

MERCATOR TRANSPORT GROUP CORPORATION
INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
Three-month periods ended July 31, 2007 and 2006



MERCATOR TRANSPORT GROUP CORPORATION
TABLE OF CONTENTS
Three-month periods ended July 31, 2007 and 2006

Consolidated statements of earnings	1
Consolidated statements of Shareholders' Equity	2
Consolidated balance sheets	3
Consolidated statements of cash flows	4
Notes to interim consolidated financial statements	5

NOTICE

Mercator Transport Group Corporation hereby advises that its auditors have not performed a review of its interim financial statements of July 31st, 2007.

MERCATOR TRANSPORT GROUP CORPORATION
Consolidated statements of earnings (unaudited)
For the three-month periods ended July 31, 2007 and 2006

	For the three-month periods ended July 31	
	2007	2006
	(3 months)	(3 months)
	\$	\$
	unaudited	unaudited
Revenue	3 718 740	1 905 369
Direct costs	3 281 640	1 669 669
Gross profit	437 100	235 700
Administrative fees	36 000	128 100
	473 100	363 800
Operating expenses		
Amortization (<i>note 17</i>)	8 116	8 600
Insurance	9 145	7 147
Bad debts (recovered)	(721)	900
Travel	37 457	17 911
Advertising	4 702	5 503
Maintenance and repairs	9 778	4 504
Consulting fees	15 234	4 085
Overhead and office expenses	18 564	15 649
Professional fees	39 271	7 250
Interest and bank charges (<i>note 17</i>)	8 720	6 301
Rent	22 405	15 745
Salaries and fringe benefits	406 764	200 492
Telecommunications	9 578	5 744
	589 013	299 831
Earnings (loss) before income taxes	(115 913)	63 969
Income taxes (recovered) (<i>note 3</i>)	(32 084)	14 342
Net earnings (net loss)	(83 829)	49 627
Basic and diluted earnings per share (<i>note 4</i>)	(0.003)	0.046

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

NOTICE

Mercator Transport Group Corporation hereby advises that its auditors have not performed a review of its interim financial statements of July 31st, 2007.

MERCATOR TRANSPORT GROUP CORPORATION
Consolidated statements of Shareholders' Equity, unaudited
for the three-month periods ended July 31, 2007

	For the three month period ended July 31, 2007			
	Capital		Contributed	Shareholders'
	stock	Deficit	surplus	Equity
	\$	\$	\$	\$
Balance-beginning of period	1 021 349	(148 882)	47 058	919 525
Net loss	-	(83 829)	-	(83 829)
Adjustment related to stock options	-	-	19 126	19 126
Balance-end of period	1 021 349	(232 711)	66 184	854 822

	For the three month period ended July 31, 2006			
	Capital		Contributed	Shareholders'
	stock	Deficit	surplus	Equity
	\$	\$	\$	\$
Balance-beginning of period	75 000	16 915	-	91 915
Net income	-	49 627	-	49 627
Shares exchange	(75 000)	-	-	(75 000)
Issuance of shares	10	-	-	10
Excess of the redemption price of the preferred shares over the paid-up value	-	(1 000 000)	-	(1 000 000)
Balance-end of period	10	(933 458)	-	(933 448)

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

NOTICE

Mercator Transport Group Corporation hereby advises that its auditors have not performed a review of its interim financial statements of July 31st, 2007.

MERCATOR TRANSPORT GROUP CORPORATION

Consolidated balance sheets

As at July 31, 2007 (unaudited) and as at April 30, 2007 (audited)

	As at July 31 2007	As at April 30 2007
Assets	\$ (unaudited)	\$ (audited)
Current assets		
Cash	479 773	498 398
Cash and cash equivalents held in trust	15 000	56 000
Accounts receivable (note 5)	2 301 772	1 905 146
Prepaid expenses	150 768	157 817
	2 947 313	2 617 361
Equipment (note 6)	32 860	29 246
Intangible assets (note 7)	70 986	71 492
Future income taxes (note 3)	248 650	216 567
	3 299 809	2 934 666
Liabilities		
Current liabilities		
Bank loans (note 8)	169 791	45 037
Accounts payable (note 9)	2 011 305	1 688 229
Income taxes payable		
Current portion of obligations under capital leases (note 10)	31 416	31 416
Current portion of long-term debt (note 11)	41 820	41 820
	2 254 332	1 806 502
Obligations under capital leases (note 10)	5 950	13 479
Long-term debt (note 11)	184 705	195 160
	2 444 987	2 015 141
Shareholders' equity		
Capital stock (note 12)	1 021 349	1 021 349
Contributed surplus (note 12)	66 184	47 058
Deficit	(232 711)	(148 882)
	854 822	919 525
	3 299 809	2 934 666

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

Approved by the Board,

(s) " Jean-Pierre Apélian "

Jean-Pierre Apélian, Director

(s) " Michel G. Maila "

Michel G. Maila, Director

NOTICE

Mercator Transport Group Corporation hereby advises that its auditors have not performed a review of its interim financial statements of July 31st, 2007.

MERCATOR TRANSPORT GROUP CORPORATION
Consolidated statements of cash flows, unaudited
For the three-month periods ended July 31, 2007 and 2006

	For the three-month periods ended July 31	
	2007 (3 months) \$ (unaudited)	2006 (3 months) \$ (unaudited)
Operating activities		
Net earnings (net loss)	(83 829)	49 627
Adjustments for:		
Depreciation and amortization	8 116	8 600
Future income taxes	(32 084)	-
Stock-based compensation	19 126	-
Net change in non-cash working capital components <i>(note 17)</i>	(66 501)	(156 068)
	(155 172)	(97 841)
Investing activities		
Acquisition of equipment	(5 523)	(21 705)
Acquisition of intangible assets	(5 700)	-
Collection of advances from an affiliated company	-	50 000
	(11 223)	28 295
Financing activities		
Net change in bank loans	124 754	17 195
Repayment of obligations under capital leases	(7 529)	(15 633)
Long-term debt repayments	(10 455)	-
Issuance of common shares	-	10
Advances from an individual	-	35 025
	106 770	36 597
Net change in cash and cash equivalents	(59 625)	(32 949)
Cash and cash equivalents - Beginning of year	554 398	132 469
Cash and cash equivalents - End of year	494 773	99 520

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

NOTICE

Mercator Transport Group Corporation hereby advises that its auditors have not performed a review of its interim financial statements of July 31st, 2007.

MERCATOR TRANSPORT GROUP CORPORATION

Notes to Interim Consolidated Financial Statements - unaudited For the three-month periods ended July 31, 2007 and 2006

1-Statutes of incorporation, nature of activities

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.

2-Significant accounting policies

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

a) 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.

b) 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.

c) 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 derivatives 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 and cash equivalents 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 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.

Principles of consolidation

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

NOTICE

Mercator Transport Group Corporation hereby advises that its auditors have not performed a review of its interim financial statements of July 31st, 2007.

MERCATOR TRANSPORT GROUP CORPORATION

Notes to Interim Consolidated Financial Statements - unaudited For the three-month periods ended July 31, 2007 and 2006

2-Significant accounting policies (cont'd)

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:

	<u>Method</u>	<u>Rate</u>
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:

	<u>Method</u>	<u>Period</u>
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.

NOTICE

Mercator Transport Group Corporation hereby advises that its auditors have not performed a review of its interim financial statements of July 31st, 2007.

MERCATOR TRANSPORT GROUP CORPORATION

Notes to Interim Consolidated Financial Statements - unaudited For the three-month periods ended July 31, 2007 and 2006

2-Significant accounting policies (cont'd)

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.

3-Income taxes

Income tax expense (recovery) was as follows:

	July 31, 2007 (3 months)	July 31, 2006 (3 months)
	\$	\$
Current income taxes	-	14 342
Future income taxes	(32 084)	-
	(32 084)	14 342

4- Earnings per share

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

	July 31, 2007 (3 months)	July 31, 2006 (3 months)
Net earnings (loss)	(83 829)	49 627
Weighted-average number of basic and diluted shares outstanding	26 568 335	1 075 000
Net earnings (loss) per basic and diluted share	(0.003)	0.046

NOTICE

Mercator Transport Group Corporation hereby advises that its auditors have not performed a review of its interim financial statements of July 31st, 2007.

MERCATOR TRANSPORT GROUP CORPORATION
**Notes to Interim Consolidated Financial Statements - unaudited
For the three-month periods ended July 31, 2007 and 2006**
4- Earnings per share (cont'd)

Options and stock purchase warrants to purchase 2,158,334 and 125,000 common shares respectively were outstanding as at July 31, 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

	July 31, 2007	April 30, 2007
	\$	\$
Clients	1 591 286	1 109 599
Related	703 799	787 207
Taxes	5 383	7 184
Other	1 304	1 156
	2 301 772	1 905 146

The companies are related, because they have common shareholders.

6-Equipment

	Cost	Accumulated depreciation	July 31, 2007 Net book value
	\$	\$	\$
Office	21 024	3 711	17 313
Computer	20 697	5 150	15 547
	41 721	8 861	32 860

	Cost	Accumulated depreciation	April 30, 2007 Net book value
	\$	\$	\$
Office	18 536	2 898	15 638
Computer	17 662	4 054	13 608
	36 198	6 952	29 246

NOTICE

Mercator Transport Group Corporation hereby advises that its auditors have not performed a review of its interim financial statements of July 31st, 2007.

MERCATOR TRANSPORT GROUP CORPORATION
**Notes to Interim Consolidated Financial Statements - unaudited
For the three-month periods ended July 31, 2007 and 2006**
7-Intangible assets

	Cost	Accumulated amortization	July 31, 2007 Net book value
	\$	\$	\$
Software	14 146	2 592	11 554
Web site	12 000	9 611	2 389
	26 146	12 203	13 943
Property leased under capital leases			
Software	81 775	24 732	57 043
	107 921	36 935	70 986

	Cost	Accumulated amortization	April 30, 2007 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

8-Bank loans

As at July 31, 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 \$20 209 was unused as at July 31, 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 \$10,000 was unused as at July 31, 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 July 31, 2007, the Subsidiary was not in compliance with these financial ratios.

9-Accounts payable

	July 31, 2007	April 30, 2007
	\$	\$
Accounts payable and accrued liabilities	1 994 705	1 659 629
Related company	16 600	28 600
	2 011 305	1 688 229

The company is related, because it has common shareholders.

NOTICE

Mercator Transport Group Corporation hereby advises that its auditors have not performed a review of its interim financial statements of July 31st, 2007.

MERCATOR TRANSPORT GROUP CORPORATION
**Notes to Interim Consolidated Financial Statements - unaudited
For the three-month periods ended July 31, 2007 and 2006**

10-Obligations under capital leases	July 31, 2007	April 30, 2007
	\$	\$
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.	23 382	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.	13 984	15 478
	37 366	44 895
Current portion	31 416	31 416
	5 950	13 479

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

	\$
2008	33 185
2009	7 965
Total payments due, including interest	41 150
Incidental expenses and interest included in payments	3 784
Balance of obligations	37 366

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	17 425
	226 525

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.

NOTICE

Mercator Transport Group Corporation hereby advises that its auditors have not performed a review of its interim financial statements of July 31st, 2007.

MERCATOR TRANSPORT GROUP CORPORATION
**Notes to Interim Consolidated Financial Statements - unaudited
For the three-month periods ended July 31, 2007 and 2006**
12-Capital stock (cont'd)
Reported

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

	Number	Amount
		\$
Balance as at July 31, 2007	26 568 335	1 021 349

Contributed surplus

	July 31, 2007	April 30, 2007
	\$	\$
Beginning balance	47 058	-
Contributed surplus following the reverse takeover	-	49 787
Contributed surplus after stock options were granted	19 126	18 111
Contributed surplus after stock options were exercised	-	(20 840)
Ending balance	66 184	47 058

The balance of the contributed surplus as at July 31, 2007 was as follows:

Stock-based compensation for options granted to directors and executives	44 184	25 058
Stock-based compensation for options granted to the underwriter	22 000	22 000
	66 184	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

During the three-month period ended July 31, 2007, stock options on 675,000 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 \$19,126 was expensed as stock-based compensation for the three-month period ended July 31, 2007 and the related credit was recorded in the contributed surplus.

NOTICE

Mercator Transport Group Corporation hereby advises that its auditors have not performed a review of its interim financial statements of July 31st, 2007.

MERCATOR TRANSPORT GROUP CORPORATION
**Notes to Interim Consolidated Financial Statements - unaudited
For the three-month periods ended July 31, 2007 and 2006**
12-Capital stock (cont'd)

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 July 31, 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.

Changes in the number of stock options outstanding as at July 31, 2007 were as follows:

	Number of options	Weighted-average exercise price
Beginning of year	1 483 334	0.20
Granted	675 000	0.22
Exercised	-	-
Cancelled	-	-
End of year	2 158 334	0.20
Exercisable options at the end of the year	333 334	0.18

The following options were outstanding as at July 31, 2007:

<u>Options outstanding</u>			<u>Exercisable options</u>		
Granted in	Number of options	Weighted- average exercise price	Maturing	Number of options	Weighted- average exercise price
2004	133 334	0.15	2 009	133 334	0.15
2005	-	-	-	-	-
2006	-	-	-	-	-
2007	1 350 000	0.20	2 010	200 000	0.20
2008	675 000	0.22	2 009	-	-
	2 158 334			333 334	

NOTICE

Mercator Transport Group Corporation hereby advises that its auditors have not performed a review of its interim financial statements of July 31st, 2007.

MERCATOR TRANSPORT GROUP CORPORATION

Notes to Interim Consolidated Financial Statements - unaudited For the three-month periods ended July 31, 2007 and 2006

12-Capital stock (cont'd)

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 of options	2.0	2.13
Expected volatility	75%	75%
Weighted-average fair value of options granted	0.185	0.075

13-Contractual commitments

The Company rents premises under leases expiring June 30, 2008. Minimum payments over the next two fiscal years amount to: 2008 - \$68,823; 2009 - \$15,294.

14-Related party transactions

The Company entered into the following transactions with related parties:

	July 31, 2007 (3 months)	July 31, 2006 (3 months)
	\$	\$
Revenues	488 386	28 904
Direct costs	-	8 760
Administrative fees	36 000	87 600

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.

15-Segmented information

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

Providing the geographic information is impracticable as at July 31, 2007.

For the three-month period ended July 31, 2007, one client represents 10 % or more of the Company's revenues (22%) (in 2006, 3 customers represented 34% of revenues).

NOTICE

Mercator Transport Group Corporation hereby advises that its auditors have not performed a review of its interim financial statements of July 31st, 2007.

MERCATOR TRANSPORT GROUP CORPORATION

Notes to Interim Consolidated Financial Statements - unaudited For the three-month periods ended July 31, 2007 and 2006

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 July 31, 2007, cash, receivables and payables denominated in US dollars amounted to \$30,056, \$1,322,348 and \$1,048,196 respectively. Receivables and payables in euros were \$nil, nil and \$49,490 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 July 31, 2007, the Company had receivables of \$509,622 (in 2006) from one client and \$541,872 (nil in 2006) from a related company.

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:

	July 31, 2007	July 31, 2006
	(3 months)	(3 months)
	\$	\$
Accounts receivable	(396 626)	(362 392)
Prepaid expenses	7 049	(39 582)
Accounts payable	323 076	231 564
Income taxes	-	14 342
	(66 501)	(156 068)
b) Additional information		
Interest paid	10 087	6 301
Income taxes paid	-	-
c) Foreign exchange loss	26 798	434
d) Depreciation and amortiation		
Depreciation of property plant and equipment	1 910	1 257
Amortization of intangible assets	6 206	7 343
	8 116	8 600

NOTICE

Mercator Transport Group Corporation hereby advises that its auditors have not performed a review of its interim financial statements of July 31st, 2007.

MERCATOR TRANSPORT GROUP CORPORATION

**Notes to Interim Consolidated Financial Statements - unaudited
For the three-month periods ended July 31, 2007 and 2006**

17-Additional information (cont'd)

	July 31, 2007	July 31, 2006
	(3 months)	(3 months)
e) Interest and bank charges	\$	\$
Interest on bank and other loans	(3 880)	1 511
Interest on long-term debt	6 544	-
Interest on obligations under capital leases	1 322	1 350
Bank charges	4 734	3 440
	8 720	6 301

18-Comparative figures

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

NOTICE

Mercator Transport Group Corporation hereby advises that its auditors have not performed a review of its interim financial statements of July 31st, 2007.