

IsoRay, Inc.
Form 10QSB
November 14, 2006

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

Quarterly Report of Small Business Issuers under Section 13 or 15(d) of the Securities Exchange Act of
1934 for the quarterly period ended September 30, 2006

Commission File No. 000-14247

ISORAY, INC.

(Exact name of registrant as specified in its charter)

Minnesota

(State or other jurisdiction of incorporation or
organization)

41-1458152

(I.R.S. Employer Identification No.)

350 Hills St., Suite 106

Richland, Washington

(Address of principal executive offices)

99354

(Zip Code)

Issuer's telephone number, including area code: (509) 375-1202

Check whether the issuer has (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period the Company was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes No

Number of shares outstanding of each of the issuer's classes of common equity:

<u>Class</u>	<u>Outstanding as of November 10, 2006</u>
Common stock, \$0.001 par value	15,853,852

Transitional Small Business Disclosure Format : Yes No

ISORAY, INC.

Table of Contents

	Page
PART I FINANCIAL INFORMATION	1
Item 1. Consolidated Unaudited Financial Statements	1
Consolidated Balance Sheets	1
Consolidated Unaudited Statements of Operations	2
Consolidated Unaudited Statements of Cash Flows	3
Notes to Consolidated Unaudited Financial Statements	4
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	9
Item 3. Controls and Procedures	16
PART II OTHER INFORMATION	17
Item 6. Exhibits and Reports on Form 8-K	17
SIGNATURES	18

PART I. FINANCIAL INFORMATION**Item 1. Financial Statements****IsoRay, Inc. and Subsidiary
Consolidated Balance Sheets**

	September 30, 2006 (Unaudited)	June 30, 2006
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 5,160,557	\$ 2,207,452
Accounts receivable, net of allowance for doubtful accounts of \$63,237 and \$85,183, respectively	652,255	596,447
Inventory	217,788	161,381
Prepaid expenses	193,771	161,546
Total current assets	6,224,371	3,126,826
Fixed assets, net of accumulated depreciation	1,608,257	1,642,293
Deferred financing costs, net of accumulated amortization	252,501	274,358
Licenses, net of accumulated amortization	268,419	273,475
Other assets, net of accumulated amortization	347,383	338,987
Total assets	\$ 8,700,931	\$ 5,655,939
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 654,062	\$ 584,296
Accrued payroll and related taxes	706,827	614,645
Accrued interest payable	13,699	11,986
Notes payable, due within one year	46,031	51,351
Capital lease obligations, due within one year	190,266	183,554
Convertible debentures payable, due within one year	455,000	455,000
Total current liabilities	2,065,885	1,900,832
Notes payable, due after one year	569,608	581,557
Capital lease obligations, due after one year	162,642	220,415
Asset retirement obligation	68,953	67,425
Total liabilities	2,867,088	2,770,229
Shareholders' equity:		
Preferred stock, \$.001 par value; 6,000,000 shares authorized:		
Series A: 1,000,000 shares allocated; no shares issued and outstanding	-	-

Edgar Filing: IsoRay, Inc. - Form 10QSB

Series B: 5,000,000 shares allocated; 91,298 and 144,759 shares issued and outstanding	91	145
Common stock, \$.001 par value; 194,000,000 and 100,000,000 shares authorized; 15,853,852 and 15,157,901 shares issued and outstanding	15,854	15,158
Subscriptions receivable	-	(6,122,007)
Additional paid-in capital	22,291,594	22,538,675
Accumulated deficit	(16,473,696)	(13,546,261)
Total shareholders' equity	5,833,843	2,885,710
Total liabilities and shareholders' equity	\$ 8,700,931	\$ 5,655,939

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

IsoRay, Inc. and Subsidiary
Consolidated Statements of Operations
Three Months Ended September 30, 2006 and 2005 (Unaudited)

	Three months ended	
	September 30,	
	2006	2005
Product sales	\$ 1,025,444	\$ 210,915
Cost of product sales	1,288,145	720,166
Gross loss	(262,701)	