
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-KSB

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

For the fiscal year ended **FEBRUARY 28, 2007**

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

Commission file number **000-17741**

EPOLIN, INC.

(Name of Small Business Issuer in Its Charter)

New Jersey
(State or other jurisdiction
of incorporation or
organization)

22-2547226
(I.R.S. Employer
Identification
Number)

358-364 Adams Street
Newark, New Jersey
(Address of principal
executive offices)

07105
(Zip Code)

Issuer's telephone number, including area code: **(973) 465-9495**

Securities registered under Section 12(b) of the Exchange Act: **None**

Securities registered under Section 12(g) of the Exchange Act: **Common Stock (no par value)**

Check whether the Issuer is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act.

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

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B not contained in this form, and no disclosure will be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB.

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

State Issuer's revenues for its most recent fiscal year: \$3,609,674.

As of May 1, 2007, the aggregate market value of the voting and non-voting common equity held by non-affiliates of the Issuer (8,259,310 shares) was approximately \$5,864,000. The number of shares outstanding of the Common Stock (no par value) of the Issuer as of the close of business on May 1, 2007 was 11,966,355.

Documents Incorporated by Reference: Portions of the definitive proxy statement for the Annual Meeting of Stockholders to be held in 2007 are incorporated by reference into Part III hereof.

Transitional Small Business Disclosure Format: Yes No

EPOLIN, INC.

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Forward-Looking Statements

This report contains certain forward-looking statements and information relating to the Company that are based on the beliefs and assumptions made by the Company's management as well as information currently available to the management. When used in this document, the words "anticipate", "believe", "estimate", and "expect" and similar expressions, are intended to identify forward-looking statements. Such statements reflect the current views of the Company with respect to future events and are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated or expected. Certain of these risks and uncertainties are discussed in this report under the caption "Uncertainties and Risk Factors" in Part I, Item 1 "Description of Business". The Company does not intend to update these forward-looking statements.

PART I

Item 1. Description of Business.

Introduction

Epolin, Inc. (referred to herein as "Epolin", the "Company", "we", "us" and "our"), which was incorporated in the State of New Jersey in May 1984, is a specialized chemical company primarily engaged in the manufacturing, marketing, research and development of dyes and dye formulations. Our business is heavily weighted towards the development, manufacture and sale of near infrared dyes. Our principal offices are located at 358-364 Adams Street, Newark, New Jersey 07105 and our telephone number is (973) 465-9495. The Company's web-site can be accessed at www.epolin.com.

Our wholly-owned subsidiary, Epolin Holding Corp. ("Epolin Holding"), was incorporated in the State of New Jersey as a real estate holding company. Epolin Holding became a wholly-owned subsidiary in January 1998.

Following completion of the Company's public offering in 1989, our revenues were then primarily generated through the synthesis and sale of specialty organic chemical products. Building upon this base, the Company singled out near infrared dye technology as a most promising product line and since 1991 has emphasized the development, manufacture and sale of these dyes.

Paralleling the growth of the dye business, we maintain a level of production and sales of specialty products made on a custom basis. These include additives for plastics, thermochromic materials for use in paints as well as other specialty chemicals made in low volume to sell at prices that reflect the value of the product. However, unlike the dye business, we do not expect our specialty chemical business to grow.

Unless the context otherwise requires, all references herein to the "Company" refer to Epolin, Inc. and its consolidated subsidiary, Epolin Holding Corp.

Infrared Dyes

Based upon our years of experience in the specialty dye business, we believe that the Company possesses the largest offering of near infrared (NIR) dyes in the world. Our Epolight™ NIR dyes absorb in the near infrared region of the electromagnetic light spectrum which is 700nm to 1600nm. However, we are unaware of any statistical evidence available to support or contradict the belief that Epolin is the largest NIR dye producer.

Epolight™ dyes are sold as pure crystalline dyes or formulated dye mixtures. The Company can also incorporate its dyes into customized liquid inks or thermoplastics pellets which it sells. Applications for our products cover several markets which are discussed in the following subsections:

Eye Protection

We provide dye products to the safety industry that absorb or block harmful radiation generated by industrial welding. International specifications dictate that welding eyewear must absorb specific amounts of light radiation, including the NIR light, to protect workers from serious and long term eye damage. We also develop and market dye products to the laser eye protection industry. The original applications for laser protective eyewear were for the military. Recent growth of lasers as tools in the medical industry has also been a positive driver to our eye

protection business. A special area of interest to us is the potential use of our technology in sunglasses. Consumers are increasingly aware of the risk of macular degeneration due to long term exposure to the sun's harmful NIR light waves.

We offer our eye protection absorbers in the physical form of Epolight™ dye powders and also Luminate™ dye pellets.

Security Ink

We have a growing business in the sale of Epolight™ NIR dyes and Epolight™ NIR screen inks to the security industry. Our NIR products have limited visibility to the human eye but can be easily "seen" or read by near infrared diodes or sensors. Their appearance can be completely masked by flooding the NIR message with a visible dye overcoat. Nevertheless, the message is easily visible when viewed with an NIR reader. This feature makes our ink products viable tools to thwart counterfeiting and fraud in the areas of bank cards, currency, secure documents and consumer goods.

Light Management

The other market areas for our technology rely on our ability to engineer filters that provide absorption or transmission of specific light wavelengths in the ultra violet, visible light and near infrared portions of the electromagnetic spectrum. The ability to "manage light" draws customers with filter applications as diverse as thermal shields for windows, optoelectronics, automatic on-off light sensors and infrared "night vision" used by the military.

Specialty Chemical Products

Although we are heavily engaged in the manufacture and sale of dyes, we maintain a level of production and sales of specialty products made on a custom basis. This custom business, which does not represent greater than 10% of reported profits or losses of the Company, involves the preparation and sale of a variety of specialty chemical products on behalf of companies that sell into the adhesives, plastics, aerospace, pharmaceutical and flavors and fragrance industries.

Our products primarily serve as intermediates, additives or process aids for complex chemical formulations. Raw materials utilized in connection with the preparation of specialty chemical products are either available from chemical suppliers or made by us in our own facilities.

Effect of Compliance with Government Regulation

Manufacturers of chemical products are subject to extensive Federal and State environmental regulations. Although we believe that our manufacturing processes do not result in the emission of volatile organic vapors into the atmosphere, and that we are not in violation of any State or Federal environmental regulations, the Company is required to comply with such regulations with respect to manufacture, storage and/or disposal of toxic materials. To our knowledge, we are in compliance with present regulations. However, no assurances can be given that future regulations will not be adopted, compliance with which will result in substantial expense to, and otherwise adversely affect our business. In addition, we are subject to the State of New Jersey Industrial Site Recovery Act (ISRA), which, among other requirements, requires us to obtain prior approval before relocating our facilities or consummating a transaction that would result in a change in control of the Company. Our facilities are subject to inspection to ascertain whether the Company has complied with State environmental regulations. While we believe the Company has complied with such regulations, there can be no assurance that we will not be required to incur expenses to remedy any future environmental violations discovered. The Company registers all new and proprietary products with the Toxic Substances Control Agency (TSCA) which is required in order for us to offer for sale any new chemical product. No assurances can be given that such registrations will be approved for any new product.

During the years ended February 28, 2007 and February 28, 2006, we expended approximately \$22,000 and \$21,000, respectively, for compliance with environmental laws. Actual costs to be incurred in future periods may vary from the foregoing costs, given inherent uncertainties in evaluating environmental exposures. Subject to the imprecision in estimating future environmental costs, we do not expect that any sum we may have to pay in connection with environmental matters would have a materially adverse effect on the Company's financial condition or results of operations in any one year.

Sources and Availability of Raw Materials

We purchase chemicals from several large chemical manufacturers and then further processes them into our saleable products. Although the Company limits itself to a relatively small number of suppliers, we are not restricted to such suppliers, and Management believes the availability to such raw materials is widespread. During the year ended February 28, 2007, no significant difficulties were encountered in obtaining adequate supplies of raw materials.

Research and Development

We believe that we have developed substantial research and development capability. Our efforts are devoted to (i) developing new products to satisfy defined market needs, (ii) providing quality technical services to assure the continued success of our products for our customers' applications, (iii) providing technology for improvements to our products, processes and applications, and (iv) providing support to our manufacturing plant for cost reduction, productivity and quality improvement programs.

In addition, we have made a commitment of resources to research and development for new dyes and for improvement of our capability to provide technical services to our dye customers. New applications are pursued by a Director of Research with contributions from Murray S. Cohen, Ph.D., our Chief Scientist and Chairman of the Board. Several programs for near infrared dyes are in various stages of commercialization, as generally described above. The Company's website is a constant source of new development ideas, as the scientific community is aware of our expertise in the field of NIR dyes.

New applications under development are in the following general markets: credit cards, heat blocking films; laser eye protection, military (night vision); document verification, military applications; welding and laser eye protection; medical devices; tagants; and hot melt additives. Such research and development activities are primarily undertaken with a specific customer in mind. Management believes that the practice of developing new applications directly for specific customers reduces the inherent risk of the development portfolio. Nevertheless, there can be no assurance that such research and development activities with specific customers in mind will lead to any significant sales of such new products. Because of the uncertainty of these efforts, revenue projections and estimated completion dates are difficult to measure.

During the years ended February 28, 2007 and February 28, 2006, the amounts spent on research and development activities were approximately \$441,000 and \$447,000, respectively. All research and development costs are borne by the Company.

Competition

Although we generally experience, in management's opinion, limited competition in all areas of our business, other dye companies exist which sell infrared dyes. In most cases, however, management believes that such other dye companies do not offer the broad range of dyes as offered by us nor can such other companies provide the level of technical service as provided by us. We believe that our extensive assortment of dyes, product performance, quality, technical and customer support, and price are all important factors in our competitiveness. In the future, other companies may change their policy and widen their offerings and expand their technical service. This will present the Company with a challenge to its pricing structure and competitive position.

Technological Obsolescence

The chemical and plastics industry is characterized by rapid technological changes. Although the near infrared dyes that form the major portion of our product line have been used in protective eyewear since 1976, the field has proven to be an active one for other applications and we must anticipate competition to develop. To remain competitive, the Company has committed itself to make capital investments to maintain its position as a key dye supplier in this field. For example, there can be no assurance that our dye technology will not be rendered less competitive, or obsolete, by the development by others of new methods to achieve laser safety and other forms of eye protection. Furthermore, to remain competitive, we may be required to make large, ongoing capital investments to develop and produce dyes at competitive prices. There is no assurance that can be given that the funds for such investments will be available to us.

Patents and Proprietary Protection

We do not rely upon patents for protection of our dye business. There can be no assurance that others may not independently develop the same, similar or alternative technologies or otherwise obtain access to the Company's proprietary technologies.

Sales

A material portion of our business is dependent on certain domestic customers, the loss of which could have a material effect on operations. During the year ended February 28, 2007, approximately 37.5% of sales were to four customers. Two of these customers, located in the Eastern United States, accounted for 24.5% of sales. During the year ended February 28, 2006, approximately 43.9% of sales were to four customers. Two of these customers, located in the Eastern United States, accounted for 29.6% of sales.

Employees

We presently employ ten persons on a full time basis. Our employees are not represented by labor unions. We believe that relations with our employees are good.

Uncertainties and Risk Factors

In addition to other information and financial data set forth elsewhere in this report, the following risk factors should be considered carefully in evaluating the Company.

OPERATING RESULTS MAY FLUCTUATE. Our operating results may fluctuate because of a number of factors, many of which are beyond our control. Some of these factors that affect our results but which are difficult to control or predict are: the reduction, rescheduling or cancellation of orders by customers whether as a result of slowing demand for our products, stockpiling of our products or otherwise; fluctuations in the timing and amount of customer requests for product shipments; fluctuations in product life cycles; changes in the mix of products that our customers buy; competitive pressures on selling prices; the ability of our customers to obtain products from their other suppliers; and general economic conditions.

DEPENDENCE ON KEY CUSTOMERS. Our customers are concentrated, so the loss of one or more key customers could significantly reduce our revenues. In fiscal 2007, approximately 37.5% of sales were to four customers. Two of these customers, located in the Eastern United States, accounted for 24.5% of sales. The loss of any of these customers could have a material adverse effect on the Company.

TECHNOLOGICAL CHANGES. The chemical and plastics industry is characterized by rapid technological changes, so our success depends heavily on our ability to develop and introduce new products. In this regard, we must make ongoing capital investments to develop and produce dyes at competitive prices. There is no assurance that can be given that the funds for such investments will continue to be available to us.

COMPETITION. Although we generally experiences, in management's opinion, limited competition in all areas of our business, other dye companies exist which sell infrared dyes. In most cases, however, management believes that such other dye companies do not offer the broad range of dyes as offered by us nor can such other companies provide the level of technical service as provided by us. We believe that our extensive assortment of dyes, product performance, quality, technical and customer support, and price are all important factors in our competitiveness. In the future, other companies may change their policy and widen their offerings and expand their technical service. This will present us with a challenge to our pricing structure and competitive position.

ENVIRONMENTAL REGULATION. Manufacturers of chemical products are subject to extensive Federal and State environmental regulations. While we believe the Company has complied with such regulations, there can be no assurance that we will not be required to incur expenses to remedy any future environmental violations discovered. In addition, no assurances can be given that future regulations will not be adopted, compliance with which will result in substantial expense to, and otherwise adversely affect our business.

PATENTS AND PROPRIETARY PROTECTION. We do not rely upon patents for protection of our dye business. There can be no assurance that others may not independently develop the same, similar or alternative technologies or otherwise obtain access to our proprietary technologies.

SOURCES AND AVAILABILITY OF RAW MATERIALS. We purchase chemicals from several large chemical manufacturers and then further process them into its saleable products. Although we limit ourselves to a relatively small number of suppliers, we are not restricted to such suppliers, and Management believes the availability to such raw materials is widespread. Nevertheless, there can be no assurance that raw materials will continue to be easily obtainable. Any difficulty in obtaining raw materials would have a material adverse effect on our business.

WE ARE DEPENDENT ON KEY PERSONNEL INCLUDING OUR EXECUTIVE OFFICERS. Due to the specialized nature of our business, our success depends in part upon attracting and retaining the services of qualified managerial and technical personnel. The market for such persons remains competitive and the relative small size of the Company may make it more difficult for us to recruit and retain qualified persons. In addition, and since we are a small company, a loss of one or more of our current officers could severely and negatively impact our operations.

DIVIDENDS. During fiscal 2007, the Company approved the adoption of a dividend policy under which the Company will issue a regular annual cash dividend on shares of its Common Stock. The amount of the dividend, record date and payment date will be subject to approval every year by the Board of Directors. As a result, any such future dividends will depend on earnings, other financial requirements and other factors, many of which may be beyond the control of the Company.

OUR STOCK PRICE MAY EXPERIENCE VOLATILITY. The market price of the Common Stock, which currently is listed in the OTC Bulletin Board, has, in the past, fluctuated over time and may in the future be volatile. We believe that there are a small number of market makers that make a market in our Common Stock. The actions of any of these market makers could substantially impact the volatility of our Common Stock.

POTENTIAL FUTURE SALES PURSUANT TO RULE 144. Many of the shares of Common Stock presently held by management and others are “restricted securities” as that term is defined in Rule 144, promulgated under the Securities Act. Under Rule 144, a person (or persons whose shares are aggregated) who has satisfied a one-year holding period, may, under certain circumstances sell within any three-month period a number of shares which does not exceed the greater of 1% of the then outstanding shares of Common Stock, or the average weekly trading volume during the four calendar weeks prior to such sale. Rule 144 also permits, under certain circumstances, the sale of shares without any quantity limitation by a person who is not an affiliate of the Company and who has satisfied a two-year holding period. Such holding periods have already been satisfied in many instances. Therefore, actual sales or the prospect of sales of such shares under Rule 144 in the future may depress the prices of our securities.

OUR COMMON STOCK IS A PENNY STOCK. Our Common Stock is classified as a penny stock, which is traded on the OTCBB. As a result, an investor may find it more difficult to dispose of or obtain accurate quotations as to the price of the shares of the Common Stock. In addition, the “penny stock” rules adopted by the Securities and Exchange Commission subject the sale of the shares of the Common Stock to certain regulations which impose sales practice requirements on broker-dealers. For example, broker-dealers selling such securities must, prior to effecting the transaction, provide their customers with a document that discloses the risks of investing in such securities. Furthermore, if the person purchasing the securities is someone other than an accredited investor or an established customer of the broker-dealer, the broker-dealer must also approve the potential customer’s account by obtaining information concerning the customer’s financial situation, investment experience and investment objectives. The broker-dealer must also make a determination whether the transaction is suitable for the customer and whether the customer has sufficient knowledge and experience in financial matters to be reasonably expected to be capable of evaluating the risk of transactions in such securities. Accordingly, the Commission’s rules may result in the limitation of the number of potential purchasers of the shares of the Common Stock. In addition, the additional burdens imposed upon broker-dealers by such requirements may discourage broker-dealers from effecting transactions in the Common Stock, which could severely limit the market of our Common Stock.

LIMITATIONS OF THE OTCBB CAN HINDER COMPLETION OF TRADES. Trades and quotations on the OTCBB involve a manual process that may delay order processing. Price fluctuations during a delay can result in the failure of a limit order to execute or cause execution of a market order at a price significantly different from the price prevailing when an order was entered. Consequently, one may be unable to trade in our Common Stock at optimum prices.

THE OTCBB IS VULNERABLE TO MARKET FRAUD. OTCBB securities are frequent targets of fraud or market manipulation, both because of their generally low prices and because OTCBB reporting requirements are less stringent than those of the stock exchanges or NASDAQ.

INCREASED DEALER COMPENSATION COULD ADVERSELY AFFECT STOCK PRICE. OTCBB dealers' spreads (the difference between the bid and ask prices) may be large, causing higher purchase prices and less sale proceeds for investors.

Except as required by the Federal Securities Law, the Company does not undertake any obligation to release publicly any revisions to any forward-looking statements to reflect events or circumstances after the date of this Form 10-KSB or for any other reason.

Item 2. Description of Property.

We presently occupy approximately 19,500 square feet of manufacturing, warehouse and administrative space in Newark, New Jersey which property the Company has occupied since June 1989. The property is currently owned by Epolin Holding Corp. ("Epolin Holding"), our wholly-owned subsidiary. We presently occupy the property pursuant to a lease, effective November 1, 1996, which was for an initial term of five years with three five years options with annual rent of \$97,740, subject to annual adjustments based on increases in the Consumer Price Index which adjustments have been waived by Epolin Holding. Such rent includes real estate taxes and insurance expenses. Generally, we expect that the lease will be renewed in the normal course of business. We believe that the current facility is adequate for the foreseeable future.

Effective November 1, 2002 and through August 2005, we subleased approximately 2,500 square feet of our space to a non-related party to operate an optics and security inks laboratory at an annual rent of \$36,000. Commencing as of September 2005, new arrangements have been agreed upon for such space with a different non-related party to operate a laboratory at an annual rental of \$18,000. Such sublease shall terminate on October 31, 2007.

Item 3. Legal Proceedings.

There are no material pending legal proceedings to which the Company is a party or to which any of its property is subject.

Item 4. Submission of Matters to a Vote of Security Holders.

No matter was submitted during the fourth quarter of the fiscal year covered by this report to a vote of security holders.

PART II

Item 5. Market for Common Equity, Related Stockholder Matters and Small Business Issuer Purchases of Equity Securities.

Market Information

The Company's Common Stock is presently being traded in the over-the-counter market under the symbol "EPLN" and is listed on the OTC Bulletin Board. The following chart sets forth the range of the high and low bid quotations for the Company's Common Stock for each period indicated. The quotations represent prices between dealers and do not include retail markups, markdowns, commissions or other adjustments and may not represent actual transactions.

Period	Bid Prices	
	High	Low
Fiscal year ended February 28, 2007:		
March 1, 2006 to May 31, 2006	\$.97	\$.71
June 1, 2006 to Aug. 31, 2006	\$.83	\$.65
Sept. 1, 2006 to Nov. 30, 2006	\$.87	\$.71
Dec. 1, 2006 to Feb. 28, 2007	\$.86	\$.666
Fiscal year ended February 28, 2006:	High	Low
March 1, 2005 to May 31, 2005	\$.59	\$.45
June 1, 2005 to Aug. 31, 2005	\$.65	\$.50
Sept. 1, 2005 to Nov. 30, 2005	\$.65	\$.55
Dec. 1, 2005 to Feb. 28, 2006	\$.76	\$.56

Holders

As of May 1, 2007, there were approximately 280 stockholders of record of the Company's Common Stock. This does not reflect persons or entities that hold their stock in nominee or "street name".

Dividends

During fiscal 2006, the Company paid one cash dividend of \$0.02 per share in August 2005. Subsequent to the end of fiscal 2006, the Company approved the adoption of a dividend policy under which the Company will issue a regular annual cash dividend on shares of its Common Stock. The amount of the dividend, record date and payment date will be subject to approval every year by the Board of Directors. In accordance with the new dividend policy, in April 2006, the Board of Directors declared and the Company paid the first regular annual cash dividend of \$0.02 per share in May 2006. In addition, in December 2006 and considering our cash position, the Board of Directors declared a special cash dividend of \$0.02 per share which was paid on January 3, 2007.

Recent Sales of Unregistered Securities

In fiscal 2005, the Company issued 25,000 shares of Common Stock upon exercise of previously granted stock options at an aggregate exercise price of \$6,250. In fiscal 2006, the Company issued 100,000 shares of Common Stock pursuant to an employment agreement and issued 30,000 shares of Common Stock upon exercise of previously granted stock options at an aggregate exercise price of \$8,300. In fiscal 2007, the Company issued 56,000 shares of Common Stock upon exercise of previously granted stock options at an aggregate exercise price of \$16,210.

In addition, in fiscal 2005, the Company granted an aggregate of 100,000 stock options exercisable at \$.51 per share; and, in fiscal 2006, the Company granted an aggregate of 200,000 stock options exercisable at \$.54 per share. In addition, in fiscal 2006, the Company cancelled the 2004 Stock Options and issued an equal number of replacement stock options to holders of the 2004 Stock Options exercisable at \$.41 per share. No options were granted in fiscal 2007. All of such stock options expire five or ten years after the date granted and are subject to various vesting periods.

All of such securities were issued in reliance upon the exemption from registration pursuant to Section 4(2) of the Securities Act of 1933, as amended, for "transactions by the issuer not involving any public offering".

Equity Compensation Plan Information

Information regarding equity compensations plans, as of February 28, 2007, is set forth in the table below:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average Exercise price of Outstanding options, Warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	-0-	-0-	-0-
Equity compensation plans not approved by security holders	416,000	\$0.50	498,000
Total	416,000	\$0.50	498,000

The foregoing equity compensation plan information relates to the stock options granted under the 1998 Stock Option Plan, as well as 100,000 stock option granted outside of the plan to Greg Amato.

Small Business Issuer Purchases of Equity Securities

Information regarding repurchases made by the Company of shares of its Common Stock during the fourth quarter of the fiscal year ended February 28, 2007, is set forth below:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs⁽¹⁾	Maximum Number of Shares That May Yet be Purchased Under the Plans or Programs⁽¹⁾
Dec. 1, 2006 to Dec. 31, 2006	25,000	\$0.84	25,000	168,500
Jan. 1, 2007 to Jan. 31, 2007	-0-	-0-	-0-	168,500
Feb. 1, 2007 to Feb. 28, 2007	-0-	-0-	-0-	168,500
Total	25,000	\$0.84	25,000	168,500

- (1) In August 2001, the Board of Directors of the Company authorized a 500,000 share stock repurchase program. Pursuant to the repurchase program, the Company may purchase up to 500,000 shares of its common stock in the open market or in privately negotiated transactions from time to time, based on market prices. The Company indicated that the timing of the buyback of the Company's shares will be dictated by overall financial and market conditions and other corporate considerations. The repurchase program may be suspended without further notice. During the fiscal year ended February 28, 2007, a total of 30,000 shares were repurchased at a cumulative cost of \$25,550; during the fiscal year ended February 28, 2006, a total of 5,000 shares were repurchased at a cumulative cost of \$3,600; during the fiscal year ended February 28, 2005, a total of 50,000 shares were repurchased at a cumulative cost of \$29,750; during the fiscal year ended February 29, 2004, a total of 184,000 shares were repurchased at a cumulative cost of \$103,405; during the fiscal year ended February 28, 2003, a total of 32,500 shares were repurchased at a cumulative cost of \$18,624; and, during the fiscal year ended February 28, 2002, a total of 30,000 shares were repurchased at a cumulative cost of \$14,837.

Item 6. Management's Discussion and Analysis or Plan of Operation.

The following discussion should be read in conjunction with the audited consolidated financial statements and the notes thereto appearing elsewhere in this report and is qualified in its entirety by the foregoing.

Executive Overview

Epolin, Inc. (the "Company", "we", "us" and "our") is a specialized chemical company primarily engaged in the manufacturing, marketing, research and development of infrared dyes, laser absorbing dyes and infrared dye formulations. Our business is heavily weighted towards the development, manufacture and sale of near infrared dyes. Applications for these dyes cover several markets that include laser protection, welding, sunglasses, optical filters, glazing and imaging and security inks and tagants. We also manufacture specialty chemicals for certain chemical manufacturers.

We have succeeded in growing over the last decade based on the development, application and manufacture of near infrared dyes. In recent years, we have embarked on an aggressive campaign to make our dyes easier to use. In this regard, we offer technical service support for extrusion and injection molding of our dyes with a variety of resin substrates. Our dyes can now be uniquely formulated to each customer's specifications and manufactured in our own facility. In addition, we hold a broad range of dyes in inventory for immediate sale.

We sell our products to manufacturers of plastics/resins, credit cards, electronics, glass and other basic materials. Our customers are located in all regions of the world, although a material portion of our business is dependent on certain domestic customers, the loss of which could have a material effect on operations. As the service economy continues to dwarf the manufacturing sector in the United States, we now offer our customers added service in the form of formulated inks and resins. This has resulted in increasing our worldwide sales of these products and, we believe, lessens the threat of competition from lower cost dyes manufactured abroad. During the year ended February 28, 2007, approximately 37.5% of sales were to four customers. Two of these customers, located in the Eastern United States, accounted for 24.5% of sales. During the year ended February 28, 2006, approximately 43.9% of sales were to four customers. Two of these customers, located in the Eastern United States, accounted for 29.6% of sales. The loss of one or more key customers could have a material adverse effect on the Company.

Results of Operations

The following tables set forth operations data for the year ended February 28, 2007 and year ended February 28, 2006.

	<u>Years Ended February 28,</u>		
	<u>2007</u>	<u>2006</u>	<u>% change</u>
Sales	\$3,609,674	\$3,700,853	-2.5%
Gross profit	2,155,593	2,219,456	-2.9%
Gross profit percentage	60.0%	60.0%	0%
Selling, general & administrative	<u>1,280,547</u>	<u>1,336,977</u>	-4.2%
Operating income	875,046	882,479	-0.8%
Other Income	<u>88,451</u>	<u>55,746</u>	58.7%
Income before taxes	963,497	938,225	2.7%
Income taxes	340,569	343,827	-1.0%
Net income (after taxes)	<u>\$ 622,928</u>	<u>\$ 594,398</u>	4.8%

Sales

For the year ended February 28, 2007, sales were \$3,610,000 as compared to \$3,701,000 for the year ended February 28, 2006, a decrease of \$91,000 or 2.5%. Such decrease in sales occurred in both our overseas markets and in North America. Sales in Asia were \$508,000 in fiscal 2007 compared to \$568,000 in fiscal 2006, a decrease of \$60,000. In Europe, sales decreased \$13,000 to \$308,000 in fiscal 2007 from \$321,000 in fiscal 2006. In North America, which represents a majority of our sales income, sales decreased \$29,000 to \$2,775,000 in fiscal 2007 from \$2,804,000 in fiscal 2006. With respect to our product groups, sales in our newer product areas showed an overall increase for the year ended February 28, 2007 compared to the prior year, while sales in our traditional product areas generally declined. Sales in these new product areas increased by \$305,000 in fiscal 2007 compared to the prior year and represented 46.3% of all Company sales for the year ended February 28, 2007 while in fiscal 2006 such new products represented 36.9% of all Company sales.

Gross Profit

Gross profit, defined as sales less cost of sales, was \$2,156,000 or 60.0% of sales for the year ended February 28, 2007 compared to \$2,219,000 or 60.0% of sales for the year ended February 28, 2006. While the gross profit percentage remained the same from 2006 to 2007, gross profit decreased by \$63,000 in terms of absolute dollars primarily due to cost of sales remaining relatively constant in 2007 compared to 2006 (a decrease of only \$28,000) while sales decreased \$91,000.

Cost of sales was \$1,454,000 for the year ended February 28, 2007 which represented 40.3% of sales compared to \$1,481,000 for the year ended February 28, 2006 which represented 40.0% of sales. Total cost of materials decreased \$19,000 in fiscal 2007 compared to the prior year, while total factory overhead decreased \$9,000 in fiscal 2007 compared to the prior year.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased to \$1,281,000 or 35.4% of sales for the year ended February 28, 2007 from \$1,337,000 or 36.1% of sales for the year ended February 28, 2006, a decrease of \$56,000. Such decrease in absolute dollars was primarily due to a decrease in officers' salaries in fiscal 2007 resulting essentially from the Chairman of the Board's decision to become a part-time employee effective in September 2006 with a corresponding reduction in his base salary. In addition, none of our executive officers received any cash bonuses for performance in fiscal 2007.

Operating Income

Operating income, in terms of absolute dollars, decreased to \$875,000 for fiscal 2007 from \$882,000 for fiscal 2006, a decrease of \$7,000. This decrease was due to reduced sales for 2007 compared to 2006 with total cost of sales and expenses decreasing at approximately the same rate.

Other Income

Total other income for the year ended February 28, 2007 was \$88,000 as compared to \$56,000 for the year ended February 28, 2006. We realized rental income of \$17,000 for fiscal 2007 compared to rental income of \$26,000 for fiscal 2006. Our interest income increased to \$72,000 for fiscal 2007 from \$30,000 in fiscal 2006 primarily due to a higher interest rate for certain cash on hand in fiscal 2007 compared to the prior year.

Net Income

During fiscal 2007, we reported income before taxes of \$963,000 as compared to income before taxes of \$938,000 for fiscal 2006. Income taxes were \$340,000 for fiscal 2007 compared to \$344,000 for the year ended February 28, 2006. Changes in income taxes are generally attributed to changes from period to period in sales and expenses. Net income after taxes was \$623,000 or \$0.05 per share for the year ended February 28, 2007 compared to net income after taxes of \$594,000 or \$0.05 per share for the year ended February 28, 2006.

Net income in the future will be dependent upon our ability to increase revenues faster than increases, if any, in our selling, general and administrative expenses, research and development expenses and other expenses. Although sales have grown in recent years, we experienced a decrease in sales in 2007 compared to the prior year (a decrease of \$91,000), primarily due to the downturn we experienced in the third and fourth quarters of fiscal 2007.

While sales decreased in 2007, total cost of sales and expenses also decreased by a relatively comparable amount (\$83,000) in fiscal 2007 compared to fiscal 2006.

Operations Outlook

Since fiscal 2005, we have been going through a period of reassessing our direction in order to increase value for our shareholders. Our business, though reasonably healthy, did not grow to the degree management anticipated from 2002 to 2005. While the sales level of \$2,880,000 reached during fiscal 2005 was at the time an all time high for the Company, it was not significantly more than the sales level we achieved in 2004 (\$2,734,000), 2003 (\$2,690,000) or 2002 (\$2,550,000). The plateau of sales during that four years was in contrast to the greater sales growth the Company experienced in certain years prior to 2002. Based upon these observations, we tried to learn what could be done to stimulate growth and recapture the promise of our early years. As a result, we assembled a business plan and began to make changes consistent with such plan. The plan showed us that developments coming out of our R&D were not reaching the marketplace and therefore, not commanding their proper attention. Through this teamwork of R&D with marketing, we revamped our web site, streamlined our pricing structure and reached out to our key customers and agents. We believe the business plan made clear the necessity of hiring a Sales/Marketing executive along with back up technical service help, both of which have been accomplished. In order to cover the cost of these additional personnel and place a greater emphasis on company growth, we suspended in fiscal 2005 the cash dividends program which we had been in place during fiscal 2002, 2003 and 2004 in order to place greater emphasis on business growth. All of the foregoing resulted in strong sales growth and we achieved \$3,701,000 in sales for fiscal 2006 which was \$821,000 or 28.5% greater than the prior year. Nevertheless, in fiscal 2007, sales decreased to \$3,610,000, a decrease of 2.5% from the prior year. Such decrease was primarily due to the downturn in sales in the third and fourth quarters of 2007. Yet, we are confident that this is simply a temporary downturn which we do not expect will continue. Nevertheless, we recognize that net income has not increased like our revenues have increased. When we began to reassess our direction in fiscal 2005, we placed an emphasis on sales growth which was achieved, although as mentioned above, it has now taken a downturn. We recognize that we still have to gain more control over our costs and expenses so that we can improve our overall results. This is something we are currently undertaking and we have already instituted certain measures in this regard. Some of these measures have already had a positive effect such as the overall decrease in selling, general and administrative for fiscal 2007 compared to fiscal 2006.

Liquidity and Capital Resources

Our primary source of funds is cash flow from operations in the normal course of selling products. On February 28, 2007, we had working capital of \$2,735,000, a debt to equity ratio of 0.17 to 1, and stockholders' equity of \$3,652,000 compared to working capital of \$2,603,000, a debt to equity ratio of 0.18 to 1, and stockholders' equity of \$3,461,000 on February 28, 2006. On February 28, 2007, we had \$1,751,000 in cash and cash equivalents, total assets of \$4,243,000 and total liabilities of \$591,000, compared to \$1,515,000 in cash and cash equivalents, total assets of \$4,094,000 and total liabilities of \$633,000 on February 28, 2006.

Net cash provided by operating activities for the year ended February 28, 2007 was \$845,000 which was primarily the result of net income of \$623,000, plus decreases in accounts receivable of \$149,000 and increases in accounts payable of \$40,000, offset by a decrease in accrued expenses of \$62,000. Net cash provided by operating activities for the year ended February 28, 2006 was \$705,000, which was primarily the result of net income of \$594,000, plus a decrease in inventories of \$103,000 and an increase in accrued expenses of \$64,000, offset by an increase in accounts receivable of \$143,000. Net cash used by investing activities for the year ended February 28, 2007 was \$121,000 compared to \$191,000 for the year ended February 28, 2006 which change was primarily due to a decrease in equipment purchases. For the year ended February 28, 2007, net cash used by financing activities was \$488,000 and was \$232,000 for the year ended February 28, 2006 which was due to two cash dividends having been paid in fiscal 2007 compared to one cash dividend being paid in fiscal 2006.

We anticipate, based on currently proposed plans and assumptions relating to our operations, that our current cash and cash equivalents together with projected cash flows from operations and projected revenues will be sufficient to satisfy its contemplated cash requirements for more than the next 12 months. Our contemplated cash requirements for fiscal 2008 and beyond will depend primarily upon level of sales of our products, inventory levels, product development, sales and marketing expenditures and capital expenditures.

Inflation has not significantly impacted our operations.

Significant Accounting Policies

Our discussion and analysis of the Company's financial condition and results of operations are based upon our consolidated financial statements which have been prepared in conformity with U.S. generally accepted accounting principles. Our significant accounting policies are described in Note B to the consolidated financial statements included elsewhere herein. The application of our critical accounting policies is particularly important to the portrayal of our financial position and results of operations. These critical accounting policies require us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We believe the following critical accounting policies reflect the more significant judgments and estimates used in the preparation of the consolidated financial statements.

Inventories – Our inventories consist of raw materials, work in process, finished goods and supplies which we value at the lower of cost or market under the first-in, first-out method.

Plant, Property and Equipment – Our plant, property and equipment are stated at cost. We compute provisions for depreciation on the straight-line methods, based upon the estimated useful lives of the various assets. We also capitalize the costs of major renewals and betterments. Repairs and maintenance are charged to operations as incurred. Upon disposition, the cost and related accumulated depreciation are removed and any related gain or loss is reflected in earnings.

Income taxes - We account for income taxes under Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes", in which the asset and liability method is used in accounting for income taxes. We recognize deferred taxes for temporary differences between the basis of assets and liabilities for financial statement and for income tax purposes. Temporary differences relate primarily to different accounting methods used for depreciation and amortization of property and equipment and deferred compensation.

Revenue Recognition – We recognize revenue consistent with the provisions of SEC Staff Accounting Bulletin No. 104, "Revenue Recognition", which sets forth guidelines in the timing of revenue recognition based upon factors such as passage of title, payments and customer acceptance. Any amounts received prior to satisfying our revenue recognition criteria will be recorded as deferred revenue in the accompanying balance sheet. We recognize revenue from product sales when there is persuasive evidence that an arrangement exists, when title has passed, the price is fixed or determinable, and we are reasonably assured of collecting the resulting receivable. Our policy is to replace certain products that do not conform to customer specifications, however replacements are made at our discretion subject to in house product lab analysis. There are no terms or conditions set forth within our sales contracts that provide for product replacements. We expense replacement costs as incurred.

Stock-based Compensation – We have adopted disclosure-only provisions of SFAS No. 123 "Accounting for Stock-Based Compensation," and SFAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure - an Amendment of FASB Statement No. 123." Compensation cost for stock options, if any, is measured as the excess of the quoted market price of the stock at the date of grant over the amount an employee must pay to acquire the stock.

In December 2004, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 123(R), "Share-Based Payment". SFAS 123R revises SFAS No. 123 and supersedes APB 25 to require companies to measure and recognize in operations the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value. That cost will be recognized over the vesting period during which an employee is required to provide service in exchange for the award. On April 14, 2005, the Securities and Exchange Commission issued a ruling that amended the effective date for SFAS 123R. As a result, we will adopt SFAS 123R on March 1, 2006.

Other Information

As mentioned above, we did not pay any cash dividends during the fiscal year ended February 28, 2005 but did declare and pay a \$0.02 cash dividend in August 2005. Subsequent to the end of fiscal 2006, the Company approved the adoption of a dividend policy under which the Company will issue a regular annual cash dividend on shares of its Common Stock. The amount of the dividend, record date and payment date will be subject to approval every year by the Board of Directors. In accordance with the new dividend policy, in April 2006, the Board of Directors declared and the Company paid the first regular annual cash dividend of \$0.02 per share in May 2006. In

addition, in December 2006 and considering our cash position, the Board of Directors declared a special cash dividend of \$0.02 per share which was paid on January 3, 2007.

In August 2001, our Board of Directors authorized a 500,000 share stock repurchase program. Pursuant to the repurchase program, the Company may purchase up to 500,000 shares of its common stock in the open market or in privately negotiated transactions from time to time, based on market prices. The Company indicated that the timing of the buyback of the Company's shares will be dictated by overall financial and market conditions and other corporate considerations. The repurchase program may be suspended without further notice. During the fiscal year ended February 28, 2007, a total of 30,000 shares were repurchased at a cumulative cost of \$25,550; during the fiscal year ended February 28, 2006, a total of 5,000 shares were repurchased at a cumulative cost of \$3,600; during the fiscal year ended February 28, 2005, a total of 50,000 shares were repurchased at a cumulative cost of \$29,750; during the fiscal year ended February 29, 2004, a total of 184,000 shares were repurchased at a cumulative cost of \$103,405; during the fiscal year ended February 28, 2003, a total of 32,500 shares were repurchased at a cumulative cost of \$18,624; and, during the fiscal year ended February 28, 2002, a total of 30,000 shares were repurchased at a cumulative cost of \$14,837.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements as defined in Item 303(c) of Regulation S-B.

Item 7. Financial Statements.

See the Financial Statements annexed to this report.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

Not applicable.

Item 8A. Controls and Procedures.

Under the supervision and with the participation of our management, including the Principal Executive Officer and Principal Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) of the Exchange Act) as of the end of the period covered by this report. Based on that evaluation, our Principal Executive Officer and Principal Financial Officer have concluded that, as of February 28, 2007, these disclosure controls and procedures were effective to ensure that all information required to be disclosed by us in the reports that we file or submit under the Exchange Act is: (i) recorded, processed, summarized and reported, within the time periods specified in the Commission's rule and forms; and (ii) accumulated and communicated to our management, including our Principal Executive Officer and Principal Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

There have been no significant changes in our internal controls over financial reporting that occurred during the fiscal year covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 8B. Other Information.

Not applicable.

PART III

Item 9. Directors, Executive Officers, Promoters, Control Persons and Corporate Governance; Compliance with Section 16(a) of the Exchange Act.

There is incorporated by reference herein information which will be contained in the Company's definitive proxy statement to be filed within 120 days of the Company's year end in connection with the Annual Meeting of Stockholders to be held in 2007.

Item 10. Executive Compensation.

There is incorporated by reference herein information which will be contained in the Company's definitive proxy statement to be filed within 120 days of the Company's year end in connection with the Annual Meeting of Stockholders to be held in 2007.

Item 11. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

There is incorporated by reference herein information which will be contained in the Company's definitive proxy statement to be filed within 120 days of the Company's year end in connection with the Annual Meeting of Stockholders to be held in 2007.

Item 12. Certain Relationships and Related Transactions, and Director Independence.

There is incorporated by reference herein information which will be contained in the Company's definitive proxy statement to be filed within 120 days of the Company's year end in connection with the Annual Meeting of Stockholders to be held in 2007.

Item 13. Exhibits.

- 3.1 Epolin Inc.'s certificate of incorporation as amended⁽¹⁾
- 3.2 Epolin Inc.'s by-laws⁽¹⁾
- 4.1 Specimen certificate for common stock⁽¹⁾
- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Rules 13a-14 and 15d-14 of the Exchange Act)
- 31.2 Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Rules 13a-14 and 15d-14 of the Exchange Act)
- 32.1 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)

(1) Filed with the Company's Form S-18 Registration Statement SEC File 33-25405-NY.

Item 14. Principal Accountant Fees and Services.

There is incorporated by reference herein information which will be contained in the Company's definitive proxy statement to be filed within 120 days of the Company's year end in connection with the Annual Meeting of Stockholders to be held in 2007.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

EPOLIN, INC.
(Registrant)

By: /s/ Murray S. Cohen
Murray S. Cohen,
Chairman of the Board

Dated: May 24, 2007

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 the capacities and on the dates indicated:

Signature	Title	Date
<u>/s/ Greg Amato</u> Greg Amato	Chief Executive Officer (Principal Executive Officer)	<u>5/24/2007</u>
<u>/s/ Murray S. Cohen</u> Murray S. Cohen	Chairman of the Board, Secretary and Director	<u>5/24/2007</u>
<u>/s/ James Ivchenko</u> James Ivchenko	President and Director (Principal Financial Officer)	<u>5/24/2007</u>
<u>/s/ Morris Dunkel</u> Morris Dunkel	Director	<u>5/24/2007</u>
<u>/s/ James R. Torpey, Jr.</u> James R. Torpey, Jr.	Director	<u>5/24/2007</u>
<u>/s/ Herve A. Meillat</u> Herve A. Meillat	Director	<u>5/24/2007</u>

EPOLIN, INC. AND SUBSIDIARY
FINANCIAL STATEMENTS
YEARS ENDED FEBRUARY 28, 2007 AND 2006

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INDEPENDENT AUDITOR'S REPORT
Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
EPOLIN, INC. AND SUBSIDIARY
Newark, New Jersey

We have audited the accompanying Consolidated Balance Sheets of Epolin, Inc. and its wholly owned Subsidiary as of February 28, 2007 and 2006 and the related Consolidated Statements of Income, Stockholders' Equity and Cash Flows for each of the two years in the period ended February 28, 2007. 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 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. 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Epolin Inc. and Subsidiary as of February 28, 2007 and 2006, and the results of its operations and its cash flows for each of the two years in the period ended February 28, 2007, in conformity with accounting principles generally accepted in the United States of America.

/s/ WEISMANN ASSOCIATES LLC

Weismann Associates LLC
Branchburg, NJ 08865

April 19, 2007

EPOLIN, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

ASSETS

	February 28,	
	2007	2006
Current assets:		
Cash and cash equivalents	\$ 1,751,346	1,515,379
Accounts receivable	546,952	695,651
Inventories	651,648	647,873
Prepaid expenses	77,767	63,072
Prepaid taxes	1,920	1,599
Deferred tax assets-current portion	10,288	6,166
Total current assets	3,039,921	2,929,740
Plant, property and equipment - at cost:		
Land	81,000	81,000
Building and improvements	710,758	685,219
Laboratory equipment	272,685	243,958
Office equipment	160,697	113,986
Leasehold improvements	456,790	449,190
Total	1,681,930	1,573,353
Less: Accumulated depreciation and amortization	858,851	794,147
Net plant, property and equipment	823,079	779,206
Other assets:		
Deferred tax assets-non current portion	152,425	170,156
Cash value - life insurance policy	227,258	214,911
Total other assets	379,683	385,067
Total	\$ 4,242,683	4,094,013

The accompanying notes are an integral part of these statements.

EPOLIN, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS (CONTINUED)

LIABILITIES AND STOCKHOLDERS' EQUITY

	February 28,	
	2007	2006
Current liabilities:		
Accounts payable	\$ 51,782	11,811
Accrued expenses	244,905	307,055
Taxes payable:		
Payroll	1,889	1,653
Income	6,536	5,854
Total current liabilities	305,112	326,373
 Other liabilities -Deferred compensation	285,864	306,492
Total liabilities	590,976	632,865
 Commitments and Contingencies		
Stockholders' equity:		
Preferred stock, \$15.513 par value; 940,000 shares authorized; none issued		
Preferred stock, series A convertible non-cumulative, \$2.50 par value; redemption price and liquidation preference; 60,000 shares authorized; 5,478 shares issued and redeemed		
Common stock, no par value; 20,000,000 shares authorized; 12,915,000 and 12,859,000 shares issued, 11,966,355 and 11,940,355 shares outstanding at 2007 and 2006, respectively	2,364,693	2,348,483
Paid-in capital	62,111	6,486
Retained earnings	1,575,985	1,431,711
Total	4,002,789	3,786,680
Less: Treasury stock - at cost	351,082	325,532
Total stockholders' equity	3,651,707	3,461,148
Total	\$ 4,242,683	4,094,013

The accompanying notes are an integral part of these statements.

EPOLIN, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED FEBRUARY 28, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
Sales	\$ 3,609,674	3,700,853
Cost of sales and expenses:		
Cost of sales	1,454,081	1,481,397
Selling, general and administrative	<u>1,280,547</u>	<u>1,336,977</u>
Total	<u>2,734,628</u>	<u>2,818,374</u>
Operating income	<u>875,046</u>	<u>882,479</u>
Other income:		
Rental income	16,500	25,500
Interest	<u>71,951</u>	<u>30,246</u>
Total other income	<u>88,451</u>	<u>55,746</u>
Income before taxes	963,497	938,225
Income taxes	<u>340,569</u>	<u>343,827</u>
Net income	<u>\$ 622,928</u>	<u>594,398</u>
Per share data:		
Basic earnings per common share	<u>\$ 0.05</u>	<u>0.05</u>
Fully diluted earnings per common share	<u>\$ 0.05</u>	<u>0.05</u>
Weighted average number of common shares outstanding	<u>11,964,806</u>	<u>11,919,688</u>
Fully diluted number of common shares outstanding	<u>12,003,424</u>	<u>12,074,197</u>

The accompanying notes are an integral part of these statements.

EPOLIN, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED FEBRUARY 28, 2007 AND 2006

	<u>Number of Outstanding Shares</u>	<u>Common Stock</u>	<u>Additional Paid-in- Capital</u>	<u>Retained Earnings</u>	<u>Treasury Shares</u>	<u>Treasury Costs</u>	<u>Stockholders' Equity</u>
Balance - March 1, 2005	12,729,000	\$ 2,340,183	6,486	1,073,620	913,645	(321,932)	3,098,357
Dividends paid	-	-	-	(236,307)	-	-	(236,307)
Common stock issued for stock option	130,000	8,300	-	-	-	-	8,300
Treasury stock purchased	-	-	-	-	5,000	(3,600)	(3,600)
Net income	-	-	-	594,398	-	-	594,398
Balance - February 28, 2006	<u>12,859,000</u>	<u>\$ 2,348,483</u>	<u>6,486</u>	<u>1,431,711</u>	<u>918,645</u>	<u>(325,532)</u>	<u>3,461,148</u>
Balance - March 1, 2006	12,859,000	\$ 2,348,483	6,486	1,431,711	918,645	(325,532)	3,461,148
Dividends paid	-	-	-	(478,654)	-	-	(478,654)
Common stock issued for stock option	56,000	16,210	55,625	-	-	-	71,835
Treasury stock purchased	-	-	-	-	30,000	(25,550)	(25,550)
Net income	-	-	-	622,928	-	-	622,928
Balance - February 28, 2007	<u>12,915,000</u>	<u>\$ 2,364,693</u>	<u>62,111</u>	<u>1,575,985</u>	<u>948,645</u>	<u>(351,082)</u>	<u>3,651,707</u>

The accompanying notes are an integral part of these statements.

EPOLIN, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED FEBRUARY 28, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Net income	\$ 622,928	594,398
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	64,704	46,960
Deferred tax expense	13,609	22,051
Stock based compensation	55,625	-
Obligation under deferred compensation agreement	(20,628)	18,402
(Increase) decrease in:		
Accounts receivable	148,699	(142,640)
Inventories	(3,775)	102,543
Prepaid expenses	(14,695)	(13,198)
Prepaid taxes	(321)	(999)
Increase (decrease) in:		
Accounts payable	39,971	11,811
Accrued expenses	(62,150)	63,641
Taxes payable	918	1,915
	<u>844,885</u>	<u>704,884</u>
Cash flows from investing activities:		
Increase in cash value - life insurance policy	(12,347)	(8,741)
Payments for equipment	(108,577)	(181,823)
	<u>(120,924)</u>	<u>(190,564)</u>
Cash used from financing activities:		
Issuance of common stock	16,210	8,300
Treasury stock purchased	(25,550)	(3,600)
Dividends paid	(478,654)	(236,307)
	<u>(487,994)</u>	<u>(231,607)</u>
Increase in cash	235,967	282,713
Cash and cash equivalents:		
Beginning	<u>1,515,379</u>	<u>1,232,666</u>
Ending	<u>\$ 1,751,346</u>	<u>1,515,379</u>
Supplemental information:		
Income taxes paid	<u>\$ 322,000</u>	<u>315,400</u>

The accompanying notes are an integral part of these statements.

EPOLIN, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FEBRUARY 28, 2007 AND 2006

Note A – Organization:

The Company is engaged in the development, production and sale of near infrared dyes to the optical industry for laser protection and welding applications, and other dyes and specialty chemical products that serve as intermediates and additives used in the adhesive, plastic, aerospace, credit card security and protective documents industries to customers located in the United States and throughout the world.

The Company's wholly owned Subsidiary, Epolin Holding, Corp., was incorporated in New Jersey as a real estate holding company whose assets consist of land and a building. On January 29, 1998, the Company acquired 100% of the stock in Epolin Holding Corporation. Prior to acquisition, two officers/stockholders of the Company controlled it.

Note B – Summary of Significant Accounting Policies:

Basis of Presentation – The Consolidated Financial Statements reflect all normal and recurring adjustments that, in the opinion of management, are necessary for a fair presentation of the financial position, results of operations and cash flows of the Company for the periods presented. All significant inter-company accounts and transactions have been eliminated.

Cash and Cash Equivalents - Includes cash in bank and money market accounts for purposes of preparing the Statement of Cash Flows.

Concentrations of Credit Risks - The Company and its Subsidiary at various times of the year had cash deposits in financial institutions and a brokerage house in excess of the amount insured by the agencies of the federal government. In evaluating this credit risk, the Company periodically evaluates the stability of the financial institution and brokerage house.

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of accounts receivable. Generally, the Company does not require collateral or other securities to support its accounts receivable. Three customers represented 40.7% of the Company's trade receivables at February 28, 2007.

Source of Raw Materials – The Company purchases chemicals from several large chemical manufacturers, further processing them into its saleable products. Although the Company limits itself to a relatively small number of suppliers, it is not restricted to such suppliers, and availability of such raw materials is widespread.

EPOLIN, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FEBRUARY 28, 2007 and 2006

Note B - Summary of Significant Accounting Policies (continued):

Principles of Consolidation - The accompanying Consolidated Financial Statements include the accounts of the Company and Subsidiary. Inter-company transactions and balances have been eliminated in consolidation. Condensed consolidating financial statements as of February 28, 2007 and for the year then ended are:

CONDENSED CONSOLIDATING BALANCE SHEET

	<u>Epolin Inc.</u>	<u>Epolin Holding, Corp.</u>	<u>Eliminations</u>	<u>Consolidated</u>
Current assets	\$ 2,748,345	291,576	-	3,039,921
Non-current assets	1,494,338	652,535	(944,111)	1,202,762
Total	<u>\$ 4,242,683</u>	<u>944,111</u>	<u>(944,111)</u>	<u>4,242,683</u>
Total liabilities	<u>590,976</u>	<u>128,552</u>	<u>(128,552)</u>	<u>590,976</u>
Stockholders' equity:				
Common stock	2,364,693	-	-	2,364,693
Additional paid-in capital	62,111	-	-	62,111
Retained earnings	1,575,985	815,559	(815,559)	1,575,985
Treasury stock	(351,082)	-	-	(351,082)
Total stockholders' equity	<u>3,651,707</u>	<u>815,559</u>	<u>(815,559)</u>	<u>3,651,707</u>
Total	<u>\$ 4,242,683</u>	<u>944,111</u>	<u>(944,111)</u>	<u>4,242,683</u>

CONDENSED CONSOLIDATING STATEMENT OF INCOME

	<u>Epolin Inc.</u>	<u>Epolin Holding, Corp.</u>	<u>Eliminations</u>	<u>Consolidated</u>
Sales	\$ 3,609,674	-	-	3,609,674
Other revenue	-	114,240	(97,740)	16,500
Total	<u>3,609,674</u>	<u>114,240</u>	<u>(97,740)</u>	<u>3,626,174</u>
Cost of sales	1,454,081	-	-	1,454,081
Selling, general and administrative	1,352,586	25,701	(97,740)	1,280,547
Total	<u>2,806,667</u>	<u>25,701</u>	<u>(97,740)</u>	<u>2,734,628</u>
Operating income	803,007	88,539	-	891,546
Other income - interest	63,721	8,230	-	71,951
Income before taxes	866,728	96,769	-	963,497
Income taxes	333,170	7,399	-	340,569
Net income	<u>\$ 533,558</u>	<u>89,370</u>	<u>-</u>	<u>622,928</u>

EPOLIN, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FEBRUARY 28, 2007 AND 2006

Note B – Summary of Significant Accounting Policies (continued):

Accounts receivable - Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. This allowance is an amount estimated by management to be adequate to absorb possible losses. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Inventories - Consists of raw materials, work in process, finished goods and supplies valued at the lower of cost or market under the first-in, first-out method.

Fair Value of Financial Instruments – The carrying amount of all reported assets and liabilities, which represent financial instruments, approximate the fair values of such amounts due to the nature of their relatively short maturity.

Plant, Property and Equipment - Stated at cost. Provisions for depreciation are computed on the straight-line methods, based upon the estimated useful lives of the various assets.

A summary of the major categories of the Company's plant property and equipment are as follows:

Building and improvements	Straight Line 39 Years
Machinery and equipment	Straight Line 5 – 7 Years
Furniture and Fixtures	Straight Line 7 Years
Leasehold Improvements	Straight Line 10 – 39 Years

The costs of major renewals and betterments are capitalized. Repairs and maintenance are charged to operations as incurred. Upon disposition, the cost and related accumulated depreciation are removed and any related gain or loss is reflected in earnings.

Depreciation and amortization expense totaled \$64,704 and \$46,960 for the years ended February 28, 2007 and 2006, respectively.

Income taxes – The Company accounts for income taxes under Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes", wherein the asset and liability method is used in accounting for income taxes. Deferred taxes are recognized for temporary differences between the basis of assets and liabilities for financial statement and for income tax purposes. Temporary differences relate primarily to different accounting methods used for depreciation and amortization of property and equipment and deferred compensation.

EPOLIN, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FEBRUARY 28, 2007 AND 2006

Note B – Summary of Significant Accounting Policies (continued):

Use of Estimates – The preparation of the Company's financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of expenses during the reporting period. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Revenue Recognition – The Company recognizes revenue consistent with the provisions of SEC Staff Accounting Bulletin No. 104, “Revenue Recognition”, which sets forth guidelines in the timing of revenue recognition based upon factors such as passage of title, payments, and customer acceptance. Any amounts received prior to satisfying our revenue recognition criteria will be recorded as deferred revenue in the accompanying balance sheet. The Company recognizes revenue from product sales when there is persuasive evidence that an arrangement exists, when title has passed, the price is fixed or determinable, and the Company is reasonably assured of collecting the resulting receivable. The Company’s policy is to replace certain products that are in nonconformity with customer specifications; however, replacements are made at the discretion of the Company subject to in house product lab analysis. There are no terms or conditions set forth within the Company’s sales contracts that provide for product replacements. Replacement costs are expensed as incurred.

Regulations – The Company expended approximately \$22,305 through February 28, 2007 and \$21,073 through February 28, 2006, to maintain compliance with certain Federal and State and City government regulations relative to the production of near infrared dyes and specialty chemicals.

Net Income Per Share - Basic net income per share is calculated on the basis of the weighted average number of shares outstanding during the period, excluding dilution. Diluted net income per share is computed on the basis of the weighted average number of shares plus potentially dilutive common shares arising from the assumed exercise of stock options.

Advertising Costs – Advertising costs, included in operating expenses, are expensed as incurred. Advertising expenses amounted to \$13,855 and \$19,304 for the years ended February 28, 2007 and 2006, respectively.

EPOLIN, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FEBRUARY 28, 2007 AND 2006

Note B – Summary of Significant Accounting Policies (continued):

Stock-based Compensation – Prior to March 1, 2006 the Company accounted for stock based compensation under Statement of Financial Accounting Standards No. 123 Accounting for Stock-Based Compensation (FAS 123). As permitted under this standard, compensation cost was recognized using the intrinsic value method described in Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees (APB 25). Effective March 1, 2006, the Company has adopted Statement of Financial Accounting Standards ("SFAS") No. 123(R), "Share-Based Payment". SFAS 123R revises SFAS No. 123 and supersedes APB 25 to require companies to measure and recognize in operations the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value. In accordance with the provisions of the Securities and Exchange Commission Staff Accounting Bulletin No. 107, the Company has adapted the modified-prospective transition method. Prior periods were not restated to reflect the impact of adopting the new standard. As a result of the adoption of FAS 123R, stock-based compensation expense recognized for the period ended February 28, 2007 includes compensation expense for all share-based payments granted on or prior to, but not yet vested as of March 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of FAS 123, and compensation cost for all share-based payments granted on or subsequent to March 1, 2006, based on the grant date fair value estimated in accordance with the provisions of FAS 123R.

During the year ended February 28, 2007, the Company recognized stock-based compensation expenses of \$22,625, related to outstanding stock options according to the provisions of FAS 123R, using the modified-prospective transition method.

Prior to the adoption of FAS 123R and for the year ended February 28, 2007, no tax benefits from the exercise of stock options have been recognized. Any future excess tax benefits derived from the exercise of stock options will be recorded prospectively and reported as cash flows from financing activities in accordance with FAS 123R.

Deferred charges for options granted to non-employees are determined in accordance with FAS No. 123 and EITF 96-18 "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services" as the fair value of the consideration or the fair value of the equity instruments issued, whichever is more reliably measured.

The weighted average Black-Scholes value of options granted under the stock plans during the years ended February 28, 2007 and 2006 was \$.18 and \$.10, respectively. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions used for grants:

Years Ended February 28,	2007	2006
Weighted average expected life in years	3	4
Dividends per share	0.04	0.02
Volatility	6.0%	6.0%
Risk-free interest rate	4.5%	4.0%

EPOLIN, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FEBRUARY 28, 2007 AND 2006

Note B – Summary of Significant Accounting Policies (continued)

Stock-based Compensation – The Company’s pro forma net earnings and pro forma earnings per share based upon the fair value at the grant dates for awards under Epolin’s plans are disclosed below.

	<u>Year Ended</u> <u>February 28, 2006</u>
Net earnings as reported	\$ 594,398
Deduct total additional stock-based employee compensation cost, net of tax that would have been included in net earnings under fair value method	<u>25,800</u>
Proforma net earnings	<u>\$ 568,598</u>
Basic earnings per share:	
As reported	<u>0.05</u>
Proforma	<u>0.05</u>
Average common shares outstanding	<u>11,919,688</u>
Diluted earnings per share:	
As reported	<u>0.05</u>
Proforma	<u>0.05</u>
Total diluted common shares outstanding	<u>12,074,197</u>

Note C - Inventories:

	<u>February 28,</u>	
	<u>2007</u>	<u>2006</u>
Raw materials and supplies	\$ 74,317	38,600
Work in process	183,142	197,228
Finished goods	<u>394,189</u>	<u>412,045</u>
Total	<u>\$ 651,648</u>	<u>647,873</u>

EPOLIN, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FEBRUARY 28, 2007 AND 2006

Note D – Income Taxes:

1. Federal and State deferred tax assets include:

	<u>2007</u>	<u>2006</u>
Temporary differences:		
Accelerated amortization	\$30,063	44,530
Deferred compensation	122,922	131,792
Stock based compensation	<u>9,728</u>	<u>-</u>
Total	162,713	176,322
Current portion	<u>10,288</u>	<u>6,166</u>
Non-current portion	<u>\$152,425</u>	<u>170,156</u>

2. Income tax expense:

	<u>2007</u>	<u>2006</u>
Current:		
Federal	\$259,342	255,744
State	<u>67,618</u>	<u>66,032</u>
Total current	<u>326,960</u>	<u>321,776</u>
Deferred:		
Federal	10,845	17,436
State	<u>2,764</u>	<u>4,615</u>
Total deferred	<u>13,609</u>	<u>22,051</u>
Total	<u>\$340,569</u>	<u>343,827</u>

3. Reconciliation of income tax at the statutory rate to the Company's effective rate:

	<u>2007</u>	<u>2006</u>
Computed at the statutory rate	\$304,598	299,257
State income taxes (net)	67,618	66,032
(Increase) Decrease in deferred tax asset	13,609	22,051
General business credits	(36,040)	(29,206)
Non-deductible items	<u>(9,216)</u>	<u>(14,307)</u>
Effective tax	<u>\$340,569</u>	<u>343,827</u>

EPOLIN, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FEBRUARY 28, 2007 AND 2006

Note E – Treasury Stock:

Consists of 948,645 shares as of February 28, 2007 at a net cost of \$351,082 and 918,645 shares as of February 28, 2006 at a net cost of \$325,532, respectively.

The Company purchased 30,000 shares during the year ended February 28, 2007 and 5,000 shares during the year ended February 28, 2006.

Note F – Economic Dependency:

A material portion of the Company's business is dependent on certain domestic customers, the loss of which could have a material effect on operations. During the year ended February 28, 2007, approximately 37.5% of sales were to four customers. Two of these customers, located in the Eastern United States, accounted for 24.5% of sales. During the year ended February 28, 2006, approximately 43.9% of sales were to four customers, two of these customers, located in the Eastern United States, accounted for 29.6% of sales.

Note G – Rental Income Under Sublease:

The Company entered into a sublease agreement with a non-related party effective November 1, 2002 through November 30, 2005. Under the terms of the lease, the tenant is to pay a base rent of \$36,000 per year. The Company entered into a new agreement with another non-related party effective September 1, 2005 for a term ending October 31, 2007. Under the terms of the new agreement, the tenant is to pay a base rent of \$18,000 per year.

Note H – Employee Benefits:

Simplified Employee Pension Plan – Effective June 1, 1994, the Company provides a SAR/SEP plan to its employees as a retirement and income tax reduction facility. Full time employees are eligible to participate immediately. Employees may make pre-tax and after-tax contributions subject to Internal Revenue Service limitations. Company contributions range from three to five percent after completion of one year of service. Employer contributions totaled \$47,677 and \$49,940 for the years ended February 28, 2007 and 2006, respectively.

EPOLIN, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FEBRUARY 28, 2007 AND 2006

Note H – Employee Benefits (continued):

Stock Option Plan – The Company previously adopted The 1986 Stock Option Plan. As of April 1996, under the terms of the Plan, options may no longer be granted. On December 1, 1995, options to acquire up to 490,000 shares of the Company’s common stock were granted. Options exercised for all prior years totaled 455,000. Options cancelled for all prior years totaled 35,000. There were no outstanding options as of February 28, 2007.

The Company adopted the 1998 Stock Option Plan on December 1, 1998. Under the terms of the plan, the Company reserved 750,000 shares of common stock for issuance pursuant to the exercise of options to be granted under the Plan, which do not meet the requirements of Section 422 of the Code. On September 15, 2001, the Board of Directors increased the reserve to 1,500,000. Options granted expire five or ten years after the date granted and are subject to various vesting periods as follows: (1) none exercisable prior to the first anniversary of the date of grant, and (2) certain options will become exercisable as to 50% of the shares underlying the option on each of the first and second anniversaries of the date granted (3) certain options will become exercisable as to 50% of the shares underlying the option on each of the second and fourth anniversaries of the date granted. Options exercised through February 28, 2007 totaled 686,000. Options cancelled or expired for all years totaled 240,000. All cancelled options are available for future grants.

A summary of the status of the Company’s 1998 stock option plan as of February 28, 2007, and the changes during the year ended February 28, 2007 is presented below:

<u>Fixed Options:</u>	<u>Shares</u>	<u>Weighted-Average Exercise Price</u>
Balance – March 1, 2005	322,000	\$.30
Granted	200,000	.54
Cancelled	(35,000)	.25
Exercised	<u>(30,000)</u>	.28
Balance – February 28, 2006	457,000	.42
Granted	-	-
Cancelled and expired	(85,000)	.25
Exercised	<u>(56,000)</u>	.28
Balance – February 28, 2007	<u>316,000</u>	\$.37
Exercisable at February 28, 2007	155,000	

EPOLIN, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FEBRUARY 28, 2007 AND 2006

Note H – Employee Benefits (continued):

Stock Option and Stock-Based Employee Compensation – On November 1, 2004, the Company entered into an “Option Agreement and Investment Agreement” with an employee, the terms of which are as follows:

1. Stock Option - An option to purchase 100,000 shares of common stock at an exercise price equal to the fair market value of the Company’s common stock at the date of grant. The option is exercisable only after the completion of the second year of employment.
2. Stock-based Employee Compensation – A grant of 100,000 shares of restricted common stock one year from the date of the agreement, provided the employee is then employed by the Company. In connection with this agreement, compensation in the amount of \$33,000 was charged to selling, general and administrative expenses for the year ended February 28, 2007.

Stock Option Plans - The following table summarizes information about fixed stock options outstanding at February 28, 2007:

<u>Outstanding Options</u>			<u>Exercisable Options</u>	
<u>Range of Exercise Price</u>	<u>Number Outstanding at 2/28/07</u>	<u>Weighted-average Remaining Contractual Life</u>	<u>Number Exercisable at 2/28/07</u>	<u>Weighted-average Exercise Price</u>
\$.41	116,000	7.0	55,000	.41
.51	100,000	2.7	100,000	.51
.54	200,000	3.3	100,000	.54

There are 498,000 options attributable to future grants.

Note I – Segment Reporting:

The Company currently operates in a single operating segment. In addition, financial results are prepared and reviewed by management as a single operating segment. The Company continually evaluates its operating activities and the method utilized by management to evaluate such activities and will report on a segment basis if and when appropriate to do so.

EPOLIN, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FEBRUARY 28, 2007 AND 2006

Note I – Segment Reporting (continued):

Sales by geographic area are as follows:

	<u>Years Ended February 28,</u>	
	<u>2007</u>	<u>2006</u>
United States	\$ 2,775,135	2,798,627
Asia	508,235	567,848
Europe	308,278	321,143
Other nations	<u>18,026</u>	<u>13,235</u>
 Total	 <u>\$ 3,609,674</u>	 <u>3,700,853</u>

One customer, located in the Southeastern United States, accounted for more than 10% of revenues from continuing operations. This customer accounted for 15.7% of sales of which 3.3% was near infrared dyes and 12.4% was security inks.

Long-lived assets include net property and equipment. The Company had long-lived assets of \$823,079 and \$779,206 located in the United States at February 28, 2007 and 2006, respectively.

Note J - Accrued Expenses:

Accrued expenses consisted of the following as of February 28, 2007 and 2006, respectively:

	<u>2007</u>	<u>2006</u>
Salaries and wages	2,234	40,434
Employment agreement	210,000	195,000
Professional fees	32,671	26,900
Consulting fees	-	11,840
Commissions		20,419
Property taxes	<u>-</u>	<u>12,462</u>
 Total accrued expenses	 <u>\$ 244,905</u>	 <u>307,055</u>

EPOLIN, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FEBRUARY 28, 2007 AND 2006

Note K - Earnings per Share:

Basic earnings per share are computed on the basis of the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share is computed on the basis of the weighted average number of shares of common stock plus the effect of dilutive potential common shares outstanding during the period using the treasury stock method. Dilutive potential common shares include outstanding stock options. The components of basic and diluted earnings per share are as follows:

	Years Ended February 28,	
	2007	2006
Basic Earnings Per Common Share:		
Net income	\$ 622,928	594,398
Average common shares outstanding	<u>11,964,806</u>	<u>11,919,688</u>
Basic earnings per common share	<u>\$ 0.05</u>	<u>0.05</u>
Diluted Earnings Per Common Share:		
Net income	<u>\$ 622,928</u>	<u>594,398</u>
Average common shares outstanding	11,964,806	11,919,688
Common shares issuable with respect to options issued to employees with a dilutive effect	<u>38,618</u>	<u>154,509</u>
Total diluted common shares outstanding	<u>12,003,424</u>	<u>12,074,197</u>
Diluted earnings per common share	<u>\$ 0.05</u>	<u>0.05</u>

EPOLIN, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FEBRUARY 28, 2007 AND 2006

Note L – Commitments and Contingencies:

Losses for contingencies such as litigation and environmental matters are recognized in income when they are probable and can be reasonably estimated. Gain contingencies are not recognized in income.

Lease Obligations - The Company leases its real estate under an operating lease with a related party. The lease effective November 1, 1996 was for a term of five (5) years with three (3) five (5) year options at annual rentals of \$97,740. The Cost of Living Index adjustment effective with the second year has been waived by the subsidiary. Rent includes reimbursed insurance costs. Generally, management expects that the lease will be renewed in the normal course of business.

Rental expense charged to operations, eliminated in consolidation, amounted to \$97,740 for the years ended February 28, 2007 and 2006, respectively.

Future minimum payments for the current option period:

Fiscal years ending February:

2008	\$97,740
2009	97,740
2010	97,740
2011	65,160

Deferred Compensation – On December 29, 1995, the Company entered into a deferred compensation agreement with James Ivchenko, President, whose additional annual compensation of \$19,645 plus interest is deferred until he reaches age 65 or is terminated. The obligation is funded by the cash value in a life insurance policy. Commencing on December 2005, annual payments will be made to the officer in the amount of \$32,000 for ten consecutive years.

In connection with this agreement, deferred compensation in the amount of \$26,212 was charged to selling, general and administrative expenses for the year ended February 28, 2006.

On January 1, 1996, the Company entered into a deferred compensation agreement with Dr. Murray S. Cohen, PhD, Chairman of the Board, wherein \$25,000 per year was accrued. This agreement, with unfunded accruals of \$79,041, terminated on June 25, 1998, and will be paid upon retirement in either equal consecutive monthly payments for a period not exceeding sixty (60) months or a single payment equal to the then present value of the account, said selection to be at the discretion of the Company.

EPOLIN, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FEBRUARY 28, 2007 AND 2006

Note L – Commitments and Contingencies (continued):

Employment Agreements – Effective March 1, 1999, the Company entered into ten-year employment agreements with officers/directors:

Murray S. Cohen, PhD, Chairman of the Board - To be paid an annual salary of not less than the greater of his annual base salary in effect immediately prior to the effective date of the agreement or any subsequently established annual base salary. Dr. Cohen is to receive 2.00% on gross annual sales of no more than \$3,000,000, effective with the year ended February 28, 2000, increasing by 0.25% a year during the term of the agreement. In the event of partial retirement, (50% employment), Dr. Cohen will receive fifty percent salary and 100% additional compensation. In the event of substantial retirement, (25% employment), Dr. Cohen will receive 25% percent salary and 100% additional compensation. In the event of full retirement, Dr. Cohen will receive 50% additional compensation. In the event of death or disability, while fully employed during the fiscal year, Dr. Cohen or his estate will receive 100% of his annual salary plus additional compensation as described above, and 50% of his annual salary plus additional compensation each subsequent year for the remainder of the ten-year term. If at the time of death or disability Dr. Cohen was retired, then other percentage rates are provided for based upon his retirement status.

James Ivchenko, President - To be paid an annual salary of not less than the greater of his annual base salary in effect immediately prior to the effective date of the agreement or any subsequently established annual base salary. He is to receive 1.5% on gross annual sales of no more than \$3,000,000, effective with the year ended February 28, 2000, increasing by 0.25% a year during the term of the agreement. In the event of death or disability during the fiscal year, Mr. Ivchenko or his estate will receive 100% of his annual salary plus additional compensation as described above, and 50% of his annual salary plus additional compensation each subsequent year for the remainder of the ten-year term.

Accrued compensation included in selling, general and administrative as of February 28, 2007 and 2006 was \$210,000 and \$195,000, respectively.

Bonus Agreement – Effective for the year ending February 28, 2006, the company shall pay Gregory Amato, CEO, bonus compensation in an amount equal to ten percent of the increase, if any, in the Company's current year consolidated net income as compared to the consolidated net income for the fiscal year ending February 28, 2006. The term net income shall mean consolidated net income after taxes but before any extraordinary items. For subsequent fiscal years, the employee shall be eligible for cash bonuses in such amounts as determined by the Compensation Committee.

Accrued bonus compensation in the amount of \$10,100 was included in selling, general and administrative expenses for the year ended February 28, 2006.

EPOLIN, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FEBRUARY 28, 2007 AND 2006

Note M – Dividends:

In December 2006, the Company's Board of Directors declared a cash dividend of two cents per share on all common shares outstanding. The dividend, in the amount of \$239,327 was paid on January 3, 2007 to shareholders of record on December 18, 2006.

In April 2006, the Company's Board of Directors declared a cash dividend of two cents per share on all common shares outstanding. The dividend, in the amount of \$239,327 was paid on May 1, 2006 to shareholders of record on April 20, 2006.

In June 2005, the Company's Board of Directors declared a cash dividend of two cents per share on all common shares outstanding. The dividend, in the amount of \$236,307 was paid on August 3, 2005 to shareholders of record on July 27, 2005.

Note N – Research and Development:

The Company has developed substantial research and development capability. The Company's efforts are devoted to (i) developing new products to satisfy defined market needs, (ii) providing quality technical services to assure the continued success of its products for its customers' applications, (iii) providing technology for improvements to its products, processes and applications, and (iv) providing support to its manufacturing plant for cost reduction, productivity and quality improvement programs. Expenditures for Company sponsored product research and product development of \$441,354 and \$446,916 were included in cost of sales for the years ended February 28, 2007 and 2006, respectively. Expenditures for fiscal year 2008 are projected to remain at approximately the same level as in fiscal 2007.

Note O – Environmental Matters

The Company's past and present daily operations include activities, which are subject to extensive federal, and state environmental and safety regulations. Compliance with these regulations has not had, nor does the Company expect such compliance to have, any material effect upon expected capital expenditures, net income, financial condition, or competitive position of the Company. The Company believes that its current practices and procedures comply with applicable regulations. The Company's policy is to accrue environmental and related costs of a non-capital nature when it is both probable that a liability has been incurred and that the amount can be reasonably estimated. No such amounts have been accrued in these statements.

CERTIFICATION

I, Greg Amato, certify that:

1. I have reviewed this annual report on Form 10-KSB of Epolin, Inc.;
2. Based on my knowledge, this report does not contain any untrue statements 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 registrant as of, and for, the periods presented in this report;
4. The small business issuer's other certifying officers 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 reasonable 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.

Dated: May 24, 2007

By: /s/ Greg Amato
Greg Amato, Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION

I, James Ivchenko, certify that:

1. I have reviewed this annual report on Form 10-KSB of Epolin, Inc.;
2. Based on my knowledge, this report does not contain any untrue statements 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 registrant as of, and for, the periods presented in this report;
4. The small business issuer's other certifying officers 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 reasonable 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.

Dated: May 24, 2007

By: /s/ James Ivchenko
James Ivchenko,
President (Principal Financial Officer)

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

In connection with the Annual Report of Epolin, Inc. (the "Company") on Form 10-KSB for the period ended February 28, 2007, as filed with the Securities and Exchange Commission (the "Report"), the undersigned certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of the undersigned's knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 24, 2007

By: /s/ Greg Amato
Greg Amato, Chief Executive Officer
(Principal Executive Officer)

Dated: May 24, 2007

By: /s/ James Ivchenko
James Ivchenko,
President (Principal Financial Officer)