

IsoRay, Inc.  
Form 10-Q  
February 11, 2008

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

FORM 10-Q

**Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended December 31, 2007

or

**Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 001-33407

**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)

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

Indicate by check mark whether the registrant has (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period the registrant 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 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  Accelerated filer  Non-accelerated filer   
Smaller reporting company

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 as of the latest practicable date:

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Class  
Common stock, \$0.001 par value

Outstanding as of February 4, 2007  
23,090,200

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**ISORAY, INC.**

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**PART I - FINANCIAL INFORMATION****IsoRay, Inc. and Subsidiary  
Consolidated Balance Sheets**

	<b>December 31, 2007 (Unaudited)</b>	<b>June 30, 2007</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 3,476,679	\$ 9,355,730
Short-term investments	8,680,137	9,942,840
Accounts receivable, net of allowance for doubtful accounts of \$48,479 and \$99,789, respectively	829,918	1,092,925
Inventory	995,233	880,834
Prepaid expenses	442,993	458,123
<b>Total current assets</b>	<b>14,424,960</b>	<b>21,730,452</b>
Fixed assets, net of accumulated depreciation		
Deferred financing costs, net of accumulated amortization	6,521,545	3,665,551
Licenses, net of accumulated amortization	80,473	95,725
Restricted cash	467,457	262,074
Other assets, net of accumulated amortization	172,500	-
	328,421	322,360
<b>Total assets</b>	<b>\$ 21,995,356</b>	<b>\$ 26,076,162</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,183,082	\$ 1,946,042
Accrued payroll and related taxes	508,960	459,068
Accrued interest payable	1,695	1,938
Deferred revenue	-	23,874
Notes payable, due within one year	47,189	49,212
Capital lease obligations, due within one year	109,484	194,855
Asset retirement obligation, current portion	-	131,142
<b>Total current liabilities</b>	<b>1,850,410</b>	<b>2,806,131</b>
Notes payable, due after one year	504,444	528,246
Capital lease obligations, due after one year	8,774	25,560
Asset retirement obligation	483,821	-
<b>Total liabilities</b>	<b>2,847,449</b>	<b>3,359,937</b>
Commitments and contingencies (see Note 9)		
Shareholders' equity:		

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Preferred stock, \$.001 par value; 6,000,000 shares authorized:		
Series A: 1,000,000 shares allocated; no shares issued and outstanding	-	-
Series B: 5,000,000 shares allocated; 59,065 shares issued and outstanding	59	59
Common stock, \$.001 par value; 194,000,000 shares authorized; 23,090,200 and 22,789,324 shares issued and outstanding	23,090	22,789
Additional paid-in capital	47,221,918	45,844,793
Accumulated deficit	(28,097,160)	(23,151,416)
Total shareholders' equity	19,147,907	22,716,225
Total liabilities and shareholders' equity	\$ 21,995,356	\$ 26,076,162

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

**IsoRay, Inc. and Subsidiary**  
**Consolidated Statements of Operations**  
(Unaudited)

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>December 31,</b>		<b>December 31,</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Product sales	\$ 1,758,344	\$ 1,414,155	\$ 3,614,063	\$ 2,439,599
Cost of product sales	2,241,795	1,387,394	4,247,297	2,675,539
Gross loss	(483,451)	26,761	(633,234)	(235,940)