

**MINAEAN INTERNATIONAL CORP.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE SIX MONTHS ENDED  
SEPTEMBER 30, 2008 AND 2007**

# MINAEAN INTERNATIONAL CORP.

## NOTICE OF NO AUDITOR REVIEW OF INTERIM CONSOLIDATED 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 consolidated financial statements, they must be accompanied by a notice indicating that the interim consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company.

The Company's independent auditors have not performed a review of these consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim consolidated financial statements by an entity's auditors.

October 28, 2008

# **MINAEAN INTERNATIONAL CORP.**

## **CONSOLIDATED BALANCE SHEETS**

AS AT SEPTEMBER 30, 2008 AND MARCH 31, 2008

(UNAUDITED – PREPARED BY MANAGEMENT)

	September 30, 2008	March 31, 2008
	(unaudited)	(audited)
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 1,290,233	\$ 1,361,848
Receivables	1,337,740	385,636
Holdback receivable	176,553	177,119
Inventories	443,287	494,212
Prepaid expenses and deposits	<u>297,387</u>	<u>325,850</u>
	3,545,200	2,744,665
<b>Property, plant and equipment</b>	<u>489,592</u>	<u>482,901</u>
	<u>\$ 4,034,792</u>	<u>\$ 3,227,566</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Bank indebtedness (Note 2)	\$ 952,070	\$ 1,129,211
Accounts payable and accrued liabilities	1,162,081	820,410
Deferred Revenue	104,510	384,412
Due to related parties	44,639	112,152
Convertible debentures (Note 4)	718,815	704,553
Current portion of loan payable	–	8,891
Promissory note payable	<u>102,327</u>	<u>135,014</u>
	3,084,442	3,294,643
<b>Loan payable (Note 3)</b>	<u>–</u>	<u>14,819</u>
	<u>3,084,442</u>	<u>3,309,462</u>
<b>Shareholders' equity</b>		
Capital stock (Note 5)	6,609,846	5,772,161
Contributed surplus (Note 5)	749,862	574,938
Equity component of convertible securities (Note 4)	200,000	200,000
Deficit	<u>(6,609,358)</u>	<u>(6,628,995)</u>
	<u>950,350</u>	<u>(81,896)</u>
	<u>\$ 4,034,792</u>	<u>\$ 3,227,566</u>

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

## MINAEAN INTERNATIONAL CORP.

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT  
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2008 AND 2007  
(UNAUDITED – PREPARED BY MANAGEMENT)

	Three months ended September 30,		Six months ended September 30,	
	2008	2007	2008	2007
<b>SALES</b>	\$ 1,598,180	\$ 1,777,230	\$ 2,950,390	\$ 2,569,953
<b>COST OF SALES</b>	<u>1,268,210</u>	<u>1,210,530</u>	<u>2,171,805</u>	<u>1,650,471</u>
	<u>329,970</u>	<u>566,700</u>	<u>778,585</u>	<u>919,482</u>
<b>EXPENSES</b>				
Accretion of convertible debentures	14,262	–	14,262	–
Advertising	21,589	4,034	25,616	6,487
Amortization	18,749	13,381	36,829	26,810
Bad debt (recovery)	(72,756)	–	(72,756)	–
Consulting fees	44,847	97,380	86,262	155,322
Interest and bank charges	20,803	38,143	55,424	58,855
Interest on convertible debentures	45,713	–	70,328	–
Interest on promissory notes	3,016	3,008	6,000	6,000
Management fees	15,000	15,000	30,000	30,000
Office and administration	159,185	78,384	187,799	186,169
Professional fees	10,130	18,641	26,898	31,833
Regulatory and transfer agent fees	3,798	4,484	5,905	8,220
Rent	48,595	61,529	108,674	111,632
Stock-based compensation	153,856	1,891	153,856	5,587
Travel and promotion	53,987	31,667	77,534	58,074
Wages and benefits	<u>188,412</u>	<u>137,312</u>	<u>361,973</u>	<u>286,202</u>
	<u>(729,186)</u>	<u>(504,854)</u>	<u>(1,174,604)</u>	<u>(971,191)</u>
<b>Loss before other items</b>	<u>(399,216)</u>	<u>61,846</u>	<u>(396,019)</u>	<u>(51,709)</u>
<b>OTHER ITEMS</b>				
Forgiveness of debt	–	–	–	2,412
Interest and other income	<u>316,996</u>	<u>96,844</u>	<u>415,656</u>	<u>119,030</u>
	<u>316,996</u>	<u>96,844</u>	<u>415,656</u>	<u>121,442</u>
<b>Income (loss) for the period</b>	<u>(82,220)</u>	<u>158,690</u>	<u>19,637</u>	<u>69,733</u>
<b>Deficit, beginning of period</b>	<u>(6,527,138)</u>	<u>(5,526,143)</u>	<u>(6,628,995)</u>	<u>(5,437,186)</u>
<b>Deficit, end of period</b>	<u>\$ (6,609,358)</u>	<u>\$ (5,367,453)</u>	<u>\$ (6,609,358)</u>	<u>\$ (5,367,453)</u>
<b>Basic and diluted earnings (loss) per share</b>	<u>\$ (0.00)</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>
<b>Weighted average number of shares outstanding</b>				
Basic	37,138,025	33,038,480	36,415,199	33,038,480
Diluted	37,138,025	33,038,480	37,006,551	33,038,480

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

# MINAEAN INTERNATIONAL CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2008 AND 2007  
(UNAUDITED – PREPARED BY MANAGEMENT)

	Three months ended		Six months ended	
	September 30,		September 30,	
	2008	2007	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income (loss) for the period	\$ (82,217)	\$ 158,690	\$ 19,637	\$ 69,733
Items not affecting cash:				
Accretion on convertible debentures	14,262	–	14,262	–
Amortization	18,748	13,381	36,828	26,810
Stock-based compensation	153,856	1,891	153,856	5,587
Interest accrued on promissory notes and convertible debentures	18,827	3,008	18,827	6,000
Bad debt recovery	(72,756)	–	(72,756)	–
Changes in non-cash working capital items:				
Receivables	(246,565)	(437,549)	(879,348)	(580,609)
Holdback receivable	(51,271)	124,709	566	97,075
Inventories	(140,730)	291,903	50,925	258,800
Prepaid expenses and deposits	(52,326)	32,466	28,463	36,835
Deferred revenue	(86,193)	–	(279,902)	(13,220)
Accounts payable, accrued liabilities	202,477	(309,931)	290,157	(272,191)
Net cash used in operating activities	<u>(323,888)</u>	<u>(121,432)</u>	<u>(618,485)</u>	<u>(365,180)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisition of property, plant and equipment	<u>(13,612)</u>	<u>(220,663)</u>	<u>(43,520)</u>	<u>(242,530)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Due to related parties	(28,761)	32,709	(67,513)	(88,621)
Bank indebtedness	73,448	213,177	(177,141)	457,689
Repayments on long-term debt	–	(14,150)	(23,710)	(16,240)
Share issuance costs	–	–	(122,596)	–
Proceeds on share issuance	<u>–</u>	<u>–</u>	<u>981,350</u>	<u>–</u>
Net cash provided by financing activities	<u>44,687</u>	<u>231,736</u>	<u>590,390</u>	<u>352,828</u>
Change in cash during the period	(292,813)	(110,359)	(71,615)	(254,882)
Cash, beginning of period	<u>1,583,046</u>	<u>907,102</u>	<u>1,361,848</u>	<u>1,051,625</u>
Cash, end of period	<u>\$ 1,290,233</u>	<u>\$ 796,743</u>	<u>\$ 1,290,233</u>	<u>\$ 796,743</u>
Cash paid during the period for interest	\$ 87,915	\$ –	\$ 87,915	\$ –
Cash paid during the period for income taxes	\$ –	\$ –	\$ –	\$ –

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

# **MINAEAN INTERNATIONAL CORP.**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

(UNAUDITED – PREPARED BY MANAGEMENT)

## **1. BASIS OF PRESENTATION**

These interim consolidated financial statements have been prepared using Canadian generally accepted accounting principles (Canadian GAAP). The interim financial statements include normal recurring adjustments, which in management's opinion, are necessary for a fair presentation of the financial results of the interim period presented.

The disclosures in these statements do not conform in all aspects to the requirements of Canadian GAAP for annual financial statements. These statements follow the same accounting policies and methods of their application as the most recent annual financial statements. These statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's audited financial statements for the year ended March 31, 2008.

## **2. BANK INDEBTEDNESS**

	September 30, 2008	March 31, 2008
US Bank line of credit of US \$500,000 bearing interest at 6.62% per annum, guaranteed by Export Development Canada, expiring April 19, 2009.	\$ 431,379	\$ 82,232
State Bank of India line of credit of \$1,500,000 bearing interest at 12.75% per annum, guaranteed by Export Development Canada, expiring November 30, 2008.	<u>520,691</u>	<u>1,046,979</u>
	<u>\$ 952,070</u>	<u>\$ 1,129,211</u>

## **3. LOANS PAYABLE**

	September 30, 2008	March 31, 2008
HDFC Bank Ltd. loan repayable in monthly installments of \$560 (INR 22,415) including interest at 12.5% per annum, maturing July 11, 2009 and secured by a vehicle.	\$ –	\$ 10,069
Sundaram Finance loan repayable in monthly installments of \$388 (INR 15,530), including interest, maturing November 22, 2011 and secured by a vehicle.	<u>–</u>	<u>13,641</u>
	–	23,710
Less: current portion	<u>–</u>	<u>(8,891)</u>
	<u>\$ –</u>	<u>\$ 14,819</u>

# MINAEAN INTERNATIONAL CORP.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

(UNAUDITED – PREPARED BY MANAGEMENT)

### 4. CONVERTIBLE DEBENTURES

	September 30, 2008	March 31, 2008
Convertible debentures with a face value of \$900,000, unsecured, bearing interest at 11% per annum, paid semi-annually, maturing January 31, 2013. The debentures are convertible into common shares at the option of the lender at \$0.45 per share to January 31, 2011, then at \$0.60 per share to January 31, 2012, then at \$0.75 per share to January 31, 2013, and finally at \$0.90 per share thereafter. On issuance, the Company has allocated \$700,000 of the face value of the debentures to the liability component and \$200,000 to the equity component. The fair value of the liability component was estimated by discounting the future payments of interest and principal and will be accreted to the \$900,000 face value using the estimated effective interest rate of 18%. The residual carrying value of \$200,000 attributed to the equity component of the debentures was classified as equity component of convertible debentures. Interest and accretion relating to the convertible debentures totalled \$84,590 for the six months ended September 30, 2008 (fiscal 2008 - \$20,783). The Company issued 160,000 common shares valued at \$51,200 as finders' fees on the financing recorded in the statement of operations for fiscal 2008.	\$ 718,815	\$ 704,553
As at September 30, 2008, \$16,500 (March 31, 2008 - \$16,230) was accrued as interest payable.		

### 5. CAPITAL STOCK AND CONTRIBUTED SURPLUS

	Capital Stock		Contributed Surplus
	Number of Shares	Amount	
Authorized			
Unlimited common shares without par value			
As at March 31, 2008	33,569,480	\$ 5,772,161	\$ 574,938
Private placements	3,568,545	981,350	–
Share issuance costs	–	(143,665)	21,068
Stock-based compensation	–	–	153,856
As at September 30, 2008	37,138,025	\$ 6,609,846	\$ 749,862

Included in capital stock as at September 30, 2008 are 1,506,478 (March 31, 2008 – 2,259,717) common shares held in escrow subject to a periodic schedule of release.

#### Share issuances

The Company issued 3,568,545 units (each a “Unit”) at a price of \$0.275 per Unit, of which 3,327,636 Units were sold on a brokered basis by First Canadian Capital Markets Ltd. (“First Canadian”), for gross proceeds of \$981,350. Each Unit consists of one common share and three-quarters of one share purchase warrant of the Company. Each whole share purchase warrant will entitle the holder to purchase one common share at a price of \$0.45 for a period of two years from the closing date.

# MINAEAN INTERNATIONAL CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

(UNAUDITED – PREPARED BY MANAGEMENT)

## 5. CAPITAL STOCK AND CONTRIBUTED SURPLUS (continued)

### Share issuances (continued)

In connection with the private placement, the Company paid total cash finder's fees of \$73,601 and finder's warrants entitling First Canadian to purchase up to 266,210 Units at an exercise price of \$0.275, valued at \$21,068, for a period of two years from the closing date. The Company also paid \$48,996 in share issuance costs.

### Stock options and warrants

The Company has a stock option plan under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option equals the market price of the Company's stock, less applicable discount, as calculated on the date of grant. The options can be granted for a maximum term of 5 years and vest at the discretion of the Board of Directors.

Stock option and share purchase warrant transactions are summarized as follows:

	Warrants		Stock Options	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, March 31, 2008	1,844,035	\$ 0.40	3,015,000	\$ 0.27
Granted	2,942,618	0.43	1,250,000	0.18
Expired/cancelled	—	—	(677,500)	0.25
Outstanding, September 30, 2008	4,786,653	\$ 0.42	3,587,500	\$ 0.21
Number currently exercisable	4,786,653	\$ 0.42	3,337,500	\$ 0.20

As at September 30, 2008, incentive stock options and share purchase warrants were outstanding as follows:

	Number of Shares	Exercise Price	Expiry Date
<b>Options</b>	140,000	\$0.300	January 16, 2009
	285,000	\$0.250 <sup>(1)</sup>	January 16, 2009
	150,000	\$0.250	July 19, 2009
	867,500	\$0.250	July 4, 2011
	895,000	\$0.160 <sup>(2)</sup>	March 6, 2012
	250,000	\$0.275	July 30, 2010
	1,000,000	\$0.160	September 24, 2013
<b>Warrants</b>	1,227,168	\$0.400	October 27, 2008
	349,700	\$0.400	November 21, 2008
	166,667	\$0.400	December 13, 2008
	100,500	\$0.450	January 30, 2010
	2,676,408	\$0.450	May 9, 2010
	266,210	\$0.275	May 9, 2010

(1) During fiscal 2007, the Company repriced these options from \$0.35 to \$0.25.

(2) During the period ended September 30, 2008, the Company repriced these options from \$0.31 to \$0.16.

# **MINAEAN INTERNATIONAL CORP.**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

(UNAUDITED – PREPARED BY MANAGEMENT)

## **5. CAPITAL STOCK AND CONTRIBUTED SURPLUS (continued)**

### **Stock options and warrants**

During the six months ended September 30, 2008, the Company granted an aggregate of 1,000,000 stock options to directors, officers, employees, and consultants, exercisable for a period of five years, at a price of \$0.16 per share. Also, during the six months ended September 30, 2008, the Company's previously granted stock options to a number of employees, officers, directors and consultants to acquire 895,000 common shares at a price of \$0.31 per share, exercisable on or before March 6, 2012, have been re-priced to \$0.16 per share.

### **Stock-based compensation**

During the six months ended September 30, 2008, the Company recognized \$21,069 in stock-based compensation as a result of 266,210 Finder's Warrants for the private placement completed on May 9, 2008, which is included in share issuance cost.

During the six months ended September 30, 2008, \$153,856 (2007 - \$5,587) in stock based compensation was recognized in the statement of operations.

The following weighted average assumptions were used for the valuation of stock options and share purchase warrants:

September 30,	2008	2007
Risk-free interest rate	3.12%	3.9%
Expected life of options	5 years	2 years
Annualized volatility	63%	75%
Dividend rate	0.00%	0.00%
Weighted average fair value of options	\$0.08	\$0.12

## **6. RELATED PARTY TRANSACTIONS**

During the six months ended September 30, 2008, the Company entered into the following transactions with related parties:

- a) Paid \$30,000 (2007 – \$30,000) for management fees and \$6,000 (2007 – \$6,000) for administrative services to a company controlled by directors of the Company.
- b) Paid or accrued \$12,857 (2007 – \$8,302) for rent to a company controlled by the spouse of a director of the Company.
- c) Paid or accrued \$Nil (2007 - \$1,500) for consulting fees to a director.

These transactions were in the normal course of operations and were measured at the exchange amount of consideration established and agreed to by the related parties.

Amounts due to related parties are unsecured and have no specified interest rate or terms of repayment.

# **MINAEAN INTERNATIONAL CORP.**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

(UNAUDITED – PREPARED BY MANAGEMENT)

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## **7. SEGMENTED INFORMATION**

The Company operates in one industry segment, being the development and production of building framing systems, and in the geographic areas as follows:

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September 30,	2008	2007
Sales for the period		
India	\$ 1,991,861	\$ 506,164
U.S.A.	<u>958,529</u>	<u>2,063,789</u>
	<u>\$ 2,950,390</u>	<u>\$ 2,569,953</u>

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	September 30, 2008	March 31, 2008
Capital assets		
Canada	\$ 5,841	\$ 5,901
U.S.A.	3,912	5,804
India	<u>479,839</u>	<u>471,196</u>
	<u>\$ 489,592</u>	<u>\$ 482,901</u>

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## **8. SIGNIFICANT CUSTOMERS**

During fiscal 2008, one customer individually comprised 52% (2007 - 63%) of total sales.