

Verdant Technology CORP  
Form 10-Q  
March 03, 2009

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-Q**

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **September 30, 2008**

Commission file number	Exact name of registrant as specified in its charter address of principal executive offices registrant's telephone number	IRS Employer Identification number
<b>000-50993</b>	<b>Verdant Technology Corporation</b> Two Allen Center, 1200 Smith Street, Suite 1600 Houston, Texas 77002 (713) 546-9000	<b>20-1680252</b>

State or other jurisdiction of incorporation or organization: **Delaware**

Securities registered under Section 12(g) of the Exchange Act: **Common Stock, \$0.001 par value**

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 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

Indicate by check mark whether the registrant is a large accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Securities Exchange Act of 1934.

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Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes  No

The number of shares outstanding of Common Stock, \$0.001 par value at March 2, 2009 was 67,502,887.

**DOCUMENTS INCORPORATED BY REFERENCE**

None

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### **Forward-Looking Statements**

Certain sections of this Quarterly Report discuss matters that are not historical facts, but expressions of management's expectations, estimates, projections and assumptions, are forward-looking statements. Words such as expects, intends, anticipates, plans, believes, scheduled, estimates and variations of these words and similar expressions are intended to identify forward-looking statements, which include but are not limited to projections of revenues, plans, projections, earnings, product performance, cash flows, contracts, potential market, commercial viability of our technology, production and investment returns. These statements are not guarantees of future performance and involve certain risks and uncertainties, which are difficult to predict. Therefore, actual future results and trends may differ materially from what is forecast in forward-looking statements due to a variety of factors, including, without limitation:

- .  
General U.S. and international political and economic conditions;
- .  
Changing priorities in the regulatory environment;
- .  
The ability of the Company to secure contracts for its products and services;
- .  
The ability to protect our proprietary technology; and
- .  
The ability to raise sufficient capital to successfully commercialize our technology.

All forward-looking statements speak only as of the date of this report. All subsequent written and oral forward-looking statements attributable to the company or any person acting on the company's behalf are qualified by the cautionary statements in this section. The Company does not undertake any obligation to update or publicly release any revisions to forward-looking statements to reflect events, circumstances or changes in expectations after the date of this report.

## **PART I FINANCIAL INFORMATION**

### **General**

The accompanying condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q. Therefore, they do not include all information and footnotes necessary for a complete presentation of financial position, results of operations, cash flow, and stockholders' deficit in conformity with generally accepted accounting principles in the United States of America. Except as disclosed herein, there has been no material change in the information disclosed in the notes to the consolidated financial statements included in the Company's annual report on Form 10-KSB for the year ended December 31, 2007. In the opinion of management, all adjustments considered necessary for a fair presentation of the results of operations and financial position have been included and all such adjustments are of a normal recurring nature. Operating results for the quarter ended September 30, 2008 are not necessarily indicative of the results that can be expected for the year ended December 31, 2008.

**ITEM 1.****FINANCIAL STATEMENTS.****VERDANT TECHNOLOGY CORPORATION and SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

	<b>September 30,</b>	<b>December 31,</b>
	<b>2008</b>	<b>2007</b>
	<b>(Unaudited)</b>	
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>	<b>\$ 3,128</b>	<b>\$ 18,491</b>
Cash		
Accounts Receivable		
	<b>3,128</b>	<b>18,491</b>
<b>TOTAL CURRENT ASSETS</b>		
	<b>1,086</b>	<b>1,662</b>
<b>EQUIPMENT, net</b>		
	<b>\$ 4,214</b>	<b>\$ 20,153</b>
<b>TOTAL ASSETS</b>		
<b>LIABILITIES AND SHAREHOLDERS' DEFICIENCY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Expenses	<b>\$ 3,780,919</b>	<b>\$ 2,767,555</b>
Due to Related Parties	<b>27,068</b>	<b>27,068</b>
<b>TOTAL CURRENT LIABILITIES</b>	<b>3,807,987</b>	<b>2,794,623</b>
<b>LONG TERM NOTES PAYABLE - RELATED PARTIES</b>		
<b>TOTAL LIABILITIES</b>	<b>3,807,987</b>	<b>2,794,623</b>



COMMITMENTS AND CONTINGENCIES

SHAREHOLDERS' DEFICIENCY

Common Stock, \$.001 par value:

Authorized 80,000,000 shares; issued and outstanding,

67,502,887 (2008) and 77,495,887 (2007) shares	<b>67,503</b>	77,496
Additional Paid In Capital	<b>248,921</b>	7,738,928
Accumulated Deficit	<b>(4,120,197 )</b>	(3,090,894 )
Subscription Receivable		(7,500,000 )
<b>TOTAL SHAREHOLDERS' DEFICIENCY</b>	<b>(3,803,773 )</b>	<b>(2,774,470 )</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY</b>	<b>\$ 4,214</b>	<b>\$ 20,153</b>

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

## VERDANT TECHNOLOGY CORPORATION and SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF REVENUE AND EXPENSE

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2008	2007	2008	2007
REVENUES	\$	\$	\$	\$
OPERATING EXPENSES				
General and Administrative	175,323	118,092	466,184	431,039
Corporate Management Fees	204,299	171,495	442,475	556,085
Legal and Professional Fees	70,159	31,135	120,644	90,227
TOTAL OPERATING EXPENSES	449,781	320,722	1,029,303	1,077,351
LOSS FROM OPERATIONS	449,781	320,722	1,029,303	1,077,351
OTHER EXPENSE				
NET LOSS	\$ 449,781	\$ 320,722	\$ 1,029,303	\$ 1,077,351
Basic and Fully Diluted Net Loss Per Share	\$ 0.007	\$ 0.004	\$ 0.014	\$ 0.014
Weighted Average Shares Outstanding	67,502,887	77,502,735	72,464,040	77,509,063

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

## VERDANT TECHNOLOGY CORPORATION and SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY

For the Nine Months Ended September 30, 2008 and the Year Ended December 31, 2007

	Common Stock		Additional	Subscription	Accumulated	Total
	Shares	\$	Paid In Capital	Receivables	Deficit	Shareholders' Deficiency
Balances, December 31, 2006	77,602,887	\$ 77,603	\$ 7,787,181	\$ (7,500,000 )	\$ (1,728,098 )	\$ (1,363,314 )
Common stock transactions:						
Shares issued:						
Legal and Professional Services						
Consulting Services						
Investor Shares cancelled:						
Investor	(107,000 )	(107 )	(48,253 )			(48,360 )
Net loss for the year ended December 31, 2007					(1,362,796 )	(1,362,796 )
Balances, December 31, 2007	77,495,887	77,496	7,738,928	(7,500,000 )	(3,090,894 )	(2,774,470 )

Common stock  
transactions:

Shares issued:

Legal and  
Professional  
Services

Consulting  
Services

Investor	7,000	7	(7)	
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Shares  
cancelled:

Investor	(10,000,000)	(10,000)	(7,490,000)	7,500,000
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Net loss for the  
nine months  
September 30,  
2008

	(1,029,303)	(1,029,303)
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**Balances,  
September 30,  
2008**

<b>(Unaudited)</b>	<b>67,502,887</b>	<b>\$ 67,503</b>	<b>\$ 248,921</b>	<b>\$</b>	<b>\$ (4,120,197)</b>	<b>\$ (3,803,773)</b>
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The accompanying notes are an integral part of these consolidated financial statements

## VERDANT TECHNOLOGY CORPORATION and SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOW

(Unaudited)

	<b>For the Nine Months Ended</b>	
	<b>September 30,</b>	
	<b>2008</b>	<b>2007</b>
<b>OPERATING ACTIVITIES</b>		
Net Loss	\$ (1,029,303 )	\$ (1,077,351 )
Adjustments to reconcile net loss to net cash used in operating activities:		
Common stock issued for services		
Depreciation	576	665
Change in components of working capital:		
Accounts receivable		
Prepaid expenses		
Accounts payable and accrued expenses	1,013,364	1,058,334
Other payable - related parties		
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(15,363 )</b>	<b>(18,352 )</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment, net		
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		
<b>FINANCING ACTIVITIES</b>		
Shares cancelled		
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		
<b>INCREASE (DECREASE) IN CASH</b>	<b>(15,363 )</b>	<b>(18,352 )</b>
<b>CASH, BEGINNING OF THE PERIOD</b>	<b>18,491</b>	<b>24,587</b>
<b>CASH, END OF THE PERIOD</b>	<b>\$ 3,128</b>	<b>\$ 6,235</b>

SUPPLEMENTAL INFORMATION

Interest paid in cash	\$		\$	
Income taxes paid	\$		\$	
NON CASH INVESTING AND FINANCING ACTIVITIES				
Investing Activities				
None	\$		\$	
Financing Activities				
Shares issued (pending payment)	\$		\$	
Shares issued	\$	7	\$	
Shares cancelled	\$	7,500,000	\$	45,000

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

**VERDANT TECHNOLOGY CORPORATION and SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

**For the Three Months Ended September 30, 2008 and 2007**

**(Unaudited)**

**NOTE 1 NATURE OF BUSINESS**

*Company Background*

Verdant Technology Corporation ( Verdant or The Company ), was organized under the laws of the State of Delaware on October 12, 1995 as a corporation.

On November 1, 2005, the Company acquired two technologies from Verdant, Inc., a Nevada corporation. The Company paid nominal consideration for the two technologies, which are referred to as the Legkow Technology and the V003 Technology. The objective of these transactions was to permit the Company to focus its efforts on the commercialization and monetization of environmentally sound, innovative energy-related technologies.

The Legkow Technology refers to a concept to produce a surfactant for use with carbonaceous materials such as crude oil and coal; a concept utilizing surfactants and emulsions in the treatment and processing of crude oil, waste oils and oil slops; and a concept utilizing gaseous emulsions in the removal and reduction of residues and pollution relating to carbonaceous materials. This technology is based on United States Patent No. 5,928,495, granted on July 27, 1999 to Alexander Legkow, who transferred the patent rights to Amcotech LLC, a Florida limited liability company. Verdant, Inc. acquired an exclusive global license to use this technology for all purposes under an agreement dated October 10, 2005 from Amcotech LLC. The term of the license is 25 years and is automatically renewed for additional 25-year periods, unless a party delivers notice of non-renewal or the licensor terminates the license due to breach of license agreement. The license agreement requires an annual royalty fee equal to 17.5% of net receipts derived from the process and sale of products resulting from the employment of the technology, after deduction of all payments and expenses relating to such process and sale. To date, no products utilizing this technology have been developed on a commercial basis and further development of this technology has been discontinued.

The V003 Technology refers to V003 Paraffin Solvent, which is a biodegradable solvent useful for dissolving paraffin wax deposits in oil wells, production lines, and storage tanks. Verdant, Inc. acquired an exclusive global license to use this technology for all purposes under an agreement dated October 26, 2005 from SynChem Technologies, LLC, a Florida limited liability company, which SynChem had exclusively licensed from the inventor, John P Acunto. The term of the license is 10 years and is automatically renewed for additional 10-year periods, unless the licensor terminates the license due to breach of license agreement. The license agreement requires a royalty fee equal to 25% of all revenues derived from the deployment of the technology, less all costs incurred during marketing, administration and implementation of the technology and all licensor costs funded by the licensee. To date, no products utilizing this technology have been developed on a commercial basis.



On March 21, 2006, EnviroTank International LLC was incorporated in the state of Louisiana. EnviroTank International LLC was acquired on May 18, 2006 and is a wholly owned operating subsidiary of Verdant Technology Corporation for the purpose of exploiting technology for a crude recovery unit/tank cleaning system, designed to deal with the problem of sludge buildup in the bottom of crude oil storage tanks.

On June 16, 2006, the Company acquired SynChem Technologies LLC, a Florida corporation as a wholly owned operating subsidiary of Verdant Technology Corporation. SynChem Technologies, LLC holds the exclusive license for the V003 technology from the inventor, John P Acunto and was acquired for the purpose of exploiting technology that address problems associated with deposits of paraffinic and asphaltic compounds in the production, storage and refining segments of the petroleum industry.

**VERDANT TECHNOLOGY CORPORATION and SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

**For the Three Months Ended September 30, 2008 and 2007**

**(Unaudited)**

**NOTE 2 GOING CONCERN**

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. The Company has yet to fully commercialize its technologies and consequently has recorded continuing losses from operations of \$1,029,303 for the nine months ended September 30, 2008. As of September 30, 2008 the Company recorded an accumulated deficit of \$4,120,197. Further, the Company has inadequate working capital to maintain or develop its operations, and is dependent upon funds from private investors and the support of certain stockholders and affiliates.

These factors raise substantial doubt about the ability of the Company to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of these uncertainties. In this regard, Management is planning to raise any necessary additional funds through loans and additional sales of its common stock. There is no assurance that the Company will be successful in raising additional capital.

**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Terms and Definitions*

APB

Accounting Principles Board

ARB

Accounting Review Board

Aureus

Aureus, LLC, a Florida limited liability company

EITF

Emerging Issues Task Force

EnviroTank

EnviroTank International, LLC, a Louisiana limited liability company and a wholly owned subsidiary

EnviroTank

Technology

a crude oil recovery unit/tank cleaning system, designed to deal with the problem of sludge buildup on the bottom of crude oil storage tanks.

FASB

Financial Accounting Standards Board

FIN

FASB Interpretation Number

FSP

FASB Staff Position

GAAP

Generally Accepted Accounting Principles

Legkow Technology

A concept utilizing surfactants and emulsions in the treatment and processing of crude oil, waste oils and oil slops

PCAOB

Public Companies Accounting Oversight Board

SAB

Staff Accounting Bulletin

SEC

Securities Exchange Commission

SFAS or FAS

Statement of Financial Accounting Standards

SynChem

SynChem Technologies, LLC, a Florida limited liability company, owner of the V003 Technology and a wholly owned subsidiary

V003 Technology

A 100% biodegradable, non-toxic, non-corrosive, proprietary compound that removes paraffin and asphaltene blockage at the well site

Verdant, VTC or

Company

Verdant Technology Corporation, a Delaware corporation

Verdant, Inc.

Verdant, Inc. an affiliate through common ownership and directors

QTR-2008

the three months ended September 30, 2008

YTD-2008

the nine months ended September 30, 2008

**VERDANT TECHNOLOGY CORPORATION and SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

**For the Three Months Ended September 30, 2008 and 2007**

**(Unaudited)**

**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. These estimates and assumptions also affect the reported amounts of revenues, costs and expenses during the reporting period. Management evaluates these estimates and assumptions on a regular basis. Actual results could differ from those estimates.

*Basis of Presentation*

The financial statements presented are prepared in accordance with accounting principles generally accepted in the United States of America. In the opinion of management, all adjustments which are necessary to provide a fair presentation of financial position as of September 30, 2008 and the related operating results and cash flows for the period presented have been made. All adjustments are of a normal recurring nature.

*Basis of Consolidation*

The consolidated financial statements included the accounts of Verdant Technology Corporation, EnviroTank International LLC and SynChem Technologies LLC. All material intercompany transactions have been eliminated in consolidation.

*Interim Presentation*

The interim financial statements presented herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ( SEC ). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations. The interim financial statements should be read in conjunction with the Company s annual financial statements, notes and accounting policies included in the Company s Annual Report. In the opinion of management, all adjustments which are necessary to provide a fair presentation of financial position as of September 30, 2008 and the related operating results and cash flows for the interim period presented have been made. All adjustments are of a normal recurring nature. The results of operations, for the period presented are not necessarily indicative of the results to be expected for the year ended December 31, 2008.

*Cash and Cash Equivalents*

The Company considers liquid investments with an original maturity of three months or less to be cash equivalents.

Investments

Investments where the Company does not exercise significant influence over the operating and financial policies of the investee and holds less than 20% of the voting stock are recorded at cost. Investments where the Company has significant influence over the operating and financial policies of the investee and holds 20% to 50% of the voting stock are recorded using the equity method. The Company recognizes an impairment loss on the declines in value that are other than temporary.

**VERDANT TECHNOLOGY CORPORATION and SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

**For the Three Months Ended September 30, 2008 and 2007**

**(Unaudited)**

**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Property and Equipment

Property and equipment is recorded at cost and depreciated over the estimated useful lives of the assets using principally the straight-line method. When items are retired or otherwise disposed of, income is charged or credited for the difference between net book value and proceeds realized thereon. Ordinary maintenance and repairs are charged to expense as incurred, and replacements and betterments are capitalized.

The range of estimated useful lives used to calculate depreciation for principal items of property and equipment are as follows:

Asset Category	Depreciation/ Amortization Period
Office equipment	3 Years

Shares Repurchased

Shares repurchased are recorded using the constructive retirement method because management's intention is not to reissue the shares within a reasonable time. Consequently, the aggregate par value of the repurchased shares is charged to the stock account rather than to a treasury account.

Income Tax Benefit

The income tax benefit consists of taxes currently refundable due to net operating loss carry back provisions for federal and state governments. 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 the entire deferred tax asset will not be realized. Deferred tax assets and liabilities are adjusted for the effect of changes in tax laws and rates on the date of enactment.

Loss Per Share

Basic earnings per share is computed by dividing net income (loss) available to common shareholders by the weighted average number of common shares outstanding during the reporting period. Diluted earnings per share reflects the potential dilution that could occur if stock options and other commitments to issue common stock were exercised or

equity awards vest resulting in the issuance of common stock that could share in the earnings of the Company. As of September 30, 2008, there were no potential dilutive instruments that could result in share dilution.

Research and Development Costs

Costs are expensed as incurred.



**VERDANT TECHNOLOGY CORPORATION and SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

**For the Three Months Ended September 30, 2008 and 2007**

**(Unaudited)**

**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Stock Based Compensation*

SFAS 123, *Accounting for Stock-Based Compensation*, established accounting and disclosure requirements using a fair-value based method of accounting for stock-based employee compensation. In accordance with SFAS 123, the Company has elected to continue accounting for stock based compensation using the intrinsic value method prescribed by APB 25, *"Accounting for Stock Issued to Employees."*

The Company accounts for stock awards issued to nonemployees in accordance with the provisions of SFAS 123 and EITF 96-18 *Accounting for Equity Instruments that are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling Goods or Services*. Under SFAS 123 and EITF 96-18, stock awards to nonemployees are accounted for at their fair value as determined under Black-Scholes option pricing model.

In December 2004, the FASB issued SFAS 123(R), a revision of SFAS 123, which requires compensation costs related to share-based payment transactions to be recognized in the statement of operations. With limited exceptions, the amount of compensation cost will be measured based on the grant-date fair value of the equity or liability instruments issued. In addition, liability awards will be re-measured each reporting period. Compensation cost will be recognized over the period that an employee provides service in exchange for the award. SFAS 123(R) replaces SFAS 123 and is effective as of the beginning of January 1, 2006.

In October 10, 2006 FASB Staff Position issued FSP FAS 123(R)-5 Amended of FASB Staff Position FAS 123(R)-1 *Classification and Measurement of Freestanding Financial Instruments Originally issued in Exchange of Employee Services under FASB Statement No. 123(R)*. The SFAS provides that instruments that were originally issued as employee compensation and then modified, and that modifications made to the terms of the instrument solely to reflect an equity restructuring that occurs when the holders are no longer employees, then no change in the recognition or the measurement (due to a change in classification) of those instruments will result if both of the following conditions are met: (a). There is no increase in fair value of the award (or the ratio of intrinsic value to the exercise price of the award is preserved, that is, the holder is made whole), or the antidilution provision is not added to the terms of the award in contemplation of an equity restructuring; and (b). All holders of the same class of equity instruments (for example, stock options) are treated in the same manner. The provisions in this FSP shall be applied in the first reporting period beginning after the date the FSP is posted to the FASB website.

*Recent Accounting Pronouncements*

*Employers Disclosures about Postretirement Benefit Plan Assets*

In December 2008, the FASB issued FSP FAS 132(R)-1, *Employers Disclosures about Postretirement Benefit Plan Assets*. This FSP amends SFAS 132(R), *Employers Disclosures about Pensions and Other Postretirement*

*Benefits*, to provide guidance on an employer's disclosures about plan assets of a defined benefit pension or other postretirement plan. FSP FAS 132(R)-1 also includes a technical amendment to SFAS 132(R) that requires a nonpublic entity to disclose net periodic benefit cost for each annual period for which a statement of income is presented. The required disclosures about plan assets are effective for fiscal years ending after December 15, 2009. The technical amendment was effective upon issuance of FSP FAS 132(R)-1. The Company is currently assessing the impact of FSP FAS 132(R)-1 on its consolidated financial position and results of operations.

**VERDANT TECHNOLOGY CORPORATION and SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

**For the Three Months Ended September 30, 2008 and 2007**

**(Unaudited)**

**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Effective Date of FASB Interpretation 48 for Certain Nonpublic Enterprises*

In December 2008, the FASB issued FSP FIN 48-3, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises*. FSP FIN 48-3 defers the effective date of FIN 48, *Accounting for Uncertainty in Income Taxes*, for certain nonpublic enterprises as defined in SFAS 109, *Accounting for Income Taxes*. However, nonpublic consolidated entities of public enterprises that apply U.S. GAAP are not eligible for the deferral. FSP FIN 48-3 was effective upon issuance. The impact of adoption was not material to the Company's consolidated financial condition or results of operations.

*Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities*

In December 2008, the FASB issued FSP FAS 140-4 and FIN 46(R)-8, *Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities*. This FSP amends SFAS 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, to require public entities to provide additional disclosures about transfers of financial assets. FSP FAS 140-4 also amends FIN 46(R)-8, *Consolidation of Variable Interest Entities*, to require public enterprises, including sponsors that have a variable interest entity, to provide additional disclosures about their involvement with a variable interest entity. FSP FAS 140-4 also requires certain additional disclosures, in regards to variable interest entities, to provide greater transparency to financial statement users. FSP FAS 140-4 is effective for the first reporting period (interim or annual) ending after December 15, 2008, with early application encouraged. The Company is currently assessing the impact of FSP FAS 140-4 on its consolidated financial position and results of operations.

*Accounting for an Instrument (or an Embedded Feature) with a Settlement Amount That is Based on the Stock of an Entity's Consolidated Subsidiary*

In November 2008, the FASB issued FSP EITF 08-8, *Accounting for an Instrument (or an Embedded Feature) with a Settlement Amount That is Based on the Stock of an Entity's Consolidated Subsidiary*. EITF 08-8 clarifies whether a financial instrument for which the payoff to the counterparty is based, in whole or in part, on the stock of an entity's consolidated subsidiary is indexed to the reporting entity's own stock. EITF 08-8 also clarifies whether or not stock should be precluded from qualifying for the scope exception of SFAS 133, *Accounting for Derivative Instruments and Hedging Activities*, or from being within the scope of EITF 00-19, *Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock*. EITF 08-8 is effective for fiscal years beginning on or after December 15, 2008, and interim periods within those fiscal years. The Company is currently assessing the impact of EITF 08-8 on its consolidated financial position and results of operations.

*Accounting for Defensive Intangible Assets*

In November 2008, the FASB issued EITF 08-7, *Accounting for Defensive Intangible Assets*. EITF 08-7 clarifies how to account for defensive intangible assets subsequent to initial measurement. EITF 08-7 applies to all defensive intangible assets except for intangible assets that are used in research and development activities. EITF 08-7 is effective for intangible assets acquired on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The Company is currently assessing the impact of EITF 08-7 on its consolidated financial position and results of operations.

**VERDANT TECHNOLOGY CORPORATION and SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

**For the Three Months Ended September 30, 2008 and 2007**

**(Unaudited)**

**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Equity Method Investment Accounting Considerations*

In November 2008, the FASB issued EITF 08-6 *Equity Method Investment Accounting Considerations*. EITF 08-6 clarifies accounting for certain transactions and impairment considerations involving the equity method. Transactions and impairment dealt with are initial measurement, decrease in investment value, and change in level of ownership or degree of influence. EITF 08-6 is effective on a prospective basis for fiscal years beginning on or after December 15, 2008. The Company is currently assessing the impact of EITF 08-6 on its consolidated financial position and results of operations.

*Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active*

In October 2008, the FASB issued FSP FAS 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active*. This FSP clarifies the application of SFAS 157, *Fair Value Measurements*, in a market that is not active. The FSP also provides examples for determining the fair value of a financial asset when the market for that financial asset is not active. FSP FAS 157-3 was effective upon issuance, including prior periods for which financial statements have not been issued. The impact of adoption was not material to the Company's consolidated financial condition or results of operations.

*Issuer's Accounting for Liabilities Measured at Fair Value with a Third-Party Credit Enhancement*

In September 2008, the FASB issued EITF 08-5 *Issuer's Accounting for Liabilities Measured at Fair Value with a Third-Party Credit Enhancement*. This FSP determines an issuer's unit of accounting for a liability issued with an inseparable third-party credit enhancement when it is measured or disclosed at fair value on a recurring basis. FSP EITF 08-5 is effective on a prospective basis in the first reporting period beginning on or after December 15, 2008. The Company is currently assessing the impact of FSP EITF 08-5 on its consolidated financial position and results of operations.

*Disclosures about Credit Derivatives and Certain Guarantees: An Amendment of SFAS 133 and FIN 45; and Clarification of the Effective Date of SFAS 161*

In September 2008, the FASB issued FSP FAS 133-1, *Disclosures about Credit Derivatives and Certain Guarantees: An Amendment of FASB Statement No. 133 and FASB Interpretation No. 45; and Clarification of the Effective Date of FASB Statement No. 161*. This FSP amends SFAS 133, *Accounting for Derivative Instruments and Hedging Activities*, to require disclosures by sellers of credit derivatives, including credit derivatives embedded in a hybrid instrument. The FSP also amends SFAS 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*, to require and additional disclosure about the current status of the payment/performance risk of a guarantee. Finally, this FSP clarifies the Board's intent about the

effective date of SFAS 161, *Disclosures about Derivative Instruments and Hedging Activities*. FSP FAS 133-1 is effective for fiscal years ending after November 15, 2008. The Company is currently assessing the impact of FSP FAS 133-1 on its consolidated financial position and results of operations.

**VERDANT TECHNOLOGY CORPORATION and SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

**For the Three Months Ended September 30, 2008 and 2007**

**(Unaudited)**

**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities*

In June 2008, the FASB issued FSP EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities*. The FSP addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting and, therefore, need to be included in the earnings allocation in computing earnings per share under the two-class method. The FSP affects entities that accrue dividends on share-based payment awards during the awards service period when the dividends do not need to be returned if the employees forfeit the award. This FSP is effective for fiscal years beginning after December 15, 2008. The Company is currently assessing the impact of FSP EITF 03-6-1 on its consolidated financial position and results of operations.

*Determining Whether an Instrument (or an Embedded Feature) Is Indexed to an Entity's Own Stock*

In June 2008, the FASB ratified EITF 07-5, *"Determining Whether an Instrument (or an Embedded Feature) Is Indexed to an Entity's Own Stock"*. EITF 07-5 provides that an entity should use a two step approach to evaluate whether an equity-linked financial instrument (or embedded feature) is indexed to its own stock, including evaluating the instrument's contingent exercise and settlement provisions. It also clarifies on the impact of foreign currency denominated strike prices and market-based employee stock option valuation instruments on the evaluation. EITF 07-5 is effective for fiscal years beginning after December 15, 2008. The Company is currently assessing the impact of EITF 07-5 on its consolidated financial position and results of operations.

*Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)*

In May 2008, the FASB issued FSP APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)*. The FSP clarifies the accounting for convertible debt instruments that may be settled in cash (including partial cash settlement) upon conversion. The FSP requires issuers to account separately for the liability and equity components of certain convertible debt instruments in a manner that reflects the issuer's nonconvertible debt (unsecured debt) borrowing rate when interest cost is recognized. The FSP requires bifurcation of a component of the debt, classification of that component in equity and the accretion of the resulting discount on the debt to be recognized as part of interest expense in our consolidated statement of operations. The FSP requires retrospective application to the terms of instruments as they existed for all periods presented. The FSP is effective for us as of January 1, 2009 and early adoption is not permitted. The Company is currently evaluating the potential impact of FSP APB 14-1 upon its consolidated financial statements.

The Hierarchy of Generally Accepted Accounting Principles

In May 2008, the FASB issued SFAS 162, *"The Hierarchy of Generally Accepted Accounting Principles"*. SFAS 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements. SFAS 162 is effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board amendments to AU Section 411, *"The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles"*. The implementation of this standard will not have a material impact on the Company's consolidated financial position and results of operations.



**VERDANT TECHNOLOGY CORPORATION and SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

**For the Three Months Ended September 30, 2008 and 2007**

**(Unaudited)**

**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Determination of the Useful Life of Intangible Assets*

In April 2008, the FASB issued FSP FAS 142-3, *Determination of the Useful Life of Intangible Assets*, which amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of intangible assets under SFAS 142 *Goodwill and Other Intangible Assets*. The intent of this FSP is to improve the consistency between the useful life of a recognized intangible asset under SFAS 142 and the period of the expected cash flows used to measure the fair value of the asset under SFAS 141 (revised 2007) *Business Combinations* and other U.S. generally accepted accounting principles. The Company is currently evaluating the potential impact of FSP FAS 142-3 on its consolidated financial statements.

*Disclosure about Derivative Instruments and Hedging Activities*

In March 2008, the FASB issued SFAS 161, *Disclosure about Derivative Instruments and Hedging Activities, an amendment of SFAS No.133*. This statement requires that objectives for using derivative instruments be disclosed in terms of underlying risk and accounting designation. The Company is required to adopt SFAS 161 on January 1, 2009. The Company is currently evaluating the potential impact of SFAS 161 on the Company's consolidated financial statements.

**NOTE 4 ACCOUNTS PAYABLE and ACCRUED EXPENSES**

Accounts payable and accrued expenses primarily represent advances for expenses and other operational costs, made by related companies and associates on behalf of the Company. The creditors are related through common directorship and ownership. The advances are evidenced by specific invoices for services and advances made on behalf of the Company. Accounts payable and accrued expenses were \$3,780,919, of which \$3,360,482 was due to Verdant Inc., an affiliate; \$278,320 was due to David J Curd, our CEO, and \$19,000 was due to Aureus, LLC, an affiliate at September 30, 2008. Past due balances due to Verdant, Inc. accrue interest at a blended rate of approximately 9%.



**VERDANT TECHNOLOGY CORPORATION and SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

**For the Three Months Ended September 30, 2008 and 2007**

**(Unaudited)**

**NOTE 5 COMMITMENTS**

The Company is committed to 17.5% of net receipts derived from the process and sale of products resulting from the employment of the Legkow technology. The Company has suspended further development of the Legkow technology and does not expect to incur any further obligations.

SynChem acquired the V003 Technology under an agreement dated June 16, 2006 from John P Acunto, who formed SynChem for the purpose of exploiting the V003 Technology. The consideration for the V003 Technology is a royalty obligation equal to 25% of the net profits received from future contracts SynChem performs using the Technology. Net profits shall mean the total proceeds of any contracts using the Technology, less all costs incurred during implementation including, but not limited to, capital investments, operating costs, marketing administration, sales taxes, adjustments, and all other expenses needed to perform contracts and administer the Technology. This royalty obligation is subject to a buyout option until June 16, 2011 for \$6,500,000. To date, no products utilizing this technology have been developed on a commercial basis.

EnviroTank acquired the Technology under an agreement dated April 12, 2006 from Tracy Stewart, who formed EnviroTank for the purpose of exploiting the Technology. The consideration for the Technology is a royalty obligation equal to 25% of the net profits received from future contracts EnviroTank performs using the Technology. Net profits shall mean the total proceeds of any contracts using the Technology, less all costs incurred during implementation including, but not limited to, capital investments, operating costs, marketing, administration, sales taxes, adjustments, and all other expenses needed to perform contracts and administer the Technology. This royalty obligation is subject to a buyout option until April 12, 2010 for \$3,500,000. To date, no products utilizing this technology have been developed on a commercial basis.

**NOTE 6 SEGMENT REPORTING**

SFAS 31, *Disclosures about Segments of an Enterprise and Related Information* requires companies to report information about operating segments in interim and annual financial statements. It also requires segment disclosures about products and services geographic and major customers. The Company has determined that it does not have any separately reportable operating segments.

**NOTE 7 RELATED PARTY TRANSACTIONS**

Included in *Due to Related Parties* in the accompanying balance sheet at September 30, 2008 is \$7,068 due to a company managed by the former CEO and \$20,000 due to a company whose CEO is also the Company's current CEO.



**VERDANT TECHNOLOGY CORPORATION and SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

**For the Three Months Ended September 30, 2008 and 2007**

**(Unaudited)**

**NOTE 8 SUBSEQUENT EVENTS**

V003 Sale and Distribution Agreement

On July 15, 2008, SynChem Technologies LLC signed a Letter of Intent with PetroSUMINISTROS for the sale and distribution of certain SynChem V003 Technology based solvents in the Latin American market. Negotiations are ongoing.

Souder Technology License and Development Agreement

On October 2, 2008, VTC entered into a Technology Development and License Agreement ( BSI Agreement ) with Berkeley Springs Instruments, LLC ( BSI ) to develop, commercialize, license and potentially purchase certain sludge profile technology ( Souder ). Souder provides the ability to evaluate the sludge content of petroleum storage tanks and determine the optimum time to discontinue tank usage and effect a cleaning. The Agreement calls for the development and commercialization of Souder over several phases summarized as follows:

.

Phase One Prototype Development and Testing

o  
BSI will complete the development of a functional and working prototype within 60 days.

o  
VTC commits to fund the Phase One costs up to maximum of \$35,000.

.

Phase Two Commercial Production

o  
BSI will demonstrate the commercial viability of Souder within six (6) months.

o  
VTC commits to fund Phase Two costs up to a maximum of \$160,000.

Phase Three - Right of Produce and Commercialize

o

BSI agrees to grant VTC an exclusive worldwide license at the completion of Phase Two, to further develop and commercialize Sounder for two years with one annual renewal option.

o

VTC holds purchase option for Sounder and all associated intellectual property for \$1,000,000.

o

VTC agrees to pay BSI 5% for any sales generated during the license period.

## ITEM 2.

### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION.

*The following discussion should be read in conjunction with our financial statements included elsewhere in this report. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors including those set forth under the heading "Risk Factors" elsewhere herein. The Company's financial statements have been prepared in accordance with United States generally accepted accounting principles.*

#### Overview

The Company is continuously searching for additional technologies, exploring the market for potential customers, developing commercialization strategies, developing business models for global commercialization, handling various operational matters in efforts to protect its portfolio of new technologies and also and the management of various administrative matters.

During Q3 2008, the Company has continued reviewing and further testing of its V003 technology via its subsidiary company, Synchem Technologies LLC. The Company was also actively reviewing, editing and filing trademarks and patents for its portfolio of new technologies.

The company also appointed three (3) Directors to the Board and engaged the services of an Interim CFO on September 23, 2008; Mr. Alexander Hunter, Dr. Leonard S. Toczytkin and Mr. John McGoldrick. The Directors are seasoned experts in the Oil & Gas industry and are ready to further assist Verdant in selecting and commercializing cutting-edge, environmentally sound technologies for the energy sector. Interim CFO services will be provided by ProLianze Group LLC and specifically Mr. Gary Rodney. Mr. Rodney is a seasoned financial professional with over 30 years experience in both public and entrepreneurial companies.

During Q3 2008, the Company also further developed its commercialization negotiations with a signed letter of intent with petroSUMINISTROS c.a., of Venezuela for the distribution of the V003 solvent series.

#### Going Concern

As shown in the accompanying financial statements, the Company has reported recurring losses from operations. It experienced losses of \$1,029,303 during YTD-2008 and had a total shareholders' deficiency of \$3,803,773 and a net working capital deficit of \$3,804,859 as of September 30, 2008. These factors raise substantial doubt about the Company's ability to continue as a going concern.

Management's plans in regard to this matter are to raise equity capital and seek strategic relationships and alliances in order to initiate the commercialization of its new technologies in an effort to generate positive cash flow. Until its technologies become commercially viable, the Company must continue to rely upon equity infusions in order to provide adequate liquidity to sustain its operations.

The financial statements have been prepared on a going concern basis and accordingly do not include any adjustments that might result from the outcome of this uncertainty.

**Critical Accounting Policies and Estimates**

Our financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. In preparing these financial statements, we make assumptions, judgments and estimates that can have a significant impact on amounts reported in our financial statements. We base our assumptions, judgments and estimates on historical experience and various other factors that we believe to be reasonable under the circumstances. Actual results could differ materially from these estimates under different assumptions or conditions. On a regular basis we evaluate our assumptions, judgments and estimates and make changes accordingly.

A critical accounting policy is defined as one that is both material to the presentation of our financial statements and requires management to make difficult, subjective or complex judgments that could have a material effect on our financial condition and results of operations. We believe that, of the significant accounting policies



discussed in Note 3 to our financial statements, the following accounting policies require our most difficult, subjective or complex judgments:

·  
valuation of long-lived assets.

We discuss below the critical accounting assumptions, judgments and estimates associated with these policies. Historically, our assumptions, judgments and estimates relative to our critical accounting policies have not differed materially from actual results. For further information on our critical accounting policies, refer to Note 3 to the financial statements included elsewhere herein.

**Valuation of long-lived assets.** Our long-lived assets include property, equipment intangible license rights and goodwill. We assess impairment of long-lived assets whenever changes or events indicate that the carrying value may not be recoverable. In performing our assessment we must make assumptions regarding estimated future cash flows and other factors to determine the fair value of the respective assets. As of September 30, 2008 we valued our long-lived assets other than equipment, at \$0 as estimated future cash flows generated from such intangible assets, usage rights and licenses are uncertain. Equipment is valued at its acquisition cost net of accumulated depreciation. Although the Company has yet to generate sufficient revenues to sustain its operations, funding sources have provided adequate cash flow to fund its operations. Accordingly, equipment does not reflect any impairment.

## Results of Operations

The following discussion and analysis addresses the major factors that affected our operations and financial condition reflected in our unaudited financial statements for the three and nine months ended September 30, 2008 and 2007. This discussion is intended to supplement and highlight information contained in, and should be read in conjunction with, our financial statements and related notes and the selected financial data presented elsewhere in this report.

### Three Months Ended September 30, 2008 ( QTR-2008 ) Compared to Three Months Ended September 30, 2007 ( QTR-2007 )

Revenue - we had not yet generated any operating revenues.

Operating expenses - consisted of consulting fees and related expenses for executive personnel, professional fees and other general corporate expenses. Operating expenses increased \$129,059 (40.2%) to \$449,781 (QTR-2008) from \$320,722 (QTR-2007), due to the following:

·  
a \$39,024 (125.3%) increase in legal and professional fees primarily associated with cost requirements and fees associated with the registration of patents for EnviroTank and SynChem's technologies, contract negotiations, legal review, patent review requirements and administrative matters;

a \$32,804 (19.1%) increase in corporate management fees as a result of the acquisition of Verdant Board Directors, travel requirements, and other expenditures by the affiliated company on behalf of Verdant; and

.

a \$57,231 (48.5%) increase in general and administrative expenses as a result of increased consulting and development costs for subsidiary companies and other operational overhead costs.

These charges reflect the Company's focus on developing, acquiring and commercializing its portfolio of new energy related technologies.

Net loss - increased \$129,059 (40.2%) to \$449,781 (QTR-2008) from \$320,722 (QTR-2007) as a result of the impact of items discussed above.

**Nine Months Ended September 30, 2008 ( YTD-2008 ) Compared to Nine Months Ended September 30, 2007 ( YTD-2007 )**

Revenue - we had not yet generated any operating revenues.

Operating expenses - consisted of consulting fees and related expenses for executive personnel, professional fees and other general corporate expenses. Operating expenses decreased \$48,048 (4.5%) to \$1,029,303 (YTD-2008) from \$1,077,351 (YTD-2007), due to the following:

.  
a \$30,417 (33.7%) a slight increase in legal and professional fees primarily associated with cost requirements regarding the EnviroTank and SynChem technologies involving contract negotiations, legal review, patent protection and administrative matters;

.  
a \$113,610 (20.4%) decrease in corporate management fees as a result of decreased travel requirements and expenditures by the affiliated company on behalf of Verdant; and

.  
a \$35,145 (8.2%) increase in general and administrative expenses as a result of increased consulting and development costs for subsidiary companies and other operational overhead costs.

These charges reflect the Company's focus on developing, acquiring and commercializing its portfolio of new energy related technologies.

Net loss - decreased \$48,048 (4.5%) to \$1,029,303 (YTD-2008) from \$1,077,351 (YTD-2007) as a result of the impact of items discussed above.

**Liquidity and Capital Resources**

The Company's working capital deficit increased \$1,028,727 (37.1%) to \$3,804,859 as of September 30, 2008 from \$2,776,132 as of December 31, 2007. The Company had \$3,128 in cash at September 30, 2008, but maintains informal arrangements with Verdant, Inc. and David Curd along with other affiliated companies, to continue to finance the Company's operations.

The Company has been funded by Verdant, Inc., a related company. Verdant, Inc. is related as a result of David J. Curd's appointment as CEO of the Company, a position he also holds at Verdant, Inc. Verdant, Inc. has indicated that it will continue to fund the operating and development expenses of the Company. At September 30, 2008, \$7,068 and \$20,000 of short-term advances were due to FutureVest, Inc. and Verdant Inc., respectively. Neither advance bears interest and no interest was owed to either FutureVest, Inc. or Verdant, Inc. at September 30, 2008. In addition, \$3,360,482 of the accounts payable and accrued expense was also due to Verdant, Inc. for expenses paid by Verdant, Inc. on behalf of the Company. This payable has not been formalized in the form of notes, but represents accumulated

unpaid invoices for services and expenditures made. Past due balances accrue interest at an effective rate of 9%.

**Plan of Operation**

As shown in the accompanying financial statements, the Company has reported recurring losses from operations. It experienced losses of \$1,029,303 during YTD-2008 and had a net deficiency in equity of \$3,803,773 and a net working capital deficit of \$3,804,859 as of September 30, 2008. These factors raise substantial doubt about the Company's ability to continue as a going concern.

Management's plans in regard to this matter are to raise equity capital and seek strategic relationships and alliances in order to initiate the commercialization of its new portfolio of technologies in an effort to generate positive cash flow. Until its technologies become commercially viable, the Company will be dependent upon financing provided by its shareholders, related parties and investors to sustain its operations and development activities.

**Off Balance Sheet Arrangements**

We have not entered into off-balance sheet financing arrangements, other than operating leases. We have no significant commitments for capital expenditures in 2008. Other than as set forth below, we have no committed funding or long-term debt. Our material known future cash commitments are as follows as of September 30, 2008:

**Payments due by Period**

	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2011 and Thereafter</b>
Operating leases	\$ 24,976	\$ 119,604	\$ 135,000	\$ 180,000	\$ 180,000
Royalties				2,322,587	4,893,246
<b>Total</b>	<b>\$ 24,976</b>	<b>\$ 119,604</b>	<b>\$ 135,000</b>	<b>\$ 2,502,587</b>	<b>\$ 5,073,246</b>

**Recent Accounting Pronouncements**

Refer to Note 3 to the financial statements included elsewhere herein.

**ITEM 3.**

**QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

Our exposure to market risk is currently nil since as of September 30, 2008 as we had no invested cash or marketable assets or debt in any significant amounts. Our exposure to credit concentration risk is nil as we have not yet established any customer relationships or procured any suppliers.

**ITEM 4.**

**CONTROLS AND PROCEDURES.**

**MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

a) Evaluation of Disclosure Controls and Procedures

Our management team, under the supervision and with the participation of our principal executive officer and our principal financial officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (Exchange Act), as of the last day of the fiscal period covered by this report, September 30, 2006. The term disclosure controls and procedures means our controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to management, including our principal executive and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective as of September 30, 2008.

Our principal executive officer and our principal financial officer, are responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). Our principal executive officer and our principal financial officer are required to base their assessment of the effectiveness of our internal control over financial reporting on a suitable, recognized control framework, such as the framework developed by the Committee of Sponsoring Organizations (COSO). The COSO framework, published in *Internal Control-Integrated Framework*, is known as the COSO Report. Our principal executive officer and our principal financial officer, have chosen the COSO framework on which to base its assessment. Based on this evaluation, our management concluded that our internal control over financial reporting, although our annual report is delinquent, was effective as of September 30, 2008.

The annual report on Form 10-KSB for the year ended December 31, 2007 does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit us to provide only management's report in our annual reports on Form 10-K for the annual reporting periods through December 31, 2009.

It should be noted that any system of controls, however well designed and operated, can provide only reasonable and not absolute assurance that the objectives of the system are met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of certain events. Because of these and other inherent limitations of control systems, there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

b) Changes in Internal Control over Financial Reporting.

During the Quarter ended September 30, 2008, there was no change in our internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**LACK OF INDEPENDENT BOARD OF DIRECTORS AND AUDIT COMMITTEE**

Management is aware that an audit committee composed of the requisite number of independent members along with a qualified financial expert has not yet been established. Considering the costs associated with procuring and providing the infrastructure to support an independent audit committee and the limited number of transactions, Management has concluded that the risks associated with the lack of an independent audit committee are not justified. Management will periodically reevaluate this situation.

**LACK OF SEGREGATION OF DUTIES**

Management is aware that there is a lack of segregation of duties at the Company due to the small number of employees dealing with general administrative and financial matters. However, at this time management has decided that considering the abilities of the employees now involved and the control procedures in place, the risks associated with such lack of segregation are low and the potential benefits of adding employees to clearly segregate duties do not justify the substantial expenses associated with such increases. Management will periodically reevaluate this situation



## PART II OTHER INFORMATION

### ITEM 1.

#### LEGAL PROCEEDINGS.

There are no material legal proceedings that are currently pending or, to the Company's knowledge, contemplated against the Company to which it is a party.

### ITEM 1A.

#### RISK FACTORS.

*An investment in our Common Stock is highly speculative, involves a high degree of risk and should be considered only by those persons who are able to afford a loss of their entire investment. In evaluating the Company and our business, prospective investors should carefully consider the following risk factors in addition to the other information included in this Quarterly Report.*

#### **Risks Related to Our Business**

*We have a history of losses and may incur losses in the future.*

We sustained losses resulting in an accumulated deficit of \$4,120,197 as of September 30, 2008. We may never become profitable, or if we do, we may never be able to sustain profitability. We expect to incur significant expenses in commercializing our new focus on environmentally friendly petroleum related technology, particularly in the areas of marketing and research & development expenses. As a result, we expect to incur losses for the foreseeable future. We had no cash and cash equivalents nor did we have any available-for-sale short-term investments at September 30, 2008. We will need to rely on certain affiliated companies and strategic partners for providing funding, staffing and other operational resources necessary to implement our business strategies. We cannot assure you that we will not encounter unforeseen difficulties, including the outside influences that may deplete our capital resources more rapidly than anticipated. As a result, we may be required to seek additional investments that may dilute our equity interests. We cannot assure that additional funding will be available on favorable terms, if at all. If we fail to obtain additional funding when needed, we may not be able to execute our business plans or continue operations, and our business may suffer.

We began commercialization of our environmentally friendly petroleum technologies in 2006. Accordingly, have a little or no operating history of generating revenues from derived products and services. In addition, we are still developing our product and service offerings and you should consider our prospects in light of the risks, expenses and difficulties frequently encountered by companies with such limited operating histories. Since we have a limited operating history, we cannot assure you that our operations will be profitable or that we will generate sufficient revenues to meet our expenditures and support our activities.

*Technology advances may make our technology obsolete or less competitive.*

Our technologies compete with many players that have access to far more resources, have greater commercial experience and personnel than we do. Given recent events in the petroleum markets, we expect new competitors to emerge and the intensity of competition to increase in the future. If these companies are able to offer technological advances, our products may become less valuable or even obsolete. While we continue to enhance the technology of our products and services, we cannot provide any assurance that our competitors or new competitors will not enter the market with the same or similar technological advances before we do.

*Our products and services operate in a heavily regulated environment where new regulations may cause use to incur losses.*

Our technologies and processes target customers who deal in materials whose use must be carefully managed. The regulatory climate could change adversely for these materials, which are subject to environmental and health and safety laws and regulations. If we or our products and services were to be found in violation of these laws and regulations, we may face fines or other penalties or worse trigger the suspension of or the reengineering of our products and services, which could materially impact our operations.

*Our technologies face uncertain market value.*

Our technologies are at a very early stage of commercialization and have not been entirely field proven or commercialized on a long-term basis. Technology, compounds and designs may fail to perform as specified, or that

unknown technical issues may arise. The hydrocarbon market is generally slow to accept new technology. The level of market acceptance of these technologies, products and services will have a significant impact upon our results of operations. There are no assurances that our technology and derivative products will be favorably accepted and adopted in the market.

*We are deploying new and unproven technologies, which make evaluation of our business and prospects difficult, and we may be forced to cease operations if we do not develop commercially successful products.*

We have not proven our ability to commercialize products on a large scale. In order to successfully commercialize products on a large scale, we will have to make significant investments, including investments in research and development and testing, to demonstrate their technical benefits and cost-effectiveness. Problems frequently encountered in connection with the commercialization of products using new and unproven technologies might limit our ability to develop and commercialize our products. For example, our products may be found to be ineffective, unreliable or otherwise unsatisfactory to potential customers. We may experience unforeseen technical complications in the processes we use to develop, manufacture, customize or receive orders for our products. These complications could materially delay or limit the use of products we attempt to commercialize, substantially increase the anticipated cost of our products or prevent us from implementing our processes at appropriate quality and scale levels, thereby causing our business to suffer.

*If we do not enter into successful partnerships and collaborations with other companies, we may not be able to fully develop our technologies or products, and our business would be harmed.*

Since we do not possess all of the resources necessary to develop and commercialize products on a world-wide scale, we will need either to grow our sales, marketing and support groups or make appropriate arrangements with strategic partners to market, sell and support our products. We believe that we will have to enter into additional strategic partnerships to develop and commercialize future products. If we do not enter into adequate agreements, or if our existing arrangements or future agreements are not successful, our ability to develop and commercialize products will be impacted negatively, and our revenues will be adversely affected.

*We have limited experience commercially manufacturing, marketing or selling any of our potential products and services, and unless we develop or acquire these capabilities, we may not be successful.*

Even if we are able to develop our products and services for commercial release on a large scale, we have limited experience in manufacturing our products in the volumes that will be necessary for us to achieve commercial sales and in marketing or selling our products to potential customers. We cannot assure you that we will be able to commercially produce our products on a timely basis, in sufficient quantities or on commercially reasonable terms.

*Our future success depends on the continued service of our engineering, technical and key management personnel and our ability to identify, hire and retain additional engineering, technical and key management personnel.*

There is intense competition for qualified personnel in our industry, particularly for engineers and senior level management. Loss of the services of, or failure to recruit, engineers or other technical and key management personnel could be significantly detrimental to the group and could adversely affect our business and operating results. We may not be able to continue to attract and retain engineers or other qualified personnel necessary for the development of our products and business or to replace engineers or other qualified personnel who may leave the group in the future. Our anticipated growth is expected to place increased demands on our resources and likely will require the addition of new management personnel.

*Any inability to adequately protect our proprietary technologies could materially harm our competitive position and financial results.*

If we do not protect our intellectual property adequately, competitors may be able to use our technologies and erode any competitive advantage that we may have. The laws of some foreign countries do not protect proprietary rights to the same extent as the laws of the United States, and many companies have encountered significant problems in protecting their proprietary rights abroad. These problems can be caused by the absence of laws, rules and/or methods for defending intellectual property rights.

The patent positions of companies developing tools for the petroleum community, including our patent position, generally are uncertain and involve complex legal and factual questions. We will be able to protect our proprietary rights from unauthorized use by third parties only to the extent that our proprietary technologies are covered by valid and enforceable patents or are effectively maintained as trade secrets. Our existing patents and any future issued or granted patents we obtain may not be sufficiently broad in scope to prevent others from practicing our technologies or from developing competing products. Also there is a risk that others may independently develop similar or alternative technologies or design around our patented technologies. In addition, others may cause reexamination of our patents in the United States or may oppose our patents in Europe, either of which may result in narrower patent claims or cancellation of some or all of the patent claims. Moreover, our patents may be invalidated during enforcement proceedings or may fail to provide us with any competitive advantage. Enforcing our intellectual property rights may be difficult, costly, and time-consuming and, ultimately, may not be successful.

We also rely upon trade secret protection of our confidential and proprietary information. While we have taken security measures to protect our proprietary information, these measures may not provide adequate protection for our trade secrets or other proprietary information. We seek to protect our proprietary information by entering into confidentiality and invention disclosure and transfer agreements with employees, collaborators and consultants. Nevertheless, employees, collaborators or consultants still may disclose our proprietary information, and we may not be able to meaningfully protect our trade secrets. In addition, others may independently develop substantially equivalent proprietary information or techniques or otherwise gain access to our trade secrets.

*We intend to operate in international markets the complexities of which may exceed our ability to anticipate and prepare for differences in regulations, operations and financial management.*

We intend to operate in international markets that are subject to a multiple risks, including currency, regulation, political and distant management. There are no assurances that we will succeed in establishing and maintaining international operations.

*As a public company we are subject to complex legal and accounting requirements that will require us to incur significant expenses and will expose us to risk of non-compliance.*

As a public company, we are subject to numerous legal and accounting requirements that do not apply to private companies. The cost of compliance with many of these requirements is material, not only in absolute terms but, more importantly, in relation to the overall scope of the operations of a small company. Our relative inexperience with these requirements may increase the cost of compliance and may also increase the risk that we will fail to comply. Failure to comply with these requirements can have numerous adverse consequences including, but not limited to, our inability to file required periodic reports on a timely basis, loss of market confidence, delisting of our securities and/or governmental or private actions against us. We cannot assure you that we will be able to comply with all of these requirements or that the cost of such compliance will not prove to be a substantial competitive disadvantage vis-à-vis our privately held and larger public competitors.

### **Risks Related to Our Securities**

*Future sales or the potential for future sales of our securities may cause the trading price of our common stock to decline and could impair our ability to raise capital through subsequent equity offerings.*

Sales of a substantial number of shares of our common stock or other securities in the public markets, or the perception that these sales may occur, could cause the market price of our common stock or other securities to decline

and could materially impair our ability to raise capital through the sale of additional securities.

*We may fail to meet market expectations because of fluctuations in our quarterly operating results, which could cause our stock price to decline.*

Our revenues and operating results may fluctuate significantly from quarter to quarter in the future. It is possible that in future periods our revenues could fall below the expectations of securities analysts or investors, which could cause the market price of our stock to decline. The following are among the factors that could cause our operating results to fluctuate significantly from period to period:

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unpredictable revenue sources;

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the nature, pricing and timing of our and our competitors' products;

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changes in our and our competitors' research and development budgets;

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expenses related to, and our ability to comply with, governmental regulations of our products and processes; and

.  
expenses related to, and the results of, patent filings and other proceedings relating to intellectual property rights.

We anticipate significant fixed expenses due in part to our need to continue to invest in the commercialization of our products and services. We may be unable to adjust our expenditures if revenues in a particular period fail to meet our expectations, which would harm our operating results for that period. As a result of these fluctuations, we believe that period-to-period comparisons of our financial results will not necessarily be meaningful, and you should not rely on these comparisons as an indication of our future performance.

*Our Common Stock Is Subject To Penny Stock Regulation*

Our shares are subject to the provisions of Section 15(g) and Rule 15g-9 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), commonly referred to as the "penny stock" rule. Section 15(g) sets forth certain requirements for transactions in penny stocks and Rule 15g-9(d)(1) incorporates the definition of penny stock as that used in Rule 3a51-1 of the Exchange Act. The Commission generally defines penny stock to be any equity security that has a market price less than \$5.00 per share, subject to certain exceptions. Rule 3a51-1 provides that any equity security is considered to be penny stock unless that security is: registered and traded on a national securities exchange meeting specified criteria set by the Commission; authorized for quotation on the NASDAQ Stock Market; issued by a registered investment company; excluded from the definition on the basis of price (at least \$5.00 per share) or the registrant's net tangible assets; or exempted from the definition by the Commission. Since our shares are deemed to be "penny stock", trading in the shares will be subject to additional sales practice requirements on broker/dealers who sell penny stock to persons other than established customers and accredited investors.

*We Do Not Intend To Pay Dividends*

We do not anticipate paying cash dividends on our common stock in the foreseeable future. We may not have sufficient funds to legally pay dividends. Even if funds are legally available to pay dividends, we may nevertheless decide in our sole discretion not to pay dividends. The declaration, payment and amount of any future dividends will be made at the discretion of the board of directors, and will depend upon, among other things, the results of our operations, cash flows and financial condition, operating and capital requirements, and other factors our board of directors may consider relevant. There is no assurance that we will pay any dividends in the future, and, if dividends are rapid, there is no assurance with respect to the amount of any such dividend.

*Failure To Achieve And Maintain Effective Internal Controls In Accordance With Section 404 Of The Sarbanes-Oxley Act Could Have A Material Adverse Effect On Our Business And Operating Results.*

It may be time consuming, difficult and costly for us to develop and implement the additional internal controls, processes and reporting procedures required by the Sarbanes-Oxley Act. We may need to hire additional financial reporting, internal auditing and other finance staff in order to develop and implement appropriate additional internal controls, processes and reporting procedures. If we are unable to comply with these requirements of the Sarbanes-Oxley Act, we may not be able to obtain the independent accountant certifications that the Sarbanes-Oxley Act requires of publicly traded companies.

If we fail to comply in a timely manner with the requirements of Section 404 of the Sarbanes-Oxley Act regarding internal control over financial reporting or to remedy any material weaknesses in our internal controls that we may identify, such failure could result in material misstatements in our financial statements, cause investors to lose confidence in our reported financial information and have a negative effect on the trading price of our common stock.



Pursuant to Section 404 of the Sarbanes-Oxley Act and current SEC regulations, we are required to prepare assessments regarding internal controls over financial reporting and beginning with the annual report on Form 10-K for our fiscal period ending December 31, 2008. We have begun the process of documenting and testing our internal control procedures in order to satisfy these requirements, which is likely to result in increased general and administrative expenses and may shift management time and attention from revenue-generating activities to compliance activities.

In addition, in connection with our on-going assessment of the effectiveness of our internal control over financial reporting, we may discover material weaknesses in our internal controls as defined in standards established by the Public Company Accounting Oversight Board, or the PCAOB. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. The PCAOB defines significant deficiency as a deficiency that results in more than a remote likelihood that a misstatement of the financial statements that is more than inconsequential will not be prevented or detected.

In the event that a material weakness is identified, we will employ qualified personnel and adopt and implement policies and procedures to address any material weaknesses that we identify. However, the process of designing and implementing effective internal controls is a continuous effort that requires us to anticipate and react to changes in our business and the economic and regulatory environments and to expend significant resources to maintain a system of internal controls that is adequate to satisfy our reporting obligations as a public company. We cannot assure you that the measures we will take will remediate any material weaknesses that we may identify or that we will implement and maintain adequate controls over our financial process and reporting in the future.

Any failure to complete our assessment of our internal control over financial reporting, to remediate any material weaknesses that we may identify or to implement new or improved controls, or difficulties encountered in their implementation, could harm our operating results, cause us to fail to meet our reporting obligations or result in material misstatements in our financial statements. Any such failure could also adversely affect the results of the periodic management evaluations of our internal controls and, in the case of a failure to remediate any material weaknesses that we may identify, would adversely affect the annual auditor attestation reports regarding the effectiveness of our internal control over financial reporting that are required under Section 404 of the Sarbanes-Oxley Act. Inadequate internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our common stock.

*The Report of Our Independent Registered Public Accounting Firm Contains Explanatory Language That Substantial Doubt Exists About Our Ability To Continue As A Going Concern*

The independent auditor's report on our financial statements contains explanatory language that substantial doubt exists about our ability to continue as a going concern. The report states that we depend on the continued contributions of our executive officers to work effectively as a team, to execute our business strategy and to manage our business. The loss of key personnel, or their failure to work effectively, could have a material adverse effect on our business, financial condition, and results of operations. If we are unable to obtain sufficient financing in the near term or achieve profitability, then we would, in all likelihood, experience severe liquidity problems and may have to curtail our operations. If we curtail our operations, we may be placed into bankruptcy or undergo liquidation, the result of which will adversely affect the value of our common shares.

**ITEM 2.**

**UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

There were no changes in securities and small business issuer purchase of equity securities during the period ended September 30, 2008.

**ITEM 3.**

**DEFAULTS UPON SENIOR SECURITIES.**

There have been no material defaults.

**ITEM 4.**

**SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.**

No matters were submitted to a vote of shareholders of the Company during the quarter ended September 30, 2008.

**ITEM 5.**

**OTHER INFORMATION.**

None.

**ITEM 6.**

**EXHIBITS.**

- 31.1 Certification Pursuant to 18 U.S.C Section 1350, as Adopted Pursuant to Section 302 and 906 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification Pursuant to 18 U.S.C Section 1350, as Adopted Pursuant to Section 302 and 906 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 32.2 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

**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.

**VERDANT TECHNOLOGY CORPORATION**

Date: March 2, 2009

By: /s/ DAVID J. CURD  
David J. Curd, CEO

Date: March 2, 2009

By: /s/ DAVID J. CURD  
David J. Curd, Interim CFO