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
000-50993	**Verdant Technology Corporation** Two Allen Center, 1200 Smith Street, Suite 1600 Houston, Texas 77002 (713) 546-9000	**20-1680252**

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 þ

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.

Large Accelerated Filer ¨	Accelerated Filer ¨
Non-Accelerated Filer ¨	Smaller Reporting Company þ

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 þ

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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PART II OTHER INFORMATION

CERTIFICATIONS

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 inter 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:

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General U.S. and international political and economic conditions;

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Changing priorities in the regulatory environment;

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The ability of the Company to secure contracts for its products and services;

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The ability to protect our proprietary technology; and

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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

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

COMMITMENTS AND CONTINGENCIES				
SHAREHOLDERS' DEFICIENCY				
Common Stock, $.001 par value:				
Authorized 80,000,000 shares; issued and outstanding,				
67,502,887 (2008) and 77,495,887 (2007) shares		**67,503**		77,496
Additional Paid In Capital		**248,921**		7,738,928
Accumulated Deficit		**(4,120,197)**		(3,090,894)
Subscription Receivable				(7,500,000)
TOTAL SHAREHOLDERS' DEFICIENCY		**(3,803,773)**		(2,774,470)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY	**$**	**4,214**	$	20,153

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 September 30,				Nine Months Ended 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 Paid In Capital	Subscription Receivables	Accumulated Deficit	Total Shareholders' Deficiency
	Shares	$				
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)			
Shares cancelled:						
Investor	(10,000,000)	(10,000)	(7,490,000)	7,500,000		
Net loss for the nine months September 30, 2008					(1,029,303)	(1,029,303)
Balances, September 30, 2008 (Unaudited)	**67,502,887**	**$ 67,503**	**$ 248,921**	**$**	**$ (4,120,197)**	**$ (3,803,773)**

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

VERDANT TECHNOLOGY CORPORATION and SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOW

(Unaudited)

	For the Nine Months Ended September 30,	
	2008	**2007**
OPERATING ACTIVITIES		
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		
NET CASH USED IN OPERATING ACTIVITIES	(15,363)	(18,352)
INVESTING ACTIVITIES		
Purchase of property and equipment, net		
NET CASH USED IN INVESTING ACTIVITIES		
FINANCING ACTIVITIES		
Shares cancelled		
NET CASH USED IN FINANCING ACTIVITIES		
INCREASE (DECREASE) IN CASH	(15,363)	(18,352)
CASH, BEGINNING OF THE PERIOD	18,491	24,587
CASH, END OF THE PERIOD	$ 3,128	$ 6,235

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 calculated depreciation for principal items of property and equipment are as follow:

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 t he 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 financials 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.

Sounder 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 (Sounder). Sounder 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 Sounder over several phases summarized as follows:

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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.

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Phase Two Commercial Production

o

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

o

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

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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. Toczylkin 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:

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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:

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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;

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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

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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:

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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;

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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

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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

	2008	2009	2010	2011	2011 and Thereafter
Operating leases	$ 24,976	$ 119,604	$ 135,000	$ 180,000	$ 180,000
Royalties					