MICROCHANNEL TECHNOLOGIES CORP
Form 10-Q
April 12, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)

x QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For quarterly period ended February 28, 2011

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 333-146404

MICROCHANNEL TECHNOLOGIES CORPORATION
(Exact name of registrant as specified in its charter)

Nevada (State or other jurisdiction of incorporation or organization)	98-0539775 (I.R.S. Employer Identification No.)

9192 Red Branch Road, Suite 110
Columbia, Maryland
(Address of principal executive offices)

21045
(Zip Code)

(888) 522-6422
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

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

Large accelerated filer	o	Accelerated filer	o
Non-accelerated filer (Do not check if a smaller reporting company)	o	Smaller reporting company	x

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 53,864,600 shares of common stock, par value $0.0001, were outstanding on April 7, 2011.

MICROCHANNEL TECHNOLOGIES CORPORATION
FORM 10-Q

For the Quarterly Period Ended February 28, 2011

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

MICROCHANNEL TECHNOLOGIES CORPORATION
(A Development Stage Company)

BALANCE SHEETS
FEBRUARY 28, 2011 AND AUGUST 31, 2010
(Expressed in U.S. Dollars)
(Unaudited)

	February 28, 2011	August 31, 2010
ASSETS		
Current assets		
Cash and cash equivalents	$ 134,652	$ 168,464
Prepaid expenses	1,567	-
Total current assets	136,219	168,464
Total assets	$ 136,219	$ 168,464
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 2,620	$ 1,766
Total current liabilities	2,620	1,766
Stockholders' equity		
Common stock: $0.0001 par value; 300,000,000 shares authorized, 53,864,600 issued and outstanding at February 28, 2011 and August 31, 2010	5,386	5,386
Additional paid-in capital	556,711	556,711
Deficit accumulated during the development stage	(428,498)	(395,399)
Total stockholders' equity	133,599	166,698
Total liabilities and stockholders' equity	$ 136,219	$ 168,464

(The accompanying notes are an integral part of these financial statements)

MICROCHANNEL TECHNOLOGIES CORPORATION
(A Development Stage Company)

STATEMENTS OF OPERATIONS
FOR THE THREE AND SIX MONTHS ENDED FEBRUARY 28, 2011 AND 2010
AND FOR THE PERIOD FROM INCEPTION (FEBRUARY 28, 2005) TO FEBRUARY 28, 2011
(Expressed in U.S. Dollars)
(Unaudited)

	Three Months Ended February 28,		Six Months Ended February 28,		Cumulative February 28, 2005 (inception) to
	2011	2010	2011	2010	February 28, 2011
Revenue	$-	$-	$-	$-	$ -
Operating expenses					
Option fee	-	-	-	-	2,000
Research and development	-	-	-	-	175,839
Director and officer fees	2,250	6,750	4,500	13,500	75,700
Professional fees	7,578	11,179	27,186	27,675	157,376
Other operating expenses	1,325	-	1,413	500	26,523
Total operating expenses	11,153	17,929	33,099	41,675	437,438
Loss from operations	(11,153)	(17,929)	(33,099)	(41,675)	(437,438)
Other income					
Interest income	-	-	-	-	8,940
Total other income	-	-	-	-	8,940
Net loss	$(11,153)	$(17,929)	$(33,099)	$(41,675)	$ (428,498)
Net loss per common share: basic	$(0.00)	$(0.00)	$(0.00)	$(0.00)	
Weighted average number of common shares outstanding: basic	53,864,600	53,864,600	53,864,600	53,864,600	

(The accompanying notes are an integral part of these financial statements)

MICROCHANNEL TECHNOLOGIES CORPORATION
(A Development Stage Company)

STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
FROM INCEPTION (FEBRUARY 28, 2005) TO FEBRUARY 28, 2011
(Expressed in U.S. Dollars)
(Unaudited)

	Common Stock Shares	Common Stock Amount	Additional paid-in capital	Deficit accumulated during the development stage	Total stockholders' equity (deficit)
Common stock issued at $0.0001 per share	53,864,600	$ 5,386	$ (5,286)	$ -	$ 100
Net loss for the period ended August 31, 2005	-	-	-	(52,898)	(52,898)
Balance, August 31, 2005	53,864,600	5,386	(5,286)	(52,898)	(52,798)
Net loss for the year ended August 31, 2006	-	-	-	(82,739)	(82,739)
Balance, August 31, 2006	53,864,600	5,386	(5,286)	(135,637)	(135,537)
Conversion of debt to equity on August 31, 2007	-	-	561,997	-	561,997
Net loss for the year ended August 31, 2007	-	-	-	(27,405)	(27,405)
Balance, August 31, 2007	53,864,600	5,386	556,711	(163,042)	399,055
Net loss for the year ended August 31, 2008	-	-	-	(84,635)	(84,635)
Balance, August 31, 2008	53,864,600	5,386	556,711	(247,677)	314,420
Net loss for the year ended August 31, 2009	-	-	-	(77,593)	(77,593)
Balance, August 31, 2009	53,864,600	5,386	556,711	(325,270)	236,827
Net loss for the year ended August 31, 2010	-	-	-	(70,129)	(70,129)
Balance, August 31, 2010	53,864,600	5,386	556,711	(395,399)	166,698
	-	-	-	(33,099)	(33,099)

Net loss for the six months ended February 28, 2011										
Balance, February 28, 2011	53,864,600	$	5,386	$	556,711	$	(428,498	)	$	133,599

(The accompanying notes are an integral part of these financial statements)

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MICROCHANNEL TECHNOLOGIES CORPORATION
(A Development Stage Company)

STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED FEBRUARY 28, 2011 AND 2010
AND FOR THE PERIOD FROM INCEPTION (FEBRUARY 28, 2005) TO FEBRUARY 28, 2011
(Expressed in U.S. Dollars)
(Unaudited)

	Six Months Ended February 28, 2011	Six Months Ended February 28, 2010	Cumulative February 28, 2005 (inception) to February 28, 2011
Cash flows from operating activities			
Net loss	$(33,099)	$(41,675)	$ (428,498)
Adjustments to reconcile net loss to net cash used in operating activities:			
Changes in operating assets and liabilities:			
Increase in accounts payable	854	4,087	2,620
Increase in prepaid expenses	(1,567)	-	(1,567)
Net cash used in operating activities	(33,812)	(37,588)	(427,445)
Cash flows from financing activities			
Increase in payable - related party	-	-	561,997
Proceeds from the issuance of common stock	-	-	100
Net cash provided by financing activities	-	-	562,097
Increase (decrease) in cash and cash equivalents	(33,812)	(37,588)	134,652
Cash and cash equivalents at beginning of period	168,464	241,845	-
Cash and cash equivalents at end of period	$134,652	$204,257	$ 134,652
Supplemental disclosure of cash flow information:			
Interest paid in cash	$-	$-	$ -
Income taxes paid in cash	-	-	-
Supplemental disclosure of non-cash transaction:			
Conversion of debt to equity	$-	$-	$ 561,997

(The accompanying notes are an integral part of these financial statements)

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MICROCHANNEL TECHNOLOGIES CORPORATION
(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS
February 28, 2011
(Expressed in U.S. Dollars)
(Unaudited)

Note 1. Organization and Description of Business

MicroChannel Technologies Corporation ("the Company") was formed as a wholly-owned subsidiary of New Energy Technologies, Inc. (formerly, Octillion Corp.). New Energy Technologies, Inc. ("New Energy") spun off the Company's issued and outstanding shares to New Energy's shareholders on December 18, 2007, the date on which a registration statement was declared effective by the United States Securities and Exchange Commission ("SEC"). The Company was incorporated under the name MultiChannel Technologies Corporation on February 28, 2005 in the State of Nevada, and changed to its existing name on April 4, 2005.

On October 2, 2007, the Company executed a forward split of its issued and outstanding shares of common stock on the basis of 53.8646 for 1, resulting in 53,864,600 common shares to be issued and outstanding. The effects of the stock split have been retroactively applied to all periods presented.

On April 29, 2005, an Option Agreement (the "ISURF Agreement") was executed between Iowa State University Research Foundation Inc., ("ISURF") and the Company, pursuant to which the Company acquired an option to obtain a license to certain nerve regeneration technologies being developed by ISURF. On September 30, 2008, the ISURF Agreement expired, thereby concluding the Company's research and development of technologies and products for peripheral and optic nerve damage and nerve regeneration. Upon conclusion of the ISURF Agreement, researchers were unable to identify suitable, commercially-available cells for use in this technology. The Company did not renew the ISURF Agreement or the Sponsored Project Agreement related to the ISURF Nerve Regeneration Technology. The Company is currently undertaking efforts to identify new commercial opportunities.

Note 2. Going Concern Uncertainties

The Company is a development stage company, has not generated any revenues, has an accumulated deficit of $428,498 as of February 28, 2011, and does not have positive cash flows from operating activities. The accompanying financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America, which contemplates continuation of the Company as a going concern, which is dependent upon the Company's ability to establish itself as a profitable business.

Due to the start-up nature of the Company's business, the Company expects to incur additional losses as it continues to identify and develop new technologies. To date, the Company's cash flow requirements have been met by $400,000 received from New Energy, its former parent company. Management recognizes that in order to meet the Company's capital requirements, and continue to operate, additional financing will be necessary. The Company expects to raise additional funds through private or public equity investments in order to expand the range and scope of its business operations. The Company will seek access to private or public equity but there is no assurance that such additional funds will be available for the Company to finance its operations on acceptable terms, if at all. Furthermore, there is no assurance that the net proceeds received from any successful financing arrangement will be sufficient to cover cash requirements during the initial stages of the Company's operations. If the Company is unable to raise additional capital or generate positive cash flow, it is unlikely that the Company will be able to continue as a going concern.

In view of these conditions, the ability of the Company to continue as a going concern is in substantial doubt and dependent upon achieving a profitable level of operations and on the ability of the Company to obtain necessary financing to fund ongoing operations. These financial statements do not give effect to any adjustments which will be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

Note 3. Presentation of Interim Information

The accompanying unaudited interim financial statements have been prepared in accordance with accounting principles accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (of a normal recurring nature) considered necessary for a fair presentation of the financial statements have been included. Operating results for the three and six months ended February 28, 2011 are not necessarily indicative of the results that may be expected for the year ended August 31, 2011 or any other interim period. For further information, refer to the financial statements and notes thereto included in the Company's 2010 Annual Report on Form 10-K for the year ended August 31, 2010 filed with the Securities and Exchange Commission.

Note 4. Summary of Significant Accounting Policies

Estimates

The preparation of the Company's financial statements requires management to make estimates and use assumptions that affect the reported amounts of assets, liabilities, and expenses. These estimates and assumptions are affected by management's application of accounting policies. On an on-going basis, the Company evaluates its estimates. Actual results and outcomes may differ materially from these estimates and assumptions.

Research and Development

Research and development costs represent costs incurred to develop the Company's technology, including salaries and benefits for research and development personnel, allocated overhead and facility occupancy costs, supplies, equipment purchase and repair and other costs. Research and development costs are expensed when incurred, except for nonrefundable advance payments for future research and development activities which are capitalized and recognized as expense as the related services are performed.

The Company did not incur any research and development expense during the three and six month periods ended February 28, 2011 and 2010. Research and development expense from the period of inception (February 28, 2005) to February 28, 2011 was $175,839, comprised entirely of payments made pursuant to the ISURF Research Agreement. See "Note 6. Option Interest in Nerve Regeneration Technologies."

Recently Issued and Adopted Accounting Pronouncements

The Company reviews new accounting standards as issued. Although some of these accounting standards issued or effective after the end of the Company's previous fiscal year may be applicable to the Company, it has not identified any standards that it believes merit further discussion. The Company believes that none of the new standards will have a significant impact on its financial statements.

Note 5. Net Loss Per Share

Basic net loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The Company does not have any stock options or warrants outstanding that would be anti-dilutive.

For purposes of earnings per share computations, shares of common stock that are issuable at the end of a reporting period are included as outstanding.

Following is the computation of basic net loss per share for the three and six months ended February 28, 2011 and 2010:

	Three Months Ended February 28, 2011	Three Months Ended February 28, 2010	Six Months Ended February 28, 2011	Six Months Ended February 28, 2010
Numerator - net loss	$ (11,153)	$ (17,929)	$ (33,099)	$ (41,675)
Denominator - weighted average number of common shares outstanding - basic	53,864,600	53,864,600	53,864,600	53,864,600
Basic net loss per common share	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)

Note 6. Option Interest in Nerve Regeneration Technologies

On April 29, 2005, an Option Agreement (the “ISURF Agreement”) was executed between Iowa State University Research Foundation Inc., (“ISURF”) and the Company, pursuant to which the Company acquired an option to obtain a license to certain nerve regeneration technologies being developed by ISURF. On October 13, 2005, the ISURF Agreement was amended to modify the payment due dates. On November 12, 2007, the ISURF Agreement was amended to extend the ISURF Agreement to September 30, 2008 and increase the total amount due pursuant to the ISURF Agreement by $50,000 (the “Amended ISURF Agreement”). On September 30, 2008, the Amended ISURF Agreement expired, thereby concluding the Company’s research and development of technologies and products for peripheral and optic nerve damage and nerve regeneration. Upon conclusion of the Amended ISURF Agreement, researchers were unable to identify suitable, commercially-available cells for use in this technology. The Company did not renew the Amended ISURF Agreement or the Sponsored Project Agreement related to the ISURF Nerve Regeneration Technology.

The consideration payable pursuant to the Amended ISURF Agreement is summarized as follows:

- Payment of $2,000 in option fees upon execution of the ISURF Agreement;

- Payment of $155,839 to support the research project entitled “Conduits with Micropatterned Film for Peripheral Nerve Regeneration” of which $50,000 was due within 90 days of execution of the ISURF Agreement, and four subsequent equal payments of $26,460 each due quarterly, beginning on January 31, 2006. An additional $50,000 was payable in five equal installments of $10,000 each due every two months upon the execution of the Amended ISURF Agreement on November 12, 2007. As of February 28, 2011, the Company has paid $155,839 pursuant to the original ISURF Agreement and $20,000 pursuant to the Amended ISURF Agreement.

- Contingent upon satisfactory progress and success of the above project, provide an additional $73,166 for the project entitled “Conduits with Micropatterned Films for Optic Nerve Regeneration”. The Company did not initiate the second research project.

Due to the inability of the researchers to identify suitable, commercially-available cells for use in the peripheral and optic nerve damage and nerve regeneration technologies it was determined that the Company was not obligated to make the remaining $30,000 in payments pursuant to the terms of the Amended ISURF Agreement. During the period from inception (February 28, 2005) to February 28, 2011, the Company recorded research and development expense of $175,839 pursuant to the Amended ISURF Agreement.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

This Report on Form 10-Q contains forward-looking statements which involve assumptions and describe our future plans, strategies, and expectations, and are generally identifiable by use of words such as “may,” “will,” “should,” “expect,” “anticipate,” “estimate,” “believe,” “intend,” or “project” or the negative of these words or other variations on these words comparable terminology. These statements are expressed in good faith and based upon a reasonable basis when made, but there can be no assurance that these expectations will be achieved or accomplished.

Such forward-looking statements include statements regarding, among other things, (a) the potential markets for our technologies, our potential profitability, and cash flows, (b) our growth strategies, (c) expectations from our ongoing research and development activities, (d) anticipated trends in the technology industry, (e) our future financing plans, and (f) our anticipated needs for working capital. This information may involve known and unknown risks, uncertainties, and other factors that may cause our actual results, performance, or achievements to be materially different from the future results, performance, or achievements expressed or implied by any forward-looking statements. These statements may be found under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” as well as in this Form 10-Q generally. Actual events or results may differ materially from those discussed in forward-looking statements as a result of various factors, including, without limitation, the matters described in this Form 10-Q generally. In light of these risks and uncertainties, there can be no assurance that the forward-looking statements contained in this filing will in fact occur. In addition to the information expressly required to be included in this filing, we will provide such further material information, if any, as may be necessary to make the required statements, in light of the circumstances under which they are made, not misleading.

Although forward-looking statements in this report reflect the good faith judgment of our management, forward-looking statements are inherently subject to known and unknown risks, business, economic and other risks and uncertainties that may cause actual results to be materially different from those discussed in these forward-looking statements. Readers are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. We assume no obligation to update any forward-looking statements in order to reflect any event or circumstance that may arise after the date of this report, other than as may be required by applicable law or regulation. Readers are urged to carefully review and consider the various disclosures made by us in our reports filed with the Securities and Exchange Commission which attempt to advise interested parties of the risks and factors that may affect our business, financial condition, results of operation and cash flows. If one or more of these risks or uncertainties materialize, or if the underlying assumptions prove incorrect our actual results may vary materially from those expected or projected.

Overview

The following Management’s Discussion and Analysis (“MD&A”) is intended to help the reader understand our results of operations and financial condition. The MD&A is provided as a supplement to, and should be read in conjunction with our financial statements and the accompanying notes to the financial statements included in this Form 10-Q.

The MD&A is based on our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities and expenses and related disclosure of contingent assets and liabilities. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

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Background

We were formed as a wholly-owned subsidiary of New Energy Technologies, Inc. (formerly, Octillion Corp.). New Energy Technologies, Inc. (“New Energy”) spun off our issued and outstanding shares to New Energy’s shareholders on December 18, 2007. We were incorporated under the name MultiChannel Technologies Corporation on February 28, 2005 in the State of Nevada, and changed to our existing name, MicroChannel Technologies Corporation, on April 4, 2005.

We are a development stage technology company focused on the identification, acquisition, and development of technologies and products which we believe have the potential for commercialization. Our strategy is to initially acquire rights to technologies and products that are being developed by third parties, primarily universities and government agencies, through cooperative research and development agreements. Until September 30, 2008, our research and development activities were focused on technologies and products for peripheral and optic nerve damage and nerve regeneration, specifically the development of the Iowa State University Research Foundation Inc. (“ISURF”) Nerve Regeneration Technology. On September 30, 2008, the Option Agreement and Sponsored Project Agreement between us and ISURF expired, thereby concluding our research and development of technologies and products for peripheral and optic nerve damage and nerve regeneration. Upon conclusion of these agreements with ISURF, researchers were unable to identify suitable, commercially-available cells for use in this technology. We did not renew these agreements with ISURF.

We are currently undertaking efforts to identify new commercial opportunities.

The ISURF Nerve Regeneration Technology

On April 29, 2005, we entered into an Option Agreement with ISURF (the “ISURF Agreement”), pertaining to ISURF Nerve Regeneration Technology. The ISURF Agreement granted us an exclusive worldwide option to obtain a license to make, use, and sell nerve regeneration products developed from the ISURF Nerve Regeneration Technology. On October 13, 2005, the ISURF Agreement was amended to modify the payment due dates. On November 12, 2007, the ISURF Agreement was amended to extend the ISURF Agreement to September 30, 2008 and increase the total amount due pursuant to the ISURF Agreement by $50,000 (the “Amended ISURF Agreement”). On September 30, 2008, the Amended ISURF Agreement expired, thereby concluding our research and development of technologies and products for peripheral and optic nerve damage and nerve regeneration. Upon conclusion of the Amended ISURF Agreement, researchers were unable to identify suitable, commercially-available cells for use in this technology. We did not renew the Amended ISURF Agreement or the Sponsored Project Agreement related to the ISURF Nerve Regeneration Technology.

Pursuant to the terms of the Amended ISURF Agreement, we had the right to negotiate the terms of our license with ISURF upon payment of a flat fee of $2,000 (which was paid) and provide funding for two research projects that were being conducted at ISU through our Sponsored Project Agreement.

Under terms of the Amended ISURF Agreement, we agreed to fund two research projects at ISU, the first of which was titled “Conduits with Micropatterned Films for Peripheral Nerve Regeneration,” in the amount of $205,839. As of September 30, 2008, the expiration date of the Amended ISURF Agreement, we had paid $175,839 pursuant to the Amended ISURF Agreement. Due to the inability of the researchers to identify suitable, commercially-available cells for use in the peripheral and optic nerve damage and nerve regeneration technologies it was determined that we were not obligated to make the remaining $30,000 in payments pursuant to the terms of the Amended ISURF Agreement.

Contingent upon satisfactory progress of the above project, we also agreed to provide an additional $73,166 for the second project, titled “Conduits with Micropatterned Films for Optic Nerve Regeneration,” which would test the efficacy of biodegradable micropatterned conduits on optic nerve regeneration. We did not initiate the second research project.

Results of Operation

A summary of our operating expenses for the three and six months ended February 28, 2011 and 2010 was as follows:

	Three Months Ended February 28, 2011	Three Months Ended February 28, 2010	Increase / (Decrease)	Percentage Change
Operating expenses				
Director and officer fees	$ 2,250	$ 6,750	$ (4,500)	(67)%
Professional fees	7,578	11,179	(3,601)	(32)
Other operating expenses	1,325	-	1,325	*
Total operating expenses	$ 11,153	$ 17,929	$ (6,776)	(38)%

* Not meaningful

	Six Months Ended February 28, 2011	Six Months Ended February 28, 2010	Increase / (Decrease)	Percentage Change
Operating expenses				
Director and officer fees	$ 4,500	$ 13,500	$ (9,000)	(67)%
Professional fees	27,186	27,675	(489)	(2)
Other operating expenses	1,413	500	913	183
Total operating expenses	$ 33,099	$ 41,675	$ (8,576)	(21)%

Director and Officer Fees

Through August 31, 2010, our Chief Executive Officer (the "CEO") received $1,250 per month and our Chief Financial Officer (the "CFO") received $750 per month for their services as executive officers. The Board approved a curtailment in the amount paid to our CFO from $750 per month to $500 per month, effective September 9, 2010.

Non-employee directors receive $250 per month for their services as directors.

Effective September 1, 2010, Mr. Meetesh Patel resigned as a member of our Board of Directors and from all executive officer positions held with us and Ms. Pattiann Hiranandani resigned as a member of our Board of Directors. In order to fill the vacancies created by these resignations, the Board appointed Mr. David Gamache to the positions of President and CEO and Mr. Jeet Sidhu to our Board of Directors.

During the three months ended February 28, 2011 and 2010, we incurred $1,500 and $6,000 as compensation for services provided to us by our executive officers. The decrease of $4,500 is due to the resignation of Mr. Patel, resulting in a decrease of $3,750 during the three months ended February 28, 2011 as compared to the same period of the prior year. Also contributing to the decrease is the curtailment of the amount paid to our CFO, resulting in a decrease of $750 during the three months ended February 28, 2011 as compared to the same period of the prior year.

During the six months ended February 28, 2011 and 2010, we incurred $3,000 and $12,000 as compensation for services provided to us by our executive officers. The decrease of $9,000 is due to the resignation of Mr. Patel and the curtailment of the amount paid to our CFO.

During both of the three month periods ended February 28, 2011 and 2010, we incurred $750 as compensation for services provided to us by our non-employee directors.

During both of the six month periods ended February 28, 2011 and 2010, we incurred $1,500 as compensation for services provided to us by our non-employee directors.

Professional Fees

Professional fees primarily consist of accounting, audit, tax, legal, and transfer agent fees and fees related to the filing of documents with the Securities and Exchange Commission.

Professional fees decreased $3,601 during the three months ended February 28, 2011 compared to the same period in 2010 substantially as a result of a decrease in accounting and audit fees directly attributable to the reduction in services provided while we identify new commercial opportunities.

Professional fees decreased $489 during the six months ended February 28, 2011 compared to the same period in 2010 substantially as a result of the decrease in accounting and audit related fees offset by an increase in legal fees due to additional services required of legal counsel upon the resignation of Mr. Patel and Ms. Hiranandani and the appointment of Mr. Sidhu to our Board of Directors (see “Director and Officer Fees” above).

Liquidity and Capital Resources

The accompanying financial statements have been prepared assuming we will continue as a going concern. We have incurred cumulative losses of $428,498 through February 28, 2011 and do not have positive cash flows from operating activities. Due to the "start up" nature of our business, we expect to incur losses as we continue to identify and develop new technologies. These conditions raise substantial doubt about our ability to continue as a going concern. Management recognizes that in order to meet our capital requirements, and continue to operate, additional financing will be necessary. We are evaluating alternative sources of financing to improve our cash position and are undertaking efforts to raise capital, but there is no assurance that such additional funds will be available for us to finance our operations on acceptable terms, if at all. If we are unable to raise additional capital or generate positive cash flow, it is unlikely that we will be able to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Our principal source of liquidity is cash in the bank. At February 28, 2011, we had cash and cash equivalents of $134,652. We have financed our operations primarily from $400,000 received from Octillion Corp., our former parent company. This amount was subsequently converted to equity as part of the spin-off in December 2007.

Net cash used in operating activities was $33,812 for the six months ended February 28, 2011 compared to net cash used of $37,588 for the six months ended February 28, 2010. The decrease in cash used in operating activities of $3,776 is primarily due to decreases in amounts paid for director and officer fees of $9,000 (see “Director and Officer Fees” above), offset by an increase in the amount paid for professional fees (see “Professional Fees” above).

Other Contractual Obligations

As of February 28, 2011, we do not have any contractual obligations.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Recently Issued and Adopted Accounting Pronouncements

See “Note 4. Summary of Significant Accounting Policies” to the financial statements in this Form 10-Q.

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Item 4. Controls and Procedures

Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act"), as of the end of the period covered by this quarterly report. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded as of February 28, 2011 that our disclosure controls and procedures were effective such that the information required to be disclosed in our United States Securities and Exchange Commission (the "SEC") reports is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit No.	Description of Exhibit
3.1	Articles of Incorporation, as amended. (3)
3.2	By Laws. (1)
10.1	Option Agreement, dated April 29, 2005, between MicroChannel Technologies Corporation and Iowa State Research Foundation, Inc. (1)
10.2	Amended Option Agreement No. 1 between MicroChannel Technologies Corporation and Iowa State Research Foundation, Inc. dated October 13, 2005. (1)
10.3	Amended Option Agreement No. 2 between MicroChannel Technologies Corporation and Iowa State Research Foundation, Inc. dated February 8, 2007. (1)
10.4	Amended Option Agreement No. 3 between MicroChannel Technologies Corporation and Iowa State Research Foundation, Inc. dated November 12, 2007. (2)
31.1	Certification of Principal Executive Officer and Principal Financial Officer Pursuant to Rule 13(a)-14 of the Securities Exchange Act of 1934, As Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *
32.1	Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 USC. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. *

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*Filed herewith.

(1) Incorporated by reference to the exhibits filed as part of the report on Form SB-2 filed by MicroChannel Technologies Corporation on October 1, 2007.

(2) Incorporated by reference to the exhibits filed as part of the report on Form SB-2/A filed by MicroChannel Technologies Corporation on November 16, 2007.

(3) Incorporated by reference to the exhibits filed as part of the report on Form 10-Q filed by MicroChannel Technologies Corporation on April 8, 2010.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MicroChannel Technologies Corporation
(Registrant)

April 12, 2011

By: /s/ David Gamache
David Gamache
President, Chief Executive Officer,
Chief Financial Officer, Director