

# **MCVICAR RESOURCES INC.**

Interim Consolidated Financial Statements

(Expressed in Canadian dollars)

For the Three Months Ended March 31, 2008 and 2007

(Unaudited)

# McVICAR RESOURCES INC.

Consolidated Balance Sheets  
(Expressed in Canadian dollars)  
(Unaudited)

	March 31, 2008 (Unaudited)	December 31, 2007 (Audited)
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 4,582,096	\$ 4,892,181
Short term investment (note 3)	1,495,026	425,906
Restricted cash	2,316,274	1,826,546
Accounts receivable	8,673,400	6,852,242
Inventories	7,333,247	6,650,150
Loans receivable from related parties (note 7)	272,730	265,400
Prepaid expenses and deposits	669,902	702,139
	25,342,675	21,614,564
Investment (note 5)	1,375,042	850,000
Construction in progress	508,688	336,299
Property, plant and equipment	7,181,000	6,538,769
Intangible assets	850,926	907,366
Goodwill	9,470,257	9,470,257
	\$ 44,728,588	\$ 39,717,255
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Notes payable	\$ 4,632,548	3,653,092
Accounts payable and accrued liabilities	7,289,309	7,160,030
Current portion of long-term loans (note 4)	348,555	87,443
Due to related parties (note 7)	630,246	236,078
Income tax payable	65,632	165,800
	\$ 12,966,290	\$ 11,302,443
Long term loans	282,657	73,578
Future income taxes	725,227	705,015
	\$ 13,974,174	\$ 12,081,036
Non-controlling interest	10,657,928	9,644,252
<b>Shareholders' equity:</b>		
Capital stock (note 6a)	18,172,786	17,178,952
Warrants	100,821	140,905
Contributed surplus (note 6b)	582,548	512,294
Retained earning (page 2)	1,112,581	784,806
Accumulated other comprehensive income (loss)(page 4)	127,750	(624,990)
	20,096,486	17,991,967
	\$ 44,728,588	\$ 39,717,255

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

Approved on behalf of the Board  
"D. James Misener"

Director

"Gang Chai"

Director

# McVICAR RESOURCES INC.

## Interim Consolidated Statements of Earnings

For three months ended March 31, 2008 and 2007

(Expressed in Canadian dollars)

	3 months ended March 31, 2008 (Unaudited)	3 months ended March 31, 2007 (Unaudited)
Sales	\$ 9,066,061	\$ 6,162,502
Cost of goods sold	6,621,471	4,234,016
Gross profit	2,444,590	1,928,486
Expenses:		
General and administrative (note 7)	1,181,843	1,015,644
Loss on disposal of fixed assets	7,303	693
Loss (gain) on foreign exchange	67,501	(1,997)
Stock-based compensation	150,438	165,206
Total operating expenses	1,407,085	1,179,546
Operating income	1,037,505	748,940
Other income	27,826	22,996
Share of loss of equity investment	(61,356)	-
Interest expense	(19,604)	(17,018)
Income before income taxes and Non-controlling interest	984,371	754,918
Income taxes-current	62,755	2,271
Income taxes-future	(13,528)	34,673
Total income taxes	49,227	36,944
Non-controlling interest	607,369	395,223
<b>Net earnings for the period</b>	<b>\$ 327,775</b>	<b>\$ 322,751</b>
<b>Retained earnings (deficit), beginning of period</b>	<b>\$ 784,806</b>	<b>\$ (1,458,933)</b>
<b>Retained earnings (deficit), end of period</b>	<b>\$ 1,112,581</b>	<b>\$ (1,136,182)</b>
Earnings per share:		
Basic	\$ 0.01	\$ 0.02
Diluted	\$ 0.01	\$ 0.02
Weighted average number of shares outstanding:		
Basic	26,201,976	19,799,948
Diluted	27,162,553	19,995,281

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

## McVICAR RESOURCES INC.

### Interim Consolidated Statements of Cash Flows

For three months ended March 31, 2008 and 2007

(Expressed in Canadian dollars)

	3 months ended March 31, 2008 (Unaudited)	3 months ended March 31, 2007 (Unaudited)
<b>Operating activities:</b>		
Net income	\$ 327,775	\$ 322,751
Items not affecting cash:		
Amortisation	313,149	159,516
Loss on disposal of fixed assets	7,303	693
Future income taxes	(13,528)	34,673
Non-controlling interest	607,369	395,223
Stock-based compensation	150,438	165,206
Equity investment loss	61,356	-
Change in non-cash operating working capital (note 8)	(1,309,954)	(1,337,921)
Net cash provided by (used in) operating activities	143,908	(259,859)
<b>Financing activities:</b>		
Proceeds from bank loan	-	80,207
Proceeds (repayment) of short term loan	794,876	(571,533)
Deposit in restricted cash	(489,728)	-
Issuance of capital stock for cash	953,750	-
Net cash provided by (used in) financing activities	1,258,898	(491,326)
<b>Investing activities:</b>		
Business acquisitions (net of cash and cash equivalents acquired)	(560,695)	2,249,127
Short term investment	(1,048,735)	-
Loans to related parties	-	35,255
Acquisition of property, plant and equipment	(517,382)	(395,876)
Net cash provided by (used in) investing activities	(2,126,812)	1,888,506
Effect of exchange rate changes on cash and cash equivalents:	413,921	58,599
<b>Net change in cash and cash equivalents</b>	<b>(310,085)</b>	<b>1,195,920</b>
Cash and cash equivalents, beginning of period	4,892,181	1,515,208
<b>Cash and cash equivalents, end of period</b>	<b>\$ 4,582,096</b>	<b>\$ 2,711,128</b>

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

# McVICAR RESOURCES INC.

## Interim Consolidated Statements of Other Comprehensive Income

For three months ended March 31, 2008 and 2007

(Expressed in Canadian dollars)

(Unaudited)

	3 months ended March 31, 2008	3 months ended March 31, 2007
Net income	\$ 327,775	\$ 322,751
Other Comprehensive Income on translation of foreign operations	752,740	27,646
Total Comprehensive Income	\$ 1,080,515	\$ 350,397

# McVICAR RESOURCES INC.

## Notes to Interim Consolidated Financial Statements (Expressed in Canadian dollars, unless otherwise indicated) Three months ended March 31, 2008 and 2007

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McVicar Resources Inc. (the "Company" or "McVicar") was incorporated under the Business Corporations Act (Ontario) on February 19, 2003. Its initial business involved the acquisition and exploration of mineral resources in both Canada and China. In 2007, the Company had transformed itself from a purely exploration oriented entity to a provider of chemical and technical products through its subsidiaries in both Canada and China.

### 1. Basis of presentation

These interim consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") and follow the same accounting policies as set out in Note 2 to the financial statements for the year ended December 31, 2007 except as noted below. These financial statements do not contain all disclosures required by Canadian GAAP and should be read in conjunction with the most recently audited annual financial statements for the year ended December 31, 2007. All amounts in these financial statements are in Canadian dollars unless indicated with a "RMB" to represent the Chinese Renminbi. Interim results are not necessarily indicative of the results expected for the fiscal year. Certain comparative figures have been reclassified to conform to the current period's presentation.

#### (a) Short term investments

Short term investments consist primarily of investment in public companies, in accordance with Section 3855 of the Canadian Institute of Chartered Accountants, short term investments are classified as held for trading. Transactions are recorded on settlement date and investments recognized at fair value. Unrealized gains and losses are recorded in net earnings for held for trading investments.

### 2. Change in accounting policies:

Effective January 1, 2008, the Company adopted new accounting standards issued by CICA Handbook Section 3031 - Inventories, Section 1535, Capital Disclosures, Section 3862, Financial Instruments - Disclosures and Section 3863, Financial Instruments – Presentation.

#### (a) Inventories:

CICA Handbook Section 3031, Inventories, replaces corresponding Section 3030 and establishes new standards for the measurement and disclosure of inventories. This new section requires inventories to be measured at the lower of cost and net realizable value, it also provides guidance on the determination of cost and its subsequent recognition as an expense, costs such as storage costs and administrative overhead that do not contribute to bringing inventories to their present location and condition are specifically excluded from the cost of inventories and expensed in the period incurred. Reversal of previous write-downs to net realizable value when there is a subsequent increase in the value of inventories is now required. The cost of the inventories should be based on a first-in, first-out or a weighted average cost formula.

# McVICAR RESOURCES INC.

**Notes to Interim Consolidated Financial Statements**  
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Three months ended March 31, 2008 and 2007

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## **2. Change in accounting policies (continued):**

The new standard also requires disclosures including the accounting policies used in measuring inventories, the carrying amount of the inventories, amounts recognized as an expense during the period, write-downs and the amount of any reversal of any write-downs recognized as a reduction in expenses. The adoption had no material impact on the consolidated financial statements.

During the three months ended March 31, 2008, the Company recorded an inventory provision of \$56,010 to write down the value of the inventory to estimated net realizable value. The inventory provision is included in cost of goods sold.

### **(b) Capital Disclosures:**

Section 1535 "Capital Disclosures" establishes standards for disclosing information about an entity's capital and how it is managed. The new disclosure has been provided in note 10 of the interim consolidated financial statements.

### **(c) Financial Instruments:**

Section 3862 and Section 3863 replace Section 3861, Financial Instruments - Disclosure and Presentation, placing increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. Section 3862 requires entities to provide disclosures in their financial statements that enable users to evaluate the significance of financial instruments on the entity's financial position and its performance and the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equities, the classification of related interest, dividends, losses and gains, and circumstances in which financial assets and financial liabilities are offset. The new disclosure has been provided in note 11 of the interim consolidated financial statements.

# McVICAR RESOURCES INC.

**Notes to Interim Consolidated Financial Statements**  
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### 3. Short term investments:

The Company has a total of \$1,495,026 (December 31, 2007-\$425,906) short term investment, consisting of \$ 1,025,906 short term investment in Guaranteed Investment Certificate funds with variable interest rate ranging from prime rate minus 1.9%~2.25% and being at maturity within one year.

\$ 439,800 short term investment in shares of publicly traded companies in China held by JITE is managed by a director of the Company. Under the terms of agreement, the director personally guarantees the principal amount of the investment and will be compensated 20% of any net gains in the portfolio. The agreement can be cancelled by either party with three months notice. The market value of this short term investment is \$437,156 (December 31, 2007 – nil)

\$ 29,320 (200,000 RMB) ((December 31, 2007-\$ nil) short term investment in mutual funds in China stock market held by Hongbo was requested to invest it by its local bank. As of March 31, 2008, the subscribed mutual fund was still on proceeding and will not be issued until June 2008, so the cash paid was still kept in investment deposit account.

### 4. Loans:

The loans of \$462,287(3,153,387 RMB) is owed by JITE for its equipment financing that bears an effective interest rate of 10.7% per annum with a blended monthly principal and interest payments of \$14,704 (104,882 RMB), and are secured by equipments of \$474,970 (3,239,900 RMB), of which \$462,287, \$179,630(1,225,307 RMB) will be matured within one year.

The loan of \$ 165,658(1.13 million RMB) (December 31, 2007- \$ nil) is owed by Changlong for its working capital needs. This loan was borrowed from individuals, unsecured, bears interest rate of 9% per annum and will be repaid at maturity at the end of twelve month term on February 9, 2009.

Total interest paid and payable for the period ended March 31, 2008 was \$9,898(March 31, 2007-\$55,826).

### 5. Investment

McVicar holds a 27% equity interest in Sino Lion Nanjing Ltd. (" Sino Lion" ) , based in Nanjing, Jiangsu province, China. In this quarter, the Company has recognized its share of loss of RMB 417,713 (\$ 61,356) under the equity method.

In this quarter, Hongbo reached a purchase agreement to acquire 80% interest in Luyuan Chemical Co. Ltd. ("Luyuan") in Xiangshui city (refer to Note 13 subsequent events for details). Pursuant to the agreement, Hongbo paid cash of 4 million RMB (approximately CDN \$ 0.6 million)



# McVICAR RESOURCES INC.

**Notes to Interim Consolidated Financial Statements**  
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## 6. Share capital:

### (a) Authorized:

The Company's authorized capital stock consists of an unlimited number of common shares.

### Capital stock consists of the following:

Common shares	Number of shares	Amount
Balance, December 31, 2006	16,348,559	7,456,828
Private placement	2,500,000	2,250,000
Less: Share issue costs,		(112,500)
Issuance of shares	6,729,904	7,253,435
Options exercised	410,000	307,500
Warrants exercised	18,000	22,500
Allocation from warrants	-	1,189
Balance, December 31, 2007	26,006,463	17,178,952
Option exercised	260,000	195,000
Warrants exercised	607,000	758,750
Allocation from warrants	-	40,084
Balance, March 31, 2008	26,873,463	\$ 18,172,786

### The Company has issued warrants as follows:

	Number of warrants	Amount
Balance, December 31, 2006	2,340,000	142,094
Exercised	(18,000)	(1,189)
Balance, December 31, 2007	2,322,000	140,905
Option exercised	(607,000)	(40,084)
Expired/ surrendered	(325,000)	-
Balance, March 31, 2008	1,390,000	\$ 100,821

# McVICAR RESOURCES INC.

**Notes to Interim Consolidated Financial Statements**  
 (Expressed in Canadian dollars, unless otherwise indicated)  
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## 6. Share capital (continued):

### (b) Contributed surplus:

Balance, December 31, 2007	\$	512,294
Share of stock-based compensation expense in subsidiary		70,254
<b>Balance, March 31, 2008</b>	<b>\$</b>	<b>582,548</b>

### (c) Stock-based compensation plan:

The Company has established a common share purchase option plan for directors, officers, employees and consultants. Options are granted at a price no lower than the market price of the common shares at the time of the grant less allowable discounts.

A summary of the Company's options granted and exercised is presented below:

	Options Outstanding	Weighted average exercise price
Options outstanding, December 31, 2007	1,085,000	\$ 0.81
Exercised	(260,000)	\$ 0.75
Expired	(150,000)	\$ 0.75
<b>Options outstanding, March 31, 2008</b>	<b>675,000</b>	<b>\$ 0.85</b>

### (d) Warrants:

A summary of the Company's warrants granted and exercised is presented below:

	Warrants	Weighted-Average Exercise price
Warrants outstanding, December 31, 2007	2,322,000	\$ 1.40
Exercised	(607,000)	\$ 1.25
Expired	(328,000)	\$ 1.25
<b>Warrants outstanding, March 31, 2008</b>	<b>1,390,000</b>	<b>\$ 1.40</b>

# McVICAR RESOURCES INC.

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## 6. Share capital (continued):

The following table summarizes information about the warrants outstanding at March 31, 2008:

	Warrants Outstanding and exercisable	Remaining contractual life
\$ 1.50	1,390,000	0.27 years
Warrants outstanding, March 31, 2008	1,390,000	0.27 years

## (e) Earnings per share:

The computations for basic and diluted earnings per share are as follows:

	Three months ended March 31,	
	2008	2007
Numerator:		
Net income (loss) for the year	327,775	322,751
Denominator:		
Weighted average number of common Shares outstanding		
Basic	26,201,976	19,799,948
Effect of stock warrants/options	960,577	195,333
Diluted	27,162,553	19,995,281

# McVICAR RESOURCES INC.

**Notes to Interim Consolidated Financial Statements**  
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## 7. Related parties transactions:

In addition to the matter disclosed in Note 3, the Company has related parties' transactions as follows:

Included in Prepaid expenses and deposits is \$18,424 (March 31, 2007 – \$18,424) in cash advances to two consultants who is part of management and a director of the Company for travel and accommodation expenses for trips to China.

Included in General and administrative expenses are management fees of \$40,500 (March 31, 2007 -\$24,000) paid to an individual who is an officer and director of the Company. Included in General and administrative expenses are directors fees of \$2,800 (March 31, 2007 - \$1,500).

Included in General and administrative is a salary of \$ Nil (March 31, 2007 - \$6,351) paid to an employee who was also a director of the Company.

The transactions with related parties are measured at the exchange amounts agreed with each party.

\$622,294 (4.2 million RMB) was advanced to Hongbo by individuals related to a key management official and director of the Company and its subsidiaries. The loan bears interest at 6% per annum, unsecured and repayable on demand. Total interest paid and payable for the period ended March 31, 2008 was \$ 7,604 (March 31, 2007 – nil).

\$265,400 (RMB 2 million) was the loan to an individual who is a key management official and director of the Company. The loan is unsecured, bears interest at 5% per annum and will be repaid at maturity at the end of the 6 month term on April 30, 2008. Total interest received and receivable for the period ended March 31, 2007 was \$7,330(March 31, 2007 – nil).

## 8. Supplementary cash flow information:

Change in non-cash items from operations

	Three months ended March 31,	
	2008	2007
Increase in accounts receivable	\$ (999,368)	\$ (1,216,057)
Increase (decrease) in prepaid expenses, deposits and other receivables	44,678	(131,346)
Increase (decrease) in inventories	(190,136)	407,218
Increase in accounts payable and accrued liabilities	(165,128)	(397,736)
	<u>\$ (1,309,954)</u>	<u>\$ (1,337,921)</u>

# McVICAR RESOURCES INC.

**Notes to Interim Consolidated Financial Statements**  
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## 9. Commitment:

### Leases:

The Company leases its premises. Annual lease payments under its operating leases in future fiscal years are as follows:

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	McVicar	JITE	Total
2008	\$ 64,067	\$ 594,813	\$ 658,880
2009	85,422	618,420	703,842
2010	64,067	538,024	602,091
2011	-	538,024	538,024
2012 and after	-	2,690,122	2,690,122
	<u>\$ 213,556</u>	<u>\$ 4,979,403</u>	<u>\$ 5,192,959</u>

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## 10. Capital management

McVicar manages its capital based on the acquisition and investment opportunities in the course of its business to make sure that the Company could grow steadily in a fast growing economy in China and maximize long-term shareholder value. The Board of Directors does not establish quantitative return on capital criteria for management; but rather promotes year over year sustainable profitable growth.

Over the past two years, the Company has been transformed to a provider of chemical and technical products through its focused acquisitions, and the capital for these acquisitions was primarily from proceeds in previous equity financing.

The Company's primary sources of capital were funds generated from issuance of common shares, cash from operations, local bank credit facility and individual loans.

There were no changes in the Company's approach to capital management during the period. Neither the Company nor any of its subsidiaries is subject to externally imposed capital requirements.

# McVICAR RESOURCES INC.

**Notes to Interim Consolidated Financial Statements**  
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## 11. Financial instruments

### (a) Fair value

Fair values of financial instruments are management's estimates and are generally calculated using market conditions at a specific point in time and may not reflect future fair values. As these calculations are subjective in nature, involving uncertainties and matters of significant judgment, changes in assumptions can significantly affect calculated fair value.

The carrying values of cash and cash equivalents, short term investment, loans receivable from related parties, accounts receivable, short-term loans, accounts payable and accrued liabilities, notes payable and due to related party, approximate their fair values due to the relatively short periods to maturity of these financial instruments and normal trade credit terms.

The carrying value of long-term loans approximate its fair value due to the fact that there have been minimal changes in prevailing interest rates and the long-term risk profile of the Company has not significantly changed.

### b) Market risk and foreign currency risk

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

The Company and its subsidiaries are exposed to foreign exchange rate risk, as the Company's business is carried out in US dollars ("USD"), Hong Kong dollars ("HKD") and Chinese Renminbi ("RMB") and the Company and its subsidiaries maintain USD, HKD and RMB denominated bank accounts but uses CDN as its reporting currency. Unfavourable changes in the applicable exchange rate between USD, HKD, RMB and CDN may result in a material effect on the foreign exchange gain or loss and the accumulated other comprehensive loss recorded as a part of in shareholder's equity. The Company and its subsidiaries do not use derivative instruments to reduce its exposure to foreign currency risk. JITE's, Changlong's and Hongbo's operating assets, primary sources of income and cash flows are from interest in the PRC.

The Company's activities that result in exposure to fluctuations in foreign currency exchange rates consist of the sale of products to customers invoiced in foreign currencies and the purchase of services, raw materials and property and equipment from suppliers invoiced in foreign currencies. During the three-month period ended March 31, 2008, approximately 85% [2007 -78%] of sales and approximately 82% [2007 – 83%] of expenses were incurred in foreign currencies.

# McVICAR RESOURCES INC.

**Notes to Interim Consolidated Financial Statements**  
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## 11. Financial instruments (continued)

### c) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's accounts receivable. The Company's exposure to credit risk is limited, due to the large number of customers. The carrying amount of financial assets represents the maximum credit exposure.

The Company has adopted a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment terms and conditions are offered. The Company's exposure to credit risk with its customers is influenced mainly by the individual characteristics of each customer. Substantially all of the Company's customers are located in China and the United States and represent various industries. When available, the Company reviews credit bureau ratings, bank accounts and financial information for each new customer. Customers that fail to meet the Company's established credit policy are required to submit an appropriate security deposit.

The Company establishes an allowance for doubtful accounts that represents its estimate of incurred losses in respect of trade receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and an overall loss component established based on historical trends and other information. As at March 31, 2008 and December 31, 2007, the Company had an allowance for JITE's doubtful accounts of \$212,845 and \$199,653, respectively.

### d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash and credit facilities to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company manages its liquidity risk by continuously monitoring forecast of cash flows for a period of twelve months to identify financing requirements. These requirements are then addressed through a combination of issuance of common share issuance, debt financing and revolving credit facilities

As at March 31, 2008 and December 31, 2007, the Company had the cash outflows related to financial liabilities were \$14 million and \$12 million, respectively. All of the Company's financial liabilities, except for term loan facility and future income taxes, have contracted maturities of less than one year.

# McVICAR RESOURCES INC.

**Notes to Interim Consolidated Financial Statements**  
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## 11. Financial instruments (continued)

### e) Commodity price risk

The Company's subsidiaries use various commodity raw materials in the manufacture of their products. Commodity prices are subject to volatile price changes resulting from a variety of factors including international economic trends, global and regional demand, interest rates, and global and regional consumption patterns. Accordingly, the Company's subsidiaries are exposed to market risk from fluctuating market prices of certain raw materials. In addition, the Company's subsidiaries are also exposed to market price risk on other inputs such as electricity and natural gas. The Company and its subsidiaries do not use derivative instruments to reduce its exposure to commodity price risk.

## 12. Segmented information (continued):

### (a) Segmented information:

For the year ended March 31, 2008 (in thousand of dollars):

	Chemical products	Technical products	Mineral exploration	Corporate	Total
Revenue	\$ 4,828	\$4,238	\$ -	\$ -	\$ 9,066
Gross profit:	1,558	886	-	-	2,444
Operating expenses	(304)	(923)	-	(180)	(1,407)
Operating profit (loss)	1,254	(37)	-	(180)	1,037
Other income	-	-	-	-	28
Share of loss of equity investment	-	-	-	-	(61)
Interest income	-	-	-	-	(20)
Income tax expenses	-	-	-	-	(49)
Non-controlling interest	-	-	-	-	(607)
Net income:	-	-	-	-	328
Tangible assets	16,014	16,832	-	1,562	34,408
Intangible assets	468	383	-	-	851
Goodwill	4,692	4,778	-	-	9,470
<b>Total assets:</b>	<b>\$ 21,174</b>	<b>\$ 21,993</b>	<b>\$ -</b>	<b>\$ 1,562</b>	<b>\$44,729</b>



# McVICAR RESOURCES INC.

**Notes to Interim Consolidated Financial Statements**  
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## 12. Segmented information (continued):

For the year ended March 31, 2007 (in thousand of dollars):

	Chemical products	Technical products	Mineral exploration	Corporate	Total
Revenue	\$1,563	\$4,599	\$ -	\$ -	\$ 6,162
Gross profit:	564	1,365	-	-	1,929
Operating expenses	(66)	(1,006)	(108)	-	(1,180)
Operating profit (loss)	498	359	(108)	-	749
Other income	-	-	-	-	23
Share of loss of equity investment	-	-	-	-	-
Interest income	-	-	-	-	(17)
Income tax expenses	-	-	-	-	(37)
Non-controlling interest	-	-	-	-	(395)
Net income:	-	-	-	-	323
<b>Total assets:</b>	<b>\$6,499</b>	<b>\$11,782</b>	<b>\$8,263</b>	<b>\$ -</b>	<b>\$ 26,544</b>

### (b) Sales by geographic area consisted of the following:

For the year ended March 31, 2008 (in thousand of dollars):

	Canada	U.S.	China & Hong Kong	Other	Total
Revenues:	\$ 629	\$782	\$ 7,373	\$282	\$ 9,066
Total assets:	\$7,800	\$ -	\$36,929	\$ -	\$44,729
Property, plant and equipment:	\$ 37	\$ -	\$7,144	\$ -	\$ 7,181

For the year ended March 31, 2007 (in thousand of dollars):

	Canada	U.S.	China & Hong Kong	Other	Total
Revenues:	\$1,080	\$849	\$4,051	\$182	\$6,162
Total assets:	\$11,341	\$ -	\$15,203	\$ -	\$26,544
Property, plant and equipment:	\$ 43	\$ -	\$ 4,838	\$ -	\$ 4,881

# McVICAR RESOURCES INC.

**Notes to Interim Consolidated Financial Statements**  
(Expressed in Canadian dollars, unless otherwise indicated)  
Three months ended March 31, 2008 and 2007

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## 13. Subsequent events:

- (a) JITE was a defendant in a lawsuit, filed by its former CEO. In the claim the employee was claiming a wrongful dismissal and seeking damage in the amount of \$275,000 plus interest.

JITE proposed a settlement in the amount of \$40,000, based on the advice of its legal counsel. Consequently, \$40,000 was charged in previous year's operations. Subsequent to the quarter end, a final settlement was reached at \$70,000 plus \$\$1,750 in legal expenses. The remaining difference was charged to the current quarter's operations.

- (b) On April 21, 2008, Zhejiang Hongbo Chemical Co. Ltd. ("Hongbo"), a subsidiary of McVicar, completed an acquisition of an 80% interest in Luyuan Chemical Co. Ltd. ("Luyuan") in Xiangshui city with the formal approval of the purchase agreement by the Chinese government. Pursuant to the agreement, Hongbo paid cash of 4 million RMB (approximately CDN \$ 0.6 million) for the equity interest. Hongbo will also fund approximately 5 million RMB (approximately CDN \$0.75million) to upgrade facilities and working capital.

Luyuan is a manufacturer and supplier of specialized chemical products for industrial markets. One of Luyuan's main products is a key raw material in the intermediate chemicals that Hongbo manufactures. The acquisition of Luyuan is intended to secure the supply lines required for a major customer and will enable Hongbo ensure the quantity and quality of its raw materials. Luyuan also provides intermediate chemicals for the textile industry with annual capacity of up to RMB 100 million (approximately CDN \$15 million)

- (c) On May 28, 2008, McVicar announced that it has repriced the offering originally announced on April 25, 2008. The Company will be proceeding with an offering of, by way of private placement, 2,142,857 units of the Company at a price of \$1.40 per unit, for gross proceeds of up to \$3,000,000. Each unit will consist of one common share and one-half of one common share purchase warrant. Each whole warrant will be exercisable into one common share for a period of two years from closing at an exercise price of \$1.85 per share. The net proceeds from the offering will be used to fund the acquisition and upgrade of the newly purchased Luyuan Chemical Co. Ltd. and for general working capital purposes.

The Company will pay the Agent a cash commission equal to 6% of the aggregate gross proceeds of the offering and issue to the Agent non-transferable broker warrants to acquire that number of shares that is equal to 6% of the aggregate number of units purchased through the offering, each such broker warrant will be exercisable into one share at the issue price at any time prior to the date that is 24 months from the closing of the offering.

The units will be issued pursuant to applicable prospectus and registration and will be subject to a four-month hold period. The offering is expected to close shortly and is subject to the approval of the TSX Venture Exchange.