⁾ amounting to \$426,000 in 2008 in comparison to a loss of \$244,000 in 2007. The EBITDA ⁽¹⁾ remained stable at (2.6%) of revenues compared to (2.5%) of revenues in 2007.

The Company managed to maintain this ratio stable at (2.6%) of revenues in comparison to (2.5%) in 2007 even though there was a significant increase in the cost of services (mainly attributable to the increase in the price of the fuel) and the increase of the Canadian dollar towards the US dollar. The Company succeeded to compensate for these negatives effects by increasing the selling price and by increasing the sales volume.

Other major changes

Salaries and fringe benefits rose by \$602,000 to \$1,655,000 in 2008, as against \$1,053,000 in 2007, due to the recruitment of new employees and key management personnel in response to business growth as well as to fill positions six months in advance. The Company added five employees in fiscal 2008, bringing the total to twenty-five.

The increase in doubtful accounts is explained by the write-off of two accounts (totalling \$12,000) and by the creation of an allowance for doubtful accounts (\$7,000), representing approximately 0.05% of sales.

Travel expenses were up \$52,000 to \$152,000 for the year ended April 30, 2008, compared with \$100,000 a year earlier. This increase is due to the fact that more employees were required to travel and that more international trips were needed to forge relationships with people in the field and to evaluate future projects.

The lease expense rose in proportion to the Company's needs.

The higher insurance expense in fiscal 2008 is attributable to the increase in errors and omissions coverage taken out in response to growing sales as well as insurance taken out for officers and directors.

Depreciation rose from \$32,000 in 2006 to \$62,000 in 2008, mostly due to the acquisition of Cap Canada Distribution in December 2007.

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

Shareholders' equity

For the year ended April 30, 2008, shareholders' equity was \$886,000, compared with \$920,000 at the end of last year, a decrease of \$34,000 that is largely explained by the issuance of \$311,500 of Mercator Group shares as consideration for the purchase of the assets of Cap Canada Distribution Inc. and by the net operating loss of \$407,000 for fiscal 2008.

VII. CASH FLOW***Cash flows from operating activities***

Cash flows from operations used \$36,000 in fiscal 2008, compared with \$720,000 in 2007. Changes in non-cash working capital items amounted to an inflow of \$351,000, versus an outflow of \$468,000 a year earlier. This cash inflow in 2008 stems mainly from the increase in prepaid expenses and in accounts payable.

This situation is largely due to the integration of Cap Canada Distribution in December 2007.

Cash flows from investing activities

Cash flows from investing activities for the year ended April 30, 2008 were related to the acquisition of capital assets and intangible assets such as software and the creation of a corporate Web site.

Cash flows from financing activities

Cash flows essentially represent the net change in bank loans, repayment of debts associated with lease contracts, and repayment of long-term debt.

Ability to finance operations and growth

The Mercator Group operates in an industry in which companies that consistently honour their commitments generally obtain the supplier credit required to finance both operations and growth. However, in the event 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. 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 material liquidity risk for the coming fiscal year. To date, Mercator Group has never been in default or arrears or postponed any due date, and all of its commitments have been and should continue to be honoured. Furthermore, management does not expect any obligation to materially influence cash flow.

VIII. FOURTH QUARTER RESULTS***Sales***

Reflecting sustained growth, sales advanced \$1,924,000 or 67% to \$4,803,000 in the fourth quarter of 2008, compared with \$2,879,000 for the same year-earlier period. The acquisition of Cap Canada Distribution Inc. in December 2007 translated into additional sales of \$627,000 during the quarter.

Gross margin

Gross margin stood at 12.0% in the fourth quarter, as against 11.7% at the same time last year.

Operating income

For the fourth quarter, Mercator Group reported a net operating loss of \$60,000, compared with a net loss of \$107,000 in 2007. This net loss stems mainly from the \$100,000 increase in payroll over last year as a result of hiring required to sustain the Company's growth.

Other major changes

Salaries and fringe benefits rose by \$100,000 to \$456,000 during the three-month period ended April 30, 2008, compared with \$356,000 in 2007. This increase is explained by business growth, which required the Company to hire management and other employees, and to fill positions six months in advance. As at April 30, 2008, Mercator Group employed 25 employees, versus 20 at the same time last year.

Professional fees amounted to \$43,000 in the fourth quarter, down \$51,000 from the \$94,000 recorded at the same time last year. The decrease is mainly due to the fact that the adjustment required to the audit fees allowance was made in the fourth quarter of 2007 whereas in 2008 it was distributed on a monthly basis based on management's cost estimate. Moreover, in the fourth quarter of 2007, the Company had incurred legal and advisory fees in connection with the preparation of legal documents for the qualifying transaction.

The fourth quarter lease expense rose in proportion to the Company's needs.

Capital stock information

As at April 30, 2008, the capital stock issued and outstanding consisted of 27,293,335 common shares (26,568,335 as at April 30, 2007). As at April 30, 2008, 2,008,334 stock options were issued and outstanding (1,483,334 as at April 30, 2007). During the period, 25,000 were exercised and 125,000 were cancelled. The Company issued 675,000 options at an average strike price of \$0.22.

Contractual obligations and other commitments

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

In thousands of \$	Total	2009	2010	2011	2012	2013
Long-term debt	195,160	41,820	41,820	41,820	41,820	27,880
Capital leases	13,479	12,061	1,418	–	–	–
Operating leases	107,058	91,764	15,294	–	–	–
Total	315,697	145,645	58,532	41,820	41,820	41,820

Related-party transactions

During the year, the Company 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. Total sales to related companies totalled \$1,209,000 and \$890,422 in 2008 and 2007, respectively. As well, administrative fees totalling \$104,000 and \$276,100 were billed to related parties in 2008 and 2007, respectively.

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.

Significant accounting policies

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make certain estimates and assumptions that may affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. They may also affect the amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant areas requiring the use of management estimates relate to: the allowance for income taxes and the evaluation of the fair market value of stock options granted under the stock incentive plan.

Recent changes in accounting standards

Comprehensive income

On May 1, 2007, the Company adopted Section 1530 of the Canadian Institute of Chartered Accountants (CICA) Handbook, "Comprehensive Income." It describes reporting and disclosure recommendations with respect to comprehensive income and its components. Comprehensive income represents changes in net assets arising from transactions, events and circumstances not related to shareholders.

Equity

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

Financial instruments – Recognition and measurement

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

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

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

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

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

Accounting changes

As at May 1, 2007, the Company adopted Section 1506 "Accounting changes." This Section establishes criteria to be met in order to change, together with the accounting treatment and disclosure required when there is a change in accounting policies, estimates and correction of errors. The adoption of this Section had no impact on the Company's financial position or operating results.

New accounting standards not yet adopted**Capital disclosure**

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

Financial instruments – Disclosures and presentation

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

General standards of financial statement presentation

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

Inventories

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

Adoption of International Financial Reporting Standards 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 International Financial Reporting Standards (IFRSs), as issued by the International Accounting Standards Board (IASB). Under the AcSB's plan, this new framework will be effective for fiscal years beginning on or after January 1, 2011. Information regarding the enterprise's plan for convergence and the anticipated

effects is to be disclosed prior to the adoption, with the first disclosure by SNC-Lavalin expected to be made in the consolidated financial statements for the year ending April 30, 2009.

Goodwill and intangible assets

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

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 year period ended April 30, 2008 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 April 30, 2008, an evaluation of the effectiveness of the Company'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 Company'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 Company's projects:

Inflation risk

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 currency risk

The Company is exposed to foreign currency fluctuations arising from the translation of revenues, expenses, assets and liabilities of operations using foreign currencies. Mercator Group 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.

The Board of Directors requires the Company to manage its foreign currency risk. Mercator Group hedges against this risk through the use of currency contracts.

The year-end exchange rates used to translate assets and liabilities were as follows as at April 30:

	2008	2007	Change
US dollar	1.0072	1.1101	(9.3%)
Euro	1.5714	1.5116	3.9%

The average exchange rates used to translate revenues and expenses were as follows for the quarters ended April 30:

	2008	2007	Change
US dollar	0.9985	1.1591	(13.9%)
Euro	1.5346	1.4697	4.4%

The average exchange rates used to translate revenues and expenses were as follows for the fiscal years ended April 30:

	2008	2007	Change
US dollar	1.0045	1.1308	(11.2%)
Euro	1.4541	1.4789	(1.7%)

Operational risk

The Company 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 company is a member of the professional association CIFFA, which requires such coverage.

Credit risk

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

The Company is exposed to credit risk on its accounts receivable from customers. In order to reduce this risk, the Company'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 Group'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 Company's results.

Risks related to dependence on management

Because the entire Company 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 Company 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 Group may be found on SEDAR at www.sedar.com.

Consolidated financial statements

April, 30 2008

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.



A stylized signature of Jean-Pierre Apélian, consisting of a large, sweeping 'M' shape with a horizontal line extending to the left.

Jean-Pierre Apélian
President and Chief Executive Officer
Montreal, Canada
August 1, 2008



A stylized signature of Stéphane Joly, featuring a large, cursive 'S' and 'J' with a horizontal line extending to the right.

Stéphane Joly
Chief Financial Officer
Montreal, Canada
August 1, 2008

AUDITORS' REPORT

To the Shareholders of
Mercator Transport Group Corporation

We have audited the consolidated balance sheet of Mercator Transport Group Corporation as at April 30, 2008 and the consolidated statements of deficit and comprehensive income, shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

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



Chartered Accountants

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

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

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CONSOLIDATED STATEMENT OF DEFICIT AND COMPREHENSIVE INCOME

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

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

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

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


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

CONSOLIDATED BALANCE SHEET

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

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

Approved by the Board,



Jean-Pierre Apélian, Director



Michel G. Maila, Director

CONSOLIDATED STATEMENT OF CASH FLOWS

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

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

1. DESCRIPTION OF BUSINESS

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

Reverse takeover

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

Principles of consolidation

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

Use of estimates

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

Revenue recognition

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

Cash and cash equivalents

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

Inventories

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

Equipment

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

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

Intangible assets

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

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

Impairment of long-lived assets

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

Income taxes

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

Stock-based compensation

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

Earnings per share

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

Currency translation

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

Recent changes in accounting standard**Comprehensive income**

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

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

Equity

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

Financial instruments – Recognition and measurement

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

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

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

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

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

Accounting changes

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

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

New accounting standards not yet adopted

Capital disclosures

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

Financial instruments – Disclosures and presentation

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

General standards of financial statement presentation

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

Inventories

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

Adoption of International Financial Reporting Standards (IFRS) in Canada

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

Goodwill and intangible assets

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

3. ACQUISITION OF EXCLUSIVE DISTRIBUTION RIGHTS

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

4. INCOME TAXES

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

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

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

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

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

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

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

5. EARNINGS PER SHARE

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

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

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

6. ACCOUNTS RECEIVABLE

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

7. EQUIPMENT

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

8. INTANGIBLE ASSETS

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

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

9. BANK LOANS

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

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

10. ACCOUNTS PAYABLE

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

11. OBLIGATIONS UNDER CAPITAL LEASES

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

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

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

12. LONG-TERM DEBT

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

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

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

13. CAPITAL STOCK

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

Paid and issued

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

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

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

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

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

Stock-based compensation plan

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

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

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

Options granted to directors and executives

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

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

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

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

Options granted to directors and executives in 2007

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

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

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

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

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

14. COMMITMENTS

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

15. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

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

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

16. SEGMENTED INFORMATION

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

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

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

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

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

Credit risk

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

Interest risk

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

Fair value

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

18. ADDITIONAL INFORMATION

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

Non-cash transactions

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

19. COMPARATIVE FIGURES

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

20. SUBSEQUENT EVENT

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