

QPC LASERS, INC. and Subsidiary
CONSOLIDATED BALANCE SHEETS
December 31, 2007 and 2006

CURRENT ASSETS	December 31, 2007	December 31, 2006
Cash	\$ 6,431,744	\$ 1,429,077
Accounts receivable, Commercial customers, net	2,283,425	667,908
Accounts receivable, Government contracts, net	609,874	383,935
Unbilled Revenue	194,537	42,692
Inventory	688,364	550,655
Prepaid expenses and other current assets	226,466	272,418
Total Current Assets	10,434,410	3,346,685
Capitalized Loan Fees, net of accumulated amortization	-	38,039
Property and equipment, net of accumulated depreciation of \$6,051,713 at December 31, 2007 and \$5,276,320 at December 31, 2006	3,359,711	3,961,796
Other assets	203,415	88,780
TOTAL ASSETS	\$ 13,997,536	\$ 7,435,300
LIABILITIES AND STOCKHOLDER'S DEFICIENCY		
CURRENT LIABILITIES		
Accounts payable and other current liabilities	\$ 1,737,581	\$ 1,234,004
Embedded Derivative Liability	10,283,181	-
Current portion of long term debt	624,834	1,034,437
Total Current Liabilities	12,645,596	2,268,441
Long term debt, less current portion	11,435,133	6,398,189
Total Liabilities	24,080,729	8,666,630
STOCKHOLDERS' DEFICIENCY		
Preferred stock, \$.001 par value, 20,000,000 shares authorized, none issued	-	-
Common stock, \$.001 par value, 180,000,000 shares authorized, 38,676,783 issued and outstanding at December 31, 2007 and 38,559,283 at December 31, 2006	38,677	38,559
Additional paid in capital	51,095,087	50,236,504
Accumulated deficit	(61,216,957)	(51,506,393)
Total stockholders' deficiency	(10,083,193)	(1,231,330)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIENCY	\$ 13,997,536	\$ 7,435,300

See Notes to Consolidated Financial Statements