

LIFEQUEST WORLD CORP
Form 10KSB
September 13, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-KSB

Annual report under section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended: May 31, 2007

Commission file number: 333-61801

LIFEQUEST WORLD CORPORATION

(Exact name of registrant as specified in its charter)

(formerly Phytolabs, Inc. and Jurak Corporation World Wide, Inc.)

(Name of small business issuer in its charter)

Minnesota

88-0407679

(State or other jurisdiction of incorporation
or organization)

(I.R.S. Employer Identification No.)

1181 Grier Drive, Suite C, Las Vegas, Nevada 89119-3746

(Address of principal executive offices)

(702) 914-9688

(Issuer's telephone number)

Securities registered pursuant to Section
12(b) of the Act:

Name of each exchange on which
registered:

None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, .001 par value

(Title of Class)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Check here if there is no disclosure of delinquent filers in response to item 405 of Regulation S-B contained in this Form, and no disclosure will be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

State issuer's revenues for its most recent fiscal year (ending May 31, 2007): \$1,046,299

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold, or the average bid and asked prices of such common equity: As of August 15, 2007, the aggregate market value of the issuer's common stock was \$32,063,855, based on the average bid and ask price on that date of \$0.31.

State the number of shares outstanding of each of the issuer's classes of common equity, as of the most practicable date:

Class	Outstanding as of August 15, 2007
Common Stock, no par value	103,431,791

Documents Incorporated By Reference

If the following documents are incorporated by reference, briefly describe them and identify the part of the Form 10-KSB into which the document is incorporated: (1) any annual report to security holders; (2) any proxy or information statement; and (3) any prospectus filed pursuant to Rule 424(b) or (c) of the Securities Act of 1933

Edgar Filing: LIFEQUEST WORLD CORP - Form 10KSB

"Securities Act"). The listed documents should be clearly described for identification purposes.

None.

Transitional Small Business Disclosure Format (Check one): Yes [] No [X]

LIFEQUEST WORLD CORPORATION
(formerly PHYTOLABS, INC. and JURAK CORPORATION WORLD WIDE, INC.)

Form 10-KSB

<u>Item 1.</u>	<u>Description of Business.</u>	<u>5</u>
<u>Item 2.</u>	<u>Description of Property.</u>	<u>21</u>
<u>Item 3.</u>	<u>Legal Proceedings.</u>	<u>21</u>
<u>Item 4.</u>	<u>Submission of Matters to a Vote of Security Holders.</u>	<u>21</u>
<u>Item 5.</u>	<u>Market for Common Equity and Related Stockholder Matters and Small Business Issuer's Purchase of Securities</u>	<u>22</u>
<u>Item 6.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations.</u>	<u>25</u>
<u>Item 7.</u>	<u>Financial Statements.</u>	<u>36</u>
<u>Item 8.</u>	<u>Changes In and Disagreements With Accountants on Accounting and Financial Disclosure.</u>	<u>49</u>

<u>Item 8A.</u>	<u>Controls and Procedures.</u>	<u>49</u>
<u>Item 8B.</u>	<u>Other Information.</u>	<u>50</u>
<u>Item 9.</u>	<u>Directors, Executive Officers, Promoters and Control Persons; and Corporate Governance; Compliance With Section 16(a) of the Exchange Act.</u>	<u>50</u>
<u>Item 10.</u>	<u>Executive Compensation.</u>	<u>52</u>
<u>Item 11.</u>	<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.</u>	<u>54</u>
<u>Item 12.</u>	<u>Certain Relationships and Related Transactions and Director Independence</u>	<u>54</u>
<u>Item 13.</u>	<u>Exhibits.</u>	<u>55</u>
<u>Item 14.</u>	<u>Principal Accountant Fees and Services.</u>	<u>55</u>

NOTE REGARDING FORWARD LOOKING STATEMENTS

This Annual Report includes or is based upon estimates, projections or other "forward looking statements". Such forward-looking statements include any projections or estimates made by us and our management in connection with our business operations. Such forward-looking statements are based on the beliefs of Lifequest World Corporation (formerly Phytolabs, Inc. and Jurak Corporation World Wide, Inc.) When used in this Annual Report, the words "anticipate," "believe," "estimate," "expect," "intends" and similar expressions, as they relate to us, are intended to identify forward-looking statements, which include statements relating to, among other things, the ability of our company to continue to successfully compete in the herbal supplement markets. While these forward looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current information and judgment regarding the direction of our business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions or other future performance suggested herein.

Such estimates, projections, or other "forward looking statements" involve various risks and uncertainties. We caution the reader that important factors in some cases have affected, and in the future could materially affect actual results and cause actual results to differ materially from the results expressed in any such estimates, projections, or other "forward-looking statements".

Available Information

Lifequest World Corporation (formerly Phytolabs, Inc. and Jurak Corporation World Wide, Inc.) files annual, quarterly and current reports and other information with the Securities and Exchange Commission (the "Commission"). You may read and copy documents referred to in this Annual Report that have been filed with the Commission at the Commission's Public Reference Room, 450 Fifth Street, N.W., Washington, D.C. You may obtain information on the operation of the Public Reference Room by calling the Commission at 1-800-SEC-0330. You can also obtain copies of our Commission filings by going to the Commission's website at <http://www.sec.gov>. The Company maintains a website at www.phytolabsinc.com. Our annual reports on Form 10-KSB, our quarterly reports on Form 10-QSB and our periodic reports on Form 8-K (and any amendments to these reports) are available free of charge by linking from our website to the Securities & Exchange Commission website.

PART I

ITEM 1. DESCRIPTION OF BUSINESS.

BUSINESS HISTORY AND DEVELOPMENT

Company Name Change

Effective August 20, 2007, the Company changed its name to Lifequest World Corporation (formerly Phytolabs, Inc. and Jurak Corporation World Wide, Inc.) to more reflect the business the company is involved in -- that of products designed to positively affect the lives of people worldwide. The shares of the Company trade on the Over the Counter Bulletin Board under the symbol, "LQWC."

Lifequest World Corporation (formerly Phytolabs, Inc. and Jurak Corporation World Wide, Inc.) was incorporated under the laws of the State of Minnesota on November 1, 1997. In this Annual Report, the terms "Company", "us", "we", "our" and "its" are used as references to Phytolabs Inc. We develop and distribute dietary herbal supplement products. Our "JC Tonic, The Youth Solution" first developed in the 1920's and 1930's and introduced to the marketplace in 1943 by Mr. Carl Jurak, the father of the founder of our company. Our dietary herbal supplement products are distributed through a network marketing system using independent distributors that we refer to as "Ambassadors of Health" (distributors).

BUSINESS OPERATIONS

General

We are a product-focused company specializing in the herbal supplement industry and market. Our main product is the "JC Tonic, The Youth Solution", which is an herbal supplement blend of thirty-one different ingredients comprised primarily of eighteen medicinal tonic herbs and six vital minerals. The JC Tonic, The Youth Solution is marketed in 32-ounce bottles and two-third ounce single unit doses packaged 45 to a box, which combined, constitute

approximately 97% of our sales.

We distribute our products through a network marketing system using independent distributors. Network marketing appeals to a wide cross-section of people, particularly those seeking to supplement income, start a home-based business, or pursue entrepreneurial opportunities other than conventional full-time employment. We consider our compensation plan and cash bonus pools to be attractive components of our network marketing system. We also believe that our network marketing system is ideally suited to market herbal supplement products because sales of such products are strengthened by ongoing personal contact between our distributors and their customers. Distributors are given the opportunity through sponsored events and training sessions to network with other distributors, develop selling skills and establish personal goals. We supplement monetary incentives with other forms of recognition in order to further motivate and foster an atmosphere of excitement through our distributor network.

We have obtained trademark protection for the name "JC Tonic" within the United States and within Canada. We also own the web sites www.theyouthsolution.com, www.jurak.com, www.jctonic.com, www.tonicman.com and www.phytolabsinc.com

Industry Overview - Tonic Herbs

The nutrition industry includes many small and medium sized companies that manufacturer and distribute products generally intended to maintain the bodies health and general well being. The four major product categories within the nutrition industry are: (i) nutritional supplements, which are products such as vitamins and minerals, dietary supplements, herbs and botanicals, and compounds derived from these substances; (ii) natural and organic foods; (iii) functional foods; and (iv) personal care products.

The JC Tonic, The Youth Solution is a blend of 18 bi-directional tonic herbs with added minerals. "Tonic" has been defined as "a substance (tonic) to strengthen the body against chronic conditions by gently "moving" or "adjusting" processes in the body; they are "catalysts" or "assisting remedies". The definition of a tonic clearly excludes the notion of "making stronger" by pushing the body in one direction only. Tonics are bi-directional, capable of both increasing and decreasing the activity of body processes. Herbs whose action is bi-directional are called tonics. Tonic herbs have the ability to exert balancing action on both systems and biochemical processes of the body. Their power lies in both their therapeutic benefits and ease of application.

We believe that the concept of a tonic may sound strange to modern ears. We simply have not made room in our medical or nutritional agendas for a concept of a substance that restores balance. We believe that this will change as the medical community begins to realize that many modern plagues may be prevented and even treated by maintaining optimum health in all body systems. Such a re-orientation of thought demands that much less emphasis be placed on finding and killing "germs", and much more on increasing the body systems natural defenses and restorative powers. The concept of the herbal tonic will be a signpost for the new research.

We believe that the nutrition industry, which includes our herbal tonic product, is being fueled by certain factors including, but not limited to, the following: (i) the public's exposure to more widely accepted natural and homeopathic alternatives, which include herbal products; (ii) the desire to slow down the aging process; (iii) the nationwide and worldwide trend toward preventive health care combining Eastern and Western medicine; and (iv) the rapid product introductions taking place in response to scientific research fueled by new demand.

Our Product Line

In addition to the family of herbal based products and skin care products, Lifequest World Corporation, through its wholly-owned subsidiary, Phytolab Solutions, Inc., acquired the worldwide rights to the new immune-stimulatory product from Nordic Immotech Trading. This ingredient holds the U.S. Patent #7,205,284 and marketing of the product has already begun in Europe and is slated to begin in North America in the Fall of 2007.

Network Marketing Strategy

We market and distribute our products through a network marketing system and sell directly to distributors and preferred customers. We recognize the need to aggressively grow our distributor sales force, thereby building new sales. We had approximately 9,400 distributors and 3,300 retail customers at May 31, 2007, compared with approximately 9,900 distributors and 4,300 retail customers at May 31, 2006. Network marketing is a form of person-to-person direct selling through a network of vertically organized independent distributors who purchase products at wholesale prices from the manufacturer for resale to retail consumers. The emergence of readily available means of mass communication such as personal computers, facsimiles, low-cost long distance telephone services, and the Internet has contributed to the rapid growth of network marketing. The concept of network marketing is based on the strength of personal recommendations that frequently come from friends, neighbors, relatives, and close acquaintances. We believe that network marketing is an effective way to distribute our products because it allows person-to-person product education, which is not as readily available through other distribution channels. We believe our network marketing system appeals to a broad cross-section of people, particularly those seeking to supplement family income, start a home business, or pursue employment opportunities other than conventional, full-time employment. Most of our distributors therefore sell our products on a part-time basis.

We believe that our network marketing system is ideally suited to market our products because sales are strengthened by ongoing personal contact between retail consumers and distributors, all of which themselves use our products. Sales are made through direct personal sales presentations as well as presentations made to groups. These sales methods are designed to encourage individuals to purchase our products by informing potential customers and distributors of our products, results of personal use, and the potential financial benefits of becoming a distributor. The objective of the marketing program is to develop a broad based network marketing organization within a relatively short period.

Our network marketing program encourages individuals to develop their own downline network marketing organizations. Each new distributor is either linked to the existing distributor that personally enrolled the new distributor into our network marketing organization or the existing distributor in the enrolling distributor's downline as specified at the time of enrollment. Growth of a distributor's downline organization is dependent upon the recruiting and enrollment of additional distributors within such distributor's downline organization.

Distributors are encouraged to assume responsibility for training and motivation of others within their downline organization and to conduct opportunity meetings as soon as they are appropriately trained. We strive to maintain a high level of motivation, morale, enthusiasm and integrity among the members of our network marketing organization. We believe this result is achieved through a combination of sales incentives, personal recognition, or outstanding achievement, and quality promotional materials. Under our network marketing program, distributors purchase sales aids and brochures from us and assume the costs of advertising and marketing our products to their customers as well as the direct costs of recruiting new distributors. We believe that this form of sales organization is cost efficient because our direct sales expenses are limited.

We continually strive to improve our marketing strategies, including the compensation structure within our network marketing organization, to attract and motivate distributors. These efforts are designed to increase monthly product sales and the recruiting of distributors.

We believe that in addition to the United States and Canadian markets, significant growth opportunities continue to exist in international markets. We intend to select new markets following an assessment of several factors including market size, anticipated demand for our products, receptivity to network marketing, and ease of entry, which includes consideration of possible regulatory restrictions on our products or network marketing system.

Material Agreements

Intellectual Property License Agreement

On approximately January 1, 1999, we entered into an intellectual property license agreement (the "License Agreement") with Jurak Holdings Limited ("JHL"), a corporation organized under the laws of the Province of Alberta and an affiliate of our Chief Executive Officer and one of our directors. Pursuant to the terms and provisions of the License Agreement, we are required to pay the greater of \$500,000 for fiscal year 2003 and each calendar year thereafter, during the first ten years of the License Agreement (the "Minimum Royalty Fee"), or eight percent of the net sales price of all license products sold under the License Agreement (the "Continuing Royalty Fee"). After fiscal 2013, we are required to make payments in the amount of the Continuing Royalty Fee.

The accrued payments due and owing to JHL under the License Agreement for the Minimum Royalty Fee and the Continuing Royalty Fee was \$631,856 and \$250,000 at May 31, 2007 and 2006 respectively.

Immune Booster License Agreement

During the year ended May 31, 2007, the Company expended \$1,067,531 for licensing fees associated with an exclusive license and distribution agreement to acquire the worldwide marketing rights to a powerful, natural immune booster. These rights are being acquired from Nordic Immotech Trading APS, a leading life science company with a successful history of producing unique, patented products that are distributed on a global scale. On December 1, 2006, the Company, through its wholly owned subsidiary, Phytolab Solutions, Inc. finalized the closing of this exclusive global license and distribution agreement with respect to this natural immune booster product. Phytolab Solutions, Inc. has not yet begun to market or sell these products, but expects to begin later in 2007. As part of the closing for this agreement, the Company paid \$550,000 per the terms of the agreement on December 6, 2006, \$500,000 in April 2007 and various legal costs associated with the agreement totaling \$17,531. The agreement calls for additional installment payments totaling \$1,450,000 to be paid as follows:

\$500,000 June 30, 2007

\$500,000 September 30, 2007

\$450,000 November 30, 2007

The Company has imputed interest on these installments at a rate of 10%. The discounted value, including legal costs of the licensed asset totals \$2,390,721. The remaining installments payable as of May 31, 2007, net of the calculated imputed interest, totaled \$1,384,513. Since the sales and marketing of this new immune booster product has not been initiated, no amortization of the licensed asset has been recorded for the year ended May 31, 2007.

As part of the license agreement noted above, Nordic Immotech shall pay a royalty of ten percent (10%) of net sales of products sold by Nordic and or affiliates to independent third parties.

In a separate agreement, the Company was granted an option to purchase all the shares in Nordic Immotech (the supplier). Subject to the terms and conditions of the separate agreement, the Company has the option to purchase all of the shares of Nordic Immotech (170,000 shares) at a fixed price of \$76.47 per share for a total of \$13,000,000. The Company may exercise the option anytime before December 1, 2008.

Intellectual Property

Patents and other proprietary rights are vital to our business operations. We protect our technology through a trademark that Jurak Holdings Limited ("JHL") owns and can license. JHL's policy is to seek appropriate protection

both in the United States and abroad for our Jurak Classic Whole Body Tonic and other products. We have acquired trademark protection as follows.

JC Tonic

On January 15, 2002, the United States Patent and Trademark Office issued a certificate of registration, registration no. 2,530,329, to JHL for protection of our exclusive use of the trademark "JC Tonic". The certificate of registration for "JC Tonic" was issued under Class 6, 18, 44, 46, 51 and 52 for herbal, mineral and vitamin supplements, and shall remain in force and effect for ten years from the date of issuance.

The Youth Solution

On May 3, 2005, the United States Patent and Trademark Office issued an application serial no. 78/618,318, registration no. 2625515, to JHL for protection of our exclusive use of the trademark "The Youth Solution". The certificate of registration for "The Youth Solution" was issued under Class 3 for body lotions, and shall remain in force and effect for ten years from the date of issuance.

On September 24, 2002, the United States Patent and Trademark Office issued a certificate of registration, serial no. 75/703,055, registration no. 2,625,515, to JHL for protection of our exclusive use of the trademark "The Youth Solution". The certificate of registration for "The Youth Solution" was issued under Class 5 and 32 for herbal supplements, and shall remain in force and effect for ten years from the date of issuance.

Helena

On November 29, 2004, the United States Patent and Trademark Office accepted JHL's application for registration under serial no. 78/523,794, for protection of our exclusive use of the trademark "Helena". The application was filed for "Helena" under Class 3 for non-medicated skin care preparation. Once final approval is obtained by the United States Patent and Trademark Office, the trademark shall remain in force and effect for ten years from the date of issuance.

Vimirex

On January 18, 2005, the United States Patent and Trademark Office accepted JHL's application for registration under serial no. 78/549,525, for protection of our exclusive use of the trademark "Vimirex". The application was filed for "Vimirex" under Class 5 for vitamins and minerals. Once final approval is obtained by the United States Patent and Trademark Office, the trademark shall remain in force and effect for ten years from the date of issuance.

JC Junior

On June 28, 2005, the United States Patent and Trademark Office accepted JHL's application for registration under serial no. 78/659,837, for protection of our exclusive use of the trademark "JC Junior". The application was filed for "JC Junior" under Class 5 and 32 for herbal supplements. Once final approval is obtained by the United States Patent and Trademark Office, the trademark shall remain in force and effect for ten years from the date of issuance.

Take An Ounce and Feel the Bounce

On June 13, 2000, the United States Patent and Trademark Office issued a certificate of registration, serial no. 76/069,199, registration no. 2,490,428, to us for protection of our exclusive use of the trademark "Take An Ounce and Feel the Bounce". The certificate of registration for "Take An Ounce and Feel the Bounce" was issued under Class 32

for herbal supplements, and shall remain in force and effect for ten years from the date of issuance.

Ambassador of Health

On May 5, 1999, the United States Patent and Trademark Office issued a certificate of registration, serial no. 75/702,892, registration no. 2,613,042, to us for protection of our exclusive use of the trademark "Ambassador of Health". The certificate of registration for "Ambassador of Health" was issued under Class 16 and 35 for magazines and newsletters on health and nutrition and for personnel recruitment and business consultation, and shall remain in force and effect for ten years from the date of issuance.

We may consider filing additional patent applications with respect to our technologies and any novel aspects of our technology to protect our intellectual property. Future patents, if issued, may be challenged, invalidated or circumvented. Thus, any patent that we own or license from related and third parties may not provide adequate protection against competitors. The patent applications that we may file in the future may not result in issued patents. Also, patents may not provide us with adequate proprietary protection or advantages against competitors with similar or competing technologies. As a result of potential conflicts with the proprietary rights of others, we may in the future have to prove that we are not infringing the patent rights of others or be required to obtain a license to the patent. We do not know whether such a license would be available on commercially reasonable terms, or at all.

We also rely on trade secrets and unpatentable know-how that we seek to protect, in part, by confidentiality agreements. However, it is possible that parties may breach those agreements, and we may not have adequate remedies for any breach. It is also possible that our trade secrets or unpatentable know-how will otherwise become known or be independently developed by competitors. There can be no assurance that third parties will not assert infringement or other claims against us with respect to any existing or future products, or that licenses would be available if our technology were successfully challenged by a third party, or if it became desirable to use any third-party technology to enhance our products. Litigation to protect our proprietary information or to determine the validity of any third-party claims could result in significant expense to us and divert the efforts of our technical and management personnel, whether or not we are successful in such litigation.

While we have no knowledge that we are infringing the proprietary rights of any third party, there can be no assurance that such claims will not be asserted in the future with respect to our existing or future products. Any such assertion by a third party could require us to pay royalties, to participate in costly litigation and defend licensees in any such suit pursuant to indemnification agreements, or to refrain from selling an alleged infringing product or service.

COMPETITION

The business of developing and distributing nutritional and personal care products such as our products is highly competitive. Numerous manufacturers, distributors and retailers compete for consumers and, in the case of other network marketing companies, for distributors. We compete directly with other entities that develop, manufacture, market and distribute dietary supplements. We compete with these entities by emphasizing the underlying science, value and high quality of our products, as well as the convenience and financial benefits afforded by our network marketing system and compensation plan. However, many of our competitors may be substantially larger and have greater financial resources and broader name recognition. Our markets are highly sensitive to the introduction of new products that may rapidly capture a significant share of those markets.

The nutritional supplement market is characterized by: (i) large selection of essentially similar products that may be difficult to differentiate; (ii) retail consumer emphasis on value pricing; (iii) constantly changing formulations based on evolving scientific research; (iv) low entry barriers resulting from low brand loyalty, rapid change, widely available manufacturing, low regulatory requirements, and ready access to large distribution channels; and (v) a lack

of uniform standards regarding product ingredient sources, potency, purity, absorption rate, and form.

There can be no assurance that we will be able to effectively compete in this intensely competitive environment. Nutritional and personal care products can be purchased in a wide variety of distribution channels, including retail stores and the fact that our product offering line is relatively limited compared to the wide variety of products offered by many of our competitors, and are often premium priced. Our ability to remain competitive depends in part upon the successful marketing of our premium priced products.

We also compete with other network marketing organizations for time, attention and commitment of new and current distributors. Our ability to remain competitive depends, in significant part, on our success in recruiting and retaining distributors. We believe that we offer a rewarding and unique compensation plan and attractive benefits and services. To the extent practicable, our compensation plan is designed to be seamless, permitting international expansion without re-entry requirements. There can be no assurance that our program for recruiting and retaining distributors will be successful. The pool of individuals interested in the business opportunities presented by network marketing tends to be limited in certain markets, and is reduced to the extent other network marketing companies successfully recruit these individuals into their businesses. Although we believe that we offer an attractive opportunity for our distributors, there can be no assurance that other network marketing companies will not be able to recruit our existing distributors or deplete the pool of potential distributors in a given market.

RISK FACTORS

An investment in our common stock involves a number of very significant risks. You should carefully consider the following risks and uncertainties in addition to other information in evaluating our company and its business before purchasing shares of our common stock. Our business, operating results and financial condition could be seriously harmed due to any of the following risks. The risks described below are all of the material risks that we are currently aware of that are facing our company. Additional risks not presently known to us may also impair our business operations. You could lose all or part of your investment due to any of these risks.

Risks Related to Our Business

We Have a History of Operating Losses and There Can Be No Assurance We Will Be Profitable in the Future; We Need to Raise Capital to Continue Our Growth.

We have a history of operating losses, expect to continue to incur losses, and may never be profitable. We do not expect positive cash flow from operations in the near term. Further, we have been dependent on sales of our equity securities and debt financing to meet our cash requirements. We incurred a net loss of \$1,375,969 for the fiscal year ended May 31, 2007, and have an aggregate net loss of \$6,011,234 as of May 31, 2007. As of May 31, 2007, we had a working capital deficit of \$2,094,985. There is no assurance that our actual cash requirements will not exceed our estimates. In particular, additional capital may be required in the event that we encounter greater costs associated with general and administrative expenses, additional resources needed for our new immune booster product and costs of offering equity securities or debt financing.

We May Need to Raise Capital to Continue Our Growth.

Based upon our historical losses from operations, we will require additional funding in the future. If we cannot obtain capital through the sale of our stock, financing or otherwise, our ability to execute our development plans and achieve profitable operational levels will be greatly limited. Historically, we have funded our operations through the issuance of equity and short-term debt financing arrangements. We may not be able to obtain additional financing on favorable terms, if at all. Our future cash flows and the availability of financing will be subject to a number of variables, including potential production and the market prices of our products. Further, debt financing could lead to a diversion of cash flow to satisfy debt-servicing obligations and create restrictions on business operations. If we are unable to

raise additional funds, it would have a materially adverse effect upon our operations.

Our Success Depends on the Ability of Our Suppliers With Whom We Have Business Arrangements.

We depend on a number of suppliers that produce our products. Failure to maintain continuous access to these suppliers may have a materially adverse affect on our business. Such suppliers may experience equipment failures and service interruptions, of which we have no control, which could adversely affect customer confidence, our business operations and our reputation. If we experience a significant increase in demand, we may have to expand our third party suppliers. We cannot be assured that additional suppliers will be available to us, or that if available it will be available on terms that are acceptable to us. If we cannot produce a sufficient quantity of our products to meet demand or delivery schedules, our customers might reduce demand, reduce the purchase price they are willing to pay for our product, or replace our product with the product of a competitor, any of which could have a materially adverse effect on our financial condition and operations.

We Rely on the Network Marketing System.

We have relied on the network marketing system to distribute, market and sell our products. We have no long-term contractual relationship with these distributors. While we believe that the distributors will continue to provide their services, there can be no assurance that the distributors will be available in the future, and if available, will be available on terms deemed acceptable to us. We had approximately 9,400 distributors and 3,300 retail customers at May 31, 2007 down from 9,900 and 4,300 respectively, at May 31, 2006.

Our Continued Operations Depend on the Successful Marketing of our Jurak Classic Whole Body Tonic.

Our business plan is based on the marketing and distribution of primarily one product, the JC Tonic, The Youth Solution. However, we have added a second product, a personal care skin rejuvenation product, and in the Fall of 2007 we will be adding our new patented immune booster product. There is no assurance that we will be successful in implementing our marketing strategies or that our marketing strategies, even if implemented, will lead to the successful achievement of our objectives. If we are not able to successfully implement our marketing strategies, our business operations and financial performance may be adversely affected. The novelty and the design of our products is important to our success and competitive position, and if we are unable to continue to develop and offer such a unique product to our customers, our business could suffer.

Our Growth Could Harm Our Future Business Results.

As we proceed with the production, marketing and sale of our existing and anticipated products, we expect to experience significant and rapid growth of our business. We may need to add staff to manage operations, handle marketing efforts and perform finance and accounting functions. We may be required to hire a broad range of additional personnel in order to successfully advance our operations. This growth is likely to place a strain on our management and operational resources. The failure to develop and implement effective operational and financial systems, or to hire and retain sufficient personnel for the performance of all of the functions necessary to effectively service and manage our potential business, or the failure to manage growth effectively, could have a materially adverse affect on our business and financial condition.

Our Success is Dependent Upon the Acceptance of Our Products and Our Business

Our success depends upon our achieving significant market acceptance of our products. We cannot guarantee that consumers will purchase our product. Acceptance of herbal supplemental products will depend on the success of our

advertising, promotional and marketing efforts. During our second quarter for the year ended May 31, 2007, we updated our packaging; engaged a publicity agent; enhanced the flavor of our consumable products; reintroduced our unit dose packaging for our liquid herbal supplements; reduced the number of other sizes available to only one bottle size; released our new online service for distributors referred to as a Back Office; developed personal replicated websites for our distributor force; and concluded an agreement with Nordic ImmoTech Trading giving us the worldwide rights to market their immune-stimulatory product.

Failure to maintain effective internal controls

A failure to maintain effective internal controls could adversely affect our business. The Company will need to begin the process of documenting and testing its internal controls as required by the Sarbanes-Oxley Act of 2002 this coming fiscal year. The Company expects to incur significant costs in complying with these requirements, including increased staffing costs, increased accounting, auditing and consulting fees. In addition, the requirements of Sarbanes-Oxley may limit the ability of the Company to make any future acquisitions. Failure by the Company to adequately meet the internal control requirements would be reported in the Company's filings to the Securities and Exchange Commission - which could negatively impact the Company's reputation and its stock price.

Loss of Key Management Personnel.

The loss of Mr. Anthony Jurak or Mr. Roger Theriault or any of our key management personnel would have an adverse impact on our future development and could impair our ability to succeed. Our performance is substantially dependent upon the expertise of our Chief Executive Officer, Mr. Anthony Jurak, and other key management personnel and our ability to continue to hire and retain such personnel. Mr. Jurak spends substantially all of his time working for us. It may be difficult to find sufficiently qualified individuals to replace Mr. Jurak or other key management personnel if we were to lose any one or more of them. The loss of Mr. Jurak or any of our other key management personnel could have a materially adverse effect on our business, development, financial condition, and operating results. We do not maintain "key person" life insurance on any of our directors or senior executive officers.

Many of Our Competitors Are Larger and Have Greater Financial and Other Resources Than We Do.

The herbal supplement industry, in general, is intensely competitive. Our Jurak Classic Whole Body Tonic competes with other herbal supplemental based products. Such based products are currently marketed by well-established, successful companies that possess greater financial, marketing, distribution, personnel and other resources than us. Using these resources, these companies can implement extensive advertising and promotional campaigns, both generally and in response to specific marketing efforts by competitors, to enter into new markets rapidly and to introduce new products. Competitors with greater financial resources also may be able to enter the market in direct competition with us, offering attractive marketing tools to encourage the sale of products that compete with our products or present cost features which consumers may find attractive.

Government Regulation.

Any changes in regulation by the Federal Trade Commission ("FTC") and/or the U.S. Food and Drug Administration ("FDA") with respect to labeling and advertising of our products could have an adverse affect on our business. A change in these requirements could add additional cost to the production of our products. However, these government regulatory agencies generally allow companies to make changes when new materials are to be printed and so the financial effects would be minimal.

RISKS RELATED TO OUR COMMON STOCK

Sale of Restricted Common Stock

As of May 31, 2007, there are 102,731,791 outstanding shares of our common stock, of which 97,474,747 are restricted securities as that term is defined in Rule 144 under the Securities Act of 1933, as amended (the "Securities Act"). Although the Securities Act and Rule 144 place certain prohibitions on the sale of restricted securities, restricted securities may be sold into the public market under certain conditions. As of May 31, 2007, there are 1,600,000 warrants outstanding. During the years ended May 31, 2007, 1,600,000 shares were issued in a private placement offering. The placement includes a warrant for each share purchased and is exercisable at \$1.25 per share for one year from that date.

Any significant downward pressure on the price of our common stock as certain stockholders sell their shares of our common stock may encourage short sales. Any such short sales could place further downward pressure on the price of our common stock.

The Trading Price of Our Common Stock on the OTC Bulletin Board Has Been and May Continue to Fluctuate Significantly and Stockholders May Have Difficulty Reselling Their Shares.

Our common stock has traded as low as \$0.03 and as high as \$1.99. In addition to volatility associated with Bulletin Board securities in general, the value of your investment could decline due to the impact of any of the following factors upon the market price of our common stock: (i) changes in the demand for our products; (ii) disappointing results from our marketing and sales efforts; (iii) failure to meet our revenue or profit goals or operating budget; (iv) decline in demand for our common stock; (v) downward revisions in securities analysts' estimates or changes in general market conditions; (vi) lack of funding generated for operations; (vii) investor perception of our industry or our business prospects; and (viii) general economic trends.

In addition, stock markets have experienced extreme price and volume fluctuations and the market prices of securities have been highly volatile. These fluctuations are often unrelated to operating performance and may adversely affect the market price of our common stock. As a result, investors may be unable to sell their shares at a fair price and you may lose all or part of your investment.

Additional Issuances of Equity Securities May Result in Dilution to Our Existing Shareholders.

Our Articles of Incorporation authorize the issuance of 150,000,000 shares of common stock and 50,000,000 shares of preferred stock. The Board of Directors has the authority to issue additional shares of our capital stock to provide additional financing in the future and the issuance of any such shares may result in a reduction of the book value or market price of the outstanding shares of our common stock. If we do issue any such additional shares, such issuance also will cause a reduction in the proportionate ownership and voting power of all other stockholders. As a result of such dilution, if you acquire shares of our common stock, your proportionate ownership interest and voting power could be decreased. Further, any such issuances could result in a change of control.

We are authorized to issue shares of preferred stock. Our board of directors, without shareholder approval, may issue shares of preferred stock with rights superior to the rights of the holders of shares of common stock. As a result, shares of preferred stock could be issued quickly and easily, adversely affecting the rights of holders of shares of common stock and could be issued with terms calculated to delay or prevent a change in control or make removal of management more difficult. Although we have no present plans to issue shares of preferred stock, the issuance of preferred stock in the future could adversely affect the rights of the holders of common stock and reduce the value of the common stock.

Our Common Stock is Classified as a "Penny Stock" under SEC Rules Which Limits the Market for Our Common Stock.

Because our stock is not traded on a stock exchange or on the NASDAQ National Market or the NASDAQ Small Cap Market, and because the market price of the common stock is less than \$5 per share, the common stock is classified as a "penny stock." Our stock has not traded above \$5 per share. SEC Rule 15g-9 under the Exchange Act imposes additional sales practice requirements on broker-dealers that recommend the purchase or sale of penny stocks to persons other than those who qualify as an "established customer" or an "accredited investor." This includes the requirement that a broker-dealer must make a determination that investments in penny stocks are suitable for the customer and must make special disclosures to the customers concerning the risk of penny stocks. Many broker-dealers decline to participate in penny stock transactions because of the extra requirements imposed on penny stock transactions. Application of the penny stock rules to our common stock reduces the market liquidity of our shares, which in turn affects the ability of holders of our common stock to resell the shares they purchase, and they may not be able to resell at prices at or above the prices they paid.

A Decline in the Price of Our Common Stock Could Affect Our Ability to Raise Further Working Capital and Adversely Impact Our Operations

A decline in the price of our common stock could result in a reduction in the liquidity of our common stock and a reduction in our ability to raise additional capital for our operations. Because our operations to date have been principally financed through the sale of equity securities, a decline in the price of our common stock could have an adverse effect upon our liquidity and our continued operations. A reduction in our ability to raise equity capital in the future would have a materially adverse effect upon our business plan and operations, including our ability to continue our current operations. If our stock price declines, we may not be able to raise additional capital or generate funds from operations sufficient to meet our obligations.

GOVERNMENT REGULATION

In the United States, where we primarily sell our products, we are subject to laws, regulations, administrative determinations, court decisions and similar restrictions at the federal, state and local levels, collectively known as "regulations". These regulations include and pertain to, among other things: (i) the formulation, manufacturing, packaging, labeling, advertising, distribution, sale and storage of our product; (ii) our product claims and advertising, including label claims, direct claims, as well as claims and advertising by our distributor, for which we may be held responsible; and (iii) our network marketing organization and activities.

Products

The formulation, manufacturing, packaging, labeling, advertising, distribution, and sale and storage of our products is subject to regulation by a number of governmental agencies. The federal agencies include the Food and Drug Administration ("FDA"), the Consumer Product Safety Commission, the United States Department of Agriculture, and others. Our activities are also regulated by various codes and agencies of the states and localities in which our product is or may be manufactured, distributed or sold. The FDA, in particular, regulates the formulation, manufacturing and labeling of dietary and herbal supplements, which includes our product.

The Dietary Supplement Health and Education Act of 1994 ("DSHEA"), revised the provisions of the Federal Food, Drug and Cosmetic Act ("FFDCA"), concerning the composition and labeling of dietary supplements, which we believe is generally favorable to the dietary supplement industry. DSHEA created a new statutory category of products or "dietary supplements". This new category includes vitamins, minerals, herbs, amino acids, and other dietary substances for human use to supplement the diet. However, DSHEA grandfathered, with certain limitations, dietary

ingredients that were on the market before October 15, 1994. A dietary supplement containing a new dietary ingredient ("NDI"), and placed on the market on or after October 15, 1994, must have a history of use or other evidence establishing a basis for expected safety. Manufacturers of dietary supplements using a "structure-function" statement or other claim must have scientific substantiation that the statement is true, accurate, and not misleading. Our product, JC Tonic, The Youth Solution, is classified as a dietary supplement under the FFDCa and DSHEA.

The labeling requirements for dietary supplements with respect to labels affixed to containers have been set forth in final regulations effective March 23, 1999. These regulations include the serving size, dietary ingredient information, and the proper detail and format required for the "Supplement Facts" box. Our product labels are in compliance with those regulations. Many states have also recently become active in the regulation of dietary supplement products. These states may require modification of labeling of our product sold in those states, e.g., Texas, New York and California.

On January 6, 2000, the FDA published a final rule on permissible structure/function statements to be placed on labels and in brochures. Structure/function statements are claims of the benefit or positive effect of a product or an ingredient on the body's structure or function. This regulation does not significantly change the way the FDA interprets structure/function statements. We have not made any substantial label revisions based on this regulation regarding any of our structure/function product statements. Subsequently, the FDA published a final rule that the level of science needed to support a structure/function claim would be raised close to the current Federal Trade Commission ("FTC") standard, which is "competent and reliable scientific evidence". We believe that we have adequate substantiation for all label claims used.

FDA Final Rule - Safe Use of Dietary Supplements

On June 22, 2007, FDA announced a final rule establishing current good manufacturing practice requirements (CGMPs) for dietary supplements. In addition, by the end of the year, industry will be required to report all serious dietary supplement adverse events to FDA.

Ensuring Quality

Under the final rule, manufacturers are required to evaluate the identity, purity, quality, strength and composition of dietary supplements. These regulations are intended to provide more accountability in the manufacturing process so that consumers can be confident that the products they purchase contain what is on the label.

The final rule aims to ensure that dietary supplements do not have:

wrong ingredients

too much or too little of a dietary ingredient

improper packaging

improper labeling

contamination problems due to natural toxins, bacteria, pesticides, glass, lead, or other substances

All of these guidelines have been followed by the Company since beginning the marketing of our products.

Product Claims, Advertising and Website

The FDA considers website promotional content to constitute "labeling", and thus our website must not contain disease claims or drug claims, but only permissible structure/function claims. The Federal Trade Commission ("FTC") governs the advertising of dietary supplements in any medium or vehicle - print ads, radio spots, infomercials, internet ads, and websites. The fundamental FTC rule is that all material advertising claims, whether express or implied, must be substantiated by reliable and competent scientific evidence. Because our website must comply with both FDA and FTC regulations, we routinely review our web site and our scientific substantiation for particular claims to determine if it is sufficient to ensure that there are no disease claims present. We also require our distributors' websites to be in compliance with FDA and FTC regulations. As such, and to ensure Internet compliance, distributors may only copy or link to our corporate website. Any independent websites are unauthorized and their creators are solely liable for defending any regulatory enforcement actions. Violations of this policy may result in the termination of the distributor's relationship with the Company.

The FTC issued a guidance document to assist companies in understanding and complying with the substantiation requirement for advertising claims for supplements. We have organized the documentation supporting and substantiating our advertising and promotional practices in compliance with these guidelines. We have not been notified that we have been or are the subject of any enforcement action by the FTC. However, any such action in the future by the FTC could materially adversely affect our ability to successfully market our product. Therefore, we pay careful attention to new guidelines and recent investigations launched, complaints filed, and fines imposed by the FTC.

We attempt to remain in full compliance with all applicable laws and regulations governing the manufacture, labeling, sale, distribution and advertising of our product.

Network Marketing System

Laws and regulations prevent the use of deceptive or fraudulent practices that have sometimes been inappropriately associated with legitimate direct selling and network marketing activities. These laws include anti-pyramiding, securities, lottery, referral selling, anti-fraud and business opportunity statutes, regulations and court cases. Illegal schemes, typically referred to as "pyramid", "chain distribution", or "endless chain" schemes, compensate participants primarily and solely for the introduction or enrollment of additional participants into the scheme. Often these schemes are characterized by large up-front entry or sign-up fees, over-priced products of low value, little or no emphasis on the sale or use of products, high-pressure recruiting tactics, and claims of huge and quick financial rewards requiring little or no effort. Generally, these laws are directed at ensuring that product sales ultimately are made to consumers and that advancement within sales organization is based on sales of the enterprise's products, rather than investments in the organization or other non-retail sales related criteria or activity. We ensure through counsel that our network marketing system is in regulatory compliance.

We currently have distributors in all fifty states. In addition to federal regulation, each state has enacted its own "little FTC Act" to regulate sales and advertising. We may receive requests to supply information regarding our network marketing plan to regulatory agencies. We believe that our network marketing program is in compliance with laws and regulations relating to network marketing activities in our current markets.

We cannot predict the nature of any future law, regulation, interpretation, or application, nor can we predict what effect additional governmental legislation or regulations, judicial decisions or administrative orders, when and if promulgated, would have on our business in the future. It is possible that future developments may require that we revise our network marketing program or our product manufacturing and labeling.

EMPLOYEES

We currently employ nine (9) employees, all of whom are full-time employees. In addition to our current staff, we also have approximately 9,400 distributors nationwide. None of the Company's employees are represented under collective bargaining agreements. The Company considers its employee relations to be good.

REPORTS TO STOCKHOLDERS

We are currently a reporting issuer in the U.S. and are subject to reporting requirements under section 13 or 15(d) of the U.S. *Securities Exchange Act of 1934*, as amended. We are required to file the following with the U.S. Securities and Exchange Commission (the "SEC"): (i) quarterly reports on Form 10-QSB; (ii) an annual report on Form 10-KSB; (iii) a Form 8-K to report the occurrence of certain reportable events; (iv) Forms 3, 4 and 5 to report insider sales and acquisition of our securities; and (v) proxy statements. We are required to deliver an annual report to our stockholders prior to or with the distribution of proxy materials relating to annual stockholder meetings.

ITEM 2. DESCRIPTION OF PROPERTY

We lease our principal office space located at Hughes Airport Center, 1181 Grier Drive, Suite C, Las Vegas, Nevada 89119. We currently utilize office space and warehouse. We intend to lease this space pursuant to the terms and provisions of our lease at approximately \$7,000 per month. The lease agreement expires June 30, 2009.

We believe these facilities will be adequate to accommodate our administrative and distribution needs for the foreseeable future.

ITEM 3. LEGAL PROCEEDINGS

On December 13, 2006, a civil suit was filed in the District Court of Clark County in and for the State of Nevada by Lifequest World Corporation (formerly Phytolabs, Inc. and Jurak Corporation World Wide, Inc.) (plaintiffs) and one former employee and her spouse (defendants). The suit entails that the former employee processed credit refunds to a debit/credit card held at their banking institution. In addition, the former employee embezzled funds by setting up a merchant processing system and diverting the charging of our distributors' credit cards from our merchant processor to their processor. All is evidenced by information located on the computer used by the former employee at the Company as well as through other reporting mechanisms and processing systems. The Company is seeking relief for damages in excess of \$60,000; special damages according to proof; for attorneys' fees and costs of suit; and for other and further relief as the Court may deem just and proper as compensation for monies embezzled by the former employee and her spouse. No answer has been received from the defendant and the Company is seeking a default judgment granting all of the relief sought.

Management is not aware of any other legal proceedings contemplated by any governmental authority or any other party involving us or our properties. As of the date of this Annual Report, no director, officer or affiliate is (i) a party adverse to us in any legal proceeding, or (ii) has an adverse interest to us in any legal proceedings. Management is not aware of any other legal proceedings pending or that have been threatened against us or our properties.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

During fiscal year ended May 31, 2007, no matters were submitted to our stockholders for approval.

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

MARKET FOR COMMON EQUITY

Shares of our common stock have historically been traded on the NASD OTC Bulletin Board under the symbol "JCWW". On May 23, 2006, our trading symbol was changed to "JRAK". Effective March 13, 2007, the Company changed its name to Phytolabs, Inc. and effective August 20, 2007 the Company changed its name to Lifequest World Corporation. The shares of the Company trade on the Over the Counter Bulletin Board under the symbol, "LQWC."

The market for our common stock is limited, volatile and sporadic. The following table sets forth the high and low sales prices relating to our common stock on a quarterly basis for the last two fiscal years as quoted by the NASDAQ. These quotations reflect inter-dealer prices without retail mark-up, markdown or commissions, and may not represent actual transactions.

<u>Quarter Ended</u>	<u>High Bid</u>	<u>Low Bid</u>
May 31, 2007	\$0.90	\$0.40
February 28, 2007	\$1.43	\$0.75
November 30, 2006	\$1.65	\$0.60
August 31, 2006	\$2.00	\$0.14
May 31, 2006	\$0.35	\$0.03
February 28, 2006	\$0.46	\$0.22
November 30, 2005	\$0.43	\$0.24
August 31, 2005	\$0.55	\$0.16

As of May 31, 2007, there were approximately 394 shareholders of record of our common shares as reported by our transfer agent, Signature Stock Transfer, Inc., which does not include shareholders whose shares are held in street or nominee names. We believe that there are approximately 200 beneficial owners of our common stock. There are no other classes of shares issued or outstanding.

DIVIDEND POLICY

No dividends have been declared by the Board of Directors on our common stock. Our losses do not currently indicate the ability to pay any cash dividends, and we do not have any intention of paying cash dividends on our common stock in the foreseeable future. We are trying to increase our sales with our JC Tonic products and to introduce the new immune-booster product. Therefore, it is unlikely that we would use profits for the purpose of paying dividends for the foreseeable future.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER COMPENSATION PLANS

As of the date of this Annual Report, we do not have an equity compensation plan under which equity securities are authorized for issuance to employees, officers, or directors. As of the date of this Annual Report, we do not have any options issued or outstanding under any equity compensation plan.

The Company is offering 3,000,000 of its common shares to its distributors under a plan where the distributors earn certificates based on sales and bonus points. Each certificate is redeemable for one share of the Company's common stock three years after the certificate has been earned. The number of certificates outstanding at May 31, 2007 and 2006 was 103,952 and 95,780, respectively. The liability for the certificates earned of \$111,695 and \$103,395 at May 31, 2007 and 2006, respectively, are included in "accrued compensation and benefits". During the years ended May 31, 2007 and 2006, respectively, no shares were issued to distributors under this plan. Effective June 1, 2007 this plan is being discontinued, however the liability will remain for a period of 3 years relating to the 103,952 shares which were earned but not yet issued. These shares will be issued assuming the distributor is selling for the Company after the 3 year vesting period.

<u>Equity Compensation Plan Information</u>			
Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a) (c))
Equity compensation plans approved by security holders	N/A	N/A	N/A
Equity compensation plans not approved by security holders			
Ambassador Program	103,952	N/A	N/A
Warrants	1,600,000	\$1.25	1,600,000

RECENT SALES OF UNREGISTERED SECURITIES

Debt Settlement

During fiscal year ended May 31, 2006, we entered into a settlement of outstanding debt with several of our executive officers and Jurak Holdings Limited (the "Settlement Agreement"). Pursuant to the terms and provisions of the Settlement Agreement, we issued 73,070,580 shares of our restricted common stock at \$0.02 per share to settle the principal amount of \$908,874 and accrued interest of \$552,537 due and owing.

During fiscal year ended May 31, 2006, we entered into a settlement of outstanding Accrued Minimum Royalty Fees with one of our executive officers (the "Settlement Agreement"). Pursuant to the terms and provisions of the Settlement Agreement, we issued 11,500,000 shares of our restricted common stock at \$0.10 per share to settle the principal amount of \$1,150,000 due and owing for Accrued Minimum Royalty Fees.

The per share price of the shares was determined by our Board of Directors based upon analysis of certain factors, including but not limited to, the trading price per share of our common stock on the OTC Bulletin Board, our stage of development, industry status, investment climate, and perceived investment risk. We issued shares of our restricted stock in accordance with the transactional exemption under Section 4(2) of the Securities Act of 1933, as amended (the "1933 Securities Act"). The executive officer acknowledged that the securities to be issued have not been registered under the 1933 Securities Act and that they understood the economic risk of an investment in the securities.

Private Placements

During fiscal year ended May 31, 2007, we executed private placements of 10,000,000 and 1,600,000 shares of our restricted common stock, for which we received cash in amounts of \$200,000 and \$1,599,950, respectively.

During fiscal year ended May 31, 2006, we executed private placements of 1,900,000 and 10,000,000 shares of our restricted common stock, for which we received cash in amounts of \$269,566 and \$200,000, respectively.

Reverse Stock Split

On July 27, 2007, the Board of Directors approved a reverse split of its common stock on a 1 new share for 3 old shares. Shareholders of record as of the effective date of August 20, 2007 will receive 1 new share for 3 old shares.

On May 12, 2006, the Board of Directors approved a one-for-six consolidation (reverse split) of our common stock, effective for shareholders of record on May 22, 2006.

In the consolidation, each six shares of our common stock issued and outstanding was converted to one share of common stock. The number of outstanding shares of common stock was reduced from 45,367,267 shares to 7,561,211 shares. The number of authorized shares of common stock was not reduced by this consolidation. Fractional shares of stock were rounded up to the next whole share.

Stock Compensation

During fiscal year ended May 31, 2007, the Company issued 250,000 shares of restricted common stock to an officer/employee and 250,000 shares to an employee at \$0.70 per share in lieu of compensation.

During fiscal year ended May 31, 2006, we issued 30,000 shares of restricted common stock to a consultant at \$0.22 per share in lieu of compensation.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Lifequest World Corporation, (formerly Phytolabs, Inc. and Jurak Corporation World Wide, Inc.), a Minnesota corporation incorporated on November 1, 1997, currently trades on the Over-the-Counter Bulletin Board under the symbol "LQWC". We are a product-focused company specializing in the herbal supplement industry and market.

The following discussion and analysis of our results of operations and financial position should be read in conjunction with our audited financial statements and the notes thereto, included elsewhere in this Annual Report. Our financial statements are prepared in accordance with U.S. GAAP.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

In this report and from time to time, in reports filed with the Securities and Exchange Commission, in press releases, and in other communications to shareholders or the investing public, there may be "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. The Company may make forward-looking statements concerning possible or anticipated future financial performance, business activities, plans, pending claims, investigations or litigation which are typically preceded by the words "believes", "expects", "anticipates", "intends" or similar expressions. For such forward-looking statements, the Company claims the protection of the safe harbor for forward-looking statements contained in federal securities laws. Shareholders and the investing public should understand that such forward looking statements are subject to risks and uncertainties which could cause actual performance, activities, anticipated results, outcomes or plans to differ significantly from those indicated in the forward-looking statements. Such risks and uncertainties include, but are not limited to: lower sales to customers; the introduction of competitive products and technologies; our ability to successfully reduce operating expenses ; delays in new product introductions; higher than expected expense related to new sales and marketing initiatives; availability of adequate supplies of raw materials; and other factors discussed from time to time in the Company's filings with the Securities and Exchange Commission. Our actual results could differ materially from the results discussed in the forward-looking statements.

The following discussion is intended to provide an analysis of our financial condition and should be read in conjunction with our audited financial statements and the notes thereto. The matters discussed in this section that are not historical or current facts deal with potential future circumstances and developments. Such forward-looking statements include, but are not limited to, the development plans for our growth, trends in the results of our development, anticipated development plans, operating expenses and our anticipated capital requirements and capital resources. Our actual results could differ materially from the results discussed in the forward-looking statements.

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company as a going concern. However, the Company has sustained substantial losses and its liabilities exceed its assets. The Company intends to generate positive cash flows from operations through increased sales utilizing the network of distributors in place with existing products and the new natural immune booster products, issuing additional stock, and obtaining necessary capital through additional advances from the Company's

principal stockholder or through private placements.

To continue operations, the Company must raise additional capital. The Company has sold additional stock in private placements during the year ended May 31, 2007 totaling \$1,799,950. However, there can be no assurance the Company will be able to obtain additional capital from private placements in the future.

The proceeds of the private placement are used for regular corporate needs as well as funding the product launch of our recently acquired rights to the world's most powerful, natural immune booster product as stated by the scientific research team that developed the product. One group of investors has invested funds to date and has made a subsequent investment of \$700,000 since May 31, 2007. This group required that all future investments be made for an average of \$1.00 per share, with a one-year warrant to purchase an additional share at \$1.25 per share. The Company received \$600,000 on December 6, 2006, \$999,950 on March 31, 2007 and \$700,000 on July 23, 2007.

With the formal completion of the exclusive global license and distribution agreement relative to the natural immune booster product, the Company will accelerate work on the packaging and branding of this new product to make it widely available to North American and European markets with an anticipated launch in late 2007.

-

Critical Accounting Policies and Estimates

Our Management Discussion and Analysis of Financial Condition and Results of Operations is based upon our consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States of America. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, the reported amounts of revenues and expenses during the reporting period, and related disclosures of contingent assets and liabilities for the periods indicated. The notes to the consolidated financial statements contained herein describe our significant accounting policies used in the preparation of the consolidated financial statements. Several of them have been noted below. On an on-going basis, we evaluate our estimates, including, but not limited to, those related to our inventory valuation allowance, the lives and continued usefulness of office furnishings and equipment and intangible assets and contingencies. Due to uncertainties, however, it is at least reasonably possible that management's estimates will change during the next year, which cannot be estimated. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from these estimates under different assumptions or conditions.

Inventory Valuation: The Company's inventories are valued at the lower of cost or market. Reserves for overstock and obsolescence are estimated and recorded to reduce the carrying value to estimated net realizable value. The amount of the reserve is determined based on projected sales information, plans for discontinued products and other factors. Though management considers these reserves adequate and proper, changes in sales volumes due to unexpected economic or competitive conditions are among the factors that could materially affect the adequacy of this reserve.

Income Taxes: We account for income taxes in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 109, Accounting for Income Taxes. In the preparation of the Company's consolidated financial statements, management calculates income taxes. This includes estimating the Company's current tax liability as well as assessing temporary differences resulting from different treatment of items for tax and book accounting purposes. These differences result in deferred tax assets and liabilities, which are recorded on the balance sheet. These assets and liabilities are analyzed regularly and management assesses the likelihood that deferred tax assets will be realized from future taxable income. The valuation allowance for deferred income tax benefits is determined based upon the expectation of whether the benefits are more likely than not to be realized. The Company has recorded a full valuation allowance for all deferred tax assets due to the significance of its continued operating losses.

Revenue Recognition: The Company recognizes revenue when the earnings process is complete, evidenced by persuasive evidence of an agreement, delivery has occurred or services have been rendered, the price is fixed or determinable, and collectability is reasonably assured. The earning process completion is evidenced through the shipment of goods, as the sales terms of these segments are FOB shipping point, the risk of loss is transferred upon

shipment and there are no significant obligations subsequent to that point. There are no significant estimates related to revenue recognition.

RESULTS OF OPERATIONS

	Years ended May 31,		
	2007	2006	% Change
Sales	\$ 1,046,299	\$ 1,445,362	(28%)
Gross Profit	\$ 788,120	\$ 1,092,623	(28%)
Net Loss	\$ (1,375,970)	\$ (1,087,846)	27%
Basic and Diluted Loss per Share	\$ (0.04) ⁽¹⁾	\$ (0.49) ⁽¹⁾	

(1) Reflects the 1 for 3 reverse stock split effective August 20, 2007

Year Ended May 31, 2007 Compared to Year Ended May 31, 2006

Overview

Total sales for the year ended May 31, 2007 was \$1,046,299 compared to \$1,445,362 in 2006. Gross profit declined to \$788,120 for the year ended May 31, 2007 compared to \$1,092,623 in 2006, as further discussed below. The net loss for the year ended May 31, 2007 was (\$1,375,970) compared to (\$1,087,846) in 2006.

Sales and Gross Margins

Sales for the twelve months ended May 31, 2007 decreased by 28% to \$1,046,299 compared to \$1,445,362 in 2006. The decrease in sales was related in part to issues associated with the reliability of the Company's computer systems used to track and account for distributors' sales, which occurred during fiscal year ended May 31, 2006. The system problems caused delays in the accumulation of sales data, which affected the timely calculation and payment of distributor bonuses. These problems caused a decline in sales activity by the distributors. In May 2006, the Company enhanced and improved the computer system, which improved the sales data accumulation process, however, increased distributor activity has been slow in returning. In July 2006, the Company rolled out a replicated Company website for each of its 9,900 distributors. The replicated websites allow each distributor to advertise to their specific customers, while providing the product and company information from the Company's new website. Management is confident the improved computer system, the replicated websites and new product offerings will result in an increase in future sales volume. The Company also experienced weaker demand for its product compared to last year and is actively developing new product offerings including acquisition of the worldwide exclusive marketing rights to the world's most powerful, natural immune booster discovered to date, as stated by the scientific research team that developed the product. These rights are being acquired from a leading life science company with a successful history of producing unique, patented products that are distributed on a global scale

Gross profit in the twelve months ended May 31, 2007 decreased to \$788,120 compared to \$1,092,623 in the same period ended in 2006 due primarily to the decline in product sales. Gross profit as a percentage of revenue declined slightly to 75% in the twelve months ended May 31, 2007 compared to 76% in the same period ended in 2006. This was due to increased raw ingredient and packaging costs.

Royalty Expense-Related Party

The minimum royalty expense-related party accrued to Jurak Holdings Limited (related party) for licenses on the JC Tonic product line remained consistent for both years at \$500,000 in 2007 and \$499,264 in 2006. (\$125,000 per quarter).

Distribution, Selling, and Administrative Expenses

Total distribution, selling and administrative expenses for the year ended May 31, 2007 were \$1,703,552 compared with \$1,586,146 for the year ended in 2006. The increase is primarily related to a stock compensation award valued at \$350,000 to an officer/employee made in April 2007. Without that increased expense, selling and administrative expenses decreased by approximately \$232,000. This was reflected in lower overall sales expenses, payroll and related benefits, consulting fees and contract labor. The Company incurred a consulting fee of \$185,000 during the year ended May 31, 2006, which was not incurred in the current year. With the decrease in sales, the Company continues to actively reduce overhead costs.

Other Income and Expense

Other income of \$133,382 for the year ended May 31, 2007 consists of the Company's prorata share of a one-time cash distribution gain in exchange for their membership interest in EIG Mutual Holding Company who is the Company's primary insurance provider. EIG successfully converted from a mutual holding company to a publicly traded stock company in February 2007. The Company received their funds in March 2007.

Interest expense for the year ended May 31, 2007 was \$93,920 compared with \$95,059 for the year ended in 2006. Current year interest costs relate to the imputed interest on the installment payable-Nordic License. Prior year interest costs primarily relate to loans from a principal stockholder and related entities, which were outstanding during the prior year. The majority of these loans were converted into common stock or paid off during the fiscal year ended May 31, 2006.

LIQUIDITY AND CAPITAL RESOURCES

We have historically had more expenses and cost of sales than revenue in each year of our operations. The accumulated deficit as of May 31, 2007 was \$6,011,234 compared to \$4,635,264 as of May 31, 2006. Generally, we have financed operations to date through the proceeds of private placements of equity and debt securities and sales revenue. In connection with our business plan, management anticipates that there may be additional increases in operating expenses and capital expenditures relating to the new immune booster products. We intend to finance these expenses with further issuance of our securities and revenues from operations. Therefore, we expect we may need to raise additional capital and increase our revenues to meet long-term operating requirements.

We currently have a \$3,000,000 private placement offering in process. The proceeds of the private placement are used for regular corporate needs as well as funding the product launch and license of our recently acquired rights to the world's most powerful, natural immune booster product as stated by the scientific research team that developed the product. One group of investors has invested funds to date. This group required that all future investments be made for an average of \$1.00 per share, with a one-year warrant to purchase an additional share of common stock at \$1.25 per share. The Company received the first \$600,000 on December 6, 2006, \$999,950 on March 31, 2007 and \$700,000 on July 23, 2007.

At May 31, 2007, the Company had \$197,338 of unrestricted cash compared to \$44,073 of unrestricted cash at May 31, 2006. The Company had current assets of \$282,824 and current liabilities of \$2,377,809 at May 31, 2007 compared to current assets of \$110,841 and current liabilities of \$604,586 at May 31, 2006.

Net cash used in operating activities was \$621,224 during the year ended May 31, 2007 compared to net cash used in operating activities of \$412,218 in the year ended May 31, 2006. The increase was due primarily to the increased operating loss for the year ended May 31, 2007 compared to the operating loss for the prior year after adjusting for the net decrease in trade payables and accrued expenses.

Net cash used in investing activities was \$1,041,497 in the year ended May 31, 2007 compared to \$9,510 in the year ended in 2006. The change was caused primarily by the purchase of the immune booster license. The Company expended \$1,067,531 for licensing fees associated with the acquisition of the worldwide exclusive marketing rights to this license. These rights are being acquired from a leading life science company with a successful history of producing unique, patented products that are distributed on a global scale. The balance of the installment payable discounted for interest related to this immune booster license was \$1,384,513 at May 31, 2007.

Net cash provided by financing activities was \$1,815,986 in the year ended May 31, 2007 compared to net cash provided by financing activities in the year ended in 2006 of \$446,293. Proceeds from the issuance of common stock, net of issuance costs, was \$1,799,950 in the year ended May 31, 2007 compared to \$469,566 in the year ended May 31, 2006. In December 2006 the Company announced a best efforts private placement of \$3,000,000 U.S. at \$1.50 per share. The placement was subsequently cancelled, and a new offering was immediately introduced for \$3,000,000 U.S. at \$1.00 per unit. Each unit consists of one share of common stock and one-year warrant to purchase one share of common stock at \$1.25. The proceeds of the private placement are to be used for regular corporate needs as well as funding the product launch of our recently acquired rights to the natural immune booster product. The Company received \$600,000 on December 6, 2006, \$999,950 on March 31, 2007 and \$700,000 on July 23, 2007.

PLAN OF OPERATION

We have been, since our inception, reliant on external investment to finance ongoing operations as we are not yet operating profitably. While we expect that we will achieve profitable operations in the future, there can be no assurance that our revenue, margins, and profitability will increase or be sufficient to support our operations in the long term. We expect we will need to raise additional capital to meet short and long-term operating requirements. We believe that private placements of equity capital and debt financing may be adequate to fund our long-term operating requirements. We may also encounter business endeavors that require significant cash commitments or unanticipated problems or expenses that could result in a requirement for additional cash. If we raise additional funds through the issuance of equity or convertible debt securities other than to current shareholders, the percentage ownership of our current shareholders would be reduced, and such securities might have rights, preferences or privileges senior to our common stock. Additional financing may not be available upon acceptable terms, or at all. If adequate funds are not available or are not available on acceptable terms, we may not be able to take advantage of prospective business endeavors or opportunities, which could significantly and materially restrict our business operations. We are continuing to pursue external financing alternatives to improve our working capital position and to grow our business to the greatest possible extent.

On December 1, 2006, the Company through its wholly owned subsidiary, Phytolab Solutions Inc., entered into an agreement with Nordic Immotech Trading whereby Phytolabs acquired the worldwide rights to its powerful immune-stimulatory extract.

On the same date, Phytolab Solutions Inc., entered into an agreement with Nordic Immotech Trading appointing them as a sub-licensee to handle the sales and distribution of its immune-stimulatory product in several European countries.

The agreement in principal requires that Phytolabs pay a \$2.5 million license fee with payments from August 8, 2006 to November 30, 2007. (See Material Commitments). The Company believes this is a good investment given that the ingredient extract giving rise to this agreement was developed at the University of Mississippi over a 10 year period; has enjoyed animal clinical studies that prove the efficacy and holds US Patent # 7,205,284.

Of late, the immune system in general is receiving a great deal of attention from traditional medicine as well as alternative medicine inasmuch as it is the basis for a strong support system and in particular for avoiding various strains of flu and other viruses. The Company therefore believes that it will be well positioned in the industry and in the immune system product market given this extract's potency supported by clinical proof of efficacy.

The Company researched thoroughly as to the best method of marketing and has decided on continuing with the direct selling business it is already in. As of June 6, 2007, it has engaged Mr. David Wood as Chief Operating Officer to manage the Phytolab Solutions subsidiary.

The product made with the extract in question has been test-marketed in Denmark and Finland and a North American product launch is slated for fall of 2007.

MATERIAL COMMITMENTS

A significant commitment for fiscal year ending May 31, 2007 relates to the License Agreement with Jurak Holdings Limited (related party). As of the fiscal year ended May 31, 2007, an aggregate amount of \$631,856 is due and owing to Jurak Holdings Limited for Accrued Minimum Royalty fees.

On December 1, 2006, the Company, through its wholly owned subsidiary, Phytolab Solutions, Inc. finalized the closing of this exclusive global license and distribution agreement with respect to this natural immune booster

product. Phytolab Solutions, Inc. has not yet begun to market or sell these products, but expects to begin later in 2007. As part of the closing for this agreement, the Company paid \$550,000 per the terms of the agreement on December 6, 2006 and \$500,000 in April 2007. The agreement calls for additional installment payments totaling \$1,450,000 to be paid as follows:

\$500,000	June
30, 2007	
\$500,000	
September 30, 2007	
\$450,000	
November 30, 2007	

The Company has imputed interest on these installments at a rate of 10%. The discounted value of the licensed asset including legal costs, totals \$2,390,721. The remaining installments payable as of May 31, 2007, net of the calculated imputed interest, totaled \$1,384,513. Since the sales and marketing of this new immune booster product has not been initiated, no amortization of the licensed asset has been made for the year ended May 31, 2007.

As part of the license agreement noted above, Nordic Immotech shall pay a royalty of ten percent (10%) of net sales of products sold by Nordic and or affiliates to independent third parties.

In a separate agreement, the Company was granted an option to purchase all the shares in Nordic Immotech (the supplier). Subject to the terms and conditions of the separate agreement, the Company has the option to purchase all of the shares of Nordic Immotech (170,000 shares) at a fixed price of \$76.47 per share for a total of \$13,000,000. The Company may exercise the option anytime before December 1, 2008.

OFF-BALANCE SHEET ARRANGEMENTS

As of the date of this Annual Report, we do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources, that are material to our investors. The term "off-balance sheet arrangement" generally means any transaction, agreement or other contractual arrangement to which an entity unconsolidated with us is a party, under which we have: (i) any obligation arising under a guarantee contract, derivative instrument or variable interest; or (ii) a retained or contingent interest in assets transferred to such entity or similar arrangement that serves as credit, liquidity, or market risk support for such assets.

FUTURE OUTLOOK

The demand for our product is largely dependent upon the level of acceptance and understanding of herbal dietary supplements in the North American distributor and consumer sectors. Market size for herbal dietary supplement products and our relative share of this market will be affected by a number of factors, which include general understanding and awareness, continuing growth in homeopathic awareness, government regulations and general economic conditions. We are attempting to mitigate some of these risks through education and employing well-known persons to endorse our products.

As we continue to expand our operations internationally, we must be aware of any inherent business risks associated with doing so. We have attempted to mitigate these risks by establishing a network marketing system utilizing persons who are familiar with the industry.

ITEM 7. FINANCIAL STATEMENTS

Edgar Filing: LIFEQUEST WORLD CORP - Form 10KSB

Lifequest World Corporation (formerly Phytolabs, Inc. and Jurak Corporation World Wide, Inc.)

Audited Financial Statements

May 31, 2007

Index

Report of Independent Registered Public Accounting Firm dated August 29, 2007

Consolidated Balance Sheets

Consolidated Statements of Operations

Consolidated Statements of Stockholders Deficit

Consolidated Statements of Cash Flows

Notes to Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders

Lifequest World Corporation (formerly Phytolabs, Inc. and Jurak Corporation Word Wide, Inc.)

We have audited the accompanying consolidated balance sheets of Lifequest World Corporation (formerly Phytolabs, Inc. and Jurak Corporation World Wide, Inc.) as of May 31, 2007 and 2006, and the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Lifequest World Corporation (formerly Phytolabs, Inc. and Jurak Corporation World Wide, Inc.) as of May 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has suffered recurring losses from operations and has a significant deficit in its working capital. These factors raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Carver Moquist & O'Connor, LLC

Minneapolis, Minnesota

August 29, 2007

LIFEQUEST WORLD CORPORATION

(

formerly **PHYTOLABS, INC. and JURAK CORPORATION WORLD WIDE, INC.**)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

May 31, 2007 and 2006

Note 1

. Nature of Business and Summary of Significant Accounting Policies:

Nature of business:

Lifequest World Corporation (formerly Phytolabs, Inc. and Jurak Corporation World Wide, Inc.) was incorporated under the laws of the State of Minnesota on November 1, 1997. The Company is located in Las Vegas, Nevada and develops and distributes dietary herbal supplement products.

Effective August 20, 2007, the Company changed its name to Lifequest World Corporation (formerly Phytolabs, Inc. and Jurak Corporation World Wide Inc.) to more reflect the business the company is involved in -- that of products designed to positively affect the lives of people worldwide. The shares of the Company trade on the Over the Counter Bulletin Board under the symbol, "LQWC."

A summary of the Company's significant accounting policies is as follows:

Principles of Consolidation:

The consolidated financial statements include the accounts of Lifequest World Corporation and its wholly owned subsidiary. All significant inter-company accounts and transactions have been eliminated in consolidation.

Revenue recognition

:

The Company recognizes revenue when persuasive evidence of an arrangement exists, title and risk of ownership passes, the sales price is fixed or determinable, and collectibility is probable. Generally, these criteria are met at the time product is shipped to our distributors or directly to a retail customer.

Use of estimates:

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the financial statement date and revenues and expenses

during the reporting period. Actual results could differ from Company estimates.

Cash:

The Company considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

The Company maintains its cash in a high quality financial institution. The balances at times may exceed the federally insured limits.

Accounts Receivable:

The Company collects payments from its customers almost entirely from credit cards. Primarily, any accounts receivable balance at the end of the reporting period is due to a two or three day lag in receiving the funds from the credit card processors.

Inventories:

Inventories are valued at the lower of cost or market, using the first-in, first-out method (FIFO). Inventories are reported at their net amounts, and consist of the following:

	May 31	
	2007	2006
Raw materials	\$ 26,571	\$ 18,392
Finished goods and supplies	56,050	71,653
Allowance for Obsolescence	(18,611)	(31,891)
	\$ 64,010	\$ 58,154

Office furnishings and equipment:

Office furnishings and equipment are recorded at cost and depreciated on a straight-line basis over their estimated useful life of three to seven years. Maintenance and minor renewals are expensed when incurred.

Intangible Asset-Immune Booster License:

Intangible asset, entirely comprised of the immune booster license, is recorded at cost and is presented net of amortization. Amortization will be computed on a straight-line basis over its estimated useful life once the licensed products begin selling. The straight-line method of amortization will reflect an appropriate allocation of the cost of the intangible asset to earnings in each reporting period.

Long-lived assets:

Long-lived assets, such as property and equipment and intangible assets are reviewed for impairment whenever changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of

assets to be held and used is measured by comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the assets exceeds the fair value of the asset.

Income taxes:

Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit

carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of the enactment. The Company has recorded a full valuation allowance for all deferred tax assets due to the significance of its continued operating losses.

Advertising:

The Company expenses advertising costs as they are incurred. Advertising costs were \$58,758 and \$345 for the year ended May 31, 2007 and 2006 respectively.

Shipping and handling costs:

Shipping and handling costs charged to customers have been included in sales. Inbound and outbound freight and handling costs incurred by the Company have been included in cost of sales.

Fair value of financial instruments:

The carrying value of the Company's financial instruments approximates fair value at May 31, 2007 and 2006. The carrying amounts for cash, accounts payable, accrued liabilities and notes payable approximate fair value due to the short maturity of these instruments.

Segment Reporting:

The Company operates as one reporting segment.

Loss per common share:

Loss per share is computed based on the weighted-average number of common shares outstanding. There are 1,600,000 warrants outstanding and 103,952 certificates for shares of stock at May 31, 2007 that would be considered anti-dilutive and therefore are not included.

Recent accounting pronouncements:

In July 2006, Financial Accounting Standards Board (FASB) issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes - An Interpretation of FASB Statement No. 109

("FIN 48"). FIN 48 clarifies the accounting treatment (recognition and measurement) for an income tax position taken in a tax return and recognized in a company's financial statements. The new standard also contains guidance on "derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition". The provisions of FIN 48 are effective for fiscal years beginning after December 15, 2006. We are currently evaluating the impact of this statement but we believe the adoption of FIN 48 will not have a material impact on our consolidated financial position or results of operations. This pronouncement is effective for our fiscal year beginning June 1, 2007.

In September 2006, the U.S. Securities and Exchange Commission staff issued Staff Accounting Bulletin No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements ("SAB 108"). This SAB addresses diversity in practice of quantifying financial statement misstatements. It establishes an approach that requires quantification of financial statement misstatements based on the effects of the misstatements on each of the company's financial statements and the related financial statement disclosures. The SAB is effective for financial statements issued for fiscal years ending after November 15, 2006. The adoption of SAB 108 did not have an impact on our consolidated financial position or results of operations.

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements ("SFAS No. 157"). This standard clarifies the principle that fair value should be based on the assumptions that market participants would use when pricing an asset or liability. Additionally, it establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. This standard is effective for financial statements issued for fiscal years beginning after November 15, 2007. We are currently evaluating the impact of this statement. We believe the adoption of SFAS No. 157 will not have a material impact on our consolidated financial position or results of operations.

Note 2.

Company's Continued Existence:

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company as a going concern. However, the Company has sustained substantial losses and has a significant working capital deficit. The Company intends to generate positive cash flows from operations through increased sales utilizing the network of distributors in place and from financing activities by issuing additional stock, and obtaining necessary capital through additional advances from the Company's principal stockholder or through private placements.

To continue operations, the Company must raise additional capital. During fiscal year ended May 31, 2007, the Company executed private placements of 10,000,000 and 1,600,000 shares of our restricted common stock, for which cash was received in amounts of \$200,000 and \$1,599,950. However, there can be no assurance the Company will be able to obtain additional capital from private placements in the future. The Company has no other committed sources or arrangements for additional financing.

The financial statements do not include any adjustment relating to recoverability and classification of recorded assets, or the amounts and classification of liabilities that might be necessary should the Company be unable to continue to exist. Management believes that actions presently being taken provide the opportunity for the Company to continue as a going concern.

Note 3. Other Asset - Immune Booster License

During the year ended May 31, 2007, the Company made payments of \$1,067,531 for licensing fees associated with an exclusive license and distribution agreement to acquire the worldwide marketing rights to the world's most powerful, natural immune booster discovered to date, as stated by the scientific research team that developed the product. These rights are being acquired from Nordic Immotech Trading APS, a leading life science company with a successful history of producing unique, patented products that are distributed on a global scale. On December 1, 2006, the Company, through its wholly owned subsidiary, Phytolab Solutions, Inc. finalized the closing of this exclusive global license and distribution agreement with respect to this natural immune booster product. Phytolab Solutions, Inc. has not yet begun to market or sell these products, therefore, no amortization has been recorded as of May 31, 2007. As part of the closing for this agreement, the Company paid \$550,000 per the terms of the agreement on December 6, 2006 and an additional payment in April 2007. The agreement calls for additional installment payments totaling \$1,450,000 to be paid as follows:

\$500,000	June 30, 2007
\$500,000	September 30, 2007
\$450,000	November 30, 2007

The Company has imputed interest on these installments at a rate of 10%. The discounted value of the licensed asset totals \$2,373,190. Additional costs for legal were also incurred which totaled \$17,531. The remaining installments payable, net of the calculated imputed interest, totaling of \$1,384,513 has been recorded as a liability as of May 31, 2007. Since the sales and marketing of this new immune booster product has not been initiated, no amortization of the licensed asset has been made for the year ended May 31, 2007.

As part of the license agreement noted above Nordic Immotech shall pay a royalty of ten percent (10%) of net sales of products sold by Nordic and or affiliates to independent third parties.

In a separate agreement, the Company was granted an option to purchase all the shares in Nordic Immotech (the supplier). Subject to the terms and conditions of the separate agreement the Company has the option to purchase all of the shares of Nordic Immotech (170,000 shares) at a fixed price of \$76.47 per share for a total of \$13,000,000. The Company may exercise the option anytime before December 1, 2008.

Note 4.

Capital Lease Obligations:

The Company has capital leases for new computer equipment, expiring through October 2008. The leases bear interest ranging from 5% to 25%. The obligations are collateralized by the equipment under lease. Total cost and accumulated amortization of the lease equipment was \$20,406 and \$20,406 at May 31, 2007 and \$20,406 and \$14,263 at May 31, 2006, respectively. Amortization expense on the leased assets is included with depreciation expense. Future

minimum lease payments under capital leases and the net present value of the future minimum lease payments are as follows for the years ending May 31:

2008	974
2009	321
Total Future Minimum Lease Payments	1,295
Less Amount Representing Interest	(42)
Present value of Future Minimum Lease Payments	1,253
Less Current Portion	(932)
Long-Term Capital Lease Obligations	\$ 321

Note 5 Stockholders Equity:

In June 2006, we executed a private placement of 10,000,000 shares of our restricted common stock at \$0.02 per share, for which we received cash of \$200,000.

In December 2006, we initiated a private placement offering of 3,000,000 shares of our common stock and for each share purchased a warrant (one year term) to purchase one share of our common stock at an exercise price of \$1.25. The unit was sold at \$1.00. As of May 31, 2007 we had sold 1,600,000 shares and received \$1,599,950 in proceeds, net of transaction costs.

In April 2007, we issued 250,000 shares of our restricted common stock to an officer/employee and 250,000 shares of restricted stock to an employee as compensation for services provided. The shares were valued at their fair value of \$0.70 per share for a total compensation charge of \$350,000.

During the year ended May 31, 2006 the Company completed two private placement totaling 11,900,000 shares of restricted common stock in exchange for which it received \$469,566. In November 2005, we issued 5,000 shares of our restricted common stock to a vendor as compensation for services rendered. The shares were valued at their fair value of \$1.34 per share for a total compensation charge of \$6,720.

During the years ended May 31, 2007 and 2006, no shares were issued to our distributors under the Company's distributor bonus plan (Note 8).

Stock Splits

Edgar Filing: LIFEQUEST WORLD CORP - Form 10KSB

The Company completed a one-for-six reverse stock split on May 22, 2006. All per share information including prior periods reflects the effect of this stock reverse stock split.

Additionally, on July 27, 2007, the Board of Directors approved a reverse split of its common stock on a 1 new share for each 3 old shares. Shareholders of record as of the effective date of August 20, 2007 will receive 1 new share for three old shares outstanding. Only the EPS calculation in the statement of operations has been adjusted for this reverse stock split.

Note 6. Income Taxes:

The provision for income taxes differs from the amount computed by applying the U.S. federal income tax rate to loss before income taxes as follows:

	May 31	
	2007	2006
Expected (benefit) at statutory rate	34%	34%
State taxes	-	-
Increase in valuation allowance	(34%)	34%
Effective tax rate	0%	0%

The income tax provision consists of the following for the years ended May 31:

	2007	2006
Current tax provision	\$ -	\$ -
Deferred tax (benefit)	(346,000)	(330,000)
Change in valuation allowance	346,000	330,000
	\$ -	\$ -

The following is a summary of the significant components of the Company's deferred tax, assets and liabilities:

	May 31	
	2007	2006
Deferred tax assets:		
Net operating loss	\$ 1,644,000	\$ 1,431,000
Related party accruals	252,000	119,000
Valuation allowance	\$(1,896,000)	\$ 1,550,000

Tax law provides for limitation on the use of future net operating loss carryovers should significant ownership changes occur. The Company has net operating loss carry forwards of approximately \$4,800,000 that expire through the year 2026.

Note 7. Related Party Transactions:

The principal stockholder and related entities have advances to the Company totaling \$26,374 and \$4,993 as of May 31, 2007 and 2006, respectively. Interest on the advances is at 8%. Interest totaling \$0 and \$84,491 was charged to operations for the years ended May 31, 2007 and 2006, respectively.

The minimum royalty expense-related party accrued to Jurak Holdings Limited (related party owned by our CEO/Stockholder) for licenses on the JC Tonic product line remained consistent for both years at \$500,000 in 2007 and \$499,264 in 2006. (\$125,000 per quarter). See Note 8 for additional information.

Note 8 Commitments:

Operating Lease:

The Company rents office and warehouse space in Las Vegas, Nevada under terms of an operating lease which calls for an initial base monthly rental of approximately \$6,700, increasing annually, plus common area operating expenses, through June 2009. Rent expense plus common area operating expenses under this agreement for the years ended May 31, 2007 and 2006 was \$106,091 and \$101,689, respectively.

Minimum lease payments are as follows for the years ending May 31:

2008	
87,446	
2009	
90,069	
2010	
<u>7,524</u>	
Total Future Minimum Lease Payments	<u>\$185,039</u>

Immune Booster License Agreement

In December 2006, the Company acquired the worldwide marketing rights to the world's most powerful, natural immune booster discovered to date, as stated by the scientific research team that developed the product. These rights are being acquired from Nordic Immotech Trading APS, a leading life science company with a successful history of producing unique, patented products that are distributed on a global scale. On December 1, 2006, the Company, through its wholly owned subsidiary, Phytolab Solutions, Inc. finalized the closing of this exclusive global license and distribution agreement with respect to this natural immune booster product. As part of the closing for this agreement,

the Company paid \$550,000 per the terms of the agreement on December 6, 2006, \$500,000 on March 31, 2007 and associated legal costs of \$17,531. The agreement calls for additional non-interest bearing installment payments totaling \$1,450,000 to be paid as follows:

\$500,000	June 30, 2007
\$500,000	September 30, 2007
\$450,000	November 30, 2007

The Company has imputed interest on these installments at a rate of 10%. The discounted value of the licensed asset totals \$2,373,190. The remaining installments payable as of May 31, 2007, net of the calculated imputed interest, totaled \$1,384,513.

As part of the license agreement noted above Nordic Immotech shall pay a royalty of ten percent (10%) of net sales of products sold by Nordic and or affiliates to independent third parties. No royalty payments have been earned as of May 31, 2007.

In a separate agreement, the Company was granted an option to purchase all the shares in Nordic Immotech (the supplier). Subject to the terms and conditions of the separate agreement the Company has the option to purchase all of the shares of Nordic Immotech (170,000 shares) at a fixed price of \$76.47 per share for a total of \$13,000,000. The Company may exercise the option anytime before December 1, 2008.

Distributor Stock Bonus Plan:

Prior to June 1, 2007, The Company offered to its distributors a plan whereby the distributors could earn a stock bonus based on sales and "bonus points." Distributors earned certificates redeemable for one share of the Company's common stock three years after the certificate has been earned. The number of certificates outstanding at May 31, 2007 and 2006 were 103,952 and 95,780, respectively. The liability for the bonus points of \$111,695 and \$103,395 at May 31, 2007 and 2006, respectively, is included in accrued compensation and benefits. These amounts are redeemable into common stock at a fair market value on the date that they are fully earned and redeemed. During the years ended May 31, 2007 and 2006, respectively, no shares were issued to various distributors under this plan. Effective June 1, 2007 this plan was discontinued, however the liability will remain for a period of 3 years relating to the 95,780 shares which were earned but not yet issued.

Restricted Cash:

In 2006, the Company has entered into several agreements with banks whereby a certain amount must be deposited into a restricted cash account in exchange for credit card processing services. The balance of restricted cash was \$0 and \$26,034 at May 31, 2007 and 2006, respectively.

License Agreement-Related Party:

The Company has entered into an intellectual property license agreement with an entity owned by the principal stockholder. The agreement calls for royalty payments to the entity that total 8% of "net sales price", subject to a minimum annual royalty fee of \$500,000 and other conditions as defined by the agreement. Pursuant to the terms and provisions of the License Agreement, we are required to pay the greater of \$500,000 for fiscal year 2003 and each calendar year thereafter, during the first ten years of the License Agreement (the "Minimum Royalty Fee"), or eight percent of the net sales price of all license products sold

under the License Agreement (the "Continuing Royalty Fee"). After fiscal 2013, we are required to make payments in the amount of the Continuing Royalty Fee.

The minimum royalty fees expensed for the years ended May 31, 2007 and 2006 were \$500,000. Accrued royalties due under this license agreement are \$631,856 and \$250,000 at May 31, 2007 and 2006, respectively. On May 29, 2006 accrued royalties totaling \$1,150,000 were converted to common stock.

Note 9

. Subsequent events:

As a continuation to the Company's private placement offering initiated in December 2006, the Company issued an additional 700,000 restricted common shares in exchange for \$700,000 cash on July 23, 2007.

On July 27, 2007, the Board of Directors approved a reverse split of its common stock on a 1 new share for each 3 old shares. Shareholders of record as of the effective date of August 20, 2007 will receive 1 new share for each 3 shares outstanding. In conjunction with the reverse split, the Company also approved a change in the Company's name to Lifequest World Corporation. The name change and stock split became effective August 20, 2007 and the Company was issued the new stock symbol of LQWC.

ITEM 8. CHANGES IN AND DISAGREEMENT WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 8A. CONTROLS AND PROCEDURES

The Company's management, Anthony Carl Jurak, our Chief Executive Officer and acting Chief Accounting Officer, Roger Theriault, our President, and Maria Guedes, our Vice President of Operations/Assistant Secretary, conducted an evaluation of the effectiveness of the Company's disclosure controls and procedures, as defined in Exchange Act Rule 13a-15(e), as of May 31, 2007 (the "Disclosure Controls Evaluation"). Based on that evaluation, the Company's chief executive officer and chief accounting officer, President and Vice President of Operations/Assistant Secretary concluded that as of the end of the period covered by this report the Company's disclosure controls and procedures were effective to provide a reasonable level of assurance that: (i) information required to be disclosed by the Company in the reports the Company files or submits under the Exchange Act is recorded, processed, summarized and reported within the specific time periods in the Securities and Exchange Commission's rules and forms and (ii) information required to be disclosed in the reports the Company files or submits under Exchange Act are accumulated and communicated to management, including the chief executive officer and chief accounting officer, to allow timely decisions regarding required disclosure, all in accordance with Exchange Act Rule 13a-15(e).

There were no changes in the Company's internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f), during the quarter ended May 31, 2007, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and

instances of fraud, if any, within the Company have been detected. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected .

AUDIT COMMITTEE REPORT

The audit committee operates under a written charter adopted by the Board of Directors during June 2004. As of the date of this Annual Report, Anthony Jurak has been appointed to our audit committee. Mr. Jurak is not "independent" within the meaning of Rule 10A-3 under the Exchange Act. The Board of Directors has determined that there is not a financial expert serving on the audit committee. We are currently involved in appointing a financial expert to the audit committee, but haven't finalized such appointment as of the date of this Annual Report.

The audit committee has reviewed and discussed with management our audited financial statements as of and for fiscal year ended May 31, 2007. The audit committee has also discussed with Carver Moquist & O'Connor LLC the matters required to be discussed by Statement on Auditing Standards No. 61, Communication with Audit Committees, as amended, by the Auditing Standards Board of the American Institute of Certified Public Accountants. The audit committee has received and reviewed the written disclosures and the letter from Carver Moquist & O'Connor LLC required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees, as amended, and has discussed with Carver Moquist & O'Connor LLC their independence.

Based on the reviews and discussions referred to above, the audit committee has recommended to our Board of Directors that the audited financial statements referred to above be included in our Annual Report on Form 10-KSB for fiscal year ended May 31, 2007 to be filed with the Securities and Exchange Commission.

ITEM 8B. OTHER INFORMATION

Not applicable.

Part III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

IDENTIFICATION OF DIRECTORS AND EXECUTIVE OFFICERS

All of our directors hold office until the next annual general meeting of the shareholders or until their successors are elected and qualified. Our officers are appointed by our Board of Directors and hold office until their earlier death, retirement, resignation or removal.

As of the date of this Annual Report, our directors and executive officers, their ages and positions held are as follows:

<u>NAME</u>	<u>AGE</u>	<u>OFFICES HELD</u>
Anthony C. Jurak	69	Director, Chairman of the Board and Chief Executive Officer/Secretary

Roger Theriault	61	Director, President
Maria J. Guedes	38	Vice President of Operations/Assistant Secretary

BIOGRAPHIES

The backgrounds of our directors and executive officers are as follows:

Anthony C. Jurak.

Mr. Jurak is the founder of our company, and a director and Chairman of the Board and our Chief Executive Officer/Secretary. Mr. Jurak was also a co-chairman and secretary/treasurer for more than the five years of Matol Partners Corporation, terminating his position in February 1997, and since has worked primarily for us. While with Matol Partners Corporation, Mr. Jurak was in charge of finances and then committed his time to marketing and sales. Mr. Jurak has broad marketing and financial experience, including wholesale and retail companies.

Roger Theriault.

Mr. Theriault is our President and a director. Mr. Theriault was also the director of national sales for Shaklee Canada from 1979 to 1984. During that time, he was primarily involved in marketing and sales and responsible for three regional sales managers and more than 100,000 distributors. Mr. Theriault was the founder of Nova Sante Pacific International where he worked from 1989 to 1994. Since 1995, he has been a consultant to Triple Gold (Ecuador), Radical Advance Technologies and CiDem (France).

Maria J. Guedes.

Ms. Guedes is our Vice-President of Operations, Assistant Secretary since 1997. Ms. Guedes is a graduate of Notre Dame College (Canada) with a degree in business. Ms. Guedes provides human resource management, maintains and oversees the development of our customized computer databases, oversees inventory control systems, reviews accounting practices and acts as the office manager/administrator.

FAMILY RELATIONSHIPS

There are no family relationships among our directors or officers.

INVOLVEMENT IN CERTAIN

LEGAL PROCEEDINGS

During the past five years, none of our directors, executive officers or persons that may be deemed promoters is or have been involved in any legal proceeding concerning (i) any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time; (ii) any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offenses); (iii) being subject to any order, judgment or decree, not subsequently reversed, suspended, or vacated, of any court of competent jurisdiction permanently or temporarily enjoining, barring, suspending or otherwise limiting involvement in any type of business, securities or banking activity; or (iv) being found by a court, the Securities and Exchange Commission or the Commodity Futures Trading

Commission to have violated a federal or state securities or commodities law (and the judgment has not been reversed, suspended or vacated).

COMMITTEES OF THE BOARD OF DIRECTORS

Audit Committee

The audit committee operates under a written charter adopted by the Board of Directors during June 2004. As of the date of this Annual Report, Anthony Jurak has been appointed to our audit committee. Mr. Jurak is not "independent" within the meaning of Rule 10A-3 under the Exchange Act. The Board of Directors has determined that there is not a financial expert serving on the audit committee. We are currently involved in appointing a financial expert to the audit committee, but haven't finalized such appointment as of the date of this Annual Report.

The audit committee's primary function is to provide advice with respect to our financial matters and to assist the Board of Directors in fulfilling its oversight responsibilities regarding finance, accounting, and legal compliance. The audit committee's primary duties and responsibilities will be to: (i) serve as an independent and objective party to monitor our financial reporting process and internal control system; (ii) review and appraise the audit efforts of our independent accountants; (iii) evaluate our quarterly financial performance as well as our compliance with laws and regulations; (iv) oversee management's establishment and enforcement of financial policies and business practices; and (v) provide an open avenue of communication among the independent accountants, management, and the Board of Directors.

COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

Section 16(a) of the Exchange Act requires directors and officers, and the persons who beneficially own more than 10% of common stock of certain companies, to file reports of ownership and changes in ownership with the Securities and Exchange Commission. We are not required to file reports under Section 16 of the Exchange Act.

ITEM 10. EXECUTIVE COMPENSATION

During fiscal years ended May 31, 2007 and 2006, certain officers were compensated for their role as executive officers. As of the date of this Annual Report, we do not have any stock option, pension, annuity, insurance, profit sharing or similar benefit plans. Executive compensation is subject to change concurrent with our requirements. We do not have employment agreements with any of our officers.

Generally, our directors do not receive salaries or fees for serving as directors nor do they receive any compensation for attending meetings of the Board of Directors. However, we may adopt a director compensation policy in the future. We do not currently have any standard arrangement pursuant to which our directors are compensated for services provided as a director or for committee participation or special assignments. Directors are, however, entitled to reimbursement of expenses incurred in attending meetings.

SUMMARY COMPENSATION TABLE

Compensation

We do not currently have a compensation committee. Compensation decisions are made from time-to-time by our Board of Directors with no established policies or formulas. The following table sets forth the compensation received by the officers of the Company.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Comp. (\$)	Nonqual. Deferred Comp. Earnings. (\$)	All Other Comp. (\$)	Total (\$)
Anthony Jurak Chief Executive Officer/ Secretary, Chairman of the Board, Director	2007	\$57,188	Nil	Nil	None	None	Nil	Nil	\$57,188
	2006	\$56,787	Nil	Nil	None	None	Nil	Nil	\$56,787
Roger Theriault		\$50,248	Nil	Nil			Nil	Nil	\$50,248
	2007	\$49,216	Nil	Nil	Nil	None	Nil	Nil	\$49,216
President, Director			\$10,000	\$175,000	Nil				\$252,708
	2006	\$67,708	Nil	Nil	Nil	None	Nil	Nil	\$65,208
Maria J. Guedes	2007	\$65,208	Nil	Nil	Nil	None	Nil	Nil	\$65,208
	2006				Nil	None			
Vice President, Assistant Secretary, Director									

Stock Options/SAR Grants In Fiscal Year Ended May 31, 2007

As of the date of this Annual Report, we do not have a stock option plan in effect. The following reflects the information for fiscal year ended May 31, 2007 regarding stock options. No stock options were granted in the current fiscal year or any previous fiscal years.

Long Term Incentive Plan ("LTIP") Awards Table

We have no long-term incentive plans in place and therefore there were no awards made under any long-term incentive plan to any of the above executive officers during fiscal year ended May 31, 2007.

EMPLOYMENT AGREEMENTS

As of the date of this Annual Report, we do not have any employment agreements with our executive officers, but we intend to enter into such agreements with our senior executive officers in the future.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

As of the date of this Annual Report, the following table sets forth certain information with respect to the beneficial ownership of our common stock by each stockholder known by us to be the beneficial owner of more than 5% of our common stock and by each of our current directors and executive officers. Each person has sole voting and investment power with respect to the shares of common stock, except as otherwise indicated. Beneficial ownership consists of a direct interest in the shares of common stock, except as otherwise indicated. As of May 31, 2007, there are 102,731,791 shares of common stock issued and outstanding.

<u>Title of Class</u>	<u>Name and Address of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership</u>	<u>Percentage of Class</u>
Common	Anthony C. Jurak (1) (2) (3)	68,482,885	66.66%
Common	Roger Theriault (1)	7,096,037	6.91%
Common	Maria Guedes (1)	575,570	0.56%
Common	Executive Officers/Directors as a group	76,154,492	74.13%

(1) The address for all management is 1181 Grier Drive, Suite C, Las Vegas, Nevada 89119.

(2) 29,511,797 shares held in trust by Jurak Holdings Limited, 4478 97th Street, Edmonton, Alberta, Canada T6E 5R9, of which Anthony Jurak is the sole beneficiary.

(3) 18,788,675 shares held in trust by 152581 Canada Ltd., c/o 1181 Grier Drive, Suite C, Las Vegas, Nevada 89119, of which Anthony Jurak is the sole beneficiary

CHANGES IN CONTROL

Our Board of Directors is unaware of any arrangement or understanding among the individuals listed in the beneficial ownership table with respect to election of our directors or other matters. We are unaware of any contract or other arrangement the operation of which may at a subsequent date result in a change in control of our company.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

On approximately January 1, 1999, we entered into an intellectual property license agreement (the "License Agreement") with Jurak Holdings Limited, a corporation organized under the laws of the Province of Alberta and an affiliate of our Chief Executive Office and one of our directors, Anthony Jurak. Pursuant to the terms and provisions of the License Agreement, beginning with fiscal year 2003, for a term of ten (10) years, we are required to pay annually the greater of \$500,000 ("Minimum Royalty Fee") or eight percent (8%) of the net sales revenue ("Continuing Royalty Fee") of all licensed products sold under the license agreement. After fiscal 2013, we are required to make payments in the amount of the Continuing Royalty Fee. As of the date of this Annual Report, the amount of the Accrued Minimum Royalty Fee due and owing is \$631,856.

ITEM 13. EXHIBITS

(a) Exhibit List

31.1 Certificate pursuant to Rule 13a-14(a)

32.1 Certificate pursuant to 18 U.S.C. Subsection 1350

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

AUDIT AND NON-AUDIT FEES

The following table presents fees for audit and other services provided by Carver Moquist & O'Connor, LLC for the years ended May 31, 2007 and 2006

:

	Year Ended			
	May 31,		May 31,	
	2007		2006	
Audit fees (1)	\$	34,708	\$	28,737
Audit-related fees (2)		10,049		195
Tax fees (3)		7,154		3,500
All other fees (4)		--		--
	\$	51,911	\$	32,432

Total Fees									
------------	--	--	--	--	--	--	--	--	--

- (1) Audit fees consist of fees for services provided in connection with the audit of our financial statements and reviews of our quarterly financial statements.
- (2) Audit-related fees consist of assurance and related services that include, but are not limited to, consultation concerning financial accounting and reporting standards and regulatory filing reviews.
- (3) Tax fees consist of the aggregate fees billed for professional services rendered by Carver Moquist & O'Connor, LLC for tax compliance, tax advice, and tax planning.
- (4) All Other Fees relate to services rendered that do not meet the above category descriptions. We did not engage the services of Carver Moquist & O'Connor, LLC to render other professional services

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Lifequest World Corporation (formerly Phytolabs, Inc. and Jurak Corporation World Wide, Inc.

(Registrant)

By /s/ Anthony Jurak
Anthony Jurak
Chairman, Chief Executive Officer, Director and acting Chief Accounting Officer

Date September 10, 2007

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By /s/ Anthony Jurak
Anthony Jurak
Chairman, Chief Executive Officer, Director and acting Chief Accounting Officer

Date September 10, 2007