MICROCHANNEL TECHNOLOGIES CORP
Form 10-K
November 24, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended August 31, 2009

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	**98-0539775**

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

3905 National Drive, Suite 110
Burtonsville, MD

20866
(Zip Code)

(Address of principal executive offices)

(888) 522-6422

(Registrant s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: None

Title of each class	Name of each exchange on which registered
Common Stock, $0.0001 par value per share	OTC Bulletin Board

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No T

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act**.** Yes o No T

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 T No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S K is not contained herein, and will not be contained, to the best of the registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. T

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 TNo o

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of the last business day of the registrant s most recently completed second fiscal quarter, based upon the closing sale price of the registrant s common stock on February 27, 2009 was $684,600.

As of November 18, 2009, there were 53,864,600 shares of the registrant s common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None.

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MICROCHANNEL TECHNOLOGIES CORPORATION

ANNUAL REPORT ON FORM 10-K

FOR THE FISCAL YEAR ENDED AUGUST 31, 2009

PART I

Cautionary Statement Pursuant to Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995:

Except for the historical information presented in this document, the matters discussed in this Form 10-K for the fiscal year ended August 31, 2009, and specifically in the item entitled "Management s Discussion and Analysis of Financial Condition and Results of Operations," or otherwise incorporated by reference into this document, contain "forward-looking statements" (as such term is defined in the Private Securities Litigation Reform Act of 1995). These statements are identified by the use of forward-looking terminology such as "believes," "plans," "intend," "scheduled," "potential," "continue," "estimates," "hopes," "goal," "objective," expects," "may," "will," "should," or "anticipates" or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy that involve risks and uncertainties.

The safe harbor provisions of Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended, apply to forward-looking statements made by the Company. The reader is cautioned that no statements contained in this Form 10-K should be construed as a guarantee or assurance of future performance or results. These forward-looking statements involve risks and uncertainties, including those identified within this Form 10-K. The actual results that the Company achieves may differ materially from any forward-looking statements due to such risks and uncertainties. These forward-looking statements are based on current expectations, and the Company assumes no obligation to update this information. Readers are urged to carefully review and consider the various disclosures made by the Company in this Form 10-K and in the Company's other reports filed with the Securities and Exchange Commission that attempt to advise interested parties of the risks and factors that may affect the Company's business.

Item 1. Business

Description of Business

MicroChannel Technologies Corporation (the Company) was formed as a wholly-owned subsidiary of Octillion Corp. (Octillion). Octillion spun off the Company s issued and outstanding shares to Octillion 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.

The Company is a development stage technology company focused on the identification, acquisition, and development of technologies and products which it believes have the potential for commercialization. The Company s 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, the Company s 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 the Company and ISURF 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 these agreements with ISURF, researchers were unable to identify suitable, commercially-available cells for use in this technology. The Company did not renew these agreements with ISURF.

The Company is currently undertaking efforts to identify new commercial opportunities, including other innovative medical and health care technologies.

Because the Company is a smaller reporting company certain disclosures otherwise required to be made on a Form 10-K are not required to be made by the Company.

The ISURF Nerve Regeneration Technology

On April 29, 2005, the Company entered into an Option Agreement with ISURF (the ISURF Agreement), pertaining to ISURF Nerve Regeneration Technology. The ISURF Agreement granted the Company 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 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 Company is currently reviewing various biotechnologies and evaluating possible sponsored research arrangements with a number of educational institutions. However, no assurance can be given that the Company will be able to identify a technology which will be commercially viable and with respect to which it can negotiate a sponsored research agreement on terms and conditions acceptable to the Company.

Research and Development

Research and development costs represent costs incurred to develop the Company s technology incurred pursuant to its research agreement with ISURF. The ISURF Agreement includes salaries and benefits for research and development personnel, allocated overhead and facility occupancy costs, supplies, equipment purchase and repair and other costs. The Company charges all research and development expenses to operations as they are incurred, except for prepayments, which are capitalized and amortized over the applicable period.

Research and development resulted in income of $10,000 during the year ended August 31, 2009, due to the reversal of $10,000 previously accrued during the quarter ended May 31, 2008 pursuant to the Amended ISURF Agreement. Research and development expense for the year ended August 31, 2008 and from the period of inception (February 28, 2005) to August 31, 2009 was $30,000 and $175,839, respectively. Research and development expense for these periods is comprised entirely of payments made pursuant to the ISURF Research Agreement.

Competition

The Company s commercial success will depend on its ability and the ability of its sublicensees, if any, to compete effectively in product development areas such as, but not limited to, safety, efficacy, ease of use, patient or customer compliance, price, marketing and distribution. The Company s competitors may succeed in developing products that are more effective than any products derived from the Company s research and development efforts or that would render such products obsolete and non-competitive.

The biotechnology and pharmaceutical industries are characterized by intense competition. The Company competes against numerous companies, both domestic and foreign, many of which have substantially greater experience and financial and other resources than the Company has. Most of the competition that the Company encounters will come from companies, research institutions and universities who are researching and developing technologies and products similar to or competitive with any the Company may develop. In fact, any of the world's largest pharmaceutical companies represents a significant actual or potential competitor with vastly greater resources than the Company s.

These companies enjoy numerous competitive advantages, including:

- significantly greater name recognition;
- established relations with healthcare professionals, customers and third-party payors;
- established distribution networks;
- additional lines of products, and the ability to offer rebates, higher discounts or incentives to gain a competitive advantage;
- greater experience in conducting research and development, manufacturing, clinical trials, obtaining regulatory, including of the United States Food and Drug Administration (the **FDA**), approval for products, and marketing approved products; and
- greater financial and human resources for product development, sales and marketing, and patent litigation.

As a result, the Company may not be able to compete effectively against these companies or their products.

Government and Safety Regulations

The Company is focusing its resources in an area subject to substantial governmental regulation. The Company s ability to remain viable will depend on favorable government decisions at various stages of the technology s development by various agencies. From time to time, legislation is introduced that could significantly change the statutory provisions governing The Company s research and development processes, as well as approval, manufacture and marketing of any products derived from such research and development activities.

Employees and Consultants

As of August 31, 2009, the Company does not have any employees. The Company s President and Chief Executive Officer and Chief Financial Officer do not personally conduct any research activities.

The Company generally depends upon certain key collaborating scientific personnel, who are not employed by the Company, with respect to the continuing research and development efforts of the Company.

Item 2. Properties

The Company's corporate office is located at 3905 National Drive, Suite 110, Burtonsville, MD, 20866. This premise is leased by the MVP Law Group, P.A, of which the Chief Executive Officer of the Company is the founder. The MVP Law Group, P.A. does not currently charge the Company rent to utilize this space.

Until August 31, 2008, the Company s administrative office was located at 1628 West First Avenue, Suite 216, Vancouver, British Columbia, Canada, V6J 1G1. This premise in Vancouver, British Columbia is owned by a private corporation controlled by a former director and former majority shareholder of the Company. Effective August 31, 2008, the Company closed its administrative office in Vancouver, British Columbia, Canada.

Item 3. LEGAL PROCEEDINGS

As of the date of this report, the Company is not a party to any material pending legal proceedings or government actions, including any bankruptcy, receivership, or similar proceedings. In addition, management is not aware of any known litigation or liabilities involving the operators of the Company s properties that could affect its operations. Should any liabilities incur in the future, they will be accrued based on management s best estimate of the potential loss. As such, there is no adverse effect on the Company s financial position, results of operations or cash flow at this time. Furthermore, the Company does not believe that there are any proceedings to which any of the Company s directors, officers, or affiliates, any owner of record of the beneficially or more than five percent of the Company s common stock, or any associate of any such director, officer, affiliate, or security holder is a party adverse or has a material interest adverse to the Company.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of the Company s security holders during its fiscal fourth quarter of the year ended August 31, 2009.

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PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

The Company's common stock began trading on the Over the Counter Bulletin Board (the OTCBB) under the symbol MCTC on June 23, 2008.

The following table sets forth the high and low sale prices for the Company's common stock from the inception of trading (June 23, 2008) through August 31, 2009, as reported by the OTCBB:

	High	Low
Fiscal Year Ended August 31, 2009		
First Quarter 2009 (September 1 November 30, 2008)	$0.18	$0.04
Second Quarter 2009 (December 1 February 28, 2009)	$0.06	$0.01
Third Quarter 2009 (March 1, 2009 May 31, 2009)	$0.05	$0.01
Fourth Quarter 2009 (June 1 August 31, 2009)	$0.14	$0.01
Fiscal Year Ended August 31, 2008		
Fourth Quarter 2008 (June 23 August 31, 2008)	$0.47	$0.16

As of November 17, 2009, there were approximately 41 stockholders of record of the Company's common stock.

Dividend Policy

The Company does not have a history of paying dividends and it currently intends to retain future earnings, if any, to support the development and expansion of its business. The Company does not anticipate paying cash dividends in the foreseeable future. The Company s payment of any future dividends will be at the discretion of its Board of Directors after taking into account various factors, including but not limited to the Company s financial condition, operating results, cash needs, growth plans and the terms of any credit agreements that it may be a party to at the time.

Securities Authorized for Issuance Under Equity Compensation Plans

As of August 31, 2009, the Company does not have an incentive stock option plan and has not granted any warrants or other rights to employees, directors or consultants.

Item 7. Management's Discussion and Analysis of Financial condition and results of operations

The following Management s Discussion and Analysis (MD&A) is intended to help the reader understand the results of operations and financial condition of MicroChannel Technologies Corporation. The MD&A is provided as a supplement to, and should be read in conjunction with the Company s financial statements and the accompanying notes to the financial statements included in Item 8 of this Form 10-K.

The Company s discussion and analysis of its financial condition and results of operations is based on its financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities and expenses and related disclosures. The Company reviews its estimates on an ongoing basis.

Overview

MicroChannel Technologies Corporation (the Company) was formed as a wholly-owned subsidiary of Octillion Corp. Octillion Corp. spun off the Company s issued and outstanding shares to Octillion s shareholders on December 18, 2007. 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.

The Company is a development stage technology company focused on the identification, acquisition, and development of technologies and products which it believes have the potential for commercialization. The Company s 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, the Company s 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 the Company and ISURF 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 these agreements with ISURF, researchers were unable to identify suitable, commercially-available cells for use in this technology. The Company did not renew these agreements with ISURF.

The Company is currently undertaking efforts to identify new commercial opportunities, including other innovative medical and health care technologies.

The ISURF Nerve Regeneration Technology

On April 29, 2005, the Company entered into an Option Agreement with ISURF (the ISURF Agreement), pertaining to ISURF Nerve Regeneration Technology. The ISURF Agreement granted the Company 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 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.

Pursuant to the terms of the Amended ISURF Agreement, the Company had the right to negotiate the terms of its 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 the Company s Sponsored Project Agreement.

Under terms of the Amended ISURF Agreement, the Company 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, the Company 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 the Company was not obligated to make the remaining $30,000 in payments pursuant to the terms of the Amended ISURF Agreement. Upon termination of the Amended ISURF Agreement, the Company recorded a reversal of $10,000 previously accrued during the quarter ended May 31, 2008 pursuant to the Amended ISURF Agreement.

Contingent upon satisfactory progress of the above project, the Company 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. The Company did not initiate the second research project.

Results of Operation

A summary of the Company s operating expense for the years ended August 31, 2009 and 2008 was as follows:

		Year Ended August 31, 2009	2008	Percentage Change
Operating expenses (income)				
Research and development	$	(10,000)$	30,000	* %
Director and officer fees - related party		27,000	16,200	67
Professional fees		52,342	35,967	46
Other operating expenses		8,669	10,897	(20)
Total operating expenses	$	78,011$	93,064	(16)%

* Not meaningful

Research and development

Research and development costs represent costs incurred to develop the Company s technology incurred pursuant to its former research agreement with ISURF. The ISURF Agreement includes salaries and benefits for research and development personnel, allocated overhead and facility occupancy costs, supplies, equipment purchase and repair, and other costs. The Company charges all research and development expenses to operations as they are incurred, except for prepayments, which are capitalized and amortized over the applicable period.

Research and development resulted in income of $10,000 during the year ended August 31, 2009, due to the reversal of $10,000 previously accrued during the quarter ended May 31, 2008 pursuant to the Amended ISURF Agreement. Research and development expense for the year ended August 31, 2008 was $30,000 and is comprised entirely of payments made pursuant to the ISURF Research Agreement.

Director and officer fees related party

The Chief Executive Officer receives $1,250 per month for his services as an executive officer. The Chief Financial Officer receives $750 per month for his services as an executive officer.

During the years ended August 31, 2009 and 2008, the Company incurred $24,000 and $14,000 as compensation for services that executive officers provided to the Company.

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

During the years ended August 31, 2009 and 2008, the Company incurred $3,000 and $2,200 as compensation for services that a non-employee director provided to the Company.

Professional fees

Professional fees primarily consist of accounting, audit, tax, legal, and transfer agent fees.

Professional fees increased during the year ended August 31, 2009 compared to the year ended August 31, 2008 substantially as a result of the Company closing its administrative office in Vancouver, British Columbia, Canada, effective August 31, 2008, terminating all of the employees in Vancouver, Canada. Due to this downsizing, as of September 1, 2008, the Company began outsourcing its accounting function to third parties resulting in an increase in accounting fees of approximately $17,000 for the year ended August 31, 2009 compared to the prior year. Legal fees increased approximately $3,000 during the year ended August 31, 2009 compared to the prior year due to the increased utilization of legal counsel for preparation and review of required filings with the Securities and Exchange Commission. The increase in accounting and legal fees for the year ended August 31, 2009 compared to the prior year was offset by a decrease in transfer agent fees of approximately $2,800. Transfer agent fees incurred during the year ended August 31, 2008 were substantially due to fees incurred related to the spin off of MicroChannel from Octillion Corp. on December 18, 2007.

Other operating expenses

Other operating expenses includes travel and entertainment, rent, office supplies, information technology related fees and other administrative costs.

Other income

Interest income

Interest income was $418 for the year ended August 31, 2009 compared to $8,429 for the year ended August 31, 2008. The decrease in interest income is due to the Company closing its administrative office in Vancouver, British Columbia, Canada. As of December 31, 2008, the Company transferred all of the funds in its interest bearing cash account maintained at a Canadian owned financial institution to a non-interest bearing bank account at a U.S. financial institution.

Liquidity and Capital Resources

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. The Company incurred cumulative losses of $325,270 through August 31, 2009. Due to the "start up" nature of the Company's business, the Company expects to incur losses as it continues to identify and develop new technologies. These conditions raise substantial doubt about the Company s ability to continue as a going concern. Management recognizes that in order to meet the Company s capital requirements, and continue to operate, additional financing will be necessary. The Company is evaluating alternative sources of financing to improve its cash position and is undertaking efforts to raise capital, 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. 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. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The Company's principal source of liquidity is cash in the bank. At August 31, 2009, the Company had a cash and cash equivalents balance of $241,845. The Company has financed its operations primarily from $400,000 received from Octillion Corp., its 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 $86,415 for the year ended August 31, 2009 compared to net cash used of $70,795 for the year ended August 31, 2008. The increase in cash used in operating activities is substantially attributable to the Company closing its administrative office in Vancouver, British Columbia, Canada, effective August 31, 2008, terminating all of the employees in Vancouver, Canada. Due to this downsizing, as of September 1, 2008, the Company began outsourcing its accounting function to third parties resulting in an increase in accounting fees. In addition, there was an increase in legal fees as well as non-employee director and executive officer fees. See Related Party Transactions below.

Related Party Transactions

Director and officer fees

During the years ended August 31, 2009 and 2008, the Company incurred $24,000 and $14,000 as compensation for services that executive officers provided to the Company.

During the years ended August 31, 2009 and 2008, the Company incurred $3,000 and $2,200 as compensation for services that a non-employee director provided to the Company.

As of August 31, 2009, the Company owed $2,250 to executive officers and a non-employee director for services rendered to the Company, which is included in accounts payable.

The Company's corporate office is located at 3905 National Drive, Suite 110, Burtonsville, MD, 20866. This premise is leased by the MVP Law Group, P.A, of which the Chief Executive Officer of the Company is the founder. The MVP Law Group, P.A. does not currently charge the Company rent to utilize this space.

Related party transactions are in the normal course of operations and are recorded at amounts established and agreed between the related parties.

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Other Contractual Obligations

At August 31, 2009, the Company does not have any contractual obligations.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Recent Accounting Pronouncements

See Note 3. Summary of Significant Accounting Policies to the Financial Statements in this Form 10-K.

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Item 8. Financial Statements

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors

MicroChannel Technologies Corporation

Burtonsville, Maryland

We have audited the accompanying balance sheets of MicroChannel Technologies Corporation ("the Company") (a development stage company) as of August 31, 2009 and 2008, and the related statements of operations, stockholders' equity (deficit), and cash flows for the years then ended, and for the cumulative period from February 28, 2005 (inception), to August 31, 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company has determined that it is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MicroChannel Technologies Corporation as of August 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended, and for the cumulative period from February 28, 2005 (inception), to August 31, 2009, in conformity with accounting principles generally accepted in the United States.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has experienced recurring losses from operations since inception and has a substantial accumulated deficit. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans regarding these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/S/ PETERSON SULLIVAN LLP

Seattle, Washington

November 24, 2009

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MICROCHANNEL TECHNOLOGIES CORPORATION
(A Development Stage Company)
BALANCE SHEETS
AUGUST 31, 2009 AND 2008
(Expressed in U.S. Dollars)

		Augu **20**
ASSETS		
valents	$	2
		2
	$	2
LIABILITIES AND STOCKHOLDERS' EQUITY		
	$	
ties		
Contingencies		
y		
0001 par value; 300,000,000 shares authorized, 53,864,600 issued and outstanding at August 31, 2009 and August 31, 2008		
apital		5
during the development stage		(32
equity		2
stockholders' equity	$	2

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

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MICROCHANNEL TECHNOLOGIES CORPORATION
(A Development Stage Company)
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED AUGUST 31, 2009 AND 2008
AND FOR THE PERIOD FROM INCEPTION (FEBRUARY 28, 2005) TO AUGUST 31, 2009
(Expressed in U.S. Dollars)

	Year Ended August 31, 2009	Year Ended August 31, 2008	Cumulative February 28, 2005 (inception) to August 31, 2009
Revenue	$ -	$ -	$ -
Operating expenses (income)			
Option fee	-	-	2,000
Research and development	(10,000)	30,000	175,839
Director and officer fees - related party	27,000	16,200	44,200
Professional fees	52,342	35,967	88,310
Other operating expenses	8,669	10,897	23,861
Total operating expenses	78,011	93,064	334,210
Loss from operations	(78,011)	(93,064)	(334,210)
Other income			
Interest income	418	8,429	8,940
Total other income	418	8,429	8,940
Net loss	$ (77,593)	$ (84,635)	$ (325,270)
Net loss per common share: basic	$ (0.00)	$ (0.00)	
Weighted average number of common shares outstanding: basic	53,864,600	53,864,600	

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

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MICROCHANNEL TECHNOLOGIES CORPORATION
(A Development Stage Company)
STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
FROM INCEPTION (FEBRUARY 28, 2005) TO AUGUST 31, 2009
(Expressed in U.S. Dollars)

	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

(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 YEARS ENDED AUGUST 31, 2009 AND 2008
AND FOR THE PERIOD FROM INCEPTION (FEBRUARY 28, 2005) TO AUGUST 31, 2009
(Expressed in U.S. Dollars)

	Year Ended August 31, 2009	2008	Cumulative February 28, 2005 (inception) to August 31, 2009
Cash flows from operating activities			
Net loss	$ (77,593)	$ (84,635)	$ (325,270)
Adjustments to reconcile net loss to net cash used in operating activities:			
Changes in operating assets and liabilities:			
Increase in accounts payable	1,178	3,840	5,018
Increase (decrease) in accrued payable	(10,000)	10,000	-
Net cash used in operating activities	(86,415)	(70,795)	(320,252)
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	(86,415)	(70,795)	241,845
Cash and cash equivalents at beginning of period	328,260	399,055	-
Cash and cash equivalents at end of period	$ 241,845	$ 328,260	$ 241,845
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

August 31, 2009 and 2008

(Expressed in U.S. Dollars)

Note 1. Organization and Description of Business

MicroChannel Technologies Corporation (the Company) was formed as a wholly-owned subsidiary of Octillion Corp. (Octillion). Octillion spun off the Company s issued and outstanding shares to Octillion 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, including other innovative medical and health care technologies.

Note 2. Going Concern Uncertainties

The Company is a development stage company, has not generated any revenues, has an accumulated deficit of $325,270 as of August 31, 2009, 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 Octillion Corp., 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: Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Accounting Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Areas where management uses subjective judgment include valuation of equity instruments. Actual results may differ from those estimates and assumptions.

Reclassifications

Certain reclassifications have been made to prior fiscal year amounts or balances to conform to the presentation adopted in the current fiscal year.

Cash and Cash Equivalents

Cash equivalents comprise certain highly liquid instruments with a maturity of three months or less when purchased. The Company did not have any cash equivalents as of August 31, 2009 and 2008. On occasion, the Company has amounts deposited with financial institutions in excess of federally insured limits.

Fair Value of Financial Instruments

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair value.

The Company has the following financial instruments: cash and cash equivalents and accounts payable. The carrying value of these instruments approximates their fair value based on their liquidity.

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.

Research and development resulted in income of $10,000 during the year ended August 31, 2009, due to the reversal of $10,000 previously accrued during the quarter ended May 31, 2008 pursuant to the Amended ISURF Agreement. Research and development expense for the year ended August 31, 2008 and from inception (February 28, 2005) to August 31, 2009 was $30,000 and $175,839, respectively, and is comprised entirely of payments made pursuant to the ISURF Research Agreement.

Income Taxes

The Company accounts for income taxes using the asset and liability method. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributed to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and tax credits and loss carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences and carry-forwards are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is established when necessary to reduce deferred tax assets to amounts expected to be realized.

The Company accounts for unrecognized tax benefits in accordance with FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109 (FIN 48). See Note 6. Income Taxes for further discussion.

Net Loss per Common Share

The computation of basic net loss per common share is based on the weighted average number of shares that were outstanding during the year. The Company does not have any stock options or warrants outstanding that would be anti-dilutive. See Note 3. Net Loss Per Share for further discussion.

Segment Reporting

The Company s business is considered as operating in one segment based upon the Company s organizational structure, the way in which the operations are managed and evaluated, the availability of separate financial results and materiality considerations.

Comprehensive Income (Loss)

Comprehensive income (loss) is equal to net income (loss) for the years ended August 31, 2009 and 2008.

Related Party Transactions

A related party is generally defined as (i) any person that holds 10% or more of the Company s securities and their immediate families, (ii) the Company s management, (iii) someone that directly or indirectly controls, is controlled by or is under common control with the Company, or (iv) anyone who can significantly influence the financial and operating decisions of the Company. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Recently Issued Accounting Standards

In June 2009, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principals, a replacement of FASB Statement No. 162 (SFAS 168). This statement modifies the Generally Accepted Accounting Principles (GAAP) hierarchy by establishing only two levels of GAAP, authoritative and nonauthoritative accounting literature. Effective July 2009, the FASB Accounting Standards Codification (ASC), also known collectively as the Codification, is considered the single source of authoritative U.S. accounting and reporting standards, except for additional authoritative rules and interpretive releases issued by the SEC. Nonauthoritative guidance and literature would include, among other things, FASB Concepts Statements, American Institute of Certified Public Accountants Issue Papers and Technical Practice Aids and accounting textbooks. The Codification was developed to organize GAAP pronouncements by topic so that users can more easily access authoritative accounting guidance. It is organized by topic, subtopic, section, and paragraph, each of which is identified by a numerical designation. SFAS 168 is effective for interim and annual periods ending after September 15, 2009. The Company will adopt SFAS 168, effective September 1, 2009, the beginning of its first quarter ended November 30, 2009.

In May 2009, the FASB issued SFAS No. 165, Subsequent Events (SFAS 165), which defines and establishes the period after the balance sheet date during which management of a reporting entity evaluates transactions and events for potential disclosure in the financial statements in addition to disclosing the date through which such events have been evaluated. SFAS 165 is effective for financial statements issued for fiscal years and interim periods ending after

June 15, 2009 and is to be applied prospectively. The adoption of SFAS 165 did not have a material impact on the Company s financial position, results of operations, or cash flows. In accordance with SFAS 165, the Company has evaluated subsequent events through November 24, 2009, which is the date on which these financial statements were issued.

In September 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 157, Fair Value Measurements (SFAS 157), which establishes a framework for measuring fair value and requires expanded disclosures regarding fair value measurements. In February 2008, the FASB issued FASB Staff Position No. 157-2, Effective Date of FASB Statement 157 (FSP 157-2), which allows for the deferral of the adoption date of SFAS 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis. The Company is required to adopt SFAS 157 for the assets and liabilities within the scope of FSP 157-2 on September 1, 2009, the beginning of its fiscal year 2010. The Company does not expect the adoption of SFAS 157 for non-financial assets and liabilities to have a material impact on its financial statements. In October 2008, the FASB issued FASB Staff Position No. 157-3, Determining the Fair Value of a Financial Asset in a Market That Is Not Active (FSP 157-3), which clarifies the application of SFAS 157 when the market for a financial asset is inactive. The guidance in FSP 157-3 was effective immediately and did not have a material effect on the Company s financial statements. In April 2009, the FASB issued FASB Staff Position No. 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly (FSP 157-4), which provides additional guidance in determining when observable transaction prices or quoted prices in markets that have become less active require significant adjustments to estimate fair value. FSP 157-4 supersedes FSP 157-3 and is to be applied prospectively and is effective for interim and annual periods ending after June 15, 2009 with early adoption permitted for periods ending after March 15, 2009. The Company adopted FSP 157-4 on June 1, 2009, the beginning of its fourth quarter ended August 31, 2009. The application of FSP 157-4 did not have a material effect on the Company s financial statements.

In April 2009, the FASB issued FSP 107-1 and Accounting Principles Board (APB) 28-1 "Interim Disclosures about Fair Value of Financial Instruments". FSP 107-1 amends SFAS 107 "Disclosures about Fair Value of Financial Instruments" to require an entity to provide disclosures about fair value of financial instruments in interim financial information. FSP 107-1 is to be applied prospectively and is effective for interim and annual periods ending after June 15, 2009 with early adoption permitted for periods ending after March 15, 2009. The Company has included the required disclosures pursuant to FSP 107-1 in this Form 10-K for the year ended August 31, 2009.

Note 3: 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 years ended August 31, 2009 and 2008:

	Year Ended August 31,			
		2009		2008
Numerator - net loss	$	(77,593)	$	(84,635)
Denominator - weighted average number of common shares outstanding - basic		53,864,600		53,864,600
Basic net loss per common share	$	(0.00)	$	(0.00)

Note 4: 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 August 31, 2009, the Company had 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 year ended August 31, 2009, the Company recorded a reversal of $10,000 previously accrued during the quarter ended May 31, 2008 pursuant to the Amended ISURF Agreement. During the year ended August 31, 2008 and the period from inception (February 28, 2005) to August 31, 2009, the

Company recorded research and development expense of $30,000 and $175,839, respectively, pursuant to the Amended ISURF Agreement.

Note 5: Related Party Transactions

During the years ended August 31, 2009 and 2008, the Company incurred $24,000 and $14,000 as compensation for services that executive officers provided to the Company. Please refer to ITEM 11: EXECUTIVE COMPENSATION .

During the years ended August 31, 2009 and 2008, the Company incurred $3,000 and $2,200 as compensation for services that a non-employee director provided to the Company. Please refer to ITEM 10: DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE .

As of August 31, 2009, the Company owed $2,250 to executive officers and a non-employee director for services rendered to the Company, which is included in accounts payable.

The Company's corporate office is located at 3905 National Drive, Suite 110, Burtonsville, MD, 20866. This premise is leased by the MVP Law Group, P.A, of which the Chief Executive Officer of the Company is the founder. The MVP Law Group, P.A. does not currently charge the Company rent to utilize this space.

Related party transactions are in the normal course of operations and are recorded at amounts established and agreed between the related parties.

Note 6: Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company s deferred tax assets at August 31, 2009 and 2008 are as follows:

	Year Ended August 31,	
	2009	2008
Deferred tax assets:		

Net operating loss carryforwards	$	53,918	$	19,819
Capitalized research and development		10,236		14,875
Accrued research and development fees				3,400
Research and development credit carry forward		1,963		1,963
Total deferred tax assets		66,117		40,057
Less: valuation allowance		(66,117)		(40,057)
Net deferred tax asset	$		$	

The net increase in the valuation allowance for deferred tax assets was $26,060 and $40,057 for the years ended August 31, 2009 and 2008. The Company evaluates its valuation allowance requirements on an annual basis based on projected future operations. When circumstances change and this causes a change in management s judgment about the realizability of deferred tax assets, the impact of the change on the valuation allowance is reflected in current operations.

For federal income tax purposes, the Company has net U.S. operating loss carry forwards at August 31, 2009 available to offset future federal taxable income, if any, of $158,584, which will begin to expire during the year ended August 31, 2027. Accordingly, there is no current tax expense for the years ended August 31, 2009 and 2008. In addition, the Company has research and development tax credit carry forwards of $1,963 at August 31, 2009, which are available to offset federal income taxes and begin to expire during the year ended August 31, 2028.

The utilization of the tax net operating loss carry forwards may be limited due to ownership changes that have occurred as a result of sales of common stock.

The effects of state income taxes were insignificant for the years ended August 31, 2009 and 2008.

The following is a reconciliation between expected income tax benefit and actual, using the applicable statutory income tax rate of 34% for the years ended August 31, 2009 and 2008:

	Year Ended August 31,			
		2009		2008
Income tax benefit at statutory rate	$	26,382	$	38,094
Research and development credit		-		1,963
Non-deductible meals and entertainment		(322)		-
Change in valuation allowance		(26,060)		(40,057)
	$	-	$	-

The fiscal years 2006 through 2009 remain open to examination by federal authorities and other jurisdictions of which the Company operates.

Note 7. Subsequent Events

The Company has evaluated subsequent events through November 24, 2009, which is the date on which these financial statements were issued. There have not been any events subsequent to August 31, 2009 that would require additional disclosure in the financial statements or that would have a material impact on the Company s financial position as of August 31, 2009 and 2008, and the results of operations, or cash flows for the years ended August 31, 2009 and 2008.

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ITEM 9: CHANGE IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

The Company has not had any disagreements with its independent auditors with respect to accounting practices, procedures or financial disclosure.

ITEM 9A(T): CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of the Company s management, including its Chief Executive Officer and Chief Financial Officer, the Company conducted an evaluation of the effectiveness of the design and operation of its 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 annual report. Based on this evaluation, the Company s Chief Executive Officer and Chief Financial Officer concluded as of August 31, 2009 that the Company s disclosure controls and procedures were effective such that the information required to be disclosed in the Company s 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 the Company s management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

(b) Management s Report on Internal Control over Financial Reporting

The Company s management is responsible for establishing and maintaining effective internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of the Company s management, including its Chief Executive Officer and Chief Financial Officer, the Company conducted an evaluation of the effectiveness of its internal control over financial reporting based on the framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the Company s internal control over financial reporting was effective as of August 31, 2009.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the SEC that permit the Company to provide only management's report in this annual report.

(c) Changes in Internal Control over Financial Reporting

There were no changes in the Company s 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, the Company s internal control over financial reporting.

ITEM 9B: OTHER INFORMATION

None.

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PART III

ITEM 10: DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY

As of August 31, 2009, the members of the Company s board of directors and its executive officers were as follows:

Name	Age	Position With Company	Director Since
Meetesh Patel	35	President, Chief Executive Officer, Director	August 5, 2008
David Gamache	59	Chief Financial Officer, Director	August 5, 2008
Pattiann Hiranandani	50	Director	September 6, 2007

Set forth below are the names of all directors and executive officers of the Company, all positions and offices with the Company held by each person, the period during which each has served as such, and the principal occupations and employment of such persons during at least the last five years:

Meetesh Patel. Mr. Patel completed his Bachelor of Arts Degree in Government and Politics with an emphasis in International Relations from the University of Maryland, College Park in 1997, and earned his law degree from American University, Washington College of Law, Washington, D.C. in 2000. Mr. Patel is a member of the Maryland State Bar and the District of Columbia Bar. Mr. Patel is the founder and managing attorney of the MVP Law Group, P.A., an innovative e-law firm that represents businesses within the United States and throughout the world. Mr. Patel has been managing the MVP Law Group since its inception in April 2003 to present. Since August 5, 2008, Mr. Patel has served as the President, Chief Executive Officer and a Director of Microchannel Technologies Corporation. Effective October 15, 2008, Mr. Patel is also the Chief Executive Officer and President of New Energy Technologies.

David Gamache. From August 2001 until present, Mr. Gamache has been the owner of Allen Lee Group. Allen Lee Group does business coaching, business consulting, and health coaching with various multi-level marketing companies. From March 2007 to June 2008 Mr. Gamache was President, Treasurer, and Director of Lake Victoria Mining Company, Inc. Lake Victoria Mining Company, Inc. is an exploration gold company doing business in Tanzania, Africa. From June 2008 to present, Mr. Gamache is President, Treasurer, and Director of Kibo Resources Company, Inc. Kibo Resources is an exploration gold company doing business in Tanzania, Africa.

Pattiann Hiranandani. From July 1998 through May 2002, Mrs. Hiranandani served as Distributor-Regional-Divisional Sales Manager with Goldwell USA, Inc. From June 2002 through April 2003, Mrs. Hiranandani concluded a brief hiatus. Since May 2003 through May 2005, Mrs. Hiranandani was responsible for marketing biologic bone graft products and procedures to orthopedic spine, neuro and sports medicine surgeons in the Greater Phoenix, Arizona region for BioAlliance/Wright Medical Technologies. Since January 2006, Mrs. Hiranandani has served as a Premise Advertising Sales Executive for Verizon.

Family Relationships and Other Matters

There are no family relationships among or between any of the Company s officers and directors.

Legal Proceedings

During the past five years none of the Company s directors, executive officers, or promoters have been:

- the subject of any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;

- convicted in a criminal proceeding or is subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);

- subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities; or

- found by a court of competent jurisdiction (in a civil action), the Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law.

COMPENSATION OF NON-EMPLOYEE DIRECTORS

The Company does not pay director compensation to directors who are also employees of the Company. The Company s Board of Directors determines the non-employee directors compensation for serving on the Board and its committees. In establishing director compensation, the Board is guided by the following goals:

- Compensation should consist of a combination of cash and equity awards that are designed to fairly pay the directors for work required for a company of MicroChannel Technologies Corporation s size and scope;

- Compensation should align the directors interests with the long-term interests of stockholders; and

- Compensation should assist with attracting and retaining qualified directors.

Non-employee directors receive $250 per month for their services as directors. The Company also reimburses directors for any actual expenses incurred to attend meetings of the Board.

During the year ended August 31, 2009, the Company paid $3,000 to Pattiann Hiranandani as compensation for services rendered as a non-employee director.

COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

Pursuant to Section 16(a) of the Exchange Act of 1934, the executive officers and directors of the Company in addition to any person who owns more than 10% of the common stock of the Company are required to report their ownership of the common stock of the Company and changes to such ownership with the SEC. Based on a review of such reports and information provided to the Company, the Company believes that during the most recent fiscal year the executive officers and directors of the Company have complied with applicable filing requirements under Section 16(a) within the reporting time frame required by the SEC.

CODE OF ETHICS

The Company has adopted a Code of Ethics that applies to all of the Company s officers, directors and employees, including its Chief Financial Officer and Chief Executive Officer, which complies with the requirements of the Sarbanes-Oxley Act of 2002 and applicable Financial Industry Regulatory Authority (FINRA) listing standards. Accordingly, the Code of Ethics is designed to deter wrongdoing, and to promote, among other things, honest and ethical conduct, full, timely, accurate and clear public disclosures, compliance with all applicable laws, rules and regulations, the prompt internal reporting of violations of the Code of Ethics, and accountability. To obtain a copy of the Company s Code of Ethics contact the Company s Chief Executive Officer, Meetesh Patel, 3905 National Drive, Suite 110, Burtonsville, MD 20866.

CORPORATE GOVERNANCE

The Company has adopted Corporate Governance Guidelines applicable to its Board of Directors. To obtain a copy of the Company s Corporate Governance Guidelines contact the Company s Chief Executive Officer, Meetesh Patel, 3905 National Drive, Suite 110, Burtonsville, MD 20866.

Director Independence

The Company is not listed on a U.S. securities exchange and, therefore, is not subject to the corporate governance requirements of any such exchange, including those related to the independence of directors. However, at this time, after considering all of the relevant facts and circumstances, the Company s Board of Directors has determined that Mrs. Pattiann Hiranandani is independent from the Company s management and qualifies as an independent directors under the standards of independence under the applicable FINRA listing standards. This means that, in the judgment of the Board of Directors, Mrs. Hiranandani is not (1) an officer or employee of the Company or its subsidiaries and (2) does not have any direct or indirect relationship with the Company that would interfere with the exercise of her independent judgment in carrying out the responsibilities of a director. Upon the Company s listing on any national securities exchange or any inter-dealer quotation system, it will elect such independent directors as is necessary under the rules of any such securities exchange.

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Board of Directors Meetings and Committees of the Board of Directors

During the fiscal year ended August 31, 2009, the Board held one meeting. All members of the Board attended this meeting of the Board.

The Company does not currently have any standing committees of the Board of Directors. The full Board is responsible for performing the functions of: (i) the Audit Committee, (ii) the Compensation Committee and (iii) the Nominating Committee.

Audit Committee

The Board does not currently have a standing Audit Committee. The full Board performs the principal functions of the Audit Committee. The full Board monitors the Company's financial reporting process and internal control system and reviews and appraises the audit efforts of the Company's independent accountants.

Compensation Committee.

The Board does not currently have a standing Compensation Committee. The full Board establishes overall compensation policies for the Company and reviews recommendations submitted by the Company s management.

Nominating Committee.

The Board does not currently have a standing Nominating Committee. The Company does not maintain a policy for considering nominees. The Company s Bylaws provides that the number of Directors shall be fixed from time to time by the Board, but in no event shall be less than the minimum required by law. The Board shall be large enough to maintain the Company s required expertise but not too large to function efficiently. Director nominees are recommended, reviewed and approved by the entire Board. The Board believes that this process is appropriate due to the relatively small number of directors on the Board and the opportunity to benefit from a variety of opinions and perspectives in determining director nominees by involving the full Board.

While the Board is solely responsible for the selection and nomination of directors, the Board may consider nominees recommended by stockholders as it deems appropriate. Stockholders who wish to recommend a nominee should send nominations to the Company s Chief Executive Officer, Meetesh Patel, 3905 National Drive, Suite 110, Burtonsville, MD 20866, that include all information relating to such person that is required to be disclosed in solicitations of proxies for the election of directors. The recommendation must be accompanied by a written consent of the individual to stand for election if nominated by the Board and to serve if elected.

Communications with the Board of Directors

Stockholders who wish to communicate with the Board of Directors may do so by addressing their correspondence to the Board of Directors at MicroChannel Technologies Corporation, Attention: Meetesh Patel, 3905 National Drive, Suite 110, Burtonsville, MD 20866. The Board of Directors has approved a process pursuant to which they shall review and forward correspondence to the appropriate director or group of directors for response.

ITEM 11: EXECUTIVE COMPENSATION

Summary Compensation

The following table and descriptive materials set forth information concerning compensation earned for services rendered to the Company by: the Chief Executive Officer (the CEO); the Chief Financial Officer (the CFO); and the three other most highly-compensated executive officers other than the CEO and CFO who were serving as executive officers of the Company at the end of the 2009 fiscal year (the Named Executive Officers).

SUMMARY COMPENSATION TABLE

The following table summarizes the compensation earned by the Named Executive Officers during the fiscal years ended August 31, 2009, 2008 and 2007:

Name and Principal Position	Year Ended August 31,	Salary ($)	Total ($)
Meetesh Patel [(1)]	2009	15,000	15,000
	2008	1,250	1,250
President, Chief Executive Officer, and Director	2007	-	-
David Gamache [(2)]	2009	9,000	9,000
	2008	750	750
Chief Financial Officer, Secretary, Treasurer, and Director	2007	-	-
Harmel Rayat [(3)]	2009	-	-
Former Chief Financial Officer, Secretary, Treasurer, and Director	2008	-	-
	2007	-	-
Kaiyo Nedd [(4)]	2009	-	-
Former President, Chief Executive Officer, and Director	2008	12,000	12,000
	2007	1,000	1,000

(1) Mr. Patel was appointed as President, Chief Executive Officer and Director of the Company, effective August 5, 2008. Mr. Patel receives compensation of $1,250 per month for services rendered as President and CEO of the Company.

(2) Mr. Gamache was appointed as Chief Financial Officer, Secretary, Treasurer, and Director of the Company, effective August 5, 2008. Mr. Gamache receives compensation of $750 per month for services rendered as CFO, Secretary and Treasurer of the Company.

(3) Mr. Rayat did not receive compensation for his services rendered to the Company. Mr. Rayat resigned from all executive positions and as a Director of the Company, effective August 5, 2008.

(4) Mr. Nedd received $1,000 per month as compensation for services rendered as President and CEO of the Company. Mr. Nedd resigned from all executive positions and as a Director of the Company, effective August 5, 2008.

Employee directors do not receive compensation in addition to their monthly executive fee for services rendered as a director. The Company does not have an employee stock option plan or other benefit plans.

Grants of Plan-Based Awards

The Company does not have any equity incentive plans and has therefore omitted the related disclosure.

Changes in Control

There are no understandings or agreements known by management at this time which would result in a change in control of the Company. The Company does not have any change-of-control or severance agreements with any of its executive officers or directors.

ITEM 12: SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information as of November 17, 2009 by (i) all persons who are known to the Company to beneficially own more than 5% of the outstanding shares of the Company s common stock, and (ii) by each director, director nominee, and executive officer and (iii) by all executive officers and directors as a group:

Name and Address of Beneficial Owner	Positions and Offices Held	Number of Shares Beneficially Owned(1)	Percent of Class(1)
1420525 Alberta Ltd. 3905 National Drive, Suite 110 Burtonsville, MD 20866	Stockholder	36,749,600 (2)	68.23 %
Meetesh Patel 3905 National Drive, Suite 110 Burtonsville, MD 20866	President, Chief Executive Officer, and Director	-0-	-0- %
Pattiann Hiranandani 3905 National Drive, Suite 110 Burtonsville, MD 20866	Director	-0-	-0- %

David Gamache 3905 National Drive, Suite 110 Burtonsville, MD 20866	Chief Financial Officer, Secretary, Treasurer, and Director	-0-	-0- %
All Directors and Officers as a Group (3 persons)		-0-	-0- %

(1) Calculated pursuant to rule 13d-3(d) of the Exchange Act. Beneficial ownership is calculated based on 53,864,600 shares of common stock issued and outstanding on a fully diluted basis as of November 17, 2009. Unless otherwise stated below, each such person has sole voting and investment power with respect to all such shares. Under Rule 13d-3(d) of the Exchange Act, shares not outstanding which are subject to options, warrants, rights or conversion privileges exercisable within 60 days are deemed outstanding for the purpose of calculating the number and percentage owned by such person, but are not deemed outstanding for the purpose of calculating the percentage owned by each other person listed.

(2) Represents shares owned by 1420525 Alberta Ltd., a private Alberta corporation wholly owned by Mr. Harmel Rayat, a former officer, director and controlling stockholder.

(3) Based upon Schedule 13(d) filed in August 9, 2007. Mr. David Gelbaum and Ms. Monica Chavez Gelbaum are the Co-trustees of the Quercus Trust.

ITEM 13: CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Related Party Transactions

During the years ended August 31, 2009 and 2008, the Company incurred a total of $24,000 and $14,000 as compensation for services that executive officers provided to the Company. Please refer to ITEM 11: EXECUTIVE COMPENSATION .

During the years ended August 31, 2009 and 2008, the Company incurred $3,000 and $2,200 as compensation for services that a non-employee director provided to the Company. Please refer to ITEM 10: DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE .

The Company's corporate office is located at 3905 National Drive, Suite 110, Burtonsville, MD, 20866. This premise is leased by the MVP Law Group, P.A, of which the Chief Executive Officer of the Company is the founder. The MVP Law Group, P.A. does not currently charge the Company rent to utilize this space.

Related party transactions are in the normal course of operations and are recorded at amounts established and agreed between the related parties.

Director Independence

For disclosure regarding director independence see ITEM 10: DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

ITEM 14: PRINCIPAL ACCOUNTING FEES AND SERVICES

Peterson Sullivan, LLP (Peterson Sullivan) currently serves as the Company s independent certified public accounting firm to audit the financial statements of the Company for its fiscal year ended August 31, 2009. To the knowledge of management, neither such firm nor any of its members has any direct or material indirect financial interest in the Company or any connection with the Company in any capacity otherwise than as independent accountants.

The Board of Directors of the Company, in its discretion, may direct the appointment of different public accountants at any time during the year, if the Board believes that a change would be in the best interests of the stockholders. The Board of Directors has considered the audit fees, audit-related fees, tax fees and other fees paid to Peterson Sullivan, as disclosed below, and has determined that the payment of such fees is compatible with maintaining the independence of the accountants.

The Company does not currently have an audit committee.

The following table presents aggregate fees for professional services rendered by Peterson Sullivan during the years ended August 31, 2009 and 2008.

	Year Ended August 31, 2009	Year Ended August 31, 2008
Audit fees	$15,484	$ 19,867
Audit-related fees	-	-
Tax fees	2,951	-
All other fees	-	-
TOTAL	$18,435	$ 19,867

Audit Fees

Audit fees for the years ended August 31, 2009 and 2008 consist of the aggregate fees billed by Peterson Sullivan for the audit of the financial statements included in the Company s Annual Report on Form 10-K and review of interim financial statements included in the quarterly reports on Form 10-Q during the years ended August 31, 2009 and 2008.

Tax Fees

Tax fees for the years ended August 31, 2009 and 2008 consist of the aggregate fees billed by Peterson Sullivan for professional services rendered for tax compliance, tax advice and tax planning.

PART IV

ITEM 15: EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

(a) The following documents are filed as a part of this Form 10-K:

1. Financial Statements

The following financial statements are included in Part II, Item 8 of this Form 10-K:

- Report of Independent Registered Public Accounting Firm
- Balance Sheets as of August 31, 2009 and 2008
- Statements of Operations for the Years Ended August 31, 2009 and 2008 and the Cumulative Period from Inception (February 28, 2005) to August 31, 2009
- Statements of Stockholders Equity (Deficit) from February 28, 2005 (Inception) to August 31, 2009
- Statements of Cash Flows for the Years Ended August 31, 2009 and 2008 and the Cumulative Period from Inception (February 28, 2005) to August 31, 2009

- Notes to Financial Statements

2. Exhibits

The Exhibits listed in the Exhibit Index, which appears immediately following the signature page, are incorporated herein by reference, and are filed as part of this Form 10-K.

3. Financial Statement Schedules

Financial statement schedules are omitted because they are not required or are not applicable, or the required information is provided in the financial statements or notes described in Item 15(a)(1) above.

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SIGNATURES

Pursuant to the requirements of Sections 13 or 15 (d) of the Securities and 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)

November 24, 2009

By /s/ Meetesh Patel

Meetesh Patel

President, Chief Executive Officer and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in capacities and on the dates indicated.

Signature	Title	Date
/s/ Meetesh Patel Meetesh Patel	President, Chief Executive Officer, Director	November 24, 2009
/s/ David Gamache David Gamache	Chief Financial Officer, Treasurer, Secretary, Director	November 24, 2009
/s/ Pattiann Hiranandani Pattiann Hiranandani	Director	November 24, 2009

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Exhibit Index

Exhibit No.	Description of Exhibit
31.1	Certification of Principal Executive 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.*
31.2	Certification of 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 Pursuant to 18 USC. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 . *
32.2	Certification of Principal Financial Officer Pursuant to 18 USC. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 . *

*Filed herewith.