

Migao Corporation

Consolidated Financial Statements
Six months ended March 31, 2009
Year ended September 30, 2008

Migao Corporation

Table of Contents

March 31, 2009 and September 30, 2008

	Page
Auditors' Report	1
Consolidated Financial Statements	
Balance Sheets	2
Statements of Operations and Retained Earnings	3
Statements of Comprehensive Income	4
Statements of Cash Flows	5 - 6
Notes to Financial Statements	7 - 27

Auditors' Report

To the Shareholders of
Migao Corporation

We have audited the consolidated balance sheets of Migao Corporation as at March 31, 2009 and September 30, 2008 and the consolidated statements of operations and retained earnings, comprehensive income and cash flows for the six months ended March 31, 2009 and the year ended September 30, 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2009 and September 30, 2008 and the results of its operations and its cash flows for the six months ended March 31, 2009 and the year ended September 30, 2008 in accordance with Canadian generally accepted accounting principles.

Signed: "MSCM LLP"

**Chartered Accountants
Licensed Public Accountants**

Toronto, Ontario
May 5, 2009

Migao Corporation

Consolidated Balance Sheets

(in thousands of Canadian dollars)

	March 31, 2009	September 30, 2008
Assets		
Current assets		
Cash and cash equivalents	\$ 42,241	\$ 16,850
Accounts receivable	20,477	8,598
Prepayments, deposits and other receivables (note 3)	33,569	31,859
Inventory (note 4)	82,393	78,430
Due from related parties (note 5)	158	36
Income taxes receivable	-	526
Future income tax assets (note 12)	636	60
	179,474	136,359
Prepayments and deposits (note 3)	1,441	6,865
Plant and equipment (note 6)	52,147	34,303
Construction in progress	16,017	10,272
Land use rights (note 7)	25,062	21,077
Future income tax assets (note 12)	1,051	518
	\$ 275,192	\$ 209,394
Liabilities		
Current liabilities		
Bank loans (note 8)	\$ 20,745	\$ 13,855
Accounts payable and accrued liabilities (note 7)	7,947	10,902
Customer deposits	2,242	14,671
Income taxes payable	2,008	1,168
Future income tax liabilities (note 12)	322	420
	33,264	41,016
Future income tax liabilities (note 12)	375	-
	33,639	41,016
Shareholders' equity		
Share capital (note 9)	114,431	94,608
Contributed surplus (note 9)	3,883	7,891
Retained earnings (note 10)	78,492	53,830
Accumulated other comprehensive income (note 11)	44,747	12,049
	241,553	168,378
Commitments (note 15)		
Subsequent event (note 19)		
	\$ 275,192	\$ 209,394

Approved on behalf of the Board of Directors

Signed by "Guocai Liu" _____

Director

Signed by "Keith Attoe" _____

Director

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

Approved on behalf of the Board of Directors

Signed by “Guocai Liu” _____

Director

Signed by “Keith Attoe” _____

Director

Migao Corporation

Consolidated Statements of Operations and Retained Earnings

(in thousands of Canadian dollars, except per share amounts)

	Six months ended March 31, 2009	Year ended September 30, 2008
Revenues	\$ 161,484	\$ 187,028
Cost of goods sold (note 6)	125,194	141,508
Gross profit	36,290	45,520
Operating expenses		
Selling	3,325	6,334
General and administrative (note 6 and 7)	4,728	6,618
Stock-based compensation (note 9)	1,148	1,888
Pre-operating costs	166	419
Finance costs	287	461
	9,654	15,720
Income from operations	26,636	29,800
Other income	360	180
Gain on sale of non-operating subsidiary	-	98
Income before income taxes	26,996	30,078
Provision for income taxes (note 12)	2,334	2,775
Net income for the period	24,662	27,303
Retained earnings, beginning of period	53,830	26,527
Retained earnings, end of period	\$ 78,492	\$ 53,830
Income per share: (note 13)		
Basic	\$ 0.56	\$ 0.67
Diluted	\$ 0.55	\$ 0.63

Weighted average number of common shares outstanding: (note 13)

Basic	44,381,008	40,658,089
Diluted	44,708,973	43,099,724

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

Migao Corporation

Consolidated Statements of Comprehensive Income

(in thousands of Canadian dollars)

	Six months ended March 31, 2009	Year ended September 30, 2008
Net income	\$ 24,662	\$ 27,303
Other comprehensive income, net of tax:		
Unrealized gains on translating financial statements of self-sustaining foreign operations	32,698	19,145
Comprehensive income	\$ 57,360	\$ 46,448

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

Migao Corporation

Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)

	Six months ended March 31, 2009	Year ended September 30, 2008
Cash flows from operating activities		
Net income	\$ 24,662	\$ 27,303
Items not affecting cash:		
Amortization	1,996	2,471
Stock-based compensation	1,148	1,888
Gain on sale of non-operating subsidiary	-	(98)
Future income taxes	(693)	312
Changes in non-cash working capital items:		
Accounts receivable	(10,001)	(1,089)
Prepayments, deposits, and other receivables	3,996	(19,301)
Inventory	11,013	(51,818)
Accounts payable and accrued liabilities	(715)	(608)
Customer deposits	(14,840)	9,798
Prepayment to related party	(121)	-
Income taxes payable	1,527	1,586
	17,972	(29,556)
Cash flows from investing activities		
Purchase of plant and equipment	(4,042)	(6,724)
Payment on construction in progress	(6,150)	(12,857)
Refund on land use rights	-	1,866
Payments for land use rights	(4,227)	(3,321)
Proceeds from sale of non-operating subsidiary	-	1,143
Value-added tax refunds on plant and equipment	228	-
	(14,191)	(19,893)
Cash flows from financing activities		
Proceeds from bank loans	11,322	12,750
Repayment of bank loans	(7,189)	(4,915)
Repayment on advances from related party	-	(45)
Issuance of common shares, net	-	26,478
Payment on behalf of related party	-	33
Proceeds from exercise of underwriters' compensation options	500	454
Proceeds from exercise of warrants	14,117	10,116
Proceeds from exercise of stock options	-	898
	18,750	45,769

Migao Corporation

Consolidated Statements of Cash Flows - continued

(in thousands of Canadian dollars)

	Six months ended March 31, 2009	Year ended September 30, 2008
Foreign exchange (loss) gain on cash held in foreign currency	\$ 2,860	\$ 3,077
Increase (decrease) in cash and cash equivalents	25,391	(603)
Cash and cash equivalents, beginning of period	16,850	17,453
Cash and cash equivalents, end of period	\$ 42,241	\$ 16,850
Cash and cash equivalents consist of:		
Cash on hand	\$ 33,583	\$ 15,728
Term deposit	40	40
Bank notes	8,618	1,082
	\$ 42,241	\$ 16,850

Total interest paid during the period ended March 31, 2009 was \$601 (RMB 3.3 million) (September 30, 2008 - \$445 or RMB 3.2 million). Total tax paid during the period ended March 31, 2009 was \$1,816 (RMB 10.1 million) (September 30, 2008 - \$695 or RMB 4.9 million). Total tax refunded during the period ended March 31, 2009 was \$Nil (September 30, 2008 - \$1,331 or RMB 9.3 million). Total interest subsidy received during the period ended March 31, 2009 was \$188 (RMB 1.0 million) (September 30, 2008 - \$Nil).

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

Migao Corporation

Notes to Consolidated Financial Statements

Six months ended March 31, 2009 and year ended September 30, 2008

(in thousands of Canadian dollars, except per share amounts)

1. Nature of Operations

Nature of Operations

Migao Corporation (“the Company” or “Migao”), through its wholly-owned Subsidiaries, is a manufacturer of specialty potash-based fertilizers, produced at its four operational facilities in the People’s Republic of China (“PRC”).

The Company

Migao holds 100% of the issued and outstanding capital of H.K. Migao Industry Limited (“H.K. Migao”), which in turn holds 100% of the issued and outstanding capital of Sichuan Migao Chemical Fertilizer Industry Co., Ltd. (“Sichuan Migao”), Guangdong Migao Chemical Co., Ltd. (“Guangdong Migao”), Liaoning Migao Chemical Co., Ltd. (“Liaoning Migao”), Migao Chemical Industry (Shanghai) Co., Ltd. (“Shanghai Migao”), Migao Chemical (Changchun) Co., Ltd. (“Changchun Migao”), and Migao Chemical (Tianjin) Co., Ltd. (“Tianjin Migao”) (collectively, the “Subsidiaries”).

2. Significant Accounting Policies

Change in year end

The Company changed its year end from September 30 to March 31, effective March 31, 2009. Accordingly, these consolidated financial statements include six months of operations and cash flows to March 31, 2009 and have been compared to figures for the twelve month period ended September 30, 2008.

Basis of presentation

These consolidated financial statements (the “financial statements”) have been prepared by management in accordance with Canadian generally accepted accounting principles (“GAAP”) and include the accounts of the Company and its Subsidiaries in the PRC. All intercompany balances and transactions have been eliminated upon consolidation.

Cash equivalents

The Company considers cash equivalents to be cash and highly liquid investments with original maturities of three months or less.

Inventory

Migao Corporation

Notes to Consolidated Financial Statements

Six months ended March 31, 2009 and year ended September 30, 2008

(in thousands of Canadian dollars, except per share amounts)

Effective October 1, 2008, the Company adopted CICA Handbook Section 3031- Inventories, which has replaced Section 3030 of the same title. The new standard provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories. In accordance with the new standard, raw materials and finished goods are valued at the lower of cost and net realizable value. The cost of finished goods comprises direct materials and, where applicable, direct labour costs and overhead costs. Cost is determined using the weighted-average method. Net realizable value represents the anticipated selling price less all further costs for distribution. The Company now carries raw materials inventory at the lower of cost and net realizable value. Previously, the Company carried raw materials inventory at the lower of cost and replacement cost, however, the adoption of the new standard did not have a material impact on its consolidated financial position, results of operations or cash flows.

2. Significant Accounting Policies - continued

Plant and equipment

Plant and equipment are recorded at cost. Amortization is provided over the expected useful lives of the plant and equipment with a 10% residual value using the following methods and annual rates:

Building and improvements	-	10 to 20 years straight-line
Machinery and equipment	-	10 years straight-line
Vehicles	-	5 years straight-line
Office equipment	-	5 years straight-line

Construction in progress

Construction in progress represents properties under construction and is stated at cost. Construction in progress is not amortized until such time as the assets are completed and put into operational use.

Land use rights

Land use rights are recorded at cost and are amortized over 50 years, which are the terms of the land use rights set by the Chinese government.

Impairment of long-lived assets

Long-lived assets held for use are reviewed for impairment when events or changes in circumstances indicate that their carrying value may not be recoverable. When the carrying value is not recoverable from future cash flows on an undiscounted basis and the carrying value exceeds the assets' fair value, an impairment loss is recorded for the excess of carrying value over fair value.

Income taxes

The Company uses the liability method of accounting for income taxes. Under this method, income tax assets and liabilities are recognized for the future income tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on income tax assets and liabilities is reflected in operations in the period in which the change occurs. Valuation allowances are established when necessary to reduce future tax assets to the amount expected to be realized.

Migao Corporation

Notes to Consolidated Financial Statements

Six months ended March 31, 2009 and year ended September 30, 2008

(in thousands of Canadian dollars, except per share amounts)

Income per share

Basic income per share is computed using the weighted average number of common shares outstanding during the year. Diluted income per share is computed giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury stock method, except when their effect would be anti-dilutive. The treasury stock method assumes that proceeds received from the exercise of stock options and warrants are used to repurchase common shares at the prevailing market rate.

Revenue recognition

Revenue is recognized when goods are shipped and all significant risks and rewards of ownership are

2. Significant Accounting Policies - continued

Revenue recognition - continued

passed to the customer with collection of revenue reasonably assured. Payments received in advance for orders that do not yet qualify for recognition under the Company's policies are recorded as customer deposits.

Pre-operating costs

All expenditures incurred prior to the commencement of commercial operations are expensed.

Stock-based compensation

The Company has in effect a Stock Option Plan ("the Plan"), which is described in note 9. Stock options awarded to non-employees and employees are accounted for at fair value. Fair value is calculated using the Black-Scholes model with the assumptions described in note 9. Consideration paid on the exercise of stock options is credited to share capital together with any accumulated contributed surplus.

Government assistance

The Company makes periodic applications for financial assistance under available government incentive programs including interest subsidies and tax credits or value-added tax refunds related to purchases of domestic equipments. The Company recognizes government assistance when it is approved by the government. Government interest subsidies are recorded as a reduction of finance costs when the expense is incurred. Government assistance relating to capital expenditures is reflected as a reduction of the cost of such assets.

Foreign exchange

The Company's functional currency is the Canadian dollar and the Subsidiaries' functional currency is the Chinese Renminbi ("RMB"). The accounts of the Subsidiaries are translated into Canadian dollars using the current rate method. Under this method, assets and liabilities are translated at the year end rate of exchange. Revenues and expenses are translated into Canadian dollars at the average rate of exchange for the period. Exchange gains and losses from foreign currency translations are recorded in shareholders' equity as accumulated other comprehensive income.

Financial instruments

The Company has classified its cash and cash equivalents as held-for-trading, which are measured at fair value. Accounts receivable, other receivables, and due from related parties are classified as

Migao Corporation

Notes to Consolidated Financial Statements

Six months ended March 31, 2009 and year ended September 30, 2008

(in thousands of Canadian dollars, except per share amounts)

loans and receivables, which are measured at amortized cost. Bank loans and accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

Measurement uncertainty

The preparation of the financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amounts of plant and equipment, intangible assets, valuation allowances for receivables and inventories, and future income taxes and stock-based compensation (note 9). Actual results could differ from those estimates.

2. Significant Accounting Policies - continued

Comparative figures

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

Goodwill and Intangible Assets

Effective October 1, 2008, the Company adopted the new standard 3064 - Goodwill and intangible assets that replaces Section 3062 - Goodwill and Other Intangible Assets and Section 3450- Research and Development Costs. The new standard establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard also provides guidance for the treatment of preproduction and start-up costs and requires that these costs be expensed as incurred. The adoption of this new accounting standards did not impact the amounts reported in the Company's consolidated financial statements.

Recent Accounting Pronouncements

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for profit-oriented publicly accountable enterprises to use IFRS, replacing Canadian GAAP for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company is required to adopt IFRS for the year beginning April 1, 2011 and is required to restate the comparative figures. While the Company has begun assessing and reviewing the impact of IFRS, and has engaged in professional development for its adoption in 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

In January 2009, the CICA issued Handbook Sections 1582 - Business Combinations ("Section 1582"), Section 1601- Consolidated Financial Statements ("Section 1601"), and Section 1602 - Non-controlling Interests ("Section 1602"). Section 1582 replaces CICA Handbook Section 1581 - Business Combinations and establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1582 is applicable for the Company's business combinations with acquisition dates on or after April 1, 2011. Early adoption of this section is permitted. Section 1601 together with Section 1602 replaces CICA Handbook Section 1600 - Consolidated Financial Statements. These new sections establish standards

Migao Corporation

Notes to Consolidated Financial Statements

Six months ended March 31, 2009 and year ended September 30, 2008

(in thousands of Canadian dollars, except per share amounts)

for the preparation of consolidated financial statements. Sections 1601 and 1602 are applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning April 1, 2011. Early adoption of these sections is permitted. If the Company chooses to early adopt any one of these sections, the other two sections must also be adopted at the same time. The Company does not expect the adoption of these new sections to have a material impact on its consolidated financial position or results of operations unless transactions occur.

3. Prepayments, Deposits, and Other Receivables

	March 31, 2009	September 30, 2008
Current:		
Prepayments for raw materials	\$ 30,488	\$ 25,817
Prepayments for transportation services	95	357
Deposits for the supply of utilities	228	224
Deposits on obtaining sales contracts	-	777
VAT receivable	1,696	3,711
Other receivables and deposits	1,062	973
Prepayments, deposits, and other receivables – current	\$ 33,569	\$ 31,859
Long Term:		
Prepayments for construction costs	\$ 443	\$ 5,485
Prepayments for machinery	998	1,380
Prepayments and deposits – long term	\$ 1,441	\$ 6,865

On May 9, 2009, 3,270 tonnes of potassium chloride purchased from Sociedad Quimica y Minera de Chile S.A. ("SQM") and included in prepayments, deposits and other receivables as at March 31, 2009 at a cost of \$2,145 arrived at the Qingdao port of PRC.

4. Inventory

	March 31, 2009	September 30, 2008
Raw materials	\$ 35,744	\$ 66,313
Finished goods	12,182	11,795
Packing and other materials	199	124
Raw materials in transit	34,268	198
	\$ 82,393	\$ 78,430

During the period ended March 31, 2009, the Company recorded no inventory write-downs and made no reversals of previous inventory write-downs (September 30, 2008 – Nil).

Migao Corporation

Notes to Consolidated Financial Statements

Six months ended March 31, 2009 and year ended September 30, 2008
(in thousands of Canadian dollars, except per share amounts)

5. Related Party Balances

The Company had the following related party balances:

	March 31, 2009	September 30, 2008
Amount due from:		
Beijing Wei De Sen ("BWDS")	\$ 158	\$ -
Migao New Energy (Sichuan) Co. Ltd. ("MNEC")	\$ -	\$ 36

5. Related Party Balances - continued

Liaoning Yongcheng Economic and Trade Development Co. Ltd. ("LYEDC") contributed services to the Company and because of the difficulty in determining the fair market value, the values of these contributed services were not recognized in the financial statements. In addition, LYEDC has provided corporate guarantees on \$7,376 of the Company's short-term bank loans outstanding as of March 31, 2009.

During the period ended March 31, 2009, the Company prepaid \$158 (September 30, 2008 – \$Nil) to BWDS for import agency fees. During the period ended September 30, 2008, the Company paid land evaluation and business registration fees for a total of \$36 on behalf of MNEC. These transactions were in the normal course of business and were measured at the exchange amounts, which are the amounts agreed upon by the parties.

BWDS, MNEC, and LYEDC are all controlled by an officer and director of Migao.

During the period ended March 31, 2009, an officer and director of the Company had forgiven his salary of \$50 (September 30, 2008 - \$101). The forgiven salary has been included in the Company's contributed surplus.

6. Plant and Equipment

	March 31, 2009		
	Cost	Accumulated Amortization	Net Book Value
Buildings and improvements	\$ 31,887	\$ 2,619	\$ 29,268
Machinery and equipment	27,529	5,832	21,697
Vehicles	743	310	433
Office equipment	1,456	707	749
	\$ 61,615	\$ 9,468	\$ 52,147

	September 30, 2008		
	Cost	Accumulated Amortization	Net Book Value

Migao Corporation

Notes to Consolidated Financial Statements

Six months ended March 31, 2009 and year ended September 30, 2008

(in thousands of Canadian dollars, except per share amounts)

Buildings and improvements	\$	20,772	\$	1,630	\$	19,142
Machinery and equipment		18,148		4,024		14,124
Vehicles		1,138		497		641
Office equipment		603		207		396
	\$	40,661	\$	6,358	\$	34,303

Amortization expense for the period ended March 31, 2009 was \$1,847 (September 30, 2008 - \$2,328) and is included in cost of goods sold and general and administrative expense.

During the period ended March 31, 2009, Sichuan Migao was approved and paid by the local tax authority a value-added tax refund totaling \$228 (RMB 1.3 million) (September 30, 2008 - \$Nil) on

6. Plant and Equipment - continued

the purchase of domestic equipment.

During the period ended September 30, 2008, Guangdong Migao and Sichuan Migao were approved by the local tax authority for tax credits totaling \$272 (RMB 1.8 million) and \$105 (RMB 0.7 million), respectively, on purchases of domestic equipment. Changchun Migao was approved by the local tax authorities for value-added tax refunds on purchases of domestic equipment of \$327 (RMB 2.2 million).

These credits and value-added tax refunds were recorded as a reduction of the cost of the related equipment and the tax credits will be applied against profit taxes levied to these subsidiaries.

7. Land Use Rights

		March 31, 2009		September 30, 2008
Land use rights	\$	25,720	\$	21,501
Less: accumulated amortization		658		424
	\$	25,062	\$	21,077

As of March 31, 2009, the Company had fifteen land leases from the Chinese government with terms of fifty years.

Amortization expense for the period ended March 31, 2009 was \$149 (September 30, 2008 - \$143), and is included in general and administrative expense.

As of March 31, 2009, the Company had not obtained the land use right certificates for five of the land leases and approximately \$0.7 million has been accrued as the balance due on the issuance of the certificates.

It is common practice in the PRC that the land use right certificates are only issued when the government has serviced the land ready for construction.

Under the PRC law, land use rights can be revoked and the tenants can be forced to vacate at any time when re-development of the land is in the public interest.

Migao Corporation

Notes to Consolidated Financial Statements

Six months ended March 31, 2009 and year ended September 30, 2008
(in thousands of Canadian dollars, except per share amounts)

8. Bank Loans

At March 31, 2009, the Company has short-term bank loans outstanding totaling \$20,745 (RMB 112.5 million) (September 30, 2008 - \$13,855 or RMB 89.5 million) for working capital purposes.

<u>Amount</u>	<u>Due Date</u>	<u>Interest Rate</u>	<u>Interest Rate at Period End</u>	<u>Secured by</u>
\$ 2,766	April 29, 2009	110% of prime rate in China ("PC")	5.84%	two land use rights
553	Nov. 18, 2009	110% of PC	5.84%	two land use rights
3,688	June 20, 2009	PC	5.84 %	corporate guarantees from Sichuan Migao and LYEDC
3,688	June 25, 2009	PC	5.84%	corporate guarantees from Sichuan Migao and LYEDC
7,376	Feb. 9, 2010	Fixed	4.779%	corporate guarantees from Sichuan Migao and the CEO of the Company
1,475	Aug. 13, 2009	110% of PC	5.84 %	one land use right
<u>1,199</u>	Aug. 18, 2009	110% of PC	5.84 %	one land use right
\$ 20,745				

The fair value of all the bank loans is close to their total carrying value. Total carrying value of the security was \$1,338 (RMB 7.3 million) as of March 31, 2009 (September 30, 2008 - \$5,099 or RMB 32.9 million). Total interest paid during the period ended March 31, 2009 was \$601 (RMB 3.3 million) (September 30, 2008 - \$445 or RMB 3.2 million). Total interest subsidy approved by PRC government was \$321 (RMB 1.8 million) (September 30, 2008 - Nil), of which the Company received \$188 (September 30, 2008 - Nil) as at March 31, 2009.

The Company currently has a RMB 40.0 million line of credit arrangement in place. As of March 31, 2009, nothing has been withdrawn. The terms of the arrangement will be finalized once money is withdrawn from it.

9. Share Capital

(a) **Authorized:**

Unlimited common shares without par value.

(b) **Issued common shares**

Migao Corporation

Notes to Consolidated Financial Statements

Six months ended March 31, 2009 and year ended September 30, 2008

(in thousands of Canadian dollars, except per share amounts)

	Number of Shares	Amount
Balance – September 30, 2007	37,040,428	\$ 54,013
Issued on exercise of underwriters' compensation options (i)	111,300	454
Fair value of underwriters' compensation options (i)	-	253
Fair value of warrants issued (i)	-	(93)
Exercise of warrants (ii)	2,615,133	10,116
Fair value of warrants exercised (ii)	-	2,048
Exercise of stock options (iii)	315,000	898

9. Share Capital - continued

(b) Issued common shares - continued

	Number of Shares	Amount
Fair value of stock options exercised (iii)	-	441
Issued pursuant to a private placement (iv)	3,593,750	28,750
Share issuance costs (iv)	-	(2,272)
Balance – September 30, 2008	43,675,611	\$ 94,608
Issued on exercise of underwriters' compensation options (v)	120,500	500
Fair value of underwriters' compensation options (v)	-	282
Fair value of warrants issued (v)	-	(35)
Exercise of warrants (vi)	2,663,550	14,117
Fair value of warrants exercised (vi)	-	4,959
Balance – March 31, 2009	46,459,661	\$ 114,431

(i) During the year ended September 30, 2008, a total of 111,300 underwriters' compensation options were exercised at an average price of \$4.08 per option. They consisted of one common share and one-half common share purchase warrant. The fair value of these options were estimated at the grant date using the Black-Scholes option pricing model for a weighted average value of \$2.27 per option. The warrants issued on the exercise of these options had a weighted average fair value of \$1.68 per warrant with the following weighted average assumptions: dividend yield 0%; risk-free interest rate 3.06%; expected volatility 97%; and expected life of 0.73 years.

(ii) During the year ended September 30, 2008, a total of 2,615,133 of the common share purchase warrants were exercised with an average exercise price of \$3.87. The weighted average fair value at the grant date, estimated using the Black-Scholes option pricing model, of these warrants was \$0.78 per warrant using the following weighted average assumptions: dividend yield 0%; risk-free interest rate 4.01%; expected volatility 70%; and expected life of 2 years.

(iii) During the year ended September 30, 2008, 315,000 of the common share purchase options with an exercise price of \$2.85 per common share issued to the employees and directors of the

Migao Corporation

Notes to Consolidated Financial Statements

Six months ended March 31, 2009 and year ended September 30, 2008

(in thousands of Canadian dollars, except per share amounts)

Company were exercised. The stock options were valued at the grant date at \$1.40 per stock option using the following assumptions: dividend yield 0%; risk-free interest rate 4%; expected volatility 66%; and expected life of 5 years.

(iv) On March 13, 2008, the Company completed a public offering of 3,593,750 common shares priced at \$8.00 per share. Pursuant to the Underwriting Agreement, the Company paid the underwriters an underwriting commission of \$0.46 per share, reflecting a commission of 5.75%. In addition to the underwriting commission, the Company paid \$618 in total for expenses incurred on this private placement.

9. Share Capital - continued

(b) Issued common shares - continued

(v) During the six months ended March 31, 2009, a total of 120,500 underwriters' compensation options were exercised at an average price of \$4.15 per option. They consisted of one common share and one-half common share purchase warrant. The fair value of these options were estimated at the grant date using the Black-Scholes option pricing model for a weighted average value of \$2.34 per option. The warrants issued on the exercise of these options had a weighted average fair value of \$0.59 per warrant with the following weighted average assumptions: dividend yield 0%; risk-free interest rate 1.26%; expected volatility 97%; and expected life of 0.07 years.

(vi) During the six months ended March 31, 2009, a total of 2,663,550 of the common share purchase warrants were exercised with an average exercise price of \$5.30. The weighted average fair value at the grant date, estimated using the Black-Scholes option pricing model, of these warrants was \$1.83 per warrant.

(c) Contributed surplus

	Amount
Balance - September 30, 2007	\$ 8,551
Fair value of exercised underwriters' compensation options	(253)
Fair value of warrants issued on the exercise of underwriters' compensation options	93
Stock-based compensation expense	1,888
Fair value of warrants exercised	(2,048)
Fair value of stock options exercised	(441)
Forgiven officer's salaries (note 5)	101
Balance - September 30, 2008	\$ 7,891
Fair value of exercised underwriters' compensation options	(282)
Fair value of warrants issued on the exercise of underwriters' compensation options	35
Stock-based compensation expense	1,148
Fair value of warrants exercised	(4,959)
Forgiven officer's salaries (note 5)	50
Balance - March 31, 2009	\$ 3,883

Migao Corporation

Notes to Consolidated Financial Statements

Six months ended March 31, 2009 and year ended September 30, 2008

(in thousands of Canadian dollars, except per share amounts)

(d) Stock options

Under the Company's stock option plan, the Company may grant stock options to directors, senior officers, employees and advisors and is authorized to issue options to acquire up to 10% of the issued and outstanding shares of the Company. The Board of Directors or such other persons designated by the Board administers the plan and determines the vesting and terms of each award.

The Black-Scholes option valuation model, used by the Company to determine fair values, was developed for use in estimating the fair value of freely traded options. This model requires the input of highly subjective assumptions including future stock price volatility and expected time until exercise. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore

9. Share Capital - continued

(d) Stock options - continued

the existing model does not necessarily provide a reliable single measure of the fair value of the Company's stock options granted during the year.

The following table summarizes the activity of the Company's stock option plan.

	Options	Weighted average exercise price
Outstanding – September 30, 2007	1,185,000	\$ 3.38
Granted during the year	515,000	9.51
Exercised during the year	(315,000)	2.85
Outstanding – September 30, 2008	1,385,000	5.78
Expired during the period	(30,000)	8.46
Outstanding – March 31, 2009	1,355,000	\$ 5.72

The following table summarizes the weighted average information about the outstanding stock options.

As of March 31, 2009

Exercise price	Number outstanding	Weighted average remaining contractual life (years)	Number exercisable	Exercise Price for exercisable options
\$2.85	750,000	2.13	361,666	\$2.85
\$7.69	60,000	3.25	20,000	\$7.69
\$8.46	30,000	3.25	10,000	\$8.46
\$9.93	40,000	3.75	13,333	\$9.93
\$9.48	300,000	4.17	50,000	\$9.48
\$9.48	175,000	4.17	NIL	N/A
\$5.72	1,355,000	2.97	454,999	\$4.12

Migao Corporation

Notes to Consolidated Financial Statements

Six months ended March 31, 2009 and year ended September 30, 2008

(in thousands of Canadian dollars, except per share amounts)

During the year ended September 30, 2008, a total of 515,000 options were issued to an employee, officers, and directors of the Company. Each option entitles the holder to purchase one common share of the Company at a weighted average price of \$9.51 per common share. Upon granting of the options, 50,000 options were vested immediately and the balance of the options have vesting periods of up to three years and an exercise period of five years, expiring between January 7, 2013 to June 1, 2013. The fair value of the options issued was estimated using the Black-Scholes option pricing model on the date of issue with a weighted average value of \$7.10 per option. Weighted average assumptions used to determine the value of the options were: dividend yield 0%; risk-free interest rate 3.15%; expected volatility 97%; and expected life of 5 years. Stock-based compensation expense on these options for the period ended March 31, 2009 was \$982 (September 30, 2008 - \$1,096).

9. Share Capital - continued

(d) Stock options - continued

For the period ended March 31, 2009, total stock-based compensation expense on the options granted prior to the year ended September 30, 2008 was \$166 (September 30, 2008 - \$792).

(e) Warrants

As at March 31, 2009 and September 30, 2008, the following share purchase warrants were outstanding:

September 30, 2008	Issued	Exercised	Expired	March 31, 2009	Exercise Price	Expiry Date
2,603,300	60,250	2,663,550	-	-	\$ 5.30	February 22, 2009

September 30, 2007	Issued	Exercised	Expired	September 30, 2008	Exercise Price	Expiry Date
2,337,333	2,931	2,340,264	-	-	\$ 3.70	May 18, 2008
2,825,450	52,719	274,869	-	2,603,300	\$ 5.30	February 22, 2009
5,162,783	55,650	2,615,133	-	2,603,300		

(f) Underwriters' Compensation Options

As at March 31, 2009 and September 30, 2008, the following underwriters' compensation options were outstanding:

September 30, 2008 (outstanding and exercisable)	Issued	Exercised	Expired	March 31, 2009 (outstanding and exercisable)	Exercise Price	Weighted average remaining contractual life (years)
120,500	-	120,500	-	-	\$ 4.15	-

Migao Corporation

Notes to Consolidated Financial Statements

Six months ended March 31, 2009 and year ended September 30, 2008

(in thousands of Canadian dollars, except per share amounts)

September 30, 2007 (outstanding and exercisable)	Issued	Exercised	Expired	September 30, 2008 (outstanding and exercisable)	Exercise Price	Weighted average remaining contractual life (years)
5,862	-	5,862	-	-	\$ 2.85	-
225,938	-	105,438	-	120,500	\$ 4.15	0.40
231,800	-	111,300	-	120,500	\$ 4.15	0.40

10. Retained Earnings

Under the laws of the PRC, all wholly-owned foreign investment entities have to set aside a portion of their net income each year as a general reserve fund until the fund has reached 50% of the entity's paid in capital. As of March 31, 2009, the total paid in capital of the Company's PRC entities is \$99,508 (RMB 539.6 million; September 30, 2008 - \$83,535 or RMB 539.6 million). The Company is also required to set aside a portion of net income as an expansion fund. These funds are allowed to be distributed to shareholders at the time of winding up. The fund accumulated by the Company as at March 31, 2009 was \$12,199 (RMB 66.2 million; September 30, 2008 - \$5,432 or RMB 38.1 million).

11. Accumulated Other Comprehensive Income

Unrealized gains on translating the financial statements of self-sustaining foreign operations:

	March 31, 2009	September 30, 2008
Balance – beginning of period	\$ 12,049	\$ (7,096)
Unrealized foreign currency translation gains during the period	32,698	19,145
Balance – end of period	\$ 44,747	\$ 12,049

12. Income Tax

The components of income before income taxes are as follows:

	March 31, 2009	September 30, 2008
Pre-tax income (loss) from operations:		
Canada	\$ (2,438)	\$ (4,133)
Foreign - China	29,434	34,211
	\$ 26,996	\$ 30,078

The provision for income taxes consists of the following:

Migao Corporation

Notes to Consolidated Financial Statements

Six months ended March 31, 2009 and year ended September 30, 2008

(in thousands of Canadian dollars, except per share amounts)

	March 31, 2009	September 30, 2008
Income taxes for operations:		
Current		
Foreign - China	\$ 3,027	\$ 2,463
Future		
Foreign - China	(693)	312
	\$ 2,334	\$ 2,775

12. Income Tax - continued

The Subsidiaries are governed by the Income Tax Laws of the PRC concerning Foreign Investment Enterprises and various local income tax laws. Pursuant to the relevant laws and regulations in the PRC, the Subsidiaries are subject to income tax at effective rates of 15% to 25% on income as reported in their statutory financial statements. The operating Subsidiaries are entitled to a full exemption from PRC income tax for two years starting from their first profitable year and a 50% exemption from PRC income tax for three years starting two years after the first profitable year.

Each subsidiary maintains a December 31st year end for tax purposes. Sichuan Migao received a full exemption from tax for the years ended December 31, 2004 and 2005 having incurred a loss in its first year of operations being December 31, 2003. Sichuan Migao also received a 50% exemption from tax for the years ended December 31, 2006, 2007, and 2008. Guangdong Migao received a full exemption from tax for the years ended December 31, 2005 and 2006 having incurred a loss in its first year of operations being December 31, 2004. Guangdong Migao also received a 50% exemption from tax for the years ended December 31, 2007 and 2008. Liaoning Migao received a full exemption from tax for the years ending December 31, 2006 and 2007 having incurred a loss in the first year of operations being December 31, 2005. Liaoning Migao also received a 50% exemption from tax for the year ended December 31, 2008. Changchun Migao received full exemption from tax for the year ended December 31, 2008 and is expected to receive full exemption for the year ending December 31, 2009. Shanghai Migao is expected to receive full exemption from tax for the years ending December 31, 2009 and 2010. As a result of their operating results, the Subsidiaries will be eligible for the 50% exemption from tax as follows: Guangdong Migao for the year ending December 31, 2009; Liaoning Migao for the years ending December 31, 2009 and 2010; Changchun Migao for the years ending December 31, 2010 through 2012; and Shanghai Migao for the years ending December 31, 2011 through 2013.

The Company (legal parent) is governed by the Income Tax Act of Canada. It is not anticipated to incur income taxes as no operational revenue is to be generated.

Income tax expense varies from the amount by applying the combined Canadian federal and provincial tax rate of 33.0% (2008 – 34.15%) to income before income taxes as follows:

	March 31, 2009	September 30, 2008
Pre-tax income:	\$ 26,996	\$ 30,078
Income taxes at combined Canadian tax rate	\$ 8,909	\$ 10,272

Migao Corporation

Notes to Consolidated Financial Statements

Six months ended March 31, 2009 and year ended September 30, 2008

(in thousands of Canadian dollars, except per share amounts)

Increase (decrease) in income taxes resulting from:		
Lower tax rates on earnings of foreign subsidiaries	(6,755)	(8,999)
Effects of changes in temporary differences not recognized	(175)	(766)
Effect of reduction in statutory rate and other adjustments	(132)	355
Non-deductible expenses	379	644
Change in valuation allowance	108	1,269
	\$ 2,334	\$ 2,775

12. Income Tax - continued

A summary of the future income tax assets and liabilities are as follows:

	March 31, 2009	September 30, 2008
Future income tax assets:		
Plant and equipment and land use rights	\$ 979	\$ 488
Share issue costs	814	1,318
Other timing differences	394	90
Inventory	378	-
Non-deductible management fees	398	-
Loss carryforwards	2,406	2,256
	5,369	4,152
Less: Valuation allowance	(3,682)	(3,574)
Total future income tax assets	1,687	578
Less: future income tax assets - current	(636)	(60)
Future income tax assets – long term	\$ 1,051	\$ 518
Future income tax liabilities:		
Plant and equipment and land use rights	\$ (375)	\$ -
Other timing differences	(322)	(420)
Total future income tax liabilities	(679)	(420)
Less: future income tax liabilities - current	(322)	(420)
Future income tax liabilities – long term	\$ (375)	\$ -

At March 31, 2009, the Company has approximately \$8,294 of non-capital loss carry-forwards in Canada. The utilization of the loss is uncertain therefore a valuation allowance has been applied and no future income tax asset is set up for these losses. These losses expire as follows:

2010	\$ 37
2011	34
2015	147
2026	705

Migao Corporation

Notes to Consolidated Financial Statements

Six months ended March 31, 2009 and year ended September 30, 2008

(in thousands of Canadian dollars, except per share amounts)

2027	2,656
2028	3,517
2029	<u>1,198</u>
Total	<u>\$ 8,294</u>

13. Earnings per Share

The following table sets forth the computation of basic and diluted earnings per common share for the six months ended March 31, 2009 and the year ended September 30, 2008:

	March 31, 2009	September 30, 2008
Numerator:		
Income attributable to common shareholders - basic and diluted	\$ 24,662	\$ 27,303
Denominator:		
Weighted-average common shares outstanding - basic	44,381,008	40,658,089
Effect of dilutive securities:		
Warrants	-	1,730,755
Stock options	322,835	614,824
Underwriters' compensation options	5,130	96,056
Weighted-average common shares outstanding - diluted	44,708,973	43,099,724
Basic earnings per common share	\$ 0.56	\$ 0.67
Diluted earnings per common share	\$ 0.55	\$ 0.63

For the six months ended March 31, 2009, approximately 605,000 potentially dilutive stock options were excluded from the computation of weighted-average number of diluted common shares outstanding, as the applicable exercise prices were greater than the average market price of the Company's common shares for the period.

For the year ended September 30, 2008, approximately 575,000 potentially dilutive stock options were excluded from the computation of weighted-average number of diluted common shares outstanding, as the applicable exercise prices were greater than the average market price of the Company's common shares for the period.

Migao Corporation

Notes to Consolidated Financial Statements

Six months ended March 31, 2009 and year ended September 30, 2008
(in thousands of Canadian dollars, except per share amounts)

14. Segmented Information

The Company has one operating segment, being the production and sale of specialty potash-based fertilizer, along with their associated by-products. The majority of the Company's assets and operations are located in the PRC.

14. Segmented Information - continued

Geographical information:

March 31, 2009	Canada	China	Total
Sales from operations	\$ NIL	\$ 161,484	\$ 161,484
Net income (loss)	\$ (2,438)	\$ 27,100	\$ 24,662
Total assets	\$ 1,188	\$ 274,004	\$ 275,192
Plant and equipment, land use rights and construction in progress	\$ NIL	\$ 93,226	\$ 93,226
September 30, 2008	Canada	China	Total
Sales from operations	\$ NIL	\$ 187,028	\$ 187,028
Net income (loss)	\$ (4,133)	\$ 31,436	\$ 27,303
Total assets	\$ 845	\$ 208,549	\$ 209,394
Plant and equipment, land use rights and construction in progress	\$ NIL	\$ 65,652	\$ 65,652

15. Commitments

Purchase commitments for raw materials and supplies in the amount of approximately \$31.0 million (RMB 168.0 million) exist as of March 31, 2009 (September 30, 2008 - \$23.5 million or RMB 151.7

Migao Corporation

Notes to Consolidated Financial Statements

Six months ended March 31, 2009 and year ended September 30, 2008

(in thousands of Canadian dollars, except per share amounts)

million). These contracts are entered into in the normal course of business.

Commitments on capital expenditures in the amount of approximately \$6.3 million (RMB 34.1 million) exist as of March 31, 2009 (September 30, 2008 - \$10.4 million or RMB 66.9 million). These contracts are entered into in the normal course of business.

The Company signed an office lease on August 14, 2006. The term of the lease is five years from October 1, 2006. The lease obligations are reflected in the following table on a fiscal year basis.

2010	\$	72
2011		73
2012		<u>36</u>
Total	\$	<u>181</u>

16. Capital Management

The Company's objective is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management defines capital as the Company's shareholders' equity. The Company has a small amount of debt for working capital purposes and therefore net earnings generated from operations are mostly available for reinvestment in the Company. The Board of Directors does not establish quantitative return on capital criteria for management; but rather promotes year over year sustainable profitable growth. The Company does not have a defined share repurchase plan and buy and sell decisions are made depending on market prices and regulatory restrictions. There were no changes in the Company's approach to capital management during the period. Except for as disclosed in Note 10, neither the Company nor any of its Subsidiaries are subject to externally imposed capital requirements.

17. Financial Instruments and Risk Management

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holding of financial instruments.

Foreign currency risk

The Company's global operations expose it to foreign currency fluctuations. Revenues and related expenses generated from the Company's Chinese subsidiaries are generally denominated in Chinese Renminbi ("RMB"). Head office expenditures are generally denominated in Canadian dollars. Therefore, the Company's primary currencies include RMB and Canadian dollars. The Consolidated Statements of Operations of the Company's global operations are translated into Canadian dollars at the average exchange rates in each applicable period. To the extent the Canadian dollar strengthens against foreign currencies, the foreign currency conversion of these foreign currency denominated transactions into Canadian dollars results in reduced revenues, operating expenses and net income for the Company's international operations. Similarly, the Company's revenues, operating expenses and net income will increase for its international operations if the Canadian dollar weakens against foreign currencies. The Company cannot predict the effect foreign exchange fluctuations will have on its results going forward. However, if there is an adverse

Migao Corporation

Notes to Consolidated Financial Statements

Six months ended March 31, 2009 and year ended September 30, 2008

(in thousands of Canadian dollars, except per share amounts)

change in foreign exchange rates versus the Canadian dollar, it could have a material effect on other comprehensive income.

At March 31, 2009, through its wholly-owned, self-sustaining subsidiaries, the Company had cash and cash equivalents of \$41,384, accounts receivable of \$20,477, other receivables of \$2,426, accounts payable and accrued liabilities of \$7,159, and bank loans of \$20,745, which were denominated in RMB. Gains and losses arising upon translation of these amounts into Canadian dollars for inclusion in the financial statements are recorded within accumulated other comprehensive income, a component of shareholders' equity. A 10% change in the average exchange rate between C\$/RMB on the financial instruments would have a \$3,630 effect on the other comprehensive income in Canadian dollars.

17. Financial Instruments and Risk Management - continued

Market Risk - continued

Interest rate risk

The Company is exposed to interest rate risk on its short-term bank loans and does not currently hold any financial instruments that mitigate this risk. Management does not believe that the impact of interest rate fluctuation will be significant.

Commodity price risk

Manufacturing costs for the Company's products are affected by the price of raw materials, namely potassium chloride, sulfuric acid, ammonium nitrate and certain other energy generating sources. In order to manage this risk, the Company includes a clause regarding transfer of risk to customers in all the medium and long-term sales contracts in order to renegotiate the prices in the event of change. In addition, the Company had been utilizing its strong working capital position in stocking raw materials when their price is anticipated to rise.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's accounts receivable.

The Company's exposure to credit risk with its customers is influenced mainly by the individual characteristics of each customer. The Company's customers are for the most part, large PRC State-owned and private companies. A significant portion of the Company's accounts receivable is from long-term customers. Over the last three years, the Company has not suffered any significant credit related losses with any of its customers.

At March 31, 2009, the Company does not consider any of its financial assets to be impaired.

Migao Corporation

Notes to Consolidated Financial Statements

Six months ended March 31, 2009 and year ended September 30, 2008

(in thousands of Canadian dollars, except per share amounts)

The following table provides information regarding the ageing of financial assets that are past due but which are not impaired.

Current	90 – 180 days	180 – 365 days	365 days +	Carrying value on the balance sheet
\$13,771	\$5,816	\$529	\$361	\$20,477

The definition of items that are past due is determined by reference to terms agreed with individual customers. None of the amounts outstanding have been challenged by the respective customer(s) and the Company continues to conduct business with them on an ongoing basis. Accordingly, management expects that this balance is fully collectible in the future.

17. Financial Instruments and Risk Management - continued

Credit Risk - continued

The Company reviews financial assets past due on an ongoing basis with the objective of identifying potential matters which could delay the collection of funds at an early stage. Once items are identified as being past due, contact is made with the respective customer to determine the reason for the delay in payment and to establish an agreement to rectify the breach of contractual terms.

The carrying amount of financial assets represents the maximum credit exposure. Based on historic default rates, the Company believes that there are minimal requirements for an allowance for doubtful accounts and as a result, no allowance has been recorded. As well, deposits by certain customers are often made which also helps to mitigate the risk if there is any.

Liquidity Risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. The Company's growth is financed through a combination of the cash flows from operations, borrowing under the existing credit facilities and the issuance of equity. One of management's primary goals is to maintain an optimal level of liquidity through the active management of the assets and liabilities as well as the cash flows. Given the Company's available liquid resources as compared to the timing of the payments of liabilities, management assesses the Company's liquidity risk to be low.

At March 31, 2009, the Company's cash and cash equivalents balance was \$42,241 and working capital balance was \$146,210. As at March 31, 2009, short-term bank loans in the amount of \$20,745 were outstanding under the Company's credit facilities.

Fair Value

Migao Corporation

Notes to Consolidated Financial Statements

Six months ended March 31, 2009 and year ended September 30, 2008

(in thousands of Canadian dollars, except per share amounts)

The fair value of cash and cash equivalents, accounts receivable, other receivables, bank loans, accounts payable and accrued liabilities approximates their carrying values due to their short-term maturities. The fair value of the amount due from related party is not readily determinable due to the related party nature of the advances.

18. Economic Dependence

During six months ended March 31, 2009, one customer comprised 39% of revenue and one supplier individually accounted for 11% of total purchases. At March 31, 2009, two customers individually represented 14% and 12% of total accounts receivable and one supplier individually represented 15% of total accounts payable.

During year ended September 31, 2008, one customer comprised 36% of revenue and two suppliers individually accounted for 57% and 10% of total purchases. At September 30, 2008, one customer individually represented 56% of total accounts receivable and one supplier individually represented 10% of total accounts payable. It should be noted that the supplier accounting for 10% of total purchases is not the same as the one representing 10% of total accounts payable.

19. Subsequent Event

Subsequent to March 31, 2009 and as of April 27, 2009, 165,000 options were granted to directors, employees, and an officer of the Company. These options are exercisable at \$6.40 and expire on April 26, 2019. These options are vested over 3 years and the total fair value of these options is estimated to be \$940.