MCVICAR INDUSTRIES INC.

Interim Consolidated Financial Statements

(Expressed in Canadian dollars)

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

(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4 subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

McVICAR INDUSTRIES INC.

Consolidated Balance Sheets

(Expressed in Canadian dollars)

(Unaudited)

	September 30, 2008 (Unaudited)	December 31, 2007 (Audited)
Assets		
Current assets:		
Cash and cash equivalents	$ 5,553,656	$ 4,892,181
Short term investments *(note 4)*	3,741,263	425,906
Restricted cash	2,319,696	1,826,546
Accounts receivable	8,201,271	6,852,242
Inventories	8,236,511	6,650,150
Loans receivable from related parties *(note 9)*	280,887	265,400
Prepaid expenses and deposits	879,755	702,139
Asset held for sale (note6)	879,665	-
	30,092,703	21,614,564
Investment *(note 6)*	-	850,000
Construction in progress	409,487	336,299
Property, plant and equipment	8,837,561	6,538,769
Intangible assets (note 7b)	1,057,765	907,366
Goodwill (note 7b)	10,807,771	9,470,257
	$ 51,205,287	$ 39,717,255
Liabilities and Shareholders' Equity		
Current liabilities:		
Loans payable (note 5)	$ 544,602	$ 87,443
Notes payable	4,639,391	3,653,092
Accounts payable and accrued liabilities	6,081,428	7,160,030
Due to related parties (note 9)	685,049	236,078
Income tax payable	156,650	165,800
	$ 12,107,120	$ 11,302,443
Long term loans (note 5 (a))	209,323	73,578
Future income taxes	696,495	705,015
	$ 13,012,938	$ 12,081,036
Non-controlling interest	8,959,090	9,644,252
Shareholders' equity:		
Capital stock *(note 8a)*	25,436,727	17,178,952
Warrants (note 8a)	241,982	140,905
Contributed surplus *(note 8b)*	660,979	512,294
Retained earning (page 2)	2,199,280	784,806
Accumulated other comprehensive income (loss)(page 4)	694,291	(624,990)
	29,233,259	17,991,967
	$ 51,205,287	$ 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 INDUSTRIES INC.

Interim Consolidated Statements of Earnings

For three and nine months ended September 30,2008 and 2007

(Expressed in Canadian dollars)

(Unaudited)

	3 months ended September 30,2008	3 months ended September 30,2007	9 months ended September 30,2008	9 months ended September 30,2007
Sales	$ 9,538,670	$ 7,995,205	$ 28,879,551	$ 20,436,678
Cost of goods sold	7,379,069	5,960,502	21,515,405	14,649,901
Gross profit	2,159,601	2,034,703	7,364,146	5,786,777
Expenses:				
General and administrative(note 9)	1,331,925	1,314,891	4,281,022	3,504,994
Loss on disposal of fixed assets	443	2,766	9,027	3,837
Loss on foreign exchange	32,739	28,694	124,064	126,433
Total operating expenses	1,365,107	1,346,351	4,414,113	3,635,264
Operating income	794,494	688,352	2,950,033	2,151,513
Other income	-	2,856	28,265	34,166
Gain on disposal of equity investment (subsidiary) (note6)	145,730	-	145,730	2,357,045
Share of loss of equity investment (note6)	-	-	(115,862)	-
Interest income (expense)	(14,300)	13,523	(70,517)	(51,023)
Income before income taxes and Non-controlling interest	925,924	704,731	2,937,649	4,491,701
Income taxes-current	53,836	-	295,123	-
Income taxes-future	(23,800)	9,203	(66,256)	69,576
Total income taxes	30,036	9,203	228,867	69,576
Non-controlling interest	121,918	444,898	1,294,308	1,248,747
Net earnings for the period	**$ 773,970**	**$ 250,630**	**$ 1,414,474**	**$ 3,173,378**
Retained earnings (deficit), beginning of period	**$ 1,425,310**	**$ 1,463,815**	**$ 784,806**	**$ (1,458,933)**
Retained earnings, end of period	**$ 2,199,280**	**$ 1,714,445**	**$ 2,199,280**	**$ 1,714,445**
Earnings per share:				
Basic	$ 0.02	$ 0.01	$ 0.05	$ 0.14
Diluted	$ 0.02	$ 0.01	$ 0.05	$ 0.14
Weighted average number of shares outstanding:				
Basic	32,889,553	23,830,624	29,163,632	22,247,570
Diluted	32,889,553	25,396,183	29,163,632	22,967,165

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

McVICAR INDUSTRIES INC.

Interim Consolidated Statements of Cash Flows

For three and nine months ended September 30,2008 and 2007

(Expressed in Canadian dollars)

(Unaudited)

	3 months ended September 30,2008	3 months ended September 30,2007	9 months ended September 30,2008	9 months ended September 30,2007
Operating activities:				
Net income	$ 773,970	$ 250,630	$ 1,414,474	$ 3,173,378
Items not affecting cash:				
Amortisation	292,685	146,851	946,982	923,865
Loss on disposal of fixed assets	443	2,766	33,973	3,837
Future income taxes	(23,800)	9,203	(66,256)	67,305
Non-controlling interest	121,918	444,899	1,294,308	1,248,748
Stock-based compensation	63,731	233,650	318,385	-
Gain on disposal of equity investment (subsidiary) (note6)	(145,730)	-	(145,730)	(2,357,045)
Share of loss of equity investment (note 6)	-	-	116,065	-
Loss on foreign exchange	29,527	-	29,527	-
Change in non-cash operating working capital (note 10)	556,925	(541,397)	(2,640,948)	(2,682,935)
Net cash provided by (used in) operating activities	1,669,669	546,602	1,300,780	377,153
Financing activities:				
Proceeds (repayment) from loans	(241,418)	(94,329)	735,673	(1,290,753)
Reduction (deposit) in restricted cash	(204,754)	-	(493,149)	-
Proceeds from subsidiary share issuance (note7a)	76,048	-	76,048	-
Issuance of capital stock for cash	-	-	3,888,539	11,326,232
Dividend paid	-	(83,903)	-	(83,903)
Net cash provided by (used in) financing activities	(370,124)	(178,232)	4,207,111	9,951,576
Investing activities:				
Business acquisitions (net of cash and cash equivalents acquired) (note 7a)	-	(775,000)	(487,395)	(1,044,073)
Short term investment (note 4)	750,000	-	(3,530,859)	-
Loans to related parties	-	-	-	35,255
Purchase of property, plant and equipment	(639,248)	(296,025)	(1,548,009)	(1,293,543)
Net cash provided by (used in) investing activities	110,752	(1,071,025)	(5,566,263)	(2,302,361)
Effect of exchange rate changes on cash and cash equivalents:	295,147	(280,547)	719,846	(425,788)
Net change in cash and cash equivalents	**1,705,445**	**(983,202)**	**661,475**	**7,600,580**
Cash and cash equivalents, bedinning of period	3,848,211	10,098,990	4,892,181	1,515,208
Cash and cash equivalents, end of period	**$ 5,553,656**	**$ 9,115,788**	**$ 5,553,656**	**$ 9,115,788**

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

McVICAR INDUSTRIES INC.

Interim Consolidated Statements of Other Comprehensive Income

For three and nine months ended September 30,2008 and 2007

(Expressed in Canadian dollars)

(Unaudited)

	3 months ended September 30,2008	3 months ended September 30,2007	9 months ended September 30,2008	9 months ended September 30,2007
Net income	$ 773,970	$ 250,630	$ 1,414,474	$ 3,173,378
Other Comprehensive Income (loss)				
unrealized income (loss) on translating financial statements of self-sustaining subsidiaries	494,605	(332,214)	1,319,281	(649,703)
Total Comprehensive Income	$ 1,268,575	$ (81,584)	$ 2,733,755	$ 2,523,675

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

Nature of business

McVicar Industries Inc. (the "Company” or “McVicar”), formerly McVicar Resources Inc. 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.

McVicar holds a 90.5% interest in McVicar (Hong Kong) Advanced Materials Co. Ltd. (“MAM”), which in turn holds a 100% interest in Zhejiang Hongbo chemical Co. Ltd. (“Hongbo”) and a 100% interest in Hangzhou Changlong Chemical Co. Ltd. (“Changlong”), and Hongbo holds a 80% interest in Luyuan Chemical Co. Ltd. ("Luyuan"). McVicar also holds a 46.7% interest in a Canadian publicly listed company, JITE Technologies Inc. (“JITE”).

During the quarter, the Company filed Articles of Amendment to change its name to McVicar Industries Inc. but without any change to its trading symbol. This new name is more reflective of McVicar's current business in the industrial markets after business transition in 2007.

During the quarter, the Company registered its China operational office, McVicar (Hang Zhou) Management Co. Ltd., ("McVicar (HZ)"), which was wholly owned by MAM, and divested its 27% equity interest in Sino Lion Nanjing Ltd.（” Sino Lion”）, a chemical company located in Nanjing, China. The Company’s ownership interest in MAM was also increased to 90.5% from 51% in this quarter.

During the quarter, JITE consolidated its outstanding common shares at a ratio of 1 consolidated share for 5 pre-consolidated shares, and McVicar’s holding interest in JITE remains unchanged after its share consolidations.

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.

1. Basis of presentation (continued)

(a) Short term investments

Short term investments consist primarily of investment in public companies, in accordance with Section 3855 of the Canadian Institute of Charted 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.

(b) Assets held for sale

Assets classified as held for sale, in accordance with Section 3475 of the Canadian Institute of Charted Accountants, are those that their carrying amount will be recovered through a sale transaction rather than through continuing use, and expected to be sold within a twelve month period and there is no longer intent to hold for future use. Assets held for sale are valued at the lower of cost and fair value less cost of disposal

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.

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.

For the three months and nine months ended September 30, 2008, the Company recorded an inventory provision of $275,874 and 380,193 respectively, to write down the value of the inventory to estimated net realizable value. The inventory provision is included in cost of goods sold.

2. Change in accounting policies (continued):

(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 13 of the interim consolidated financial statements.

3. New accounting pronouncements

(a) Goodwill and intangible assets

In February 2008, the CICA issued Section 3064 “Goodwill and intangible assets”, replacing Section 3062 “Goodwill and other intangible assets” and Section 3450 “Research and development costs”. Various changes have been made to other sections of the CICA Handbook for consistency purposes. The new Section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the new standards for its fiscal year beginning January 1, 2009. The section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. The Company is currently evaluating the impact of the adoption of this new Section on its consolidated financial statements.

2. Change in accounting policies (continued):

(b) International Financial Reporting Standards ("IFRS")

The accounting framework under which financial statements are prepared in Canada for all publicly accountable enterprises is scheduled to change to IFRS by January 1, 2011. Generally accepted accounting principles ("GAAP") in Canada will cease to apply and will be replaced by IFRS. Commencing in fiscal 2010, the Company will need to prepare accounts in accordance with Canadian GAAP and IFRS in order to have comparative financial statements on full implementation of IFRS in 2011. The Company is evaluating accounting policy differences between Canadian GAAP and IFRS based on management's current understanding of these standards. Management is currently assessing the impact of the transition to IFRS on its consolidated financial statements.

4. Short term investments:

The Company has two types of short term investments with a total value of $3,741,263 (December 31, 2007-$425,906).

(a) $ 3,275,906 was invested 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.

(b) $465,357 was invested in shares of publicly traded companies in China held by JITE. The principal amount of the investment was guaranteed by a company which was controlled by a director of the Company, and JITE will compensate 20% of any net gains in the portfolio when realized. As at September 30, 2008, the market value based on quoted prices for the short term investment is $465,357 (December 31, 2007 – nil), and the unrealized loss of $273,139, the difference between its carrying value and its market value, was recognized in Accumulated Other Comprehensive Loss account for the quarter ended September 30,2008.

There is no agreed time period within which the related company has to pay any shortfall of the principal amount invested, therefore the amount of the guarantee is subject to measurement uncertainty and will be recorded when received.

5. Loans payable:

The Company has various sources of loans owed by Chinese subsidiaries.

(a) A loans of $388,167(December 31, 2007-2,507,539 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 $178,844(1,155,325 RMB) will be matured within one year. The long term portion of the loan is repayable as follows: 2009 - $46,089, 2010 - $163,234.

5. Loans payable (continued):

(b) A loan of $ 186,765(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 was repaid on October 30, 2008. (See Note 15 subsequent events).

(c) A bank loan of $178,993 (1,156,276 RMB) (December 31, 2007- $ nil) is owed by Hongbo for it working capital needs. This loan was secured by account receivables at a discount rate of 80% to their face value, bears interest rate of 9.19% per annum and will be repaid at maturity at the end of three month term on November 11, 2008. (See Note 15 subsequent events).

Total interest payable for all the loans payable for the period ended September 30, 2008 was $18,238 (September 30, 2007 – $4,274).

6. Asset held for sale

As of the quarter ended September 30, 2008, the Company’s 27% equity investment qualified as held for sale and discontinued operations and was reclassified to asset held for sale on current assets and measured at lower of carrying value and fair value less costs to sell.

On September 26, 2008, the Company reached an agreement with Ascend Technologies Ltd. on the sale of our 27% equity interest in Sino Lion Nanjing Ltd.（” Sino Lion”）, based in Nanjing, Jiangsu province, China. The transaction is valued at USD$ 850,000 in cash consideration. As a result of this divestiture, we recorded a net gain of $145,730. Subject to satisfaction of the closing conditions, we expect the transaction to close by the end of the year of 2008 or early 2009.

7. Acquisition

Acquisitions of businesses were accounted for using the purchase method. This involves allocating the purchase price paid for a business to the fair value of assets acquired, including identifiable intangible assets and the liabilities assumed, based on their fair values at the date of acquisition. Any excess is then recorded as goodwill.

(a) Luyuan Chemical Co., Ltd.

On April 21, 2008, Zhejiang Hongbo Chemical Co. Ltd. ("Hongbo"), a subsidiary of McVicar, completed 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 $0.75 million) to upgrade facilities and working capital. On September 19, 2008, Luyuan registered capital was increased by cash consideration of 2.5 million RMB (approximately CDN $380,000), of which 2.0 million RMB (approximately CDN $300,000) was subscribed by Hongbo, as a result, Hongbo’s total holding interest in Luyuan was still 80%.

(Expressed in Canadian dollars, unless otherwise indicated)

7. Acquisition (continued)

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 would secure the supply lines required for a major customer of Hongbo.

The following table summarizes the fair value of the assets acquired and liabilities assumed at the date of acquisition mentioned above. The purchase price allocation is preliminary and based on the Company’s best estimates.

Fair value of assets acquired:		
Current assets		646,601
Property, plant and equipment		551,883
	$	1,198,484
Less fair value of liabilities assumed and non-controlling interest:		
Current liabilities		538,186
Non-controlling interest		146,600
Fair value of net assets acquired excluding cash position at acquisition		513,698
Cash position at acquisition		73,300
Fair value of net assets acquired	$	586,998
Total purchase consideration:		
Cash payments	$	586,998

(b) McVicar (Hong Kong) Advanced Materials Co. Ltd., ("MAM")

During this quarter, the Company increased its ownership interest in McVicar (Hong Kong) Advanced Materials Co. Ltd., ("MAM"), from 51% to 90.5% by way of purchase of shares held by Shining Palace Holding Co. Limited ("Shining Palace"), a British Virgin Islands company. The acquisition was accounted for using the purchase method with operating results being included in the consolidated financial statements from the date of acquisition.

The total consideration was satisfied by the issue of 5,239,800 units of the Company at an agreed issue price of $1.40 per unit, each unit consisted of one common share of McVicar and one-half of one common share purchase warrant. The fair value of share issued was $4.5 million, goodwill increased by $1.3 million, intangible assets increased by $0.4 million and minority interest decreased by $2.8 million.

(Expressed in Canadian dollars, unless otherwise indicated)

7. Acquisition (continued)

(c) McVicar (Hang Zhou) Management Co. Ltd., ("McVicar (HZ)")

During this quarter, the Company has chosen Hangzhou to set up its China operational office, McVicar (Hang Zhou) Management Co. Ltd., ("McVicar (HZ)"), with a view to centralize the Company's chemical subsidiaries' R&D resources and sales. "McVicar (HZ)" was registered as a foreign wholly owned subsidiary of McVicar (Hong Kong) Advanced Materials Co. Ltd.,, with a total registered capital of USD$2 million (approximately CDN $ 2.4million). Pursuant to Chinese law, 15% of registered capital or USD$ 0.3 million (approximately CDN $ 0.36 million) are required to be deposited within three months, with the remaining balance to be invested within two years from the date of registration.

8. 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
Private placement (i)	2,314,057	3,119,172
Less: Share issue costs,		(304,892)
Private placement (ii)	5,239,800	$4,485,576
Less: Share issue costs,		(35,915)
Option exercised	260,000	195,000
Warrants exercised	607,000	758,750
Allocation from warrants	-	40,084
Balance, September 30, 2008	34,427,320	$ 25,436,727

(Expressed in Canadian dollars, unless otherwise indicated)

8**. Share capital (continued):**

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
Private placement (i)	1,288,014	120,508
Private placement (ii)	2,619,900	20,653
Option exercised	(607,000)	(40,084)
Expired/ surrendered	(1,715,000)	-
Balance, September 30, 2008	3,907,914	$ 241,982

(i) May 30, 2008, the Company completed a private placement of 2,183,073 common shares for gross proceeds of $3,056,302 at a price of $ 1.40 per unit. Each unit consisted 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. These shares are subject to a holding period of 4 months from the date of closing. 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.

In compensation, the Company issued to the Agent a commission of 130,984 units (units valued as above) and 130,984 non-transferable compensation warrants, each non-transferable compensation warrant entitling it to purchase one common share at an exercise at a price of $1.40 per share until May 30, 2010.

The warrants from this private placement have been valued at $120,508 and are reflected in Capital Stock under warrants. The values for the warrants was determined using the Black Scholes model with the following assumptions; dividend yield 0%, risk-free rate of interest 2.97%, expected volatility of 28.5% and expected life of 24 months.

(ii) On July 28, 2008, the Company closed the acquisition of an additional 39.5% equity interest in McVicar (Hong Kong) Advanced Materials Co. Ltd., ("MAM"), which is held by Shining Palace Holding Co. Limited ("Shining Palace"), a British Virgin Islands company. Pursuant to the agreement, the total consideration was satisfied by the issue of 5,239,800 units of the Company at an agreed issue price of $1.40 per unit. Each unit consisted of one common share of McVicar and one-half of one common share purchase warrant, each whole warrant will entitle the holder to acquire one additional McVicar share at $ 1.85 per share for a period of 24 months from the date of closing. These shares are subject to a four-month hold period from the date of closing.

(Expressed in Canadian dollars, unless otherwise indicated)

8**. Share capital (continued):**

The fair value of the shares issued was $0.86 per share based on the average closing share price of McVicar common shares for the 20-day period ending two days prior to the closing date. The warrants from this share exchange have been valued at $20,653 and reflected in Capital Stock under warrants. The value for the warrants was determined using the Black Scholes model with the following assumptions: dividend yield 0%, risk-free rate of interest 3.1%, expected volatility of 29% and expected life of 24 months.

(b) Contributed surplus:

Balance, December 31, 2007	$	512,294
Share of stock-based compensation expense in subsidiary		148,685
Balance, September 30, 2008	$	660,979

(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
Options outstanding, September 30, 2008	675,000	$ 0.85

(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	(1,715,000)	$ 1.38
Issued	3,907,914	$1.85
Warrants outstanding, September 30, 2008	3,907,914	$ 1.78

(Expressed in Canadian dollars, unless otherwise indicated)

8. Share capital (continued):

The following table summarizes information about the warrants outstanding at September 30, 2008:

	Warrants Outstanding and exercisable	Remaining contractual life
$ 1.85	1,157,030	1.67 years
$ 1.85	2,619,900	1.83 years
$ 1.40	130,984	1.67 years
Warrants outstanding, September 30, 2008	3,907,914	1.79 years

9. Related parties transactions:

In addition to the matter disclosed in Note 4(b), the Company has related parties' transactions as follows:

Included in Prepaid expenses and deposits is $18,424 (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 $121,500 (2007 - $72,000) paid to an individual who is an officer and director of the Company. Included in General and administrative expenses are directors fees of $7,300 (2007 - $2,750).

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

$685,049 (4.2 million RMB) was loans 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 payable for the period ended September 30, 2008 was $ 9,200 (September 30, 2007 – nil).

$280,887 (2 million RMB) was the loan to a key management of the Company's subsidiary. The loan is unsecured, has a fixed interest rate of 5% per annum with initial six months of maturity on April 30, 2008, and was extended with the same terms by another six months of maturity on October 30, 2008 (see Note 15 Subsequent events). Total interest receivable for the period ended September 30, 2008 was $3,802 (Sept 30, 2007 – nil).

(Expressed in Canadian dollars, unless otherwise indicated)

10. Supplementary cash flow information:

Change in non-cash items from operations

	Three months ended September 30, 2008	2007
Decrease (increase) in accounts receivable	$ 2,057,193	$ (915,491)
Increase in prepaid expenses, deposits and other receivables	(243,324)	(404)
Decrease (increase) in inventories	(624,867)	52,799
Increase (decrease) in accounts payable and accrued liabilities	(632,077)	321,699
	$ 556,925	$ (541,397)

	Nine months ended September 30, 2008	2007
Decrease (increase) in accounts receivable	$ 303,556	$ (2,530,922)
Increase in prepaid expenses, deposits and other receivables	(238,341)	(675,185)
Decrease (increase) in inventories	(692,002)	(737,469)
Increase (decrease) in accounts payable and accrued liabilities	(2,014,161)	1,260,641
	$ (2,640,948)	$ (2,682,935)

11. Commitment:

Leases:

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

	McVicar	**JITE**	**Total**
2008	$ 21,356	$ 166,217	$ 187,573
2009	85,422	695,962	781,384
2010	64,067	615,567	679,634
2011	-	615,567	615,567
2012 and after	-	3,077,833	3,077,833
	$ 170,845	$ 5,171,146	$ 5,341,991

12. 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.

13. 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.

13. Financial instruments (continued)

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. For the three months period ended September 30, 2008, approximately 100% [2007 -100%] of sales and approximately 83% [2007 – 34%] of expenses were incurred in foreign currencies.

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 September 30, 2008 and December 31, 2007, the Company had an allowance for doubtful accounts of $346,259 and $199,653, respectively.

As at September 30, 2008, the Company's two largest customer accounts receivable balances represents 20 %(December 31, 2007-13%).

13. Financial instruments (continued)

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 l 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 September 30, 2008, the Company was holding cash and cash equivalents of $5.6 million, receivables of $9.4 million, and financial liabilities of $12 million. All of the Company's financial liabilities, except for term loan facility and future income taxes, have contracted maturities of less than one year.

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.

f) Interest rate risk

The Company’s maximum exposure to interest rate risk primarily relates to the interest rates for our outstanding debt and the interest income generated by excess cash invested in short term investments with original maturities of one year or less. The Company does not use derivative instruments to reduce its exposure to interest rate risk.

McVICAR INDUSTIRES INC.

Notes to Interim Consolidated Financial Statements
(Expressed in Canadian dollars, unless otherwise indicated)
Three and nine months ended September 30, 2008 and 2007

14. Segmented information (continued):

(a) Segmented information:

For three months ended September 30, 2008 (in thousand of dollars):

	Chemical products	Technical products	Mineral exploration	Corporate	Total
Revenue	$ 5,200	$4,339	$ -	$ -	$ 9,539
Gross profit:	1,338	822	-	-	2,160
Operating expenses	(479)	(782)	-	(105)	(1,365)
Operating profit (loss)	859	40	-	(105)	794
Other income	-	-	-	-	-
Gain on disposal of equity investment (subsidiary)	-	-	-	-	146
Interest expense	-	-	-	-	(14)
Income tax expenses	-	-	-	-	(30)
Non-controlling interest	-	-	-	-	(122)
Net income:	-	-	-	-	774
Tangible assets	19,887	15,712	-	3,741	39,340
Intangible assets	733	325	-	-	1,058
Goodwill	6,029	4,779	-	-	10,808
Total assets:	$ 26,648	$ 20,815	$ -	$ 3,741	$51,205

For three months ended September 30, 2007 (in thousand of dollars):

	Chemical products	Technical products	Mineral exploration	Corporate	Total
Revenue	$2,940	$5,055	$ -	$ -	$ 7,995
Gross profit:	747	1,287	-	-	2,034
Operating expenses	(108)	(1,051)	-	(187)	(1,346)
Operating profit (loss)	639	236	-	(187)	688
Other income	-	-	-	-	3
Gain on disposal of equity investment (subsidiary)	-	-	-	-	-
Interest expense	-	-	-	-	(14)
Income tax expenses	-	-	-	-	(9)
Non-controlling interest	-	-	-	-	445
Net income:	-	-	-	-	251
Total assets:	$8,689	$15,824	$12,404	$ -	$ 36,917

14. Segmented information (continued):

For nine months ended September 30, 2008 (in thousand of dollars):

	Chemical products	Technical products	Mineral exploration	Corporate	Total
Revenue	$ 15,658	$13,222	$ -	$ -	$ 28,880
Gross profit:	4,685	2,679	-	-	7,364
Operating expenses	(1,322)	(2,654)	-	(438)	(4,414)
Operating profit (loss)	3,363	25	-	(438)	2,950
Other income	-	-	-	-	28
Share of loss of equity investment	-	-	-	-	(116)
Gain on disposal of equity investment (subsidiary)	-	-	-	-	
146					
Interest expense	-	-	-	-	(70)
Income tax expenses	-	-	-	-	(229)
Non-controlling interest	-	-	-	-	(1,294)
Net income:	-	-	-	-	1,414
Total assets:	$ 26,648	$ 20,815	$ -	$ 3,741	$51,205

For nine months ended September 30, 2007 (in thousand of dollars):

	Chemical products	Technical products	Mineral exploration	Corporate	Total
Revenue	$5,916	$14,521	$ -	$ -	$ 20,437
Gross profit:	1,815	3,972	-	-	5,787
Operating expenses	(220)	(2,913)	-	(502)	(3,635)
Operating profit (loss)	1,595	1,059	-	(502)	2,152
Other income	-	-	-	-	34
Share of loss of equity investment	-	-	-	-	-
Gain on dilution of investment (subsidiary)	-	-	-	-	2,357
Interest expense	-	-	-	-	(51)
Income tax expenses	-	-	-	-	(70)
Non-controlling interest	-	-	-	-	1,249
Net income:	-	-	-	-	3,173
Total assets:	$8,689	$15,824	$12,404	$ -	$ 36,917

McVICAR INDUSTIRES INC.

Notes to Interim Consolidated Financial Statements
(Expressed in Canadian dollars, unless otherwise indicated)
Three and nine months ended September 30, 2008 and 2007

14. Segmented information (continued):

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

For the three months ended September 30, 2008 (in thousand of dollars):

	Canada	U.S.	China& Hong Kong	Other	Total
Revenues:	$735	$688	$ 7,956	$160	$ 9,539
Total assets:	$9,441	$ -	$41,764	$ -	$51,205
Property, plant and equipment:	$ 36	$ -	$8,802	$ -	$ 8,838

For the three months ended September 30, 2007 (in thousand of dollars):

	Canada	U.S.	China& Hong Kong	Other	Total
Revenues:	$1,191	$1,097	$5,484	$223	$7,995
Total assets:	$19,827	$ -	$17,090	$ -	$36,917
Property, plant and equipment:	$ 47	$ -	$ 4,856	$ -	$4,903

`For the nine months ended September 30, 2008 (in thousand of dollars):

	Canada	U.S.	China& Hong Kong	Other	Total
Revenues:	$ 1,970	$ 2,108	$24,246	$ 556	$28,880
Total assets:	$9,441	$ -	$41,764	$ -	$51,205
Property, plant and equipment:	$ 36	$ -	$8,802	$ -	$ 8,838

For the nine months ended September 30, 2007 (in thousand of dollars):

	Canada	U.S.	China& Hong Kong	Other	Total
Revenues:	3,251	$3,210	$13,247	$728	$20,436
Total assets:	$19,827	$ -	$17,909	$ -	$36,917
Property, plant and equipment:	$ 47	$ -	$ 4,856	$ -	$ 4,903

15. Subsequent events:

(a) Subsequent to the quarter end, the General Manager of Hangzhou Changlong Chemical Co. Ltd. ("Changlong"), a McVicar China subsidiary, has been suspended due to an accident in the Changlong plant. This accident directly caused one employee being seriously injured and later died in hospital. The boards of Changlong have appointed one of its directors to be in charge of the daily operations. Production has also been stopped pending the results of local government investigations.

This accident appeared to be the result of the deceased employee failing to follow proper working procedures during the course of the pre-preparation of resumption of production after a Chinese National holiday. Changlong reached a settlement in the amount of 750,000 RMB (approximately CDN $120,000) with the members of the deceased's family. This expenditure will be recorded in the fourth quarter of 2008. There will be no additional or future death compensation costs to be paid after this settlement.

Accident prevention measures have been taken by Changlong with a view to enhancement of production safety, reduction and avoidance of any similar production accidents.

(b) Subsequent to the quarter end, the Company has agreed to further extend the $280,887(2 million RMB) loan (see Note 9) for one year; the loan was initially advanced to a key management of the Company's subsidiary on October 31, 2007. Pursuant to the extended agreement, the loan will be maturing on October 31, 2009 with annual interest rate of 6%. 0.5 million RMB of the principal of the loan is to be paid before March 31, 2009. As of November 26, 2008 the accrued interest of 100,000 RMB for that loan has been fully paid.

16. Comparative figures:

Certain 2007 comparative figures have been reclassified, where necessary, to reflect the presentation of financial statements adopted for 2008.