
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-QSB

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

For the quarterly period ended November 30, 2007

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

For the transition period from _____ to _____

Commission file number **000-17741**

EPOLIN, INC.

(Exact name of Small Business Issuer as Specified 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 07105
(Address of Principal Executive Offices)

(973) 465-9495
(Issuer's Telephone Number, Including Area Code)

Check whether the Issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the Issuer is a shell company (as defined by Rule 12b-2 of the Exchange Act).

Yes No

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

Common, no par value per share: 11,966,355 outstanding as of January 10, 2008

EPOLIN, INC.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

See the Consolidated Financial Statements annexed to this report.

Item 2. Management's Discussion and Analysis or Plan of Operation.

The following discussion should be read in conjunction with the Financial Statements included in this report and is qualified in its entirety by the foregoing.

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 under the caption "Uncertainties and Risk Factors" in Part I, Item 1 "Description of Business" of the Company's Form 10-KSB for the year ended February 28, 2007. The Company does not intend to update these forward-looking statements.

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 nine months ended November 30, 2007, approximately 37.9% of sales were to three customers. Two of these customers, located in the Eastern United States, accounted for 30.0% of sales. During the nine months ended November 30, 2006, approximately 41.6% of sales were to four customers. Two of these customers, located in the Eastern United States, accounted for 27.4% 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 three months ended November 30, 2007 and 2006 and nine months ended November 30, 2007 and 2006.

Three Months Ended November 30,

	<u>2007</u>	<u>2006</u>	<u>% change</u>
Sales	\$ 826,610	\$774,135	6.8%
Gross profit	584,926	468,862	24.8%
Gross profit percentage	70.8%	60.6%	10.2%
Selling, general & administrative	<u>301,151</u>	<u>323,343</u>	-6.9%
Operating income	283,775	145,519	95.0%
Other Income	<u>81,305</u>	<u>38,690</u>	110.2%
Income before taxes	365,080	184,209	98.2%
Income taxes	<u>147,166</u>	<u>46,544</u>	216.2%
Net income (after taxes)	<u>\$ 217,914</u>	<u>\$137,665</u>	58.3%

Nine Months Ended November 30,

	<u>2007</u>	<u>2006</u>	<u>% change</u>
Sales	\$2,761,168	\$2,819,116	-2.1%
Gross profit	1,742,928	1,641,798	6.2%
Gross profit percentage	63.1%	58.2%	4.9%
Selling, general & administrative	<u>940,149</u>	<u>971,838</u>	-3.3%
Operating income	802,779	669,960	19.8%
Other Income	<u>117,489</u>	<u>78,156</u>	50.3%
Income before taxes	920,268	748,116	23.0%
Income taxes	<u>352,714</u>	<u>263,503</u>	33.9%
Net income (after taxes)	<u>\$ 567,554</u>	<u>\$ 484,613</u>	17.1%

Sales

For the three months ended November 30, 2007, sales were \$827,000 as compared to \$774,000 for the three months ended November 30, 2006, an increase of \$53,000 or 6.8%. Sales decreased to \$2,761,000 for the nine months ended November 30, 2007 from \$2,819,000 for the nine months ended November 30, 2006, a decrease of \$58,000 or 2.1%. Sales in the eye protection market, which represents our oldest and traditional market, increased by \$80,000 and \$203,000 for the three and nine months ended November 30, 2007, compared to the prior year's periods. Sales in the ink and coating market increased by \$69,000 for the three months ended November 30, 2007 compared to the three months ended November 30, 2006, although for the nine month period ended November 30, 2007, sales decreased by \$94,000 compared to the prior year's nine month period. Sales in the light management market decreased by \$101,000 and \$130,000 for the three and nine months ended November 30, 2007 compared to the same periods of the prior fiscal year. During the second quarter of fiscal 2008, we began to see a turnaround in the security inks business which had declined in recent quarters but had been a key area of our growth prior to the early part of fiscal 2007. Although we still had a

decrease in sales in the ink and coating market for the nine months ended November 30, 2007 compared to the nine month period of the prior fiscal year, we did have a \$69,000 increase in this market for the third quarter of fiscal 2008 compared to the same period of the prior year, which followed a \$140,000 increase for the second quarter of fiscal 2008 compared to second quarter of fiscal 2007.

Sales overseas decreased in Asia and Europe for the nine months ended November 30, 2007 while sales increased in the United States for the nine months ended November 30, 2007 compared to the prior year period. For the nine months ended November 30, 2007, sales in Asia decreased to \$371,000 from \$478,000 for the nine months ended November 30, 2006. In Europe, sales decreased for the nine month period ended November 30, 2007 to \$158,000 from \$220,000 for the nine months ended November 30, 2006. In the United States, sales increased to \$2,231,000 from \$2,096,000 for the nine months ended November 30, 2006.

Gross Profit

Gross profit, defined as sales less cost of sales, was \$585,000 or 70.8% of sales for the three months ended November 30, 2007 compared to \$469,000 or 60.6% of sales for the three months ended November 30, 2006. For the nine months ended November 30, 2007, gross profit was \$1,743,000 or 63.1% of sales compared to \$1,642,000 or 58.2% of sales for the nine months ended November 30, 2006. In terms of absolute dollars, gross profit increased \$116,000 for the three months ended November 30, 2007 compared to the prior year period, and increased \$101,000 for the nine months ended November 30, 2007 compared to the prior year period.

Cost of sales was \$242,000 for the three months ended November 30, 2007 which represented 29.2% of sales compared to \$305,000 for the three months ended November 30, 2006 which represented 39.4% of sales. For the nine months ended November 30, 2007, cost of sales was \$1,018,000 which represented 36.9% of sales, compared to \$1,177,000 for the nine months ended November 30, 2006 which represented 41.8% of sales. Total cost of materials decreased \$81,000 in the nine months ended November 30, 2007 compared to the prior year period. Total factory overhead also decreased by \$79,000 in the nine months ended November 30, 2007 compared to the prior year period, primarily due to decreases in research and development salaries and decreases in applied factory overhead.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased to \$301,000 or 36.4% of sales, for the three months ended November 30, 2007 from \$323,000 or 41.8% of sales for the three months ended November 30, 2006, a decrease of \$22,000. Selling, general and administrative expenses decreased to \$940,000 or 34.0% of sales for the nine months ended November 30, 2007 from \$972,000 or 34.5% of sales for the nine months ended November 30, 2006, a decrease of \$32,000. Such decrease in absolute dollars in selling, general and administrative expenses for the nine months ended November 30, 2007 compared to the prior year period was primarily due to decreases in officer salaries and employee benefits offset by increases in applied factory overhead and administrative salaries.

Operating Income

Operating income in terms of absolute dollars, increased to \$284,000 for the three months ended November 30, 2007 from \$146,000 for the prior year period, an increase of \$138,000, and operating income for the nine months ended November 30, 2007 increased to \$803,000 from \$670,000 for the prior year period, an increase of \$133,000. Operating income increased primarily due to the decrease in cost of sales and selling, general and administrative expenses for the three and nine months of fiscal 2008 compared to the prior year. As a percentage of sales, operating income increased to 34.3% of sales for the three months ended November 30, 2007 from 18.8% of sales for the three months ended November 30, 2006. For the nine months ended November 30, 2007, operating income increased as a percentage of sales to 29.1% from 23.8% for the nine months ended November 30, 2006.

Other Income

Total other income for the three months ended November 30, 2007 was \$81,000 as compared to \$39,000 for the three months ended November 30, 2006. Total other income for the nine months ended November 30, 2007 was \$117,000 as compared to \$78,000 for the nine months ended November 30, 2006. Such increase was primarily due to an insurance reimbursement of \$61,000 we received in the quarter ended November 30, 2007 for flood damage for which there was not a comparable item in fiscal 2007. We realized rental income of \$4,500 and \$13,500 for the three and nine months ended November 30, 2007 compared to rental income of \$3,000 and \$15,000 for the comparable periods of the

prior year. Our interest income was \$16,000 and \$43,000 for the three and nine months ended November 30, 2007 compared to \$36,000 and \$63,000 for the prior year periods.

Net Income

During the three months ended November 30, 2007, we reported income before taxes of \$365,000 as compared to income before taxes of \$184,000 for the three months ended November 30, 2006. During the nine months ended November 30, 2007, we reported income before taxes of \$920,000 as compared to income before taxes of \$748,000 for the nine months ended November 30, 2006. Income taxes were \$147,000 and \$353,000 for the three and nine months ended November 30, 2007 compared to income taxes of \$47,000 and \$264,000 for the three and nine months ended November 30, 2006. The changes in income taxes were generally attributed to changes from period to period in sales and expenses. Net income after taxes was \$218,000 or \$0.02 per share for the three months ended November 30, 2007 as compared to net income after taxes of \$138,000 or \$0.01 per share for the three months ended November 30, 2006. For the nine months ended November 30, 2007, net income after taxes was \$568,000 or \$0.05 per share as compared to net income after taxes of \$485,000 or \$0.04 per share for the nine months ended November 30, 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. Such decrease in sales continued into the first quarter of fiscal 2008. Nevertheless, sales improved in the second quarter of fiscal 2008 which resulted in the \$76,000 increase in net income for the three months ended August 31, 2007 compared to the three months ended August 31, 2006, followed by an \$80,000 increase in net income for the third quarter of fiscal 2008 compared to the third quarter of fiscal 2007.

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 which continued into the first quarter of fiscal 2008. However, this downturn did not continue into the second and third quarters of fiscal 2008 in which we achieved an increase in revenues. During these periods of reduced sales, we had a major decline in sales of security inks for the credit card market which had been a key area of our growth in recent periods. Sales in that market did begin to turnaround in the second and third quarters of fiscal 2008, along with increases in certain other market areas. As a result, we are confident that the decrease in our overall sales which we experienced was simply a temporary downturn which we do not expect will continue.

With regard to the net income we have achieved in recent years, 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.

Liquidity and Capital Resources

Our primary source of funds is cash flow from operations in the normal course of selling products. On November 30, 2007, we had working capital of \$3,074,000, a debt to equity ratio of 0.15 to 1, and stockholders equity of \$3,993,000 compared to working capital of \$2,858,000, a debt to equity ratio of 0.15 to 1, and stockholders equity of \$3,759,000 on November 30, 2006. On November 30, 2007, we had \$2,076,000 in cash and cash equivalents, total assets of \$4,594,000 and total liabilities of \$601,000, compared to \$1,985,000 in cash and cash equivalents, total assets of \$4,316,000 and total liabilities of \$557,000 on November 30, 2006.

Net cash provided by operating activities for the nine months ended November 30, 2007 was \$637,000 which was primarily the result of net income of \$568,000, plus an increase in taxes payable of \$82,000, offset by increases in inventories of \$51,000, decreases in accounts payable of \$40,000 and in accrued expenses of \$8,000. Net cash provided by operating activities for the nine months ended November 30, 2006 was \$775,000 which was primarily the result of net income of \$485,000, plus decreases in accounts receivable of \$229,000 and inventories of \$37,000, offset by a decrease in accrued expenses of \$55,000. Net cash used by investing activities for the nine months ended November 30, 2007 was \$73,000 due to equipment purchases of \$105,000 offset by a decrease in cash value of a life insurance policy of \$31,000, while net cash used by investing activities was \$71,000 for the nine months ended November 30, 2006 due to equipment purchases of \$61,000 and an increase in cash value of a life insurance policy of \$9,000. For the nine months ended November 30, 2007, net cash used by financing activities was \$239,000 and was \$235,000 for the nine months ended November 30, 2006 which was primarily due to the payment of dividends which occurred in both the first three months of fiscal 2008 and the first three months of fiscal 2007.

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 our contemplated cash requirements for more than the next 12 months. Our contemplated cash requirements for the balance of 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

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 April 2007, the Board of Directors declared and the Company paid in May 2007 the second regular annual cash dividend of \$0.02 per share. In addition, in December 2007, the Board of Directors paid another special cash dividend of \$0.02 per share which was paid on January 7, 2008.

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 nine months ended November 30, 2007, no repurchases were made under this program. To date, a total of 331,500 shares have been repurchased at a cumulative cost of \$195,766.

In September 2007, Murray S. Cohen advised the Company that beginning as of October 1, 2007 and in accordance with his employment agreement he will reduce the time he devotes to Company business to approximately 25% of his time. Dr. Cohen had been devoting approximately 50% of his time to the business since September 2006. Dr. Cohen has been and will remain Chairman of the Board and Chief Scientist of the Company.

Off-Balance Sheet Arrangements

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

Item 3. 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 November 30, 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 quarter covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. **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 2. **Unregistered Sales of Equity Securities and Use of Proceeds.**

None.

Item 3. **Defaults Upon Senior Securities.**

None.

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

None.

Item 5. **Other Information.**

None.

Item 6. **Exhibits.**

- 31.1 Certification of Principal 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)

SIGNATURES

In accordance with the requirements of the Exchange Act, the Registrant caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

EPOLIN, INC.
(Registrant)

Dated: January 14, 2008

By: /s/ Greg Amato
Greg Amato,
Chief Executive Officer

Dated: January 14, 2008

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

EPOLIN, INC. AND SUBSIDIARY

FINANCIAL STATEMENTS

NINE MONTHS ENDED NOVEMBER 30, 2007 AND 2006

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have reviewed the accompanying Consolidated Balance Sheets of Epolin Inc. and Subsidiary as of November 30, 2007 and 2006 and the related Consolidated Statements of Income, Stockholders' Equity, and Cash Flows for the nine-month periods then ended. These interim financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim financial statements for them to be in conformity with U.S. generally accepted accounting principles.

Weismann Associates LLC
Weismann Associates LLC
Branchburg, NJ 08876

December 17, 2007

**EPOLIN, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS**

ASSETS

	November 30,	
	2007	2006
Current assets:		
Cash and cash equivalents	\$ 2,075,544	1,984,640
Accounts receivable	544,164	467,035
Inventories	702,641	611,058
Prepaid expenses	72,551	62,759
Prepaid taxes	-	124
Deferred tax assets-current portion	18,406	6,358
Total current assets	3,413,306	3,131,974
Plant, property and equipment - at cost:		
Land	81,000	81,000
Building and improvements	710,758	710,758
Laboratory equipment	186,230	272,688
Furniture and office equipment	203,592	120,303
Leasehold improvements	458,495	449,190
Total	1,640,075	1,633,939
Less: Accumulated depreciation and amortization	777,417	837,829
Net plant, property and equipment	862,658	796,110
Other assets:		
Deferred tax assets-non current portion	122,553	163,380
Cash value - life insurance policy	195,767	224,881
Total other assets	318,320	388,261
Total	\$ 4,594,284	4,316,345

The accompanying notes are an integral part of these statements.

**EPOLIN, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS (CONTINUED)**

LIABILITIES AND STOCKHOLDERS' EQUITY

	November 30,	
	2007	2006
Current liabilities:		
Accounts payable	\$ 11,732	4,884
Accrued expenses	237,310	252,352
Taxes payable:		
Payroll	1,889	1,653
Income	88,757	15,200
	339,688	274,089
Other liabilities - Deferred compensation	261,620	283,021
	601,308	557,110
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 12,890,000 shares issued, and 11,966,355 shares outstanding at 2007 and 2006, respectively	2,364,693	2,357,193
Additional paid-in capital	75,153	55,127
Retained earnings	1,904,212	1,676,997
	4,344,058	4,089,317
Less: Treasury stock - at cost	351,082	330,082
	3,992,976	3,759,235
Total	\$ 4,594,284	4,316,345

The accompanying notes are an integral part of these statements.

EPOLIN, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
NINE MONTHS ENDED NOVEMBER 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
Sales	\$ <u>2,761,168</u>	<u>2,819,116</u>
Cost of sales and expenses:		
Cost of sales	1,018,240	1,177,318
Selling, general and administrative	<u>940,149</u>	<u>971,838</u>
Total	<u>1,958,389</u>	<u>2,149,156</u>
Operating income	<u>802,779</u>	<u>669,960</u>
Other income:		
Rental income	13,500	15,000
Miscellaneous	61,281	-
Interest	<u>42,708</u>	<u>63,156</u>
Total	<u>117,489</u>	<u>78,156</u>
Income before taxes	920,268	748,116
Income taxes	<u>352,714</u>	<u>263,503</u>
Net income	<u>\$ 567,554</u>	<u>484,613</u>
Per share data:		
Basic earnings per common share	<u>\$ 0.05</u>	<u>0.04</u>
Fully diluted earnings per common share	<u>\$ 0.05</u>	<u>0.04</u>
Weighted average number of common shares outstanding	<u>11,966,355</u>	<u>11,964,211</u>
Fully diluted number of common shares outstanding	<u>12,003,424</u>	<u>12,016,011</u>

The accompanying notes are an integral part of these statements.

EPOLIN, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
THREE MONTHS ENDED NOVEMBER 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
Sales	\$ 826,610	774,135
Cost of sales and expenses:		
Cost of sales	241,684	305,273
Selling, general and administrative	<u>301,151</u>	<u>323,343</u>
Total	<u>542,835</u>	<u>628,616</u>
Operating income	<u>283,775</u>	<u>145,519</u>
Other income:		
Rental income	4,500	3,000
Miscellaneous	61,081	-
Interest	<u>15,724</u>	<u>35,690</u>
Total	<u>81,305</u>	<u>38,690</u>
Income before taxes	365,080	184,209
Income taxes	<u>147,166</u>	<u>46,544</u>
Net income	<u>\$ 217,914</u>	<u>137,665</u>
Per share data:		
Basic earnings per common share	<u>\$ 0.02</u>	<u>0.01</u>
Fully diluted earnings per common share	<u>\$ 0.02</u>	<u>0.01</u>
Weighted average number of common shares outstanding	<u>11,966,355</u>	<u>11,966,355</u>
Fully diluted number of common shares outstanding	<u>12,003,424</u>	<u>12,018,155</u>

The accompanying notes are an integral part of these statements.

EPOLIN, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
NINE MONTHS ENDED NOVEMBER 30, 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, 2006	12,859,000	\$ 2,348,483	6,486	1,431,711	918,645	(325,532)	3,461,148
Dividends paid	-	-	-	(239,327)	-	-	(239,327)
Common stock issued for stock option	31,000	8,710	33,000	-	-	-	41,710
Valuation of options expensed	-	-	15,641	-	-	-	15,641
Treasury stock purchased	-	-	-	-	5,000	(4,550)	(4,550)
Net income	-	-	-	<u>484,613</u>	-	-	<u>484,613</u>
Balance - November 30, 2006	<u>12,890,000</u>	<u>\$ 2,357,193</u>	<u>55,127</u>	<u>1,676,997</u>	<u>923,645</u>	<u>(330,082)</u>	<u>3,759,235</u>
Balance - March 1, 2007	12,915,000	\$ 2,364,693	62,111	1,575,985	948,645	(351,082)	3,651,707
Dividends paid	-	-	-	(239,327)	-	-	(239,327)
Valuation of options expensed	-	-	13,042	-	-	-	13,042
Net income	-	-	-	<u>567,554</u>	-	-	<u>567,554</u>
Balance - November 30, 2007	<u>12,915,000</u>	<u>\$ 2,364,693</u>	<u>75,153</u>	<u>1,904,212</u>	<u>948,645</u>	<u>(351,082)</u>	<u>3,992,976</u>

The accompanying notes are an integral part of these statements.

EPOLIN, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED NOVEMBER 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Net income	\$ 567,554	484,613
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	65,160	43,682
Deferred tax expense	21,754	6,584
Stock based compensation	13,042	48,641
Obligation under deferred compensation agreement	(24,244)	(23,471)
(Increase) decrease in:		
Accounts receivable	2,788	228,616
Inventories	(50,993)	36,815
Prepaid expenses	5,216	313
Prepaid taxes	1,920	1,475
Increase (decrease) in:		
Accounts payable	(40,050)	(6,927)
Accrued expenses	(7,595)	(54,703)
Taxes payable	82,221	9,346
	<u>636,773</u>	<u>774,984</u>
Cash flows from investing activities:		
(Increase) decrease in cash value - life insurance policy	31,491	(9,970)
Payments for equipment	(104,739)	(60,586)
	<u>(73,248)</u>	<u>(70,556)</u>
Cash flows from financing activities:		
Issuance of common stock	-	8,710
Treasury stock purchased	-	(4,550)
Dividends paid	(239,327)	(239,327)
	<u>(239,327)</u>	<u>(235,167)</u>
Increase (decrease) in cash	324,198	469,261
Cash and cash equivalents:		
Beginning	<u>1,751,346</u>	<u>1,515,379</u>
Ending	<u>\$ 2,075,544</u>	<u>1,984,640</u>
Supplemental information:		
Income taxes paid	<u>\$ 249,628</u>	<u>240,555</u>

The accompanying notes are an integral part of these statements.

EPOLIN, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 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 interim Consolidated Financial Statements presented herein are unaudited and should be read in conjunction with the Consolidated Financial Statements presented in the Company's Annual Report on Form 10-KSB for the fiscal year ended February 28, 2007. Such interim 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 intercompany accounts and transactions have been eliminated.

The results of operations for the nine-month interim period ended November 30, 2007 are not necessarily indicative of the results of operations for the fiscal year ending February 29, 2008.

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 46.0% of the Company's trade receivables at November 30, 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
NOVEMBER 30, 2007

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 November 30, 2007 and for the nine months then ended are:

CONDENSED CONSOLIDATING BALANCE SHEET

	<u>Epolin Inc.</u>	<u>Epolin Holding, Corp.</u>	<u>Eliminations</u>	<u>Consolidated</u>
Current assets	\$ 3,132,621	280,685	-	3,413,306
Non-current assets	1,461,350	632,346	(912,718)	1,180,978
Total	<u>\$ 4,593,971</u>	<u>913,031</u>	<u>(912,718)</u>	<u>4,594,284</u>
Total liabilities	\$ 600,995	24,748	(24,435)	601,308
Stockholders' equity:				
Common stock	2,364,693	-	-	2,364,693
Additional paid-in capital	75,153	-	-	75,153
Retained earnings	1,904,212	888,283	(888,283)	1,904,212
Treasury stock	(351,082)	-	-	(351,082)
Total stockholders' equity	<u>3,992,976</u>	<u>888,283</u>	<u>(888,283)</u>	<u>3,992,976</u>
Total	<u>\$ 4,593,971</u>	<u>913,031</u>	<u>(912,718)</u>	<u>4,594,284</u>

CONDENSED CONSOLIDATING STATEMENT OF INCOME

	<u>Epolin Inc.</u>	<u>Epolin Holding, Corp.</u>	<u>Eliminations</u>	<u>Consolidated</u>
Sales	\$ 2,761,168	-	-	2,761,168
Other revenue- rental income	-	86,805	(73,305)	13,500
Total	<u>2,761,168</u>	<u>86,805</u>	<u>(73,305)</u>	<u>2,774,668</u>
Cost of sales	1,018,240	-	-	1,018,240
Selling, general and administrative	993,265	20,189	(73,305)	940,149
Total	<u>2,011,505</u>	<u>20,189</u>	<u>(73,305)</u>	<u>1,958,389</u>
Operating income	749,663	66,616	-	816,279
Other income	92,021	11,968	-	103,989
Income before taxes	841,684	78,584	-	920,268
Income taxes	346,854	5,860	-	352,714
Net income	<u>\$ 494,830</u>	<u>72,724</u>	<u>-</u>	<u>567,554</u>

EPOLIN, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 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:

		<u>Years</u>
Building and improvements	Straight Line	39
Laboratory equipment	Straight Line	5 - 7
Furniture and office equipment	Straight Line	5 - 7
Leasehold Improvements	Straight Line	10 - 39

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 \$65,160 and \$43,682 for the nine months ended November 30, 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
NOVEMBER 30, 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 \$24,775 through November 30, 2007 and \$16,849 through November 30, 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 \$10,576 and \$11,897 for the nine months ended November 30, 2007 and 2006, respectively.

EPOLIN, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 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 November 30, 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 nine and three months ended November 30, 2007 and 2006, the Company recognized stock-based compensation expenses of \$13,042 and \$15,641 and \$4,667 and \$5,214, respectively, 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 nine months ended November 30, 2007 and 2006 was \$.21 and \$.18, 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:

Nine months ended November 30,	<u>2007</u>	<u>2006</u>
Weighted average expected life in years	4	3
Dividends per share	0.04	0.02
Volatility	6.0%	6.0%
Risk-free interest rate	4.9%	4.5%

EPOLIN, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 2007 AND 2006

Note C - Inventories:

	<u>November 30,</u>	
	<u>2007</u>	<u>2006</u>
Raw materials and supplies	\$ 141,694	71,662
Work in process	81,975	193,207
Finished goods	<u>478,972</u>	<u>346,189</u>
 Total	 <u>\$ 702,641</u>	 <u>611,058</u>

Note D – Income Taxes:

1. Federal and State deferred tax assets include:

	<u>2007</u>	<u>2006</u>
Temporary differences:		
Accelerated amortization	\$13,112	41,313
Deferred compensation	112,496	121,699
Stock based compensation	<u>15,351</u>	<u>6,726</u>
Total	140,959	169,738
 Current portion	 <u>18,406</u>	 <u>6,358</u>
 Non-current portion	 <u>\$122,553</u>	 <u>163,380</u>

2. Income tax expense:

	<u>2007</u>	<u>2006</u>
Current:		
Federal	\$262,000	204,700
State	<u>68,960</u>	<u>52,219</u>
Total current	330,960	256,919
 Deferred:		
Federal	18,581	7,557
State	<u>3,173</u>	<u>(973)</u>
Total deferred	21,754	6,584
 Total	 <u>\$352,714</u>	 <u>263,503</u>

EPOLIN, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 2007 AND 2006

Note E – Treasury Stock:

Consists of 948,645 shares at a net cost of \$351,082 and 923,645 shares at a net cost of \$330,082, as of November 30, 2007 and 2006, respectively.

The Company purchased 5,000 shares during the nine months ended November 30, 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 nine months ended November 30, 2007, approximately 37.9% of sales were to three customers. Two of these customers, located in the Eastern United States, accounted for 30.0% of sales. During the nine months ended November 30, 2006, approximately 41.6% of sales were to four customers, two of these customers, located in the Eastern United States, accounted for 27.4% of sales.

Note G – Rental Income Under Sublease:

The Company entered into an agreement with a non-related party effective September 1, 2005 for a term ending October 31, 2007. Under the terms of the agreement, the tenant is to pay a base rent of \$18,000 per year. The tenant is currently in arrears.

Note H – 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 \$295,584 and \$355,507 were included in cost of sales for the nine months ended November 30, 2007 and 2006, respectively. Expenditures for fiscal year 2008 are projected to remain at approximately the same level as in fiscal 2007.

Note I – 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 \$41,116 and \$37,746 for the nine months ended November 30, 2007 and 2006, respectively.

EPOLIN, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 2007 AND 2006

Note I – 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 November 30, 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 November 30, 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 November 30, 2007, and the changes during the nine months ended November 30, 2007 is presented below:

<u>Fixed Options:</u>	<u>Shares</u>	<u>Weighted-Average Exercise Price</u>
Balance – March 1, 2006	457,000	\$.42
Granted	-	-
Cancelled and expired	(85,000)	.25
Exercised	<u>(56,000)</u>	.28
Balance – February 28, 2007	316,000	.37
Granted	-	-
Cancelled and expired	-	-
Exercised	<u>-</u>	-
Balance – November 30, 2007	<u>316,000</u>	\$.46
Exercisable at November 30, 2007	<u>255,000</u>	

EPOLIN, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 2007 AND 2006

Note I – 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 nine months ended November 30, 2006.

Stock Option Plans - The following table summarizes information about fixed stock options outstanding at November 30, 2007:

<u>Outstanding Options</u>			<u>Exercisable Options</u>	
<u>Range of Exercise Price</u>	<u>Number Outstanding at 11/30/07</u>	<u>Weighted-Average Remaining Contractual Life</u>	<u>Number Exercisable at 11/30/07</u>	<u>Weighted-Average Exercise Price</u>
\$.41	116,000	6.2	55,000	.41
.51	100,000	1.9	100,000	.51
.54	200,000	2.6	200,000	.54

There are 498,000 options attributable to future grants.

Note J – 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
NOVEMBER 30, 2007 AND 2006

Note J – Segment Reporting (continued):

Sales by geographic area are as follows:

	<u>Nine Months Ended November 30,</u>	
	<u>2007</u>	<u>2006</u>
United States	\$ 2,231,348	2,096,168
Asia	371,177	478,349
Europe	158,393	220,231
Other nations	250	24,368
 Total	 <u>\$ 2,761,168</u>	 <u>2,819,116</u>

Two customers, located in the Southeastern United States, accounted for more than 10% of revenues from continuing operations. These customers accounted for 30.0% of sales of which 13.0% was near infrared dyes and 17.0% was security inks.

Long-lived assets include net plant, property and equipment. The Company had long-lived assets of \$862,658 and \$796,110 located in the United States at November 30, 2007 and 2006, respectively.

Note K - Accrued Expenses:

Accrued expenses consisted of the following as of November 30, 2007 and 2006, respectively:

	<u>2007</u>	<u>2006</u>
Salaries and wages	\$ 18,612	13,876
Employment agreement	207,088	197,338
Insurance premiums payable	-	31,000
Professional fees	6,000	6,000
Pension contribution	5,610	-
Property taxes	-	4,138
 Total accrued expenses	 <u>\$ 237,310</u>	 <u>252,352</u>

EPOLIN, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 2007 AND 2006

Note L - 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:

	Three Months Ended		Nine Months Ended	
	November 30,		November 30,	
	2007	2006	2007	2006
Basic Earnings Per Common Share:				
Net income	\$ 217,194	137,665	\$ 567,554	484,613
Average common shares outstanding	11,966,355	11,966,355	11,966,355	11,964,211
Basic earnings per common share	\$ 0.02	0.01	\$ 0.05	0.04
Diluted Earnings Per Common Share:				
Net income	\$ 217,194	137,665	\$ 567,554	484,613
Average common shares outstanding	11,966,355	11,966,355	11,966,355	11,964,211
Common shares issuable with respect to options issued to employees with a dilutive effect	37,069	51,800	37,069	51,800
Total diluted common shares outstanding	12,003,424	12,018,155	12,003,424	12,016,011
Diluted earnings per common share	\$ 0.02	0.01	\$ 0.05	0.04

EPOLIN, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 2007 AND 2006

Note M – 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 \$73,305 for the nine months ended November 30, 2007 and 2006, respectively.

Future minimum payments for the current option period:

<u>Fiscal Years Ending February:</u>	
2008	\$24,435
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 \$5,171 was charged to selling, general and administrative expenses for the nine months ended November 30, 2007.

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
NOVEMBER 30, 2007 AND 2006

Note M – 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 November 30, 2007 and 2006 was \$207,088 and \$197,338, 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.

EPOLIN, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 2007 AND 2006

Note N – Dividends:

In April 2007, 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 14, 2007 to shareholders of record on April 30, 2007.

In October 2007 the Company's Board of Directors declared special cash dividend of \$0.02 per share to be payable on January 7, 2008 to shareholders of record at the close of business on December 20, 2007.

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.

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 quarterly report on Form 10-QSB 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 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 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 reasonable 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: January 14, 2008

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

CERTIFICATION

I, James Ivchenko, certify that:

1. I have reviewed this quarterly report on Form 10-QSB 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 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 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 reasonable 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: January 14, 2008

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 Quarterly Report of Epolin, Inc. (the "Company") on Form 10-QSB for the period ended November 30, 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: January 14, 2008

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

Dated: January 14, 2008

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