

Consolidated and Combined Carve-Out Financial Statements of  
(Unaudited)

## **LAB RESEARCH INC.**

Periods ended March 31, 2007 and 2006

# LAB RESEARCH INC.

Consolidated and Combined Carve-Out Financial Statements  
(Unaudited)

March 31, 2007 and 2006

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# LAB RESEARCH INC.

Consolidated Balance Sheets  
(Unaudited)

March 31, 2007 and December 31, 2006  
(in thousands of Canadian dollars)

	March 31, 2007	December 31, 2006
<b>Assets</b>		
Current assets:		
Cash	\$ 5,636	\$ 8,516
Cash held in escrow	500	-
Accounts and other receivables	16,534	16,661
Work in progress	2,101	2,209
Income taxes receivable	200	268
Prepaid expenses	1,336	1,104
	<hr/> 26,307	<hr/> 28,758
Property and equipment	27,454	24,784
Intangible assets	2,623	2,748
Other assets (note 4)	985	2,119
Future income taxes	6,768	6,026
	<hr/> \$ 64,137	<hr/> \$ 64,435
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Bank loan	\$ -	\$ 223
Accounts payable and accrued liabilities	9,973	9,916
Holdback payable	112	913
Deferred revenue	6,526	6,194
Current portion of long-term debt	1,244	1,230
Deferred gain on sale of property	52	84
Future income taxes	377	745
	<hr/> 18,284	<hr/> 19,305
Deferred rent liability	307	253
Deferred gain on sale of property	926	1,501
Long-term debt	7,345	7,586
Future income taxes	3,189	2,847
Shareholders' equity:		
Share capital (note 5)	63,672	63,672
Additional paid-in capital (note 5)	294	181
Accumulated other comprehensive loss (note 3)	(90)	(263)
Deficit	(29,790)	(30,647)
	<hr/> 34,086	<hr/> 32,943
Subsequent events (note 10)		
	<hr/> \$ 64,137	<hr/> \$ 64,435

See accompanying notes to unaudited consolidated and combined carve-out financial statements.

# LAB RESEARCH INC.

Consolidated and Combined Carve-Out Statements of Earnings  
(Unaudited)

Three-month periods ended March 31, 2007 and 2006  
(in thousands of Canadian dollars, except per share data)

	2007	2006
Revenues	\$ 13,599	\$ 11,807
Expenses:		
Direct costs	8,545	7,081
Selling, general and administrative	2,406	2,433
Stock-based compensation (note 6)	113	20
Amortization of property and equipment	705	634
Amortization of intangible assets	135	121
Interest, net	71	143
Write-off of property and equipment	14	3
Foreign exchange	39	(86)
	12,028	10,349
Earnings before income taxes	1,571	1,458
Provision for income taxes	364	506
Net earnings	\$ 1,207	\$ 952
Earnings per share		
Basic	\$ 0.07	\$ 0.07
Diluted	0.07	0.07
Weighted average number of outstanding shares :		
Basic	18,035,714	14,142,857
Effect of dilutive options	97,131	-
Diluted	18,132,845	14,142,857

Consolidated and Combined Carve-Out Statements of Comprehensive Earnings  
(Unaudited)

Three-month periods ended March 31, 2007 and 2006  
(in thousands of Canadian dollars)

	2007	2006
Net earnings	\$ 1,207	\$ 952
Unrealized gain on available-for-sale financial assets	14	-
Foreign exchange adjustment on self-sustaining foreign operations	167	103
Comprehensive earnings	\$ 1,388	\$ 1,055

See accompanying notes to unaudited consolidated and combined carve-out financial statements.

# LAB RESEARCH INC.

Consolidated and Combined Carve-Out Statements of Shareholders' Equity  
(Unaudited)

Three-month period ended March 31, 2007  
(in thousands of Canadian dollars)

	Share capital	Additional paid-in capital	Accumulated other comprehensive loss	Deficit	Total
Balance, December 31, 2006	\$ 63,672	\$ 181	\$ (263)	\$ (30,647)	\$ 32,943
Changes in accounting policies (note 3)	-	-	(8)	(350)	(358)
Net earnings	-	-	-	1,207	1,207
Cumulative translation adjustment	-	-	167	-	167
Stock-based compensation	-	113	-	-	113
Unrealized gain on available-for- sale assets (note 3)	-	-	14	-	14
Balance, March 31, 2007	\$ 63,672	\$ 294	\$ (90)	\$ (29,790)	\$ 34,086

See accompanying notes to unaudited consolidated and combined carve-out financial statements.

# LAB RESEARCH INC.

Consolidated and Combined Carve-Out Statements of Cash Flows  
(Unaudited)

Three-month periods ended March 31, 2007 and 2006  
(in thousands of Canadian dollars)

	2007	2006
Cash flows from operating activities:		
Net earnings	\$ 1,207	\$ 952
Adjustments for:		
Amortization of property and equipment	705	634
Write-off of property and equipment	14	3
Amortization of intangible assets	135	121
Amortization of deferred financing fees	-	9
Unrealized loss on foreign exchange	20	-
Unrealized interest income	(35)	-
Stock-based compensation	113	20
Amortization of deferred gain of property	(13)	(23)
Deferred rent liability	54	53
Future income taxes	(673)	(131)
Net changes in operating assets and liabilities (note 7 (a))	574	(1,282)
	2,101	356
Cash flows from financing activities:		
Repayment of long-term debt	(218)	(355)
Repayment of capital leases	(151)	(340)
Net advances from companies under common control	-	(1,934)
Changes in net assets not transferred by LAB Canada	-	905
Repayments under bank credit facilities	(223)	(432)
	(592)	(2,156)
Cash flows from investing activities:		
Cash held in escrow	(500)	-
Payment of holdback payable	(801)	-
Additions to property and equipment	(3,110)	(747)
Proceeds from disposal of property and equipment	17	-
Other assets	(8)	(35)
	(4,402)	(782)
Net decrease in cash	(2,893)	(2,582)
Cash, beginning of period	8,516	3,727
Effect of exchange rate changes	13	6
Cash, end of period	\$ 5,636	\$ 1,151

Supplemental cash flow disclosure (note 7)

See accompanying notes to unaudited consolidated and combined carve-out financial statements.

# LAB RESEARCH INC.

Notes to Consolidated and Combined Carve-Out Financial Statements, Continued  
(Unaudited)

Three-month periods ended March 31, 2007 and 2006  
(in thousands of Canadian dollars, except per share data)

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## 1. Nature of operations and organization:

LAB Research Inc. ("LAB Research" or the "Company") and its wholly-owned subsidiaries being Scantox, Biologisk Laboratorium A/S ("LAB Denmark"), LAB International Research Center Hungary Limited Liability Company ("LAB Hungary") and LAB Research International, Inc. ("LAB US") provides pre-clinical and non-clinical contract research services to the pharmaceutical and biotechnology industries by performing pre-clinical studies required for the development of drugs intended to be used for the treatment of human conditions or diseases.

LAB Research was incorporated as a wholly-owned subsidiary of LAB International Inc. ("LAB International") on May 24, 2006 to acquire the pre-clinical contract research services business from LAB International. Subsequent to a series of transactions completed on June 30, 2006 and July 27, 2006, LAB Research acquired all of the assets and assumed the liabilities related to the pre-clinical contract research services business of LAB Canada and acquired all of the outstanding shares of LAB Hungary, LAB Denmark and LAB US from LAB International. On August 3, 2006, the Company completed an initial public offering of common shares.

## 2. Basis of presentation:

### (a) Interim financial statements:

The unaudited interim consolidated and combined carve-out financial statements of the Company have been prepared under Canadian generally accepted accounting principles. The unaudited consolidated balance sheet as at March 31, 2007 and the unaudited interim consolidated and combined carve-out statements of earnings, comprehensive income, shareholders' equity and cash flows for the three-month periods ended March 31, 2007 and 2006 reflect all adjustments which are, in the opinion of management, necessary to a fair statement of the results of the interim periods presented. The Company's revenues and expenses are subject to seasonal variations. Consequently, the results for any quarter are not necessarily indicative of the results for the full year.

The interim consolidated and combined carve-out financial statements follow the same accounting policies described in note 2 of the audited consolidated and combined carve-out financial statements of the Company for the year ended December 31, 2006. The interim consolidated and combined carve-out financial statements have not been reviewed by the Company's auditors.

The interim consolidated and combined carve-out financial statements do not include all disclosures required for annual financial statements and should be read in conjunction with the audited consolidated and combined carve-out financial statements of the Company for the year ended December 31, 2006.

All amounts in the attached notes are unaudited unless specifically identified.

# LAB RESEARCH INC.

Notes to Consolidated and Combined Carve-Out Financial Statements, Continued  
(Unaudited)

Three-month periods ended March 31, 2007 and 2006  
(in thousands of Canadian dollars, except per share data)

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## 2. Basis of presentation (continued):

### (b) Pre IPO:

The combined carve-out statement of earnings for the period ended March 31, 2006 has been derived from the accounting records of LAB International using the historical results of operations and historical basis of assets and liabilities of the segment subsequently transferred to the Company on a combined carve-out basis. Management believes the assumptions underlying the historical combined carve-out financial statements, including the allocations described below, are reasonable. However the historical financial statements may not necessarily reflect the financial position, results of operations and cash flows or what our past financial position, results of operations and cash flows would have been if LAB Research was a stand-alone company during the periods presented. To give effect to the continuity of LAB International's interest in the assets and liabilities of the Company, all the assets and liabilities have been recorded in these consolidated financial statements at LAB International's book values.

The financial results for the period ended March 31, 2006 represent the combined results of operations and cash flows on a carve-out accounting basis. All significant inter-company balances and transactions have been eliminated.

As the Company operated as a segment of LAB International and was not a stand-alone company prior to August 3, 2006, its historical combined carve-out financial statements include cost allocations of LAB International as described below.

#### *Allocated costs*

The allocated expenses are primarily for corporate overhead such as administration, accounting, investors' relations and information systems costs. Certain of the expenses presented in these consolidated and combined carve-out financial statements represent inter-company allocations and management estimates of the cost of services provided by LAB International. These allocations and estimates are considered by management to be the best available approximation of the expenses that the Company would have incurred had it operated on a stand-alone basis over the periods presented.

The costs allocated are not necessarily indicative of the costs that would have been incurred if LAB Research had performed the functions as a stand-alone company, nor are they indicative of the costs that will be incurred in the future. These allocations are reflected in "selling, general and administrative" in the consolidated and combined carve-out statement of earnings.

For the period ended March 31, 2007, the allocated costs amounted to nil (2006 – \$285).

#### *Earnings per share:*

Prior to the IPO, the Company was not a separate entity with common shares outstanding. The earnings per share for the period ended March 31, 2006 were calculated using the common shares outstanding immediately after the completion of the Spin-off as being the common shares outstanding at January 1, 2006 and for the period up to March 31, 2006.

# LAB RESEARCH INC.

Notes to Consolidated and Combined Carve-Out Financial Statements, Continued  
(Unaudited)

Three-month periods ended March 31, 2007 and 2006  
(in thousands of Canadian dollars, except per share data)

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## 2. Basis of presentation (continued):

(c) Post IPO:

The consolidated balance sheet as of March 31, 2007 and the results of operations for the quarter ended March 31, 2007 present our consolidated financial position, results of operations and cash flows as a stand-alone entity. Following the IPO on August 3, 2006, the Company performed its corporate functions with its own resources or purchased services.

## 3. Changes in accounting policies:

Effective with the commencement of its 2007 fiscal year, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1530, *Comprehensive Income*, CICA Handbook Section 3251, *Equity*, CICA Handbook Section 3855, *Financial Instruments – Recognition and Measurement*, CICA Handbook Section 3861, *Financial Instruments – Disclosure and Presentation*, and CICA Handbook Section 3865, *Hedges*. These new Handbook Sections provide comprehensive requirements for the recognition and measurement of financial instruments, as well as standards on when and how hedge accounting may be applied.

Handbook Section 1530 also established standards for reporting and displaying comprehensive income. Comprehensive income is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income, but that are excluded from net income calculated in accordance with generally accepted accounting principles. A new financial statement has been presented in relation to the Section 1530.

Under these new standards, all financial instruments are classified into one of the following five categories: held for trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. Upon initial recognition, all financial assets and liabilities are recognized at fair value. Subsequent to initial recognition, all financial instruments, including derivatives, are included on the consolidated balance sheet and are measured either at fair market value with the exception of loans and receivables, investments held-to-maturity and other financial liabilities, which are measured at amortized cost. Subsequent measurement and recognition of changes in fair value of financial instruments depend on their initial classification. Held for trading financial investments are measured at fair value and all gains and losses are included in net income in the period in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in other comprehensive income until the assets are removed from the balance sheet.

# LAB RESEARCH INC.

Notes to Consolidated and Combined Carve-Out Financial Statements, Continued  
(Unaudited)

Three-month periods ended March 31, 2007 and 2006  
(in thousands of Canadian dollars, except per share data)

### 3. Changes in accounting policies (continued):

The standards also require derivative instruments to be recorded as either assets or liabilities measured at their fair value, unless exempted from derivative treatment as a normal purchase and sale. Certain derivatives embedded in other contracts must also be measured at fair value. All changes in the fair value of derivatives are recognized in earnings unless specific hedge criteria are met, which requires that a company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting.

As a result of the adoption of these standards, the Company has classified its accounts and other receivables as loans and receivables. The Company has also classified its long-term investments as available-for-sale and its accounts payable and accrued liabilities, holdback payable and long-term debt as other financial liabilities. On January 1<sup>st</sup>, 2007, the impact of these changes in accounting policies is included as an increase to the opening deficit of \$350 and an increase to "Accumulated other comprehensive loss" of \$8. The adoption of these new standards also resulted in a reclassification of an amount of \$263 previously recorded in "Cumulative translation adjustment" to "Accumulated other comprehensive loss".

### 4. Other assets:

	March 31, 2007	December 31, 2006
Long-term investments	\$ 132	\$ 126
Long-term note receivable from landlord	813	1,920
Deferred financing fees	-	40
Other	40	33
	<u>\$ 985</u>	<u>\$ 2,119</u>

### 5. Share capital:

Authorized:

An unlimited number of:

- Common shares
- Preferred shares, non voting, issuable in one or more series, each series to consist of such number of shares as may be fixed by the Board of Directors. The directors shall determine the designation, rights, privileges, conditions, and restrictions attached to shares of each series including the amount or method of calculation of dividends.

(a) Issued and outstanding:

	March 31, 2007	December 31, 2006
18,035,714 common shares (2006 – 18,035,714)	\$ 63,672	\$ 63,672

# LAB RESEARCH INC.

Notes to Consolidated and Combined Carve-Out Financial Statements, Continued  
(Unaudited)

Three-month periods ended March 31, 2007 and 2006  
(in thousands of Canadian dollars, except per share data)

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## 5. Share capital (continued):

### (a) Issued and outstanding (continued):

On February 8, 2007, the Company announced that its Board of Directors adopted a Shareholder Rights Plan (the "Plan"). The rights plan has been conditionally approved by the Toronto Stock Exchange and is subject to approval by shareholders at the Company's 2007 Annual General Meeting of the shareholders. If approved by the shareholders, the Plan will have an initial term of three years.

### (b) Stock option plan:

On July 5, 2006, the Board of Directors adopted a stock option plan (the "Plan"), which came into effect upon closing of the initial public offering. The stock option plan is designed to attract, retain and motivate directors, officers, employees and service providers of the Company and to advance the interests of the Company by providing such persons with the opportunity to participate in the long-term growth of the Company. The Plan is administered by the Company's Board of Directors and, subject to the provisions of the Plan, the number of shares subject to each option, the option price, the expiration date of each option, the extent to which options are exercisable from time to time and the terms and conditions relating to each such option shall be determined by the Board.

The aggregate number of common shares available for issuance is 10% of the common shares outstanding. The number of common shares, which may be issued to any one person under the Plan, and any other stock compensation agreement, shall not exceed 10% of the Company's common shares on a non-diluted basis. The exercise price of the stock options granted under the Plan must not be less than the volume weighted average trading price of the common shares on the Toronto Stock Exchange for the five days immediately preceding the day on which an option is granted. Options vest over a period from three to five years. Options are granted for a term not exceeding ten years.

There were no options granted in the three-month periods ended March 31, 2007 and 2006.

The following table summarizes information about stock options outstanding and exercisable at March 31, 2007:

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Exercise price	Options outstanding	Options exercisable	Weighted average remaining contractual life (years)
\$ 4.00	1,194,000	10,000	9.35
4.25	65,000	-	9.56
5.05	20,000	-	9.69
	1,279,000	10,000	9.37

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# LAB RESEARCH INC.

Notes to Consolidated and Combined Carve-Out Financial Statements, Continued  
(Unaudited)

Three-month periods ended March 31, 2007 and 2006  
(in thousands of Canadian dollars, except per share data)

## 6. Stock-based compensation:

The Company recognized total stock-based compensation of \$113 (2006 - \$20) which includes an expense of \$ nil (2006 - \$20) related to the fair value of awards granted by LAB International to LAB Research employees. The expense in the three-month period ended March 31, 2007 represents the amortization of compensation cost over the vesting period for options granted in 2006.

## 7. Supplemental information:

(a) Net changes in operating assets and liabilities:

	2007	2006
Accounts and other receivables	\$ 256	\$ (2,236)
Work in progress	130	370
Income taxes receivable	61	-
Prepaid expenses	(226)	(1,113)
Accounts payable and accrued liabilities	576	(596)
Income taxes payable	-	389
Deferred revenue	(223)	1,904
	574	\$ (1,282)

(b) Cash paid for:

	2007	2006
Interest	\$ 163	\$ 195

(c) Non-cash transactions:

	2007	2006
Property and equipment financed through capital leases	\$ 121	\$ 217

(d) Direct costs are net of related tax credits. The related tax credits were as follows:

	2007	2006
Research tax credits	\$ 976	\$ 542

# LAB RESEARCH INC.

Notes to Consolidated and Combined Carve-Out Financial Statements, Continued  
(Unaudited)

Three-month periods ended March 31, 2007 and 2006  
(in thousands of Canadian dollars, except per share data)

## 8. Related party transactions:

	2007	2006
Companies under common control:		
Revenues	\$ -	\$ 807
Direct costs	-	448
Other:		
Professional services rendered by firms connected with directors	-	27

On August 3, 2006, as part of the corporate reorganization, LAB Research and LAB International entered into a number of agreements. Pursuant to a Preferred Supplier Agreement entered upon closing of the IPO, a wholly-owned subsidiary of LAB International has undertaken to use the services of LAB Research on an exclusive basis and for a period of 60 months for all pre-clinical research studies and related services in the field of toxicology and toxicokinetics.

The price for the services to be provided by LAB Research under the agreement will be calculated on the basis of all direct costs as well as overhead and administration costs (representing 40% of direct costs) plus a profit margin to vary in accordance with the volume of services performed during any given year. The parties have also entered into a non-competition and non-solicitation agreement whereby LAB International will undertake not to, directly or indirectly, for a period of 60 months following the closing of the offering, carry on, operate or be engaged in any business in Canada, the U.S. or any country in Europe (excluding Russia, Ukraine, Romania and Belarus) which provides pre-clinical contract research services in non-human subjects in the field of toxicology and toxicokinetics. The agreement also provides that LAB International may not solicit or hire any employees of LAB Research for a period of 60 months following the closing of the offering.

In addition, LAB Research has entered into an Information Technology Services Agreement upon closing of the offering with a company affiliated with certain directors and shareholders of LAB International pursuant to which this company will provide information technology services to LAB Research in consideration of a monthly fee of \$50. The initial term of the Agreement is 12 months. Thereafter, any party shall be entitled to terminate the agreement upon 180 days prior written notice.

LAB International ceased to be a related party to the Company on November 9, 2006.

Related party transactions in 2006 are transactions between the Company and other entities controlled by LAB International. These transactions are measured at the exchange amount which is the consideration established and agreed to by the related parties.

# LAB RESEARCH INC.

Notes to Consolidated and Combined Carve-Out Financial Statements, Continued  
(Unaudited)

Three-month periods ended March 31, 2007 and 2006  
(in thousands of Canadian dollars, except per share data)

## 9. Segment disclosures:

LAB Research has three reportable segments: North America comprising LAB Canada and LAB US, LAB Denmark and LAB Hungary. The activities of these segments are described in note 1 to the consolidated and combined carve-out financial statements. The Corporate segment is responsible for the Company's financial and corporate direction and also includes general expenses which cannot be directly attributable to a specific segment. The accounting policies of the segments are the same as those described in the summary of significant accounting policies in our audited consolidated and combined carve-out financial statements for the year ended December 31, 2006.

	2007				
	LAB North America	LAB Denmark	LAB Hungary	LAB Corporate	Total
Revenues:					
Third parties	\$ 4,351	\$ 6,322	\$ 2,926	\$ -	\$ 13,599
Direct costs	3,028	4,001	1,516	-	8,545
Selling, general and administrative	680	804	438	484	2,406
Stock-based compensation	15	21	12	65	113
Amortization of property and equipment	264	258	180	3	705
Amortization of intangible assets	-	135	-	-	135
Interest, net	-	84	27	(40)	71
Write-off of property and equipment	13	-	1	-	14
Foreign exchange	33	7	(1)	-	39
Income taxes provision (recovery)	67	295	104	(102)	364
Net earnings (loss)	251	717	649	(410)	1,207

	2006				
	LAB North America	LAB Denmark	LAB Hungary	LAB Corporate	Total
Revenues:					
Third parties	\$ 4,652	\$ 5,213	\$ 1,135	\$ -	\$ 11,000
Related parties	-	37	770	-	807
Direct costs	2,648	3,337	1,096	-	7,081
Selling, general and administrative	863	807	360	403	2,433
Stock-based compensation	16	4	-	-	20
Amortization of property and equipment	210	278	146	-	634
Amortization of intangible assets	-	121	-	-	121
Interest, net	50	60	33	-	143
Write-off of property and equipment	-	-	3	-	3
Foreign exchange	-	(51)	(35)	-	(86)
Income taxes provision (recovery)	279	243	72	(88)	506
Net earnings (loss)	586	451	230	(315)	952

# LAB RESEARCH INC.

Notes to Consolidated and Combined Carve-Out Financial Statements, Continued  
(Unaudited)

Three-month periods ended March 31, 2007 and 2006  
(in thousands of Canadian dollars, except per share data)

## 9. Segment disclosures (continued):

Revenues were derived from customers located in the following geographic areas:

	2007	2006
United States	\$ 1,974	\$ 3,820
Denmark	3,175	2,282
Canada	1,638	942
Germany	501	1,040
Spain	275	413
United Kingdom	829	288
Sweden	582	778
Switzerland	674	153
Australia	30	138
Korea	945	157
Hungary	643	96
Austria	786	-
Taiwan	251	-
Asia – other	1	270
Finland	577	791
Europe – other	718	639
	\$ 13,599	\$ 11,807

Property and equipment and intangible assets by geographic areas are as follows:

	March 31, 2007	December 31, 2006
Denmark	\$ 6,969	\$ 15,631
Canada	16,749	5,956
Hungary	6,136	5,704
United States	223	241
	\$ 30,077	\$ 27,532

	March 31, 2007	December 31, 2006
Segmented assets:		
Denmark	\$ 24,356	\$ 23,425
Canada	30,435	32,052
Hungary	9,429	9,035
United States	(83)	(77)
	\$ 64,137	\$ 64,435

# LAB RESEARCH INC.

Notes to Consolidated and Combined Carve-Out Financial Statements, Continued  
(Unaudited)

Three-month periods ended March 31, 2007 and 2006  
(in thousands of Canadian dollars, except per share data)

## 9. Segment disclosures (continued):

	2007	2006
Expenditures for segment property and equipment, and intangible assets:		
Denmark	\$ 1,289	\$ 297
Canada	1,295	227
Hungary	526	223
United States	-	-
	\$ 3,110	\$ 747

## 10. Subsequent events:

- (a) On April 17, 2007, the Company announced the closing of the buy-back transaction to purchase the property it currently occupies in Canada. The property was subject, in 2005, to a sale-leaseback transaction.

The purchase price for the property is \$23,000. Of this amount, \$10,300 was deducted from the purchase price for amounts owing to LAB Research as follows: \$2,500 of note receivable, \$600 of deposit, \$7,400 of costs incurred by the Company for its Canadian expansion to be reimbursed by landlord less transactions costs. The balance of the purchase price has been financed by a mortgage loan from a Canadian chartered bank of \$17,000. Other credit facilities totaling \$9,950 have also been made available to LAB Research by the same Canadian chartered bank. The cash received from the financing in excess of the cash used for the buy back transaction will be used for working capital purposes.

- (b) On April 30, 2007, the Company ceased its activities at its facilities located in the United States. Some of the capitalized assets were sold to a third party for its net book value of \$62. The impact of the decision is not material to the results of operations and the financial position of the Company.

## 11. Comparative figures:

Certain of the comparative figures have been reclassified to conform to the presentation adopted in current year.