

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

**FORM 10-QSB**

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

FOR THE QUARTERLY PERIOD ENDED DECEMBER 31, 2007

OR

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

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

**ANPATH GROUP, INC.**

(Exact name of registrant as specified in charter)

**DELAWARE**

(State or other jurisdiction  
of incorporation)

**333-123365**

(Commission File Number)

**20-1602779**

(IRS Employer  
Identification No.)

**116 Morlake Drive, Suite 201 Mooresville, NC 28117**

(Address of principal executive offices)

**(704) 658-3350**

(Registrant's Telephone Number, including Area Code)

Check whether the issuer (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 that 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 shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

State the number of shares outstanding of the issuer's classes of common equity, as of the latest practicable date:

Class

**Common Stock, \$.0001 par value**

Outstanding at February 01, 2008

**14,249,889**

Transitional Small Business Disclosure Form (Check one): Yes  No

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ANPATH GROUP, INC

CONSOLIDATED BALANCE SHEETS

	December 31, 2007 (unaudited)	March 31, 2007
<b>ASSETS</b>		
CURRENT ASSETS		
Cash	\$ 8,010	\$ 1,216,495
Accounts receivable, net	38,434	17,371
Prepaid expenses	20,446	30,493
Inventory	51,125	98,079
TOTAL CURRENT ASSETS	<u>118,015</u>	<u>1,362,438</u>
FIXED ASSETS		
Furniture & fixtures	205,694	183,883
Machinery & equipment	195,138	195,137
Capitalized software	3,210	3,210
Less accumulated depreciation	(121,513)	(84,170)
TOTAL FIXED ASSETS	<u>282,529</u>	<u>298,060</u>
OTHER ASSETS		
Trade secrets	1,026,000	1,400,000
Deposits	247,807	210,858
TOTAL OTHER ASSETS	<u>1,273,807</u>	<u>1,610,858</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>1,674,351</u></b>	<b>\$ <u>3,271,356</u></b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 106,678	\$ 78,434
Reserve for product returns	-	26,999
TOTAL CURRENT LIABILITIES	<u>106,678</u>	<u>105,433</u>
COMMITMENTS AND CONTINGENCIES		
	-	-
<b>STOCKHOLDERS' EQUITY</b>		
Preferred stock, \$0.0001 par value; 5,000,000 shares authorized, no shares issued or outstanding	-	-
Common stock, \$0.0001 par value; 100,000,000 shares authorized, 14,249,899 and 16,299,889 shares issued and outstanding	1,425	1,630
Additional paid-in capital	25,527,935	23,789,948
Accumulated deficit	(23,961,687)	(20,625,655)
TOTAL STOCKHOLDERS' EQUITY	<u>1,567,673</u>	<u>3,165,923</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ <u>1,674,351</u></b>	<b>\$ <u>3,271,356</u></b>

See accompanying condensed notes to interim consolidated financial statements.

## ANPATH GROUP, INC

## CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2007 (unaudited)	2006 (unaudited)	2007 (unaudited)	2006 (unaudited)
REVENUES	\$ 48,120	\$ 9,739	\$ 102,082	\$ 56,975
COST OF SALES	51,072	22,303	111,449	103,576
Gross Profit (Loss)	(2,952)	(12,564)	(9,367)	(46,601)
EXPENSES				
Sales and marketing	87,311	68,829	225,770	196,036
Product development	89,005	93,494	358,675	292,614
Corporate	1,044,391	209,502	2,040,429	594,289
Finance and administrative	98,246	354,123	345,181	683,647
Total Expenses	1,318,953	725,948	2,970,055	1,766,586
LOSS FROM OPERATIONS	(1,321,905)	(738,512)	(2,979,422)	(1,813,187)
OTHER INCOME (EXPENSE)				
Interest income	1,329	18,664	17,731	72,388
Interest expense	-	-	-	-
Other income	-	216	-	216
Impairment of long lived assets	-	-	(374,000)	-
Total Other Income (Expense)	1,329	18,880	(356,269)	72,604
LOSS BEFORE TAXES	(1,320,576)	(719,632)	(3,335,691)	(1,740,583)
INCOME TAX EXPENSE	-	-	(341)	(800)
NET LOSS	\$ (1,320,576)	\$ (719,632)	\$ (3,336,032)	\$ (1,741,383)
BASIC AND DILUTED NET LOSS PER SHARE	\$ (0.09)	\$ (0.04)	\$ (0.22)	\$ (0.11)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING,				
BASIC AND DILUTED	14,210,759	16,000,000	14,965,525	16,000,000

See accompanying condensed notes to interim consolidated financial statements.

## ANPATH GROUP, INC

## CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

	Common Stock		Additional Paid-in Capital	Accumulated (Deficit)	Total Stockholders' Equity
	Shares	Amount			
Balance, March 31, 2006	\$ 16,000,000	\$ 1,600	\$ 22,631,853	\$ (18,109,755)	\$ 4,523,698
Common stock issued at a price of \$2.50 per share in the exercise of warrants	250,000	25	624,975	-	625,000
Common stock issued in a cashless exercise of warrants	49,889	5	(5)	-	-
Stock options granted	-	-	533,125	-	533,125
Net loss for the year ended March 31, 2007	-	-	-	(2,515,900)	(2,515,900)
Balance, March 31, 2007	16,299,889	1,630	23,789,948	(20,625,655)	3,165,923
Common stock issued at a price of \$1.25 per share in the exercise of warrants	200,000	20	249,980	-	250,000
Common stock issued for service	250,000	25	649,975	-	650,000
Common stock surrendered in Settlement Agreement	(2,500,000)	(250)	250	-	-
Stock options granted	-	-	136,590	-	136,590
Stock options re-priced	-	-	701,192	-	701,192
Net loss for the nine months ended December 31, 2007 (unaudited)	-	-	-	(3,336,032)	(3,336,032)
Balance, December 31, 2007 (unaudited)	\$ 14,249,889	\$ 1,425	\$ 25,527,935	\$ (23,961,687)	\$ 1,567,673

See accompanying condensed notes to interim consolidated financial statements.

## ANPATH GROUP, INC

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended	
	December 31,	
	2007	2006
	(unaudited)	(unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (3,336,032)	\$ (1,021,751)
(Gain) Loss on disposal of assets	-	(216)
Depreciation and amortization	37,343	21,842
Stock issued for services	650,000	-
Stock options issued	136,590	15,444
Stock options re-priced	701,192	-
Adjustments to reconcile net loss to net cash used by operations:		
Decrease (increase) in accounts receivable	(21,063)	(4,053)
Decrease (increase) in prepaid expenses	10,047	11,145
Decrease (increase) in inventory	46,954	(20,234)
Decrease in trade secrets	374,000	-
Decrease (increase) in deposits	(36,949)	(135,337)
Increase (decrease) in accounts payable & accrued expenses	28,244	(36,360)
Increase (decrease) in recall reserve for product returns	(26,999)	(222,306)
Net cash used by operating activities	(1,436,673)	(1,391,610)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of equipment	(21,812)	(25,059)
Net cash used in investing activities	(21,812)	(25,059)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from the exercise of warrants	250,000	-
Net cash provided by financing activities	250,000	-
NET INCREASE (DECREASE) IN CASH	(1,208,485)	(1,416,669)
CASH - Beginning of period	1,216,495	3,420,358
CASH - End of period	\$ 8,010	\$ 2,003,689
<b>SUPPLEMENTAL CASH FLOWS DISCLOSURES</b>		
Interest expense paid	-	-
Income taxes paid	\$ 341	\$ 800

See accompanying condensed notes to interim consolidated financial statements.

**ANPATH GROUP, INC**

**CONDENSED NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2007**

Anpath Group, Inc. (hereinafter the "Company") was incorporated in the State of Delaware on August 26, 2004. The principal business of the Company is a holding company. The Company's sole subsidiary is EnviroSystems, Inc. (hereinafter "ESI") The Company's name was changed to Anpath Group, Inc on January 8, 2007 at a special meeting of the shareholders of the Company. The Company's former name was Telecomm Sales Network, Inc. The Company's headquarters is located in Mooresville, North Carolina. The Company's year end is March 31.

ESI provides infection control products on an international basis through both direct sales and channels of distribution. While ESI's current focus is on the health care market, products are also sold to transportation, military and industrial/institutional markets. ESI products are manufactured utilizing chemical-emulsion technology, designed to make the products effective against a broad spectrum of harmful organisms while safe to people, equipment and habitat.

**NOTE 1 – BASIS OF PRESENTATION**

The foregoing unaudited interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim consolidated financial information and with the instructions to Regulation S-B as promulgated by the Securities and Exchange Commission. Accordingly, these financial statements do not include all of the disclosures required by generally accepted accounting principles in the United States of America for complete financial statements. These unaudited interim consolidated financial statements should be read in conjunction with the audited financial statements for the period ended March 31, 2007. In the opinion of management, the unaudited interim consolidated financial statements furnished herein include all adjustments, all of which are of a normal recurring nature, necessary for a fair statement of the results for the interim period presented.

Operating results for the nine-month period ending December 31, 2007 are not necessarily indicative of the results that may be expected for the year ending March 31, 2008.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America, and have been consistently applied in the preparation of the financial statements.

Fair Value of Financial Instruments

The Company's financial instruments as defined by Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments," may include cash, receivables, and advances, accounts payable and accrued expenses. All such instruments are accounted for on a historical cost basis, which, due to the short maturity of these financial instruments, approximates fair value at December 31, 2007 and March 31, 2007.

Fixed Assets

Equipment is recorded at cost. Depreciation and amortization are provided using the straight-line method over the useful lives of the respective assets, typically 3-7 years. Major additions and betterments are capitalized. Upon retirement or disposal, the cost and related accumulated depreciation or amortization is removed from the accounts and any gain or loss is reflected in operations.

The following table summarizes the Company's fixed assets:

	December 31, 2007	March 31, 2007
Office Equipment	\$ 51,347	\$ 51,347
Furniture & Fixtures	11,825	11,825
Marketing/Trade Shows	2,659	2,659
Manufacturing Equipment	195,138	195,138
Laboratory Equipment	139,863	118,051
Capitalized Software	3,210	3,210
	<u>404,042</u>	<u>382,230</u>
Allowance for Depreciation and amortization	(121,513)	(84,170)
Fixed Assets, net	<u>\$ 282,529</u>	<u>\$ 298,060</u>

Depreciation expense for the three months periods ending December 31, 2007 and 2006 was \$20,786 and \$13,613, respectively. Depreciation expense for the nine month periods ended December 31, 2007 and 2006 was \$37,342 and \$21,842, respectively.

#### Going Concern

The accompanying financial statements have been prepared assuming the Company will continue as a going concern.

As shown in the financial statements, the Company incurred a net loss for the nine months ended December 31, 2007 and 2006, and has an accumulated deficit of \$23,961,687 since the inception of the Company. These factors indicate that the Company may be unable to continue in existence. The financial statements do not include any adjustments related to the recoverability and classification of recorded assets, or the amounts and classification of liabilities that might be necessary in the event the Company cannot continue existence. The Company anticipates its projected business plan will require a minimum of \$2,000,000 to continue operations for the next twelve months.

#### Impairment of Long Lived Assets

The Company assesses potential impairment of its long lived assets, which include its property and equipment and its identifiable intangibles such as its trade secrets under the guidance of Statement of Financial Standards No. 144, "Accounting for the Impairment or Disposal of Long Lived Assets." On an annual basis, or as events and circumstances indicate that an asset may be impaired, the Company assesses potential impairment of its long lived assets. The Company determines impairment by measuring the undiscounted future cash flows generated by the assets, comparing the results to the assets' carrying value and adjusting the assets to the lower of the carrying value to fair value and charging current operations for any measured impairment. The Company determined that the Trade Secrets was impaired by \$374,000 during the quarter ending September 30, 2007 and has taken a charge for this amount.

#### Concentration Risk

Sales to one customer represented approximately 63.26% of our sales for the nine months ended December 31, 2006 and sales to another customer represented approximately 66.87% of our sales for the nine months ended December 31, 2007.

#### Suppliers

The Company relied upon a single supplier to provide it with PCMX, which is the biocide used in our chemical emulsion disinfectant products. Although there are other suppliers of this material, a change in suppliers would cause a delay in the production process, which could ultimately affect operating results.



## Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiary. All significant intercompany transactions and balances have been eliminated in consolidation. References herein to the Company include the Company and its subsidiary, unless the context otherwise requires.

## Recent accounting pronouncements

### SFAS No. 60

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements—An Amendment of ARB No. 51, or SFAS No. 160. SFAS No. 160 establishes new accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS No. 160 is effective for fiscal years beginning on or after December 15, 2008. We have not completed our evaluation of the potential impact, if any, of the adoption of SFAS No. 160 on our consolidated financial position, results of operations and cash flows.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interest in Consolidated Financial Statements, an amendment of ARB No. 51" ("SFAS No. 160"), which will change the accounting and reporting for minority interests, which will be recharacterized as noncontrolling interests and classified as a component of equity within the consolidated balance sheets. SFAS No. 160 is effective as of the beginning of the first fiscal year beginning on or after December 15, 2008. Earlier adoption is prohibited and the Company is currently evaluating the effect, if any, that the adoption will have on its financial position, results of operations or cash flows.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 160 ("SFAS 160"), Noncontrolling interests in Consolidated Financial Statements, which establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS 160 is effective for financial statements issued for fiscal years beginning on or after December 15, 2008, and interim periods within those fiscal years.

### SFAS No. 141

In December 2007, the FASB issued SFAS No. 141 (Revised 2007), Business Combinations, or SFAS No. 141R. SFAS No. 141R will change the accounting for business combinations. Under SFAS No. 141R, an acquiring entity will be required to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition-date fair value with limited exceptions. SFAS No. 141R will change the accounting treatment and disclosure for certain specific items in a business combination. SFAS No. 141R applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Accordingly, any business combinations we engage in will be recorded and disclosed following existing GAAP until January 1, 2009. We expect SFAS No. 141R will have an impact on accounting for business combinations once adopted but the effect is dependent upon acquisitions at that time. We are still assessing the impact of SFAS No. 141R.

In December 2007, the FASB issued SFAS No. 141(R), "Business Combinations" ("SFAS No. 141(R)"), which establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in an acquiree, including the recognition and measurement of goodwill acquired in a business combination. SFAS No. 141R is effective as of the beginning of the first fiscal year beginning on or after December 15, 2008. Earlier adoption is prohibited and the Company is currently evaluating the effect, if any, that the adoption will have on its financial position, results of operations or cash flows.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141R ("SFAS 141R"), Business Combinations, which establishes principles and requirements for how the acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree, goodwill acquired in the business combination, or a gain from a bargain purchase. SFAS 141R is effective for financial statements issued for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008

### Reclassifications

Certain amounts have been reclassified from the prior financial statements for comparative purposes.

### Revenue Recognition

Revenue is generally recognized and earned when all of the following criteria are satisfied: a) persuasive evidence of sales arrangements exists; b) delivery has occurred; c) the sales price is fixed or determinable; and d) collectibility is reasonably assured.

Persuasive evidence of an arrangement is demonstrated via a purchase order from our customers. Delivery occurs when title and all risks of ownership are transferred to the purchaser which generally occurs when the products are shipped to the customer. No right of return exists on sales of product except for defective or damaged products. The sales price to the customer is fixed upon acceptance of purchase order. To assure that collectibility is reasonably assured, credit evaluations are performed on all customers.

### Stock Based Compensation

The Company measures compensation cost for its stock based compensation plans under the provisions of Statement of Financial Accounting Standards No. 123(R), "Accounting for Stock Based Compensations." This statement supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees," and its related implementation guidance. This statement establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. This statement focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. SFAS No. 123(R), "Accounting for Stock-Based Compensation", requires companies to include expenses in net income (loss) and earnings (loss) for each issuance of options and warrants. The Company uses the Black-Scholes option valuation model to value its issuance of options and warrants.

### Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

### **NOTE 3 - CONCENTRATION OF CREDIT RISK**

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash. The Company places its cash and cash equivalents with what management believes to be high credit quality financial institutions. At times such investments may be in excess of the FDIC insurance limit. The Company maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. At December 31, 2007 and March 31, 2007, the Company's uninsured cash balances were \$0- and \$1,112,348, respectively.

### **NOTE 4 - INVENTORIES**

Inventories consist of the following:

	<b>December 31,</b>	<b>March 31,</b>
	<b>2007</b>	<b>2007</b>
Raw material	\$ 48,420	\$ 79,329
Finished goods	2,705	18,750
Allowance for obsolescence	-	-
Inventory, net	<u>\$ 51,125</u>	<u>\$ 98,079</u>

## NOTE 5 - RESERVE FOR PRODUCT RETURNS

During the period ending March 31, 2006, the Company in response to communications from the U.S. Environmental Protection Agency decided voluntarily to suspend sales, marketing and distribution of its EcoTru® disinfectant products and has initiated a retrieval program to recover existing stocks of EcoTru® that have been distributed since January 2005 and remain in customer inventories. At December 31, 2007 and March 31, 2007, the Company has accrued \$-0- and \$26,999, respectively, which is its best estimate of its obligation regarding the EPA action and voluntary recall. This is presented under the caption "reserve for product returns" in the accompanying balance sheet. See Note 6.

## NOTE 6 - COMMITMENTS AND CONTINGENCIES

### Operating Leases

The Company has formal operating leases for all of its office and laboratory space. Rent expense relating to operating spaces leased was approximately \$64,286 and \$61,006 for the nine months ended December 31, 2007 and 2006, respectively.

Contractual Obligations	Payments Due by Period				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Office Lease	\$ 39,000	\$ 39,000	-	-	-
Total Contractual Cash Obligations	\$ 39,000	\$ 39,000	-	-	-

### Executive Employment Contracts

The Company has entered into a three year employment contract with a key Company executive that provides for the continuation of salary to the executive if terminated for reasons other than cause, as defined in those agreements. At December 31, 2007, the future employment contract commitment for such key executive based on this termination clause was approximately \$18,750 per month through January 9, 2009. The Company also issued 750,000 stock options to purchase 750,000 common stock shares at \$2.50 per share. Of these, 500,000 were fully vested at December 31, 2007 with the balance vesting at March 31, 2008.

### U.S. Environmental Protection Agency and Product Recall

The Company announced on February 7, 2006 that in response to communications from the U.S. Environmental Protection Agency ("EPA") that EnviroSystems, Inc., its wholly owned subsidiary had decided voluntarily to suspend sales, marketing and distribution of its EcoTru disinfectant products and has initiated a retrieval program to recover existing stocks of EcoTru that have been distributed since January 2005 and remain in customer inventories. The Company believes that it has retrieved all of the known product that was still in its distributors' inventory and has settled all known claims with distributors. The Company has settled with the EPA for a fine and administrative charges of \$16,358.

The Company has re-submitted to the EPA in June 2006 its EnviroTru product for approval as a limited disinfectant and is continuing the testing and reformulation of the product to determine if it can pass the EPA requirement as a hospital grade disinfectant.

## NOTE 7 - PREFERRED STOCK AND COMMON STOCK

### Preferred Stock

The Company is authorized to issue 5,000,000 shares of \$0.0001 par value preferred stock, which may be issued in one or more series at the sole discretion of the Company's board of directors. The board of directors is also authorized to determine the rights, preferences, and privileges and restrictions granted to or imposed upon any series of preferred stock. As of December 31, 2007, no preferred stock has been issued by the Company.

### Common Stock

The Company is authorized to issue 100,000,000 shares of \$0.0001 par value common stock. All shares have equal voting rights, are non-assessable and have one vote per share. Voting rights are not cumulative and, therefore, the holders of more than 50% of the common stock could, if they choose to do so, elect all of the directors of the Company.

### Merger and Recapitalization

Prior to the merger and recapitalization (described below), there were 7,350,000 shares of the Company's common stock outstanding. This included 4,120,000 shares of common stock issued for cash to the Company's shareholders, officers and directors and 3,230,000 shares issued to MV Nanotech. The Company purchased and retired 2,000,000 shares of its common stock from its former officers and directors immediately prior to the merger and private placement transactions, leaving 5,350,000 shares of the Company's common stock outstanding at the time of the merger and private placement transactions.

On January 10, 2006, the Company completed the acquisition of EnviroSystems, Inc. ("EnviroSystems") in a merger transaction. The Company issued 6,400,000 shares of common stock in exchange for all the outstanding shares, options and warrants of EnviroSystems, Inc. Pursuant to an agreement and plan of merger dated as of November 11, 2005 (the "Merger Agreement"), by and among the Company, TSN Acquisition Corporation ("TAC"), a newly formed and wholly owned subsidiary of the Company, and EnviroSystems, Inc. ("EnviroSystems"), TAC merged with and into EnviroSystems, with EnviroSystems as the surviving corporation. On January 10, 2006, prior to the merger, the Company had \$4,177 in cash, a note receivable of \$40,375, and liabilities of \$10,869 with net assets of \$33,683 and 5,350,000 common stock shares issued and outstanding.

The transaction between the Company and EnviroSystems has been treated as a reverse merger and recapitalization of EnviroSystems for reporting purposes. The Company's filed financial statements reflect the restatement of EnviroSystems stockholders' equity for the periods ending March 31, 2006 and 2005. The net effect of the merger is that the prior EnviroSystems preferred shareholders received 40% or 6,400,000 shares of the outstanding stock of the Company in the transaction for their outstanding shares, warrants and options of EnviroSystems preferred stock.

Outstanding options and warrants to purchase EnviroSystems preferred stock were converted to options to purchase the Company's common stock at the merger date. In the merger, outstanding options to purchase common stock of EnviroSystems were converted into 982,362 common stock options of the Company. These options range in price from \$3.40 to \$5.00 per option and start to expire in approximately 4 years to 8 years.

Also in the merger, outstanding warrants to purchase preferred stock of EnviroSystems were converted into 613,869 common stock warrants of the Company. These warrants are priced at \$5.00 per warrant and expire in approximately 3 months to 4 years.

In November 2006 the Company elected to exercise its right to seek indemnification and made a claim seeking the return of all 6,400,000 shares held in escrow. Pursuant to the terms of the Escrow and Lock-Up Agreement, if the Company determined that it had a claim for damages under the Merger Agreement, the Company had up to one year from the closing of the Merger to submit a claim seeking the return of shares held in escrow. On July 6, 2007, the Company agreed to settle its claims for indemnification against EnviroSystems shareholders and the 6,400,000 shares held in escrow by cancelling 2,500,000 shares of common stock that is being held in escrow. See Note 10.

### Private Placement

On January 10, 2006, the Company also issued 4,250,000 shares of common stock in a private placement offering in exchange for \$8,500,000 in gross proceeds on January 10, 2006. The Company received \$6,951,084 after paying \$1,548,916 in expenses associated with the private placement including legal, escrow and selling agents fees. The merger agreement called for minimum gross proceeds from the private placement of \$8,500,000 and net offering proceeds of \$7,200,000. The Company's net offering proceeds were \$248,916 lower than the agreed upon amount due to increased expenses of the offering including legal and other expenses of the private placement. This is a violation of the merger agreement. The parties to the Merger agreed and determined that the shortfall had no effect on the Merger because there was no penalty specified in the Merger Agreement and all parties were aware of the violation prior to closing.

## Warrant Exercise

On October 17, 2007, the Board of Directors agreed to re-price 800,000 warrants held by MV Nanotech Corporation. The original warrants had an exercise price of \$2.50 per warrant. The new exercise price was set at \$1.25 per warrant. Subsequently, MV Nanotech Corporation assigned the warrants to two unaffiliated entities who exercised 200,000 of the warrants. The Company received proceeds from the exercise of the warrants in the amount of \$250,000. Due to the re-pricing, the Company recorded \$701,192 in expense, calculated using the Black-Scholes option pricing method.

### **NOTE 8 - STOCK PURCHASE WARRANTS**

Pursuant to a securities purchase agreement dated October 31, 2005, the Company issued and sold to MV Nanotech a warrant to purchase up to 4,000,000 shares of common stock. The warrant is exercisable for a period of 4 years commencing 90 days after the date of issuance and has an exercise price of \$2.50 per share. See Note 9. Compensation was required to be recorded for warrants granted to the MV Nanotech using the Black-Scholes option-pricing model for the year ended March 31, 2006 in the amount of \$220,033.

In connection with the private placement offering on January 10, 2006, the Company issued 637,500 common stock warrants to three selling agents of the private placement offering for purchase of the Company's common stock. The warrants are exercisable for a period of 4 years commencing April 10, 2006 and have an exercise price of \$2.50 per share.

The following is a summary of all common stock warrant activity during the year ended March 31, 2007 and the nine months ended December 31, 2007:

	<b>Number of Shares Under Warrants</b>	<b>Exercise Price Per Share</b>	<b>Weighted Average Exercise Price</b>
Warrants issued and exercisable at:			
March 31, 2006	5,251,369	\$ 2.50-5.00	\$ 2.79
Warrants granted	-	-	-
Warrants expired	(237,947)	5.00	5.00
Warrants exercised	(299,889)	2.50-5.00	2.50
Warrants issued and exercisable at:			
March 31, 2007	4,713,533	2.50-5.00	2.89
Warrants granted	2,500,000	2.70	2.70
Warrants expired	(43,445)	5.00	5.00
Warrants exercised	(200,000)	1.25	1.25
Warrants issued and exercisable at:			
December 31, 2007	<u>6,970,088</u>	<u>\$ 2.50-5.00</u>	<u>\$ 2.62</u>

The following represents additional information related to common stock warrants outstanding and exercisable at December 31, 2007:

<b>Exercise Price</b>	<b>Outstanding and Exercisable</b>		
	<b>Number of Shares Under Warrants</b>	<b>Weighted Average Remaining Contract Life in Years</b>	<b>Weighted Average Exercise Price</b>
\$5.00	207,758	.58	\$ 5.00
\$5.00	74,835	1.17	5.00
\$1.25	300,000	2.08	1.25
\$2.50	4,187,500	2.11	2.50
\$2.70	2,500,000	4.52	2.70
	<u>6,970,088</u>	<u>2.92</u>	<u>\$ 2.62</u>

The Company used the Black-Scholes option price calculation to value the warrants granted in the year ending March 31, 2007 using the following assumptions: risk-free rate of 4.50%; volatility of 63%; zero dividend yield; half the actual exercise term of the warrants granted and the exercise price of warrants granted.

#### NOTE 9 - EQUITY COMPENSATION PLAN

The Company has two stock option plans: (a) the 2006 Stock Incentive Plan which has been approved by both the Board of Directors and shareholders and (b) the 2004 Equity Compensation Plan which has been approved by both the Board of Directors and the shareholders. An aggregate amount of common stock that may be awarded and purchased under the Plans is 3,700,000 shares of the Company's common stock.

The exercise price for incentive stock options granted under the 2006 and 2004 Plans may not be less than the fair market value of the common stock on the date the option is granted, except for options granted to 10% stockholders which must have an exercise price of not less than 110% of the fair market value of the common stock on the date the option is granted. The exercise price for nonstatutory options is determined by the Compensation Committee of the Company's Board of Directors. Incentive stock options granted under the plans have a maximum term of ten years, except for grants to 10% stockholders which are subject to a maximum term of five years. The term of nonstatutory stock options is determined by the Compensation Committee. Options granted under the plans are not transferable, except by will and the laws of descent and distribution.

Under the Plans during the nine months ended December 31, 2007 and the year ended March 31, 2007 the Company granted 40,000 and 375,750 stock options respectively to employees and members of the Board of Directors.

The Company also issues stock options to consultants to purchase restricted Rule 144 common stock which is not issued under the Plans. During the nine months ended December 31, 2007 and 2006, the Company granted -0- and 13,690 options to consultants to purchase common stock with exercise prices of \$1.70 to \$2.25 per share which was equal to or higher than the market price at the date of the grant. Consulting expense was required to be recorded for options granted to the consultants using the Black-Scholes option-pricing model for the nine months ended December 31, 2007 and 2006 in the amounts of \$-0- and \$15,444, respectively.

The following is a summary of all common stock option activity during the year ended March 31, 2007 and the nine months ended December 31, 2007:

	<b>Shares Under Options Outstanding</b>	<b>Weighted Average Exercise Price</b>
Options outstanding at March 31, 2006	2,139,082	\$ 2.34
Options granted	439,173	2.37
Options expired	-	-
Options exercised	-	-
Options outstanding at March 31, 2007	2,578,255	2.73
Options granted	40,000	2.85
Options expired	-	-
Options exercised	-	-
Options outstanding at December 31, 2007	2,618,255	\$ 2.79
	<b>Options Exercisable</b>	<b>Weighted Average Exercise Price per Share</b>
Options exercisable at March 31, 2007	1,828,255	\$ 3.00
Options exercisable at December 31, 2007	1,922,005	\$ 2.95

The following represents additional information related to common stock options outstanding and exercisable at December 31, 2007:

Range of Exercise Price	Number Outstanding at December 31, 2007	Weighted Average Contractual Life Years	Weighted Average Exercise Price (Total Shares)	Number Exercisable At December 31, 2007	Weighted Average Exercise Price (Exercisable Shares)
\$ 3.40	957,807	6.84	\$ 3.40	957,807	\$ 3.40
\$ 5.00	72,333	2.88	5.00	72,333	5.00
\$ 1.61 - 2.95	22,365	8.46	2.06	22,365	2.06
\$ 2.00 - 2.85	1,565,750	5.94	2.32	869,500	2.31
\$ 1.61 - 5.00	2,618,255	6.20	\$ 2.79	1,922,005	\$ 2.95

Total compensation cost related to non-vested stock options as of December 31, 2007 was \$696,250.

Weighted average period of non-vested stock options was 6.85 years as of December 31, 2007.

The Company used the Black-Scholes option price calculation to value the options granted in the nine months ended September 30, 2007 using the following assumptions: risk-free rate of 4.5%; volatility of 63%; zero dividend yield; half the actual term and exercise price of warrants granted.

#### NOTE 10 – SETTLEMENT AGREEMENT

In July 2007, the Company entered into a Settlement Agreement (the “Settlement Agreement”), dated as of July 6, 2007 by and among the Company, MV Nanotech Corp. (“MV Nanotech”), The Ferguson Living Trust UTD 8/13/74 (the “Trust”) and Daniel Ferguson in his capacity as the agent for the ESI shareholders (the “Shareholder Agent”), pursuant to which the parties resolved any and all claims that the Company or MV Nanotech may have had against the ESI shareholders or the 6,400,000 shares held in escrow (the “Escrow Shares”) pursuant to the terms of the Escrow and Lock-Up Agreement entered into in connection with the Merger.

Pursuant to the terms of the Settlement Agreement, the Trust authorized the escrow agent (the “Escrow Agent”) to return to the Company for cancellation 2,500,000 Escrow Shares as the same are receivable by the Trust from the Escrow Agent. Upon cancellation of such 2,500,000 Escrow Shares, the Company will issue the Trust a warrant (the “Warrant”) to purchase 2,500,000 shares of Common Stock at an exercise price of \$2.70 per share. As partial consideration for the issuance of the warrant by the Company to the Trust, the Trust entered into a lock-up agreement (the “Lock-Up Agreement”), pursuant to which the Trust agreed not to sell, make any short sale of, pledge as security for a loan, grant any option for the purchase of, or otherwise transfer, assign, dispose, either directly or indirectly in any manner, any shares of Common Stock and options and warrants to purchase such Common Stock and shares of such Common Stock issuable upon exercise of such options or warrants owned by the Trust and distributable to the Trust pursuant to the terms of the Escrow Agreement and any shares of Common Stock (or other securities) received by the Trust pursuant to the exercise of the Warrant for a period of 12 months from the date of the Lock-Up Agreement without the prior written consent of the Company.

Immediately following the execution and delivery of the Settlement Agreement, the Company and the Shareholder Agent have agreed to instruct the Escrow Agent to immediately release and deliver to the ESI shareholders certificates representing the remaining Escrow Shares held pursuant to the Escrow Agreement (other than shares required to be held by the Escrow Agent for issuance upon exercise of any options or warrants to purchase such Escrow Shares which shall be otherwise released to the appropriate party and at the time specified in the Merger Agreement and Escrow Agreement).

Pursuant to the terms of the Settlement Agreement, each of the Company and MV Nanotech agreed to release and discharge the Shareholder Agent and the EnviroSystems Shareholders from any and all claims arising out of or connected with the Merger Agreement or the Escrow Agreement other than the obligations set forth in the Settlement Agreement or the Lock-Up Agreement.

The Company accounted for the Settlement Agreement as follows:

As a result of the retirement of the shares the total issued and outstanding shares of the Company have been reduced from 16,299,889 to 14,049,889 shares as of July 6, 2007. Common stock has been decreased by \$250 and additional paid in capital will be increased by \$250.

Trade Secrets were evaluated for impairment at July 6, 2007. The Company recorded an impairment charge in the quarter ended December 31, 2007 in the amount of \$374,000. The Trade Secret carrying value was reduced from \$1,400,000 to \$1,026,000 to reflect this charge.

#### **NOTE 11 – SUBSEQUENT EVENTS**

On January 8, 2008, the Company completed a financing transaction with ANPG Lending, LLC, (the “LLC”) pursuant to the terms of a Loan and Security Agreement by and between the Company and the LLC. Pursuant to the Loan Agreement, the Company issued to the LLC convertible promissory notes for an aggregate principal amount of \$1,500,000. The Loan Agreement also provides that the LLC may make up to an additional \$500,000 in advances to the Company in the discretion of the LLC. In addition to the Notes, the Company issued to the LLC warrants to purchase up to an aggregate of 750,000 shares of the Company’s common stock. The Warrants have terms of 5 years and are exercisable at an initial exercise price \$0.87 per share, subject to certain anti-dilution adjustments.

Pursuant to the Loan Agreement, the Company granted to the LLC a security interest in the Company’s assets and properties to secure the Company’s obligations under the Notes to the LLC.

As a condition to obtaining the Financing, the Company entered into a Securities Repurchase Agreement by and between the Company, the LLC and the Singer Children’s Management Trust (the “Trust”) pursuant to which the Company repurchased from the Trust 250,000 shares of the Company’s common stock and warrants to purchase up to an aggregate of 750,000 shares of the Company’s common stock at an exercise price of \$2.50 per share for an aggregate purchase price of \$625,000. The Company used \$625,000 from the LLC to pay the purchase price for the Securities and used \$30,000 to pay the lenders legal expenses of the transaction. Pursuant to the Repurchase Agreement, the Company issued to the LLC three additional Warrants to purchase up to an aggregate of 750,000 shares of our common stock. The Warrants have terms of 5 years and are exercisable at an initial exercise price \$0.87 per share, subject to certain anti-dilution adjustments.

As a result of the foregoing transactions, the Company was able to obtain net proceeds of approximately \$845,000 to be used for general working capital purposes.

The Notes are due and payable 18 months after January 8, 2008. The Notes bear interest at a rate of 7% per annum and interest accrues and is payable on the maturity date of the Notes. The Notes are convertible into shares of common stock of the Company at an initial conversion price of \$0.87. The conversion price is subject to certain anti-dilution adjustments.



## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Report contains certain financial information and statements regarding our operations and financial prospects of a forward-looking nature. Although these statements accurately reflect management's current understanding and beliefs, we caution you that certain important factors may affect our actual results and could cause such results to differ materially from any forward-looking statements which may be deemed to be made in this Report. For this purpose, any statements contained in this Report which are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the generality of the foregoing, words such as "may", "intend", "expect", "believe", "anticipate", "could", "estimate", "plan", or "continue" or the negative variations of these words or comparable terminology are intended to identify forward-looking statements. There can be no assurance of any kind that such forward-looking information and statements in any way reflect our actual future operations and/or financial results, and any of such information and statements should not be relied upon either in whole or in part in any decision to invest in the shares. Many of the factors, which could cause actual results to differ from forward looking statements, are outside our control. These factors include, but are not limited to, the factors discussed under "Risk Factors" in our Annual Report on Form 10-KSB filed on June 28, 2007 and incorporated herein by reference.

## ITEM 2.MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

### Overview

From our inception in August 2004, until our acquisition of EnviroSystems in a reverse merger transaction in January 2006, we had no material assets and/or business operations. As a result of the merger, EnviroSystems became our wholly owned subsidiary and our business became that of EnviroSystems. EnviroSystems was incorporated in the State of Nevada in 1996. Through EnviroSystems, we produce cleaning and disinfecting products that we believe will help prevent the spread of infectious microorganisms while minimizing the harmful effects to people, equipment or the environment.

**Products.** EnviroSystems has available the following products:

ESI Cleansing Wipe – We sell a cleansing wipe product that is individually package at a contract manufacturer located in California. The majority of the revenue recognized from these cleansing wipes are from sales to the commercial aviation sector.

EnviroTru® and EnviroTru 1453® - We sell a multi-purpose disinfectant and deodorizing cleaner under the names EnviroTru® and EnviroTru 1453® (EPA Reg No. 70791-2). Our EnviroTru® products are ready-to-use cleaners and bactericides effective against numerous organisms including E Coli and Salmonella. As a sanitizer they kill greater than 99.9% of Staph and Klebsiella. Our EnviroTru® products also meet EPA requirements for Toxicity Category IV and have passed AMS 1452A, AMS 1453 and Boeing D6-7127 specifications for non-corrosion and materials compatibility. The process of registering EnviroTru® in individual states is nearly complete; the product has been registered in 48 states, the District of Columbia and Puerto Rico. We expect action on the part of the final two (2) states shortly. Initial production runs and shipments were made in September 2007.

EquineTru™ - We sell a skin and hoof treatment for horses. EquineTru™ is an antiseptic for the prevention and treatment for skin and hoof conditions caused by microorganisms. The product can be used as a leave-on spray or a hoof pack. The active ingredient in EquineTru™ is widely used in surgical hand and skin scrubs, and independent testing has demonstrated its efficacy and safety for horses, their handlers and the environment. The product is also recommended for use on small animals such as dogs and cats.

An annual report by the American Horse Council in 1999 estimated the horse industry contributed more than \$25 billion to the United States' annual gross domestic product. In 2005 they estimated that this number had increased to \$39 billion reflecting an annual growth of approximately 11%. There are approximately 9.2 million horses in the U.S. and at any given time an estimated 1 of 10 suffers from either skin or hoof fungus/bacterial infections. We believe the total estimated target market in annual unit sales to be in excess of 1.2 million units.

In addition to the foregoing, we plan to develop and introduce a portfolio of products in three product groups: (1) surface disinfectants and cleaners, (2) animal care, and (3) personal care. This product portfolio will employ a proprietary and we believe unique, emulsion biocide technology. We are also developing products based on other proprietary formulations and technology platforms. In each case these products are expected to occupy a unique position in the market place in that they will combine efficacy with a favorable profile for health and environmental effects.

Among our near-term priorities, we are hoping to reintroduce a hospital grade disinfectant product to replace the product called EcoTru®. This product had historically been EnviroSystems' primary product and accounted for a majority of its revenue, but was removed from the market in 2006. The reformulated EcoTru® is expected to demonstrate through testing that it will effectively kill numerous bacteria, fungi, and viruses, including Hepatitis B and C, HIV, herpes and influenza. Likewise, in addition to being highly effective as a disinfectant, our reformulated EcoTru® is expected to occupy a unique position in the market place in that it will combine this microbial effectiveness in a disinfectant product which also will have a favorable profile for health and environmental effects.

Our infection prevention products will target a United States market for infection prevention products and services estimated at \$10.3 billion in 2006 and growing 4.6% annually to \$11.8 billion in 2009. It is further estimated that consumables/disposables constitute 91% of this market. The total global demand is approximately 3-3.5 times that of the U.S. The demand for disinfectants in the U.S. is estimated to be \$2.2 billion to \$2.5 billion in the same period.

## **Results of Operations**

### **Three Months Ended December 31, 2007 compared to Three Months Ended December 31, 2006**

**Revenues.** Our revenues for the three months ended December 31, 2007 and 2006 were \$48,120 and \$9,739, respectively an increase of \$38,381. This increase is directly attributable to the finalization of the new manufacturing process and facility and the beginning of production at that facility of our Enviro-Tru® and Enviro-Tru 1453 products. Our revenues for the three months ended December 31, 2007 and 2006 are comprised of 60% and 0% from EnviroTru®; 0% and 0% from EnviroTru 1453® and 40% and 100% from cleansing wipes. In September 2007, we began the sale of EnviroTru® and EnviroTru 1453®, prior to this date and after the EPA action, we have only sold our cleansing wipe

**Cost of Sales.** Cost of sales for the three months ended December 31, 2007 and 2006 were \$51,071 and \$22,303, respectively, an increase of \$28,769. As a percentage of revenues, for the three months ended December 31, 2007 and 2006, cost of sales represented 106% and 229% of revenues, respectively. Cost of sales for the quarter ended December 31, 2007 included cost of product produced using an outsourced manufacturer that is no longer under contract with us. Once our inventory on hand of product produced at the prior facility is used, our cost of sales should decline as a percentage of revenues.

**Operating Expenses.** Total operating expenses for the three months ended December 31, 2007 and 2006 were \$1,318,953 and \$725,948, respectively, an increase of \$593,005 or 81%.

Sales expense for the three months ended December 31, 2007 and 2006 were \$87,311 and \$68,829, respectively, an increase of \$18,482 or 27%. Expenses for the current period include expenses for a product placement consultant in the amount of \$25,000; we did not have this expense in the prior period.

Product development expenses for the three months ended December 31, 2007 and 2006 were \$89,005 and \$93,494, respectively, a decrease of \$4,489 or (5%). We continue to conduct a number of testing procedures on the EcoTru® product formulation in anticipation of resubmitting EcoTru® for EPA approval.

Corporate expense for the three months ended December 31, 2007 and 2006 were \$1,044,391 and \$209,502, respectively, an increase of \$838,889. Corporate expense for the three months ended December 31, 2007 and 2006 includes \$711,362 and \$0-, respectively in compensation cost for the issuance of incentive stock options.

Finance and administrative expenses for the three months ended December 31, 2007 and 2006 were \$98,246 and \$354,123, respectively a decrease of \$255,877 or (72)%.

Expenses for the prior period included one salaried position and two consultants while in the current period only includes 1 ½ salaried positions and no consultants. Finance and administrative expense for the three months ended December 31, 2007 and 2006 includes \$164,770 and \$15,720, respectively in compensation cost for the issuance of incentive stock options. Legal expenses in the current period decreased \$72,975 from the prior period as well.

#### **Nine Months Ended December 31, 2007 compared to Nine Months Ended December 31, 2006**

**Revenues.** Our revenues for the nine months ended December 31, 2007 and 2006 were \$102,082 and \$56,975, respectively. This is an increase of \$45,107, or 79%. This increase is directly attributable to the finalization of the new manufacturing process and facility and the beginning of production at that facility of our Enviro-Tru® and Enviro-Tru 1453 products. Our revenues for the nine months ended December 31, 2007 and 2006 are comprised of 31% and 0% from EnviroTru®; 27% and 0% from EnviroTru 1453® and 42% and 100% from cleansing wipes. In September 2007, we began the sale of EnviroTru® and EnviroTru 1453®, prior to this date and after the EPA action, we have only sold our cleansing wipe

**Cost of Sales.** Cost of sales for the nine months ended December 31, 2007 and 2006 were \$111,449 and \$103,576, respectively, an increase of \$7,873. As a percentage of revenues, for the nine months ended December 31, 2007 and 2006, cost of sales represented 109% and 182% of revenues, respectively. Cost of sales for the nine months ended December 31, 2007 included cost of product produced using an outsourced manufacturer that is no longer under contract with us. Once our inventory on hand of product produced at the prior facility is used, our cost of sales should decline as a percentage of revenues. Cost of sales for the nine months ended December 31, 2007 includes \$15,840 of inventory product that expired. Cost of sales for the nine months ended December 31, 2006 included labor cost and other indirect cost related to production and shipment activities. Since that time all production and shipment activities have been outsourced.

**Operating Expenses.** Total operating expenses for the nine months ended December 31, 2007 and 2006 were \$2,970,055 and \$1,766,586, respectively, an increase of \$1,203,469 or 68%.

Sales expense for the nine months ended December 31, 2007 and 2006 were \$225,770 and \$196,036, respectively, an increase of \$29,734 or 15%. Expenses for the prior period included two salaried positions while in the current period we only have one salaried position. Sales expense for the nine months ended December 31, 2007 and 2006 includes \$29,460 and \$-0-, respectively in compensation cost for the issuance of incentive stock options.

Product development expenses for the nine months ended December 31, 2007 and 2006 were \$358,675 and \$292,614, respectively, an increase of \$66,061 or 23%. Expenses for the prior period included one salaried position while in the current period we have two salaried positions. In addition to the additional position we are conducting an increased number of testing procedures on the EcoTru® product formulation in anticipation of resubmitting EcoTru® for EPA approval. Product development expense for the nine months ended December 31, 2007 and 2006 includes \$29,460 and \$-0-, respectively in compensation cost for the issuance of incentive stock options.

Corporate expense for the nine months ended December 31, 2007 and 2006 were \$2,040,429 and \$594,289, respectively, an increase of \$1,446,140. During the nine months ended December 31, 2007 we entered into a consulting contract whereby we issued 250,000 shares of restricted stock and paid \$100,000. The expense associated with this contract was \$750,000. Expenses for the prior period included two salaried positions while in the current period only includes 1 ½ salaried positions. Corporate expense for the nine months ended December 31, 2007 and 2006 includes \$731,700 and \$-0-, respectively in compensation cost for the issuance of incentive stock options.

Finance and administrative expenses for the nine months ended December 31, 2007 and 2006 were \$345,181 and \$683,647, respectively a decrease of \$338,466 or 50%.

Expenses for the prior period included one salaried position and two consultants at a cost of current period only includes 1 ½ salaried positions and no consultants. Finance and administrative expense for the nine months ended December 31, 2007 and 2006 includes \$47,162 and \$180,214, respectively, in compensation cost for the issuance of incentive stock options.

## Liquidity and Capital Resources

Since our acquisition of EnviroSystems, we have generated limited revenues from our operations and have relied on sales of our securities to provide us with the additional funds necessary to continue our operations.

For the nine months ended December 31, 2007, we used \$1,436,674 in operating activities, compared with \$1,391,610 used in operating activities for the nine months ended December 31, 2006.

At December 31, 2007 and March 31, 2007, we had cash and cash equivalents available in the amounts of \$8,010 and \$1,216,495, a decrease of \$1,208,485. On January 8, 2008, the Company completed a financing transaction with ANPG Lending, LLC, (the "LLC") pursuant to the terms of a Loan and Security Agreement by and between the Company and the LLC. Pursuant to the Loan Agreement, the Company issued to the LLC convertible promissory notes for an aggregate principal amount of \$1,500,000. The Loan Agreement also provides that the LLC may make up to an additional \$500,000 in advances to the Company in the discretion of the LLC. As a result of the foregoing transactions, the Company was able to obtain net proceeds of approximately \$845,000 to be used for general working capital purposes. With this transaction we believe that cash on hand will be sufficient to satisfy our cash requirements for the next five to six months. Due to the fact that our operations have generated limited cash flow insufficient to cover ongoing business expenses and due to our need to continue product development we may have to rely on additional financial arrangements to provide additional funds. However, we have no agreements with anyone to provide future funds to us, other than the additional \$500,000 in advances to the Company that is at the discretion of ANPG Lending LLC. There can be no assurance that such funds will be available or, that even if they are available, that they will be available on terms that will be acceptable to us.

## Contractual Obligations

We have entered into two lease agreements for office and laboratory facilities. The first agreement for laboratory facility requires us to pay \$10,800 yearly beginning in July 2006. The laboratory is located in Mentor, OH. The office lease requires us to pay \$156,000 over a two year period beginning in August 2006. We have two one year options to extend this lease at a rate of \$62,400 per year. The office is located in Mooresville, NC.

Effective August 1, 2006, EnviroSystems, Inc., our wholly owned subsidiary, entered into a manufacturing agreement with Minntech Corporation, a Minnesota corporation pursuant to which Minntech has agreed to be the exclusive U.S. manufacturer of EnviroSystems' disinfectant products.

The Manufacturing Agreement provides the terms and conditions pursuant to which Minntech will manufacture and supply to EnviroSystems all of EnviroSystems' requirements for its products. Minntech commenced manufacturing in September 2007. The Manufacturing Agreement has a term of three years commencing after the first shipment of commercial quantities of the products by Minntech and provides for automatic one year renewals if not terminated by one of the parties. The Manufacturing Agreement may be terminated by either party upon 90 days prior written notice.

## Off Balance Sheet Arrangements

We currently have no off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Management's discussion and analysis of financial condition and results of operations are based upon our consolidated financial statements. These statements have been prepared in accordance with generally accepted accounting principles in the United States of America. All intercompany balances and transactions have been eliminated in consolidation.

## Use of estimates in preparation of financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, based on historical experience, and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The following critical accounting policies rely upon assumptions, judgments and estimates and were used in the preparation of our consolidated financial statements:

### **Accounts Receivable**

Accounts receivable are uncollateralized customer obligations due under normal trade terms requiring payment within thirty days from the invoice date or as specified by the invoice and are stated at the amount billed to the customer. Customer account balances with invoices dated over ninety days or ninety days past the due date are considered delinquent.

The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of the amount that will not be collected. Management individually reviews all accounts receivable balances that are considered delinquent and based on an assessment of current credit worthiness, estimates the portion, if any, of the balance that will not be collected. In addition, management periodically evaluates the adequacy of the allowance based on our past experience.

### **Trade Secret**

The trade secret of the formula/formulation of EnviroSystems' product, at the time acquired by us was based upon the valuation of an independent appraiser.

### **Impairment of Long Lived Assets**

We assess potential impairment of our long lived assets, which include our property and equipment and our identifiable intangibles such as our trade secrets under the guidance of Statement of Financial Standards No. 144 *Accounting for the Impairment or Disposal of Long Lived Assets*. Once annually, or as events and circumstances indicate that an asset may be impaired, we assess potential impairment of our long lived assets. We determine impairment by measuring the undiscounted future cash flows generated by the assets, comparing the results to the assets' carrying value and adjusting the assets to the lower of the carrying value to fair value and charging current operations for any measured impairment.

### **Revenue Recognition**

Revenue is generally recognized and earned when all of the following criteria are satisfied: a) persuasive evidence of sales arrangements exists; b) delivery has occurred; c) the sales price is fixed or determinable, and d) collectibility is reasonably assured.

Persuasive evidence of an arrangement is demonstrated via a purchase order from our customers. Delivery occurs when title and all risks of ownership are transferred to the purchaser which generally occurs when the products are shipped to the customer. No right of return exists on sales of product except for defective or damaged products. The sales price to the customer is fixed upon acceptance of purchase order. To assure that collectibility is reasonably assured we perform ongoing credit evaluations of all of our customers.

#### Provision for Taxes

Income taxes are provided based upon the liability method of accounting pursuant to Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS No. 109"). Under this approach, deferred income taxes are recorded to reflect the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at each year-end. A valuation allowance is recorded against the deferred tax asset if management does not believe the Company has met the "more likely than not" standard imposed by SFAS No. 109 to allow recognition of such an asset.

#### Contingent Liability

In accordance with Statement of Financial Accounting Standards Interpretation No. 14, we may have certain contingent liabilities with respect to material existing or potential claims, lawsuits and other proceedings. We accrue liabilities when it is probable that future cost will be incurred and such cost can be measured.

#### ITEM 3.CONTROLS AND PROCEDURES.

As of the end of the period covered by this report, we conducted an evaluation, under the supervision and with the participation of our chief executive officer and chief financial officer of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) of the Exchange Act). Based upon this evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is: (1) accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure; and (2) recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms.

During the most recent fiscal quarter, there has been no significant change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

**ITEM 1. LEGAL PROCEEDINGS.**

None.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.**

None

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES.**

None

**ITEM 4. SUBMISSION TO A VOTE OF SECURITY HOLDERS.**

None

**ITEM 5. OTHER INFORMATION.**

None

**ITEM 6. EXHIBITS**

- [Exhibit 31.1](#) Certification of the CEO Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- [Exhibit 31.2](#) Certificate of the CFO Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- [Exhibit 32.1](#) Certification of the CEO and CFO Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURES

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

**Anpath Group, Inc.**

February 13, 2008

By: /s/ J. Lloyd Breedlove  
J. Lloyd Breedlove  
President, Chief Executive Officer



EXHIBIT INDEX

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**Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer**

I, J. Lloyd Breedlove, certify that:

1. I have reviewed this Quarterly Report on Form 10-QSB of Anpath Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;
4. The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the small business issuer and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (c) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and
5. The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: February 13, 2008

By: /s/ J. Lloyd Breedlove  
J. Lloyd Breedlove  
Chief Executive Officer  
(Principal Executive Officer)

**Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer**

I, Stephen Hoelscher, certify that:

1. I have reviewed this Quarterly Report on Form 10-QSB of Anpath Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;
4. The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the small business issuer and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (c) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and
5. The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: February 13, 2008

By: /s/ Stephen Hoelscher  
Stephen Hoelscher  
Chief Financial Officer  
(Principal Financial Officer)

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Anpath Group, Inc. (the "Company") on Form 10-QSB for the period ended December 31, 2007 as filed with the Securities and Exchange Commission (the "Report"), each of the undersigned J. Lloyd Breedlove, Chief Executive Officer of the Company and Stephen Hoelscher, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002, to the best of his knowledge that:

- (a) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (b) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the period covered by the Report.

Date: February 13, 2008

By: /s/ J. Lloyd Breedlove  
Name: J. Lloyd Breedlove  
Title: Chief Executive Officer  
(Principal Executive Officer)

Date: February 13, 2008

By: /s/ Stephen Hoelscher  
Name: Stephen Hoelscher  
Title: Chief Financial Officer  
(Principal Financial Officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

This certification will not be deemed "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section. This certification will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.