

ITONIS INC.
Form 10QSB
October 19, 2007

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

FORM 10-QSB

Quarterly Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934
for the quarterly period ended August 31, 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: 000-52201

ITONIS INC.

(Exact name of small business issuer as specified in its charter)

NEVADA

(State or other jurisdiction of incorporation or
organization)

26-0881302

(IRS Employer Identification No.)

Klimentska 10, 110 00 Prague 1, Czech Republic

(Address of principal executive offices)

+420 296 578 180

Issuer's telephone number

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date. **72,961,853 shares of common stock as of October 17, 2007.**

Transitional Small Business Disclosure Format (check one): Yes No

ITONIS INC.

**Quarterly Report On Form 10-QSB
For The Quarterly Period Ended
August 31, 2007**

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FORWARD-LOOKING STATEMENTS

This quarterly report on Form 10-QSB contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements involve risks and uncertainties, including statements regarding our capital needs, business plans and expectations. Such forward-looking statements involve risks and uncertainties regarding our ability to achieve commercial levels of sales of our ITonis video solution, our ability to successfully market our ITonis video solution, our ability to continue development and upgrades to the ITonis video solution, availability of funds, government regulations, common share prices, operating costs, capital costs and other factors. Forward-looking statements are made, without limitation, in relation to our operating plans, our liquidity and financial condition, availability of funds, operating costs and the market in which we compete. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as may, will, should, expect, plan, intend, anticipate, estimate, predict, potential or continue, the negative of such terms or other comparable terminology. Actual event results may differ materially. In evaluating these statements, you should consider various factors, including the risks outlined below, and, from time to time, in other reports we file with the SEC. These factors may cause our actual results to differ materially from any forward-looking statement. We disclaim any obligation to publicly update these statements, or disclose any difference between our actual results and those reflected in these statements. The information constitutes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Given these uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

PART I FINANCIAL INFORMATION**Item 1. Financial Statements**

The following unaudited condensed consolidated interim financial statements of ITonis Inc. (the Company) are included in this Quarterly Report on Form 10-QSB:

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<u>Interim Consolidated Balance Sheets as at August 31, 2007 (unaudited) and November 30, 2006 (audited)</u>	<u>F-1</u>
<u>Interim Consolidated Statements of Changes in Stockholders' Equity (Deficiency) for the period from incorporation (July 5, 2005) to August 31, 2007 (Unaudited)</u>	<u>F-2</u>
<u>Interim Consolidated Statements of Operations for the nine months ended August 31, 2007 and 2006 and for the period from incorporation (July 5, 2005) to August 31, 2007 (Unaudited)</u>	<u>F-3</u>
<u>Interim Consolidated Statements of Cash Flows for the nine months ended August 31, 2007 and 2006 and for the period from incorporation (July 5, 2005) to August 31, 2007 (Unaudited)</u>	<u>F-4</u>
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ITONIS INC.

(Formerly Kenshou Inc.)

(A Development Stage Company)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2007

US FUNDS

(Unaudited)

ITonis Inc.*(Formerly Kenshou Inc.)**(A Development Stage Company)***Interim Consolidated Balance Sheets***US Funds*Statement 1

	As at August 31, 2007 <i>(Unaudited)</i>	As at November 30, 2006 <i>(Audited)</i>
ASSETS		
Current		
Cash	\$ 18,293	\$ 1,571
Accounts receivable	24,746	4,934
Prepaid expenses	93,090	25,590
	136,129	32,095
Equipment	59,796	47,859
	\$ 195,925	\$ 79,954
LIABILITIES		
Current		
Accounts payable	\$ 618,428	\$ 228,463
Accrued liabilities	45,540	62,668
Due to related parties	196,752	183,831
	860,720	474,962
Going Concern		
STOCKHOLDERS DEFICIENCY		
Capital Stock		
Common stock		
Authorized:		
300,000,000 common shares with \$0.001 par value		
Issued, allotted and fully paid:		
73,211,853 common shares (68,781,981		
November 30, 2006)	73,212	68,782
Additional paid-in capital	2,954,571	2,414,386
Preferred stock		
Authorized:		
5,000,000 preferred shares with \$0.001 par value		
Issued and fully paid: Nil		
	-	-
Accumulated Comprehensive Loss	(25,660)	(9,420)
Deficit Accumulated during the development stage	(3,666,918)	(2,868,756)
	(664,795)	(395,008)
	\$ 195,925	\$ 79,954

- See Accompanying Notes -

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ITonis Inc.*(Formerly Kenshou Inc.)**(A Development Stage Company)*Statement 2**Interim Consolidated Statements of Changes in Stockholders' Equity
(Deficiency)***US Funds*

	Common Stock		Additional	Deficit	Accumulated	Total
	Shares	Amount	Paid-in Capital	Accumulated During the Development Stage	Accumulated Comprehensive Loss	Stockholders' Equity (Deficiency)
Founder shares issued for cash at \$0.001 per share on July 8, 2005	750,000	\$ 750	\$ (250)	\$ -	\$ -	500
Shares issued for cash at \$0.007 per share on September 14, 2005	12,000,000	12,000	68,000	-	-	80,000
Shares issued for cash at \$0.033 per share on November 16, 2005	4,466,289	4,466	144,410	-	-	148,876
Shares issued for acquisition of software at \$0.015 per share on November 16, 2005	30,000,000	30,000	417,637	-	-	447,637
Loss for the period	-	-	-	(566,478)	-	(566,478)
Balance - November 30, 2005	47,216,289	47,216	629,797	(566,478)	-	110,535
Shares issued for acquisition of intellectual property at \$0.083 per share on February 7, 2006	18,000,000	18,000	1,482,000	-	-	1,500,000
Shares issued for cash at \$0.083 per share on April 10, 2006	2,215,692	2,216	182,425	-	-	184,641
Share issued for consulting services at \$0.083 per share	150,000	150	12,350	-	-	12,500
Shares issued for cash at \$0.083 per share	1,200,000	1,200	98,800	-	-	100,000

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Stock-based compensation	-	-	9,014	-	-	9,014
Loss for the period	-	-	-	(2,302,278)	-	(2,302,278)
Foreign currency translation adjustment	-	-	-	-	(9,420)	(9,420)
Balance November 30, 2006	68,781,981	68,782	2,414,386	(2,868,756)	(9,420)	(395,008)
Shares issued for cash at \$0.083 per share	1,355,364	1,355	111,592	-	-	112,947
Shares issued for consulting services at \$0.083 per share	600,000	600	49,400	-	-	50,000
Shares issued for cash at \$0.075 per share	438,208	438	32,428	-	-	32,866
Shares issued for cash at \$0.05 per share	936,300	937	45,878	-	-	46,815
Shares issued for cash at \$0.25 per share	1,000,000	1,000	249,000	-	-	250,000
Shares issued for legal services at \$0.25 per share	100,000	100	24,900	-	-	25,000
Stock-based compensation	-	-	26,987	-	-	26,987
Loss for the period	-	-	-	(798,162)	-	(798,162)
Foreign currency translation adjustment	-	-	-	-	(16,240)	(16,240)
Balance August 31, 2007 (Unaudited)	73,211,853	\$ 73,212	\$ 2,954,571	\$ (3,666,918)	\$ (25,660)	\$ (664,795)

- See Accompanying Notes -

ITonis Inc.*(Formerly Kenshou Inc.)**(A Development Stage Company)*Statement 3**Interim Consolidated Statements of Operations***(Unaudited)**US Funds*

	For the Three Months Ended August 31, 2007	For the Three Months Ended August 31, 2006	For the Nine Months Ended August 31, 2007	For the Nine Months Ended August 31, 2006	From Incorporation July 5, 2005 to August 31, 2007
Sales	\$ 27,845	\$ 24,351	\$ 199,415	\$ 24,351	\$ 223,766
Cost of Sales	17,573	9,424	167,463	9,424	176,887
Gross Profit	10,272	14,927	31,952	14,927	46,879
General and Administrative Expenses					
Software development costs	78,933	-	252,979	13,814	615,533
Consulting	72,134	31,901	178,092	53,337	213,428
Salaries and wages	17,926	90,652	136,302	198,435	211,897
Auditing and accounting	37,573	19,371	100,645	39,995	256,602
Office	23,436	5,975	61,068	22,627	116,015
Legal	16,880	16,633	31,066	49,760	102,334
Depreciation	3,706	5,896	22,773	14,893	43,463
Rent	8,345	-	21,829	-	53,848
Filing fees	9,871	2,365	15,324	9,820	22,611
Investor relations	-	2,287	6,235	2,287	24,915
Foreign exchange loss	(214)	4,811	3,801	4,811	9,651
Intellectual property	-	-	-	1,500,000	1,947,637
Marketing and distribution	-	-	-	120,000	120,000
Bad debt	-	9,789	-	9,789	9,789
	268,590	189,680	830,114	2,039,568	3,747,723
Loss from Operations	(258,318)	(174,753)	(798,162)	(2,024,641)	(3,700,844)
Other Income					
Other income	-	4,974	-	26,724	33,926
Loss for the Period	\$ (258,318)	\$ (169,779)	\$ (798,162)	\$ (1,997,917)	\$ (3,666,918)
Loss per Share Basic and Diluted					
	\$ (0.004)	\$ (0.003)	\$ (0.011)	\$ (0.034)	
Weighted Average Shares Outstanding					
	72,087,003	66,444,553	71,278,655	59,012,994	
Comprehensive Loss					
Loss for the period	\$ (258,318)	\$ (169,779)	\$ (798,162)	\$ (1,997,917)	\$ (3,666,918)
Foreign currency translation adjustment	(13,377)	820	(16,240)	329	(25,660)

Total Comprehensive Loss

for the Period	\$	(271,695)	\$	(168,959)	\$	(814,402)	\$	(1,997,588)	\$	(3,692,578)
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Comprehensive Loss per

Share	\$	(0.004)	\$	(0.003)	\$	(0.011)	\$	(0.034)
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- See Accompanying Notes -

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ITonis Inc.*(Formerly Kenshou Inc.)**(A Development Stage Company)*Statement 4**Interim Consolidated Statements of Cash Flows***(Unaudited)**US Funds*

	For the Nine Months Ended August 31, 2007	For the Nine Months Ended August 31, 2006	From Incorporation July 5, 2005 to August 31, 2007
Operating			
Loss for the period	\$ (798,162)	\$ (1,997,917)	\$ (3,666,918)
Items not involving an outlay of cash:			
Bad debts	-	9,789	9,789
Depreciation	22,773	14,893	43,463
Stock-based compensation	26,987	4,102	36,001
Shares issued and allotted for services	31,890	1,287	41,541
Intellectual property	-	1,500,000	1,947,637
Changes in non-cash working capital items:			
Accounts receivable	(19,812)	-	(24,746)
Prepaid expenses	(24,390)	(31,098)	(47,131)
Accounts payable	389,965	98,030	618,428
Accrued liabilities	(17,128)	(1,636)	45,540
Due to related parties	12,921	105,581	186,963
Net cash flows used in operations	(374,956)	(296,969)	(809,433)
Investing			
Purchase of equipment	(34,362)	(36,925)	(97,764)
Net cash flows from investing activities	(34,362)	(36,925)	(97,764)
Financing			
Share issuances for cash	442,628	184,641	956,645
Net cash flows from financing activities	442,628	184,641	956,645
Effect of exchange rate translation adjustments	(16,588)	(3,497)	(31,155)
Net Increase (Decrease) in Cash	16,722	(152,750)	18,293
Cash - Beginning of period	1,571	164,550	-
Cash - End of Period	\$ 18,293	\$ 11,800	\$ 18,293
Income Taxes Paid	\$ -	\$ -	\$ -
Interest Paid	\$ -	\$ -	\$ -
Supplemental Schedule of Non-Cash Investing and Financing Transactions			

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Shares issued for intellectual property	\$	-	\$	1,500,000	\$	1,947,637
Shares issued and allotted for services	\$	75,000	\$	12,500	\$	87,500
Effect of exchange rate changes on equipment	\$	348	\$	3,826	\$	5,495

- See Accompanying Notes -

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ITonis Inc.

(Formerly Kenshou Inc.)

(A Development Stage Company)

Notes to Interim Consolidated Financial Statements

August 31, 2007

(Unaudited)

US Funds

1. Organization and Going Concern

Organization

ITonis Inc. (formerly Kenshou Inc.) (the "Company" or ITonis) was incorporated on July 5, 2005 as Kenshou Inc. under the laws of the State of Nevada. On December 2, 2005, the Company changed its name to ITonis Inc.

As a full service video solution and backend platform service provider the Company will be making a shift in overall corporate strategy that will involve entry into the Chinese market that should occur over the next 120 days. The Company intends to offer a full range of IPTV services for television, film and sport entertainment programming including premium entertainment channels, video on demand movies, and television shows in foreign and Chinese languages. The future implementation of this proposed project based on current understanding and scope as defined in the MOU signed on the 16th of April, 2007 will allow for a full-scale deployment for millions of Chinese subscribers utilizing the Company's core technology.

Going Concern and Liquidity Considerations

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates, among other things, the realization of assets and satisfaction of liabilities in the normal course of business. As at August 31, 2007, the Company has a working capital deficiency of \$724,591, an accumulated deficit of \$3,666,918 and has incurred an accumulated operating cash flow deficit of \$809,433 since incorporation. The Company intends to continue funding operations through sales, debt, and equity financing arrangements, which may be insufficient to fund its capital expenditures, working capital and other cash requirements for the next fiscal year.

Thereafter, the Company will be required to seek additional funds, either through sales, debt, and/or equity financing, to finance its long-term operations. The successful outcome of future activities cannot be determined at this time, and there is no assurance that, if achieved, the Company will have sufficient funds to execute its intended business plan or generate positive operating results. In response to these conditions, management intends to raise additional funds through future debt agreement and private placement offerings.

These factors, among others, raise substantial doubt about the Company's ability to continue as a going concern. The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

2. Significant Accounting Policies

Basis of Consolidation

On November 25, 2005 the Company incorporated a wholly owned subsidiary in the Czech Republic named ITonis CZ s.r.o. (ITonis CZ) for the purposes of operating the Company s development offices. These unaudited interim consolidated financial statements include the accounts of both companies since their respective incorporation dates. All intercompany balances and transactions have been eliminated.

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ITonis Inc.

(Formerly Kenshou Inc.)

(A Development Stage Company)

Notes to Interim Consolidated Financial Statements

August 31, 2007

(Unaudited)

US Funds

2. Significant Accounting Policies - Continued

Basis of Presentation

The accompanying unaudited interim consolidated financial statements have been prepared as at August 31, 2007 and for the nine month period then ended, in accordance with accounting principles generally accepted in the United States of America relating to the preparation of financial statements for interim periods. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the nine month period ended August 31, 2007 are not necessarily indicative of the results that may be expected for the year ending November 30, 2007.

These interim consolidated financial statements follow the same accounting policies and methods of their application as the most recent annual financial statements. These interim consolidated financial statements should be read in conjunction with the audited interim financial statements of the Company as at November 30, 2006.

Recently Adopted Accounting Standards

In February 2007, the Financial Accounting Standards Board (the FASB) issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS 159). SFAS 159 allows the company to choose to measure many financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. SFAS 159 is effective for fiscal years beginning after November 15, 2007. The Company is currently evaluating the requirements of SFAS 159 and the potential impact on the Company's financial statements.

In September 2006, the FASB issued SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* an amendment of FASB Statements No. 87, 88, 106 and 132(R) (SFAS 158). SFAS 158 requires an employer that sponsors one or more single-employer defined benefit plans to (a) recognize the overfunded or underfunded status of a benefit plan in its statement of financial position, (b) recognize as a component of other comprehensive income, net of tax, the gains or losses and prior service costs or credits that arise during the year but are not recognized as components of net periodic benefit cost pursuant to SFAS 87, *Employers' Accounting for Pensions*, or SFAS 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*, (c) measure defined benefit plan assets and obligations as of the date of the employer's fiscal year-end, and (d) disclose in the notes to financial statements additional information about certain effects on net periodic benefit cost for the next fiscal year that arise from delayed recognition of the gains or losses, prior service costs or credits, and transition asset or obligation. SFAS 158 is effective for the Company's fiscal year ending September 30, 2007. The adoption of SFAS 158 is not expected to have a material impact on the

Company's financial position, results of operation or cash flows.

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ITonis Inc.

(Formerly Kenshou Inc.)

(A Development Stage Company)

Notes to Interim Consolidated Financial Statements

August 31, 2007

(Unaudited)

US Funds

2. Significant Accounting Policies - Continued

Recently Adopted Accounting Standards - Continued

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurement" ("SFAS 157"). The Statement provides guidance for using fair value to measure assets and liabilities. The Statement also expands disclosures about the extent to which companies measure assets and liabilities at fair value, the information used to measure fair value, and the effect of fair value measurement on earnings. This Statement applies under other accounting pronouncements that require or permit fair value measurements. This Statement does not expand the use of fair value measurements in any new circumstances. Under this Statement, fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the entity transacts. SFAS 157 is effective for the Company for fair value measurements and disclosures made by the Company in its fiscal year beginning on October 1, 2008. The adoption of SFAS 157 is not expected to have a material impact on the Company's financial position, results of operation or cash flows.

On July 2006, the FASB issued FIN. 48, Accounting for Uncertainty in Income Taxes (an interpretation of FASB Statement No. 109) (FIN 48) which is effective for fiscal years beginning after December 15, 2006. This interpretation was issued to clarify the accounting for uncertainty in income taxes recognized in the financial statements by prescribing a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Company is currently evaluating the potential impact of FIN 48, but it is not expected to have a material impact on the Company's financial position, results of operations or cash flows.

In March 2006, the FASB issued Statement of Financial Accounting Standards No. 156, Accounting for Servicing of Financial Assets (SFAS No. 156), which amends FASB Statement No. 140 (SFAS No. 140). SFAS 156 may be adopted as early as January 1, 2006, for calendar year-end entities, provided that no interim financial statements have been issued. Those not choosing to early adopt are required to apply the provisions as of the beginning of the first fiscal year that begins after September 15, 2006 (e.g., January 1, 2007, for calendar year-end entities). The intention of the new statement is to simplify accounting for separately recognized servicing assets and liabilities, such as those common with mortgage securitization activities, as well as to simplify efforts to obtain hedge-like accounting. Specifically, the FASB said FAS No. 156 permits a servicer using derivative financial instruments to report both the derivative financial instrument and related servicing asset or liability by using a consistent measurement attribute, or fair value. The adoption of SFAS 156 is not expected to have a material impact on the Company's financial position, results of operations or cash flows.

ITonis Inc.*(Formerly Kenshou Inc.)**(A Development Stage Company)***Notes to Interim Consolidated Financial Statements****August 31, 2007***(Unaudited)**US Funds***3. Equipment**

Details are as follows:

			Accumulated	Net Book Value August 31, 2007	Net Book Value November 30, 2006
	Cost	Depreciation			
Office equipment and furniture	\$ 94,673	\$ (40,372)	\$	\$ 54,301	\$ 42,712
Effect of exchange rate changes on equipment	11,696	(6,201)	\$	5,495	5,147
	\$ 106,369	\$ (46,573)	\$	\$ 59,796	\$ 47,859

4. Software Costs

- a) By agreement dated October 1, 2005, the Company acquired from an unrelated party (Onyx), the TV Everywhere Technology (intellectual property) by issuing 30,000,000 common shares. This resulted in Onyx owning approximately 64% of the Company. The value assigned to the 30,000,000 common shares was \$447,637 being the historical cost to Onyx. This is in accordance with SAB Topic 5G as Onyx retained a substantial indirect interest in the technology as at the date of transfer. This amount was expensed, as it does not meet the criteria for capitalization as set out in SFAS No. 86.
- b) By agreement dated January 31, 2006, the Company acquired from an unrelated party, all rights, title and interest in and to the intellectual property relating to FTH Broadband technology known as the NVE Fiber Middleware Administration Architecture in exchange for 18,000,000 common shares of the Company. The intellectual property right was assigned to the Company on February 7, 2006. The value assigned to the 18,000,000 common shares was \$1,500,000 being equal to the most recent share transaction of the Company of \$0.083 per share. This amount was expensed, as it does not meet the criteria for capitalization as set out in SFAS No. 86.

ITonis Inc.*(Formerly Kenshou Inc.)**(A Development Stage Company)***Notes to Interim Consolidated Financial Statements****August 31, 2007***(Unaudited)**US Funds***5. Commitments - Continued**

During the prior year, the Company executed a letter agreement with the Agent confirming that the provision of the agreement relating to the services of the Commercial Director has been terminated and the only obligation in respect of such services is the \$120,000 previously accrued. No further payments are required under the agreement except for payment of the 40% commission based on sales as the agreement remains in effect until December 31, 2007.

- b) By agreement dated August 17, 2006, the Company entered into a Supply Services Contract with an unrelated party for investor relations services ended December 31, 2006. Consideration for the services of \$12,000 was paid in cash and 150,000 in common stock of the Company. These 150,000 shares were allotted as at November 30, 2006 at \$0.083 per share and issued in fiscal 2007.

Upon agreement of both parties, the contract will continue on a month-to-month basis requiring a payment of \$4,000 per month. Specific services that are outside the terms of the contract will be charged at \$200 per hour or \$1,500 per full workday. Termination of the contract will occur upon written notice to either party by the other party. To August 31, 2007, no further work has been required.

6. Segmented Information

Details on a geographic basis as at August 31, 2007 are as follows:

		Eastern Europe		U.S.A.		Total
Assets	\$	132,651	\$	63,274	\$	195,925
Revenue	\$	199,415	\$	-	\$	199,415
Loss for the year	\$	(464,997)	\$	(333,165)	\$	(798,162)

Details on a geographic basis as at November 30, 2006 are as follows:

		Eastern Europe		U.S.A.		Total
Assets	\$	73,623	\$	6,331	\$	79,954
Revenue	\$	24,351	\$	-	\$	24,351
Loss for the year	\$	(437,093)	\$	(1,865,185)	\$	(2,302,278)

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ITonis Inc.

(Formerly Kenshou Inc.)

(A Development Stage Company)

Notes to Interim Consolidated Financial Statements

August 31, 2007

(Unaudited)

US Funds

7. Related Party Balances and Transactions

Related party transactions not disclosed elsewhere in these financial statements are as follows:

- a) During the year ended November 30, 2005, the Company issued 250,000 founder shares to a former director of the Company for cash proceeds of \$500.
- b) The amount due to related parties consists of
 - i) \$120,000 of non-interest bearing, due on demand accrued fees owing to a separate company that holds a significant interest in the Company.
 - ii) \$40,621 (860,800 CZK) loan from a director and officer of the Company. The loan is evidenced by a promissory note, is unsecured and non-interest bearing and payable on demand.
 - iii) \$1,497 (30,405 CZK) payable from a Company with a director in common. The payable was incurred during the normal course of business transactions and has been paid subsequent to year end.
 - iv) \$34,634 (703,655 CZK) of accrued salaries owed to directors or officers of the Company.

ITonis Inc.

(Formerly Kenshou Inc.)

(A Development Stage Company)

Notes to Interim Consolidated Financial Statements

August 31, 2007

(Unaudited)

US Funds

8. Capital Stock - Continued

- d) On December 20, 2006, the Company negotiated a subscription agreement with a private investor for the purchase of 155,364 shares at \$0.083 per share, for total cash proceeds of \$12,947.
- e) On January 12, 2007, the Company negotiated a subscription agreement with a private investor for the purchase of 1,200,000 shares at \$0.083 per share for total cash proceeds of \$100,000.
- f) On February 1, 2007, the Company entered into a consulting agreement with Westport Strategic Partners Inc. to provide investor and public relations services for a total consideration of \$100,000 plus the issuance of 600,000 common shares at \$0.083 per share. Of the share amount, \$29,041 was expensed during the year, and the remaining \$20,959 was classified as prepaid expense, which will be expensed as incurred during subsequent periods.
- g) On March 8, 2007, the board of directors approved the consolidation of the Company's issued and outstanding shares of common stock on the basis of three new shares of common stock for one share of old common stock of the Company. All common share information presented in these interim financial statements is retroactively presented on a post-consolidation basis, including all share amounts and per share prices.
- h) On April 11, 2007, the Company negotiated a subscription agreement with a private investor for the purchase of 438,208 shares at \$0.075 per share for total proceeds of \$32,866.
- i) On May 18, 2007, the Company negotiated a subscription agreement with a private investor for the purchase of 936,300 shares at \$0.050 per share for total proceeds of \$46,815.
- j) On June 11, 2007, the Company issued for cash 1,000,000 restricted units comprised of 1,000,000 shares at \$0.25 and 1,000,000 share purchase warrants exercisable at \$0.25 for two years from date of issuance.
- k) On June 14, 2007, the Company entered into a consulting agreement with a director to provide legal services for a total consideration of \$2,500 per month plus the issuance of 100,000 common shares at \$0.25 per share as a retainer. Of the share amount, \$Nil was expensed during the year, and the remaining \$25,000 was classified as prepaid expense, which will be expensed as incurred during subsequent periods.
- l) Share Purchase Options

The Company has established a share purchase option plan whereby the board of directors may, from time to time, grant options to directors, officers, employees or consultants. Options granted must be exercised no later than ten years from the date of grant or such lesser period as determined by the Company's board

of directors, and are subject to vesting provisions unless the directors of the Company determine otherwise. The exercise price of an option is equal to or greater than 85% of the fair market value of the common stock on the grant date.

On June 16, 2006, the Company granted employees of the Company options to purchase up to 1,500,000 common shares of the Company at an exercise price of \$0.267 per share on or before June 16, 2009. These options have an estimated value of \$30,875 on the grant date.

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ITonis Inc.

(Formerly Kenshou Inc.)

(A Development Stage Company)

Notes to Interim Consolidated Financial Statements

August 31, 2007

(Unaudited)

US Funds

8. Capital Stock - Continued

1) **Share Purchase Options - Continued**

On December 29, 2006, the Company granted employees of the Company options to purchase up to 1,500,000 common shares of the Company at an exercise price of \$0.267 per share on or before June 16, 2009. These options had an estimated value of \$20,714 on the grant date.

The options granted during the period ended August 31, 2007 were valued at \$20,714 using the Black-Scholes option pricing model with the following assumptions:

Expected dividend yield	0.00%
Expected stock price volatility	83%
Risk-free interest rate	4.82%
Expected life of options	1.92 years

Because the shares of the Company had not begun trading on any recognized stock exchange when the options were granted, there is no trading history to establish the expected volatility. The Company has used the average volatility for three companies in the same industry or considered to be comparable.

The weighted average fair value of the options granted was \$0.05.

Option pricing models require the input of highly subjective assumptions including the estimate of the share price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

9. Subsequent Events

- a) By agreement dated September 1, 2007, the Company entered into a three-year Employment Agreement with a director of the Company. In consideration the Company has agreed pay Mr. Roberts an annual salary of \$150,000 and to issue to him an aggregate of 14,000,000 shares of our common stock in a combination of option grants and share grants.
- b) By agreement dated September 1, 2007, the Company entered into a three-year Employment Agreement with a director of the Company. In consideration the Company has agreed pay Mr. Haber an annual salary of \$100,000 and to issue to him an aggregate of 7,000,000 shares of our common stock in a combination of option grants and share grants.
- c) On September 8, 2007, the Company entered into a share purchase agreement (the Share Purchase

Agreement) with iOcean Media Limited (iOcean) and Aquos Media Limited (Aquos), a wholly owned subsidiary of iOcean. iOcean is engaged in the business of assembling licenses and permits for Internet television broadcasting in China and the resale of authorized Chinese lottery gaming products.

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ITonis Inc.

(Formerly Kenshou Inc.)

(A Development Stage Company)

Notes to Interim Consolidated Financial Statements

August 31, 2007

(Unaudited)

US Funds

9. Subsequent Events - Continued

The Share Purchase Agreement provides that the Company acquire all of the issued and outstanding shares of Aquos in consideration for the issuance to iOcean of a number of shares of our common stock such that iOcean will own 49% of the Company's issued and outstanding shares immediately following the completion of the acquisition. In addition, the Company is to issue additional shares to iOcean equal to 25% of the original number of shares issued on the date upon which the gaming portion of the license and permits held by Aquos is live and selling lottery tickets. iOcean has agreed to enter into a voting agreement that will govern the voting of its shares for a period of one year following the date of closing. All shares issued to iOcean will be restricted securities under the Securities Act of 1933.

Following execution of this Agreement, iOcean will use its best efforts to ensure that the licenses and permits required for the conduct of the planned television over the Internet business, as specified in the Share Purchase Agreement, are secured by Aquos by no later than October 31, 2007. In the event that the acquisition is completed prior to these licenses and permits being secured and Aquos has not secured these licenses and permits by October 31, 2007, then the Company has the right under an option agreement to be executed on closing to re-purchase the shares issued to iOcean on closing by delivering notice of exercise of the option together with an assignment of the shares of Aquos acquired to iOcean. Upon exercise this option, all shares issued to iOcean will be deemed to be cancelled and the Company will have no further interest in Aquos.

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

The following discussion of our financial condition, changes in financial condition and results of operations for the nine months ended August 31, 2007 should be read in conjunction with our unaudited consolidated interim financial statements and related notes for the nine months ended August 31, 2007 included in this Quarterly Report.

Overview of our Business

We are the owner of a suite of proprietary software applications that we refer to as the ITonis video solution. We are engaged in the business of commercializing the ITonis video solution. The ITonis video solution enables the on-demand delivery of video content, including television channels and videos, to consumers via broadband Internet for viewing on the consumer's television.

Our business plan is to market and sell the ITonis video solution as a technology solution that will enable the on-demand delivery of video content via the Internet. The ITonis video solution is one of three components that are essential to the on-demand delivery of video content via broadband Internet, namely:

- the intellectual property rights to distribute the video content;
- a set-top box located near the consumer's television that is connected to broadband Internet; and
- a technology solution that enables the on-demand delivery of the video content to the consumer's television via the set top box.

We do not have any plans to engage in the business of acquiring intellectual property rights to distribute video content or manufacturing and selling set top boxes for televisions. Our focus will be on the marketing and sale of the ITonis video solution in circumstances where other parties will be responsible for the provision of the intellectual property rights to distribute the video content and the necessary set-top boxes.

The ITonis video solution is comprised of the following components, each of which will be achieved by the installation of our software applications on computer servers that are used to implement our video solution:

- the ITonis media acquisition system that allows the upload of video content onto media storage servers;
- ITonis media storage servers that provide for the storage of video and other media content;
- ITonis media streamers that provide for the streaming of video content in real time to the end consumer via the Internet;
- an ITonis television portal (IPTV) application server that provides the interface between the computer system and the ultimate consumer; and
- an ITonis service server that performs automatic maintenance tasks on the solution.

We have developed the basic functionality of ITonis video solution and have demonstrated the solution in a laboratory environment. During the third quarter we have launched ITonis solution with a Czech

customer in a Live environment. The commercial operation uses ITonis solution as a whole and provides standard functionality to subscribers. We are also planning to continue additional development of the ITonis video solution in order to extend the functionality of the solution.

Although sales and marketing activities have been initiated, we have earned minimal revenues to date and, as such, we are presently a development stage company. We presently have limited funds with which to pursue our plan of operations. While we have completed private placement financings as part of our corporate organization, we will require additional funding in order to pursue our plan of operations over the next twelve months. We currently have no arrangements for any additional financing and there is no assurance that any additional financing will be obtained.

Corporate Organization

Incorporation

We were incorporated on July 5, 2005 as Kenshou Inc. under the laws of the state of Nevada. We changed our name to ITonis Inc. on December 5, 2005 to reflect our acquisition of certain intellectual property underlying the ITonis video solution and our new business focus.

We commenced the process of incorporating a wholly owned Czech subsidiary called ITonis CZ on November 25, 2005. The incorporation process was formally completed under Czech law on January 4, 2006.

Principal Executive Offices

Our principal executive offices and the offices of IToniz CZ are located in leased premises at Klimentska 10, 110 00 Prague 1, Czech Republic. We refer to this facility as our research and development facility as this is where we carry out the research, development and testing of our ITonis video solution.

Three for One Forward Stock Split

On March 20, 2007 (the Record Date), we completed an increase in the number of shares of our authorized share capital and correspondingly increase in the number of our issued and outstanding shares of common stock, in each case on a three (3) new shares for one (1) old share basis (the Forward Stock Split) in accordance with Section 78.207 of the Nevada Revised Statutes: Chapter 78, as amended.

The Forward Stock Split was implemented taking into account our authorized share capital and number of issued and outstanding shares of common stock as of the Record Date. As such, our authorized common share capital increased from 100,000,000 shares to 300,000,000 shares, and our issued and outstanding common stock increased from 23,129,115 shares to 69,387,345 shares, with a par value of \$0.001 per share. There was no change to our authorized preferred share capital of 5,000,000 shares, with a par value of \$0.001 per share. No shares of preferred stock of the Company are currently issued and outstanding. All share numbers presented in this annual report are on a post-split basis.

Recent Developments

Appointment of Directors and Officers

On July 2, 2007, by a written consent resolution of our board of directors, Mr. Thomas Neal Roberts was appointed as our director, president, chief executive officer, chief financial officer and secretary. Concurrent with the appointments of Mr. Roberts, Mr. Nicolas Lavaud resigned as our director, president,

chief executive officer, chief financial officer and secretary. As a result, Mr. Lavaud is no longer a director or officer of the Company. We entered into an employment agreement with Mr. Roberts on September 6, 2007 pursuant to which we agreed, among other things, to pay Mr. Roberts an annual salary of \$150,000 and to issue to him an aggregate of 14,000,000 shares of our common stock in a combination of option grants and share grants.

On August 27, 2007, by a written consent resolution of our board of directors, Mr. Lawrence Haber was appointed as our secretary in place of Mr. Roberts and, on September 6, 2007, Mr. Haber was appointed as our senior vice-president, general counsel and chief administrative officer. We entered into an employment agreement with Mr. Haber on September 6, 2007 pursuant to which we agreed, among other things, to pay Mr. Haber an annual salary of \$100,000 and to issue to him an aggregate of 7,000,000 shares of our common stock in a combination of option grants and share grants.

The employment agreements between the Company and each of Mr. Roberts and Mr. Haber are attached as exhibits to our current report on Form 8-K filed with the SEC on September 11, 2007.

Our new management has determined to shift our efforts for commercialization of our ITonis video solution from the European market to the Chinese market. As a result of this determination, the Company plans to reduce its operations in the Czech Republic during this fiscal year.

Proposed Acquisition of Aquos Media Limited

On September 8, 2007, we entered into a share purchase agreement (the *Share Purchase Agreement*) among the Company, iOcean Media Limited (*iOcean*) and Aquos Media Limited (*Aquos*), a wholly owned subsidiary of iOcean. The following summary of the *Share Purchase Agreement* does not purport to be complete and is qualified in its entirety by reference to the *Share Purchase Agreement*, a copy of which is attached as Exhibit 10.1 to our current report on Form 8-K filed with the SEC on September 13, 2007.

The *Share Purchase Agreement* provides that we will acquire all of the issued and outstanding shares of Aquos in consideration for the issuance to iOcean of a number of shares of our common stock such that iOcean will own 49% of our issued and outstanding shares immediately following the completion of the acquisition. In addition, we will agree to issue additional shares to iOcean equal to 25% of the original number of shares issued on the date upon which the gaming portion of the license and permits held by Aquos is live and selling lottery tickets. iOcean has agreed to enter into a voting agreement that will govern the voting of its shares for a period of one year following the date of closing. All shares issued to iOcean will be *restricted securities* under the Securities Act of 1933.

iOcean has been engaged in the business of assembling licenses and permits for Internet television broadcasting in China and the resale of authorized Chinese lottery gaming products. As part of its business efforts, iOcean has entered into an agreement with Pilot Media Limited, a corporation incorporated under the laws of China. The agreement contemplates the formation of a joint venture in China for the establishment of an online television network platform in China. Under the agreement, Pilot would be responsible for providing the television network platform and operational management of the joint venture and iOcean would be responsible for financing, business development and intellectual property. The internet television platform will be used for internet television broadcasting and for the delivery of Chinese lottery gaming products. iOcean will retain rights to deliver Chinese lottery gaming products on the internet itself, and through other means of distribution, such as mobile phones.

iOcean has agreed upon execution of the *Share Purchase Agreement* to assign and transfer all of its right, title and interest in and to the Pilot agreement to Aquos and to use its best efforts to obtain the written

consent of Pilot to this assignment and transfer. Following completion of the acquisition, iOcean will cause all future agreements with Pilot that are contemplated in the Pilot agreement to be negotiated and executed by Aquos as a subsidiary of the Company. Further, iOcean has agreed to use its best efforts to assist in these negotiations in good faith to ensure that the definitive agreements contemplated in the Pilot agreement are achieved.

Forthwith following execution of this Agreement, iOcean will use its best efforts to ensure that the licenses and permits required for the conduct of the planned television over the Internet business, as specified in the Share Purchase Agreement, are secured by Aquos by no later than October 31, 2007. In the event that the acquisition is completed prior to these licenses and permits being secured and Aquos has not secured these licenses and permits by October 31, 2007, then we will have the right under an option agreement to be executed on closing to re-purchase the shares issued to iOcean on closing by delivering notice of exercise of the option together with an assignment of the shares of Aquos acquired to iOcean. If we exercise this option, all shares issued to iOcean will be deemed to be cancelled and we will have no further interest in Aquos.

Upon closing, iOcean will have the right to appoint one nominee to our board of directors who will be appointed on closing of the acquisition. We anticipate that our board of directors will consist of three directors for at least one year after the closing, including the one nominee of iOcean.

Closing of the acquisition is subject to the following conditions, as well as customary conditions of closing:

- assignment of the Pilot agreement by iOcean to Aquos; and
- delivery of audited and interim financial statements of Aquos, audited in accordance with U.S. GAAP as required, for those periods necessary to enable us to comply with our reporting obligations under the Securities Exchange Act of 1934 as a consequence of completion of the acquisition of Aquos.

We anticipate that the closing of the acquisition of Aquos will take place on or about October 15, 2007. There is no assurance the acquisition will be completed or that Aquos will obtain the required licenses and permits.

Our Plan of Operations

Our plan of operations for the next twelve months is to complete the following objectives within the time periods and within the budgets specified, subject to our achieving the requisite financing:

1. We plan to carry on the development of the ITonis video solution from our research and development facility in Prague. Our general administrative overhead cost for our Prague office is approximately \$50,000 per month. This amount includes salaries, computer hardware, rent and other general expenses associated with our Prague office. If we are successful in securing initial commercial sales of our ITonis video solutions, then we anticipate that these expenses may increase to \$80,000 per month by the end of the third quarter of fiscal 2007, subject to financing. This increase in cost would be attributable to adding additional personnel to our development team and to put in place a team of employees to provide customer support services.
2. We plan to carry out sales and marketing of our ITonis video solution over the next twelve months with the objective of securing sales to several clients. Our direct marketing activities will be carried out by our employees from our Prague office. As such, the expense for these

marketing activities will be within our general and administrative expenses for the Prague office, as outlined above. In addition, ITonis distributors (Nordic IPTV Company ApS and Sofia Digital) undertake those activities for which we pay a percentage of the sales.

3. We plan to launch an operation pilot scale solution for an Internet service provider ISP. The purpose of the pilot project would be to allow us to complete the testing of our ITonis video solution in a live environment and to enable us to have an operating solution that we can use for demonstration purposes in connection with our marketing activities. We anticipate that it would cost approximately \$10,000 in additional expenses to launch this operation.
4. We anticipate spending approximately \$4,000 in ongoing general, legal and administrative expenses per month for the next twelve months, for a total anticipated expenditure of \$48,000 over the next twelve months. These general, legal and administrative expenses are external expenses that we anticipate incurring and are in addition to the general and administrative expense of the Prague office discussed above.
5. We anticipate spending approximately \$53,000 in complying with our obligations as a reporting company under the Securities Exchange Act of 1934. These expenses will consist primarily of professional fees relating to the preparation of our financial statements and completing our annual report, quarterly report, current report and proxy statement filings with the SEC.
6. We anticipate spending \$120,000 to pay the accrued liability in connection with the services provided to us by John Marienhof pursuant to our reseller and consulting agreement with Nordic IPTV and \$39,830 to repay the loan made to us by our former chief executive officer described below under the heading Liquidity and Capital Resources .

As at November 30, 2006, we had cash reserves of \$1,571 and a working capital deficit of \$442,867. As at August 31, 2007, our cash reserves had increased to \$18,293 and our working capital deficit had increased to \$724,591. Our planned expenditures over the next twelve months are approximately \$1,000,000. Accordingly, we anticipate that we will require financing in the amount of approximately \$1,730,000 in order to carry out our plan of operations for the next twelve months.

During the twelve month period following the date hereof, we anticipate that we will not generate revenues that exceed our operating costs. We anticipate based on our current cash and our working capital deficit and our planned expenses that we will be able to continue our plan of operations over the next one month without additional financing. This projection does not account for any revenues that we may earn from licensing sales of components to our ITonis video solution. We believe that we will require additional financing in order to commercialize our ITonis video solution in order to earn revenues that exceed our operating expenses.

We anticipate that additional funding will be in the form of equity financing from the sale of our common stock. We presently have no arrangements in place for any additional equity financings. In the absence of such additional financing, we may not be able to continue our plan of operations beyond the next month and our business plan may fail. If we do not obtain the required additional financing, we will initially scale back our business operations and may ultimately be forced to abandon our plan of operations and our business activities.

If we are successful in completing the acquisition of Aquos, we will require additional financing with which to pursue the plan of operations for Aquos. We are in the process of defining this plan of operations and the funds required to fund this plan of operations will be in addition to the funds required for the current plan of operations described above.

Critical Accounting Policies

Development Stage Company

We are a development stage company as defined by Financial Accounting Standards No. 7. We are presently devoting all of our present efforts to establishing a new business. All losses accumulated since inception have been considered as part of our development stage activities.

Revenue Recognition

We recognize revenue when all of the following criteria have been met: persuasive evidence for an arrangement exists; delivery has occurred; the fee is fixed or determinable; and collection is reasonably assured. Upfront contract payments received from the sale of services not yet earned are initially recorded as deferred revenue on the balance sheet.

Revenue from time and material service contracts is recognized as the services are provided. Revenue from fixed price, long-term service or development contracts is recognized over the contract term based on the percentage of services that are provided during the period compared with the total estimated services to be provided over the entire contract. Losses on fixed price contracts are recognized during the period in which the loss first becomes apparent. Payment terms vary by contract.

Foreign Currency Translations

Our functional currency is the Czech Koruna (CZK), and our reporting currency is the U.S. dollar. All transactions initiated in other currencies are re-measured into the functional currency as follows:

- i) Monetary assets and liabilities at the rate of exchange in effect at the balance sheet date,
 - ii) Non-monetary assets and liabilities, and equity at historical rates, and
 - iii) Revenue and expense items at the average rate of exchange prevailing during the period.
- Gains and losses on re-measurement are included in determining net income for the period.

Translation of balances from the functional currency into the reporting currency is conducted as follows:

- i) Assets and liabilities at the rate of exchange in effect at the balance sheet date,
- ii) Equity at historical rates, and
- iii) Revenue and expense items at the average rate of exchange prevailing during the period.

Translation adjustments resulting from translation of balances from functional to reporting currency are accumulated as a separate component of shareholders' equity as a component of comprehensive income or loss. Upon sale or liquidation of the net investment in the foreign entity the amount deferred will be recognized in income.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts and timing of revenues and expenses, the reported amounts and classification of assets

and liabilities, and disclosure of contingent assets and liabilities. These estimates and assumptions are based on the Company's historical results as well as management's future expectations. The Company's actual results could vary materially from management's estimates and assumptions.

Software Costs

Effective March 1, 2006, the Company adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 123(R), Share-Based Payment (SFAS 123(R)), which establishes accounting for equity instruments exchanged for employee services. Under the provisions of SFAS 123(R), stock-based compensation cost is measured at the grant date, based on the calculated fair value of the award, and is recognized as an expense over the employee's requisite service period (generally the vesting period of the equity grant). Before March 1, 2006, the Company accounted for stock-based compensation to employees in accordance with Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, and complied with the disclosure requirements of SFAS No. 123, Accounting for Stock-Based Compensation (SFAS 123). The Company adopted SFAS 123(R) using the modified prospective method, which requires the Company to record compensation expense over the vesting period for all awards granted after the date of adoption, and for the unvested portion of previously granted awards that remain outstanding at the date of adoption. Accordingly, financial statements for the periods prior to March 1, 2006 have not been restated to reflect the fair value method of expensing share-based compensation. Adoption of SFAS 123(R) does not change the way the Company accounts for share-based payments to non-employees, with guidance provided by SFAS 123 (as originally issued) and Emerging Issues Task Force Issue No. 96-18, Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services .

Results of Operations Nine months ended August 31, 2007 and 2006

References in the discussion below to fiscal 2007 are to our current fiscal year which will end on November 30, 2007. References to fiscal 2006 are to our fiscal year ended November 30, 2006. References to the first nine months of fiscal 2006 are to the nine month period ended August 31, 2006 and references to the first nine months of fiscal 2007 are to the nine month period ended August 31, 2007.

	For the Three Months Ended August 31, 2007	For the Three Months Ended August 31, 2006	For the Nine Months Ended August 31, 2007	For the Nine Months Ended August 31, 2006	From Incorporation July 5, 2005 to August 31, 2007
Sales	\$ 27,845	\$ 24,351	\$ 199,415	\$ 24,351	\$ 223,766
Cost of Sales	17,573	9,424	167,463	9,424	176,887
Gross Profit	10,272	14,927	31,952	14,927	46,879
General and Administrative Expenses					
Software development costs	78,933	-	252,979	13,814	615,533
Consulting	72,134	31,901	178,092	53,337	213,428
Salaries and wages	17,926	90,652	136,302	198,435	211,897
Auditing and accounting	37,573	19,371	100,645	39,995	256,602

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Office	23,436	5,975	61,068	22,627	116,015
Legal	16,880	16,633	31,066	49,760	102,334
Depreciation	3,706	5,896	22,773	14,893	43,463
Rent	8,345	-	21,829	-	53,848
Filing fees	9,871	2,365	15,324	9,820	22,611
		- 8 -			

	For the Three Months Ended August 31, 2007	For the Three Months Ended August 31, 2006	For the Nine Months Ended August 31, 2007	For the Nine Months Ended August 31, 2006	From Incorporation July 5, 2005 to August 31, 2007
Investor relations	-	2,287	6,235	2,287	24,915
Foreign exchange loss	(214)	4,811	3,801	4,811	9,651
Intellectual property	-	-	-	1,500,000	1,947,637
Marketing and distribution	-	-	-	120,000	120,000
Bad debt	-	9,789	-	9,789	9,789
	268,590	189,680	830,114	2,039,568	3,747,723
Loss from Operations	(258,318)	(174,753)	(798,162)	(2,024,641)	(3,700,844)
Other Income					
Other income	-	4,974	-	26,724	33,926
Loss for the Period	\$ (258,318)	\$ (169,779)	\$ (798,162)	\$ (1,997,917)	\$ (3,666,918)
Revenue					

We generated our initial revenues during the first quarter of fiscal 2007. During the first quarter of fiscal 2007, we delivered our encoding platform to a customer for encoding content from DVD disks onto the customer's video demand platform. The encoding platform is one of the components of the ITonis video solution. Our revenues increased to \$199,415 for the first nine months of fiscal 2007 from \$24,351 for the first nine months of fiscal 2006.

These initial revenues are not significant in relation to our overall expenses. We anticipate that we will not earn any significant revenues until such time as we have achieved commercial deployment of our ITonis video solution.

Software Development Costs

Software development costs represent amounts attributable to the development of our proprietary software.

Our software development costs increased significantly to \$252,979 during the first nine months of fiscal 2007 from \$13,814 during the first nine months of fiscal 2006 as we continued development of our ITonis video solution. Software development costs during fiscal 2006 included:

- amounts paid to Xeris in respect of development work on our ITonis video solution completed by Xeris prior to our taking over software development activities from Xeris in January 2006; and
- software development work that we completed in-house.

Consulting

Consulting fees represent amounts that we pay to consultants that are engaged by us.

Consulting expenses increased significantly to \$178,092 for the first nine months of fiscal 2007 compared to \$53,337 for the first nine months of fiscal 2006. Consulting expenses have increased in part due to marketing campaigns that were undertaken based on the previous strategy for the firm. Outside consultants were required to facilitate these campaigns because of lack of in-house expertise. We

anticipate that management and consulting expenses will increase during fiscal 2007 because of our determination to focus on China.

Salaries And Wages

Salaries and wages are primarily comprised of salaries paid to employees of ITonis CZ who are or were at the time employed at our research and development facility in Prague.

Salaries and wages were \$136,302 during the first nine months of fiscal 2007 compared to \$198,435 during the first nine months of fiscal 2006 due to fewer employees.

Audit and Accounting

Our accounting and auditing expenses include professional fees for accounting and auditing expenses incurred in connection with the preparation and audit of our financial statements.

Accounting and auditing expenses increased during the first nine months of fiscal 2007 to \$100,645 compared to \$39,995 in the first nine months of fiscal 2006 as a result of the review of potential acquisitions.

Depreciation

Depreciation expense represents depreciation of our computer hardware and equipment.

Depreciation expense in the first nine months of fiscal 2006 and fiscal 2007 represented depreciation of computer hardware and equipment that we acquired in connection with the development and testing of our ITonis video solution.

Legal

Legal expenses are attributable to legal fees paid to our legal counsel in connection with the completion of our corporate reorganization and our filing a registration statement with the SEC and becoming a reporting company under the Securities Exchange Act of 1934.

Legal expenses during the first nine months of fiscal 2007 declined compared to the first nine months of fiscal 2006 as a result of our completing our corporate reorganization and preparing and filing of a registration statement with the SEC during fiscal 2006. Legal expenses during the first nine months of fiscal 2007 have related to our ongoing continuous reporting obligations under the Securities Exchange Act of 1934.

Rent

Our rent expenses include the rent that we pay for our research and development facility in Prague and general office expenses.

Our rent expenses increased significantly in fiscal 2006 as the result of ITonis CZ entering into a lease for our research and development facility in Prague. This lease expense will be ongoing through fiscal 2007.

Intellectual Property

We did not incur any expenses on any intellectual property during the first nine months of fiscal 2007. In fiscal 2006, we determined that the cost of the intellectual property purchased during our fiscal 2006 does not meet the criteria for capitalization as set out in SFAS No. 86.

Marketing And Distribution

Our marketing and distribution expenses include amounts that we pay under our reseller and consulting services agreement with Nordic IPTV. We recorded \$120,000 in expenses under the Nordic IPTV agreement in fiscal 2006 in respect of four months of service provided by John Marienhof as commercial director of ITonis. In accordance with our agreement with Nordic IPTV, this amount has not been paid but has been accrued. We did not record any marketing and distribution expenses during the first nine months of fiscal 2007.

Other Income

We did not generate any other income during the first nine months of fiscal 2007. Our other income during fiscal 2006 was comprised of:

- Sub-letting part of our ITonis CZ office to iPLATO s.r.o., a company with whom ITonis CZ has one director in common;
- Outsourcing the services of our former director and officer, Nicolas Lavaud, to Xeris., a company with whom ITonis CZ has one director in common, as managing director; and
- Outsourcing the services of Libor Bucinsky to Devoteam, an arms length party, for the installation of Telefonica Video on Demand platform at Czech Telecom.

Liquidity And Capital Resources

Cash and Working Capital

As at August 31, 2007, we had cash of \$18,293 and a working capital deficit of \$724,591, compared to cash of \$1,571 and a working capital deficit of \$442,867 as at November 30, 2006.

Related Party Loan

During fiscal 2006 Mr. Nicolas Lavaud, our former director and chief executive officer, granted us a loan which was outstanding in the amount of \$40,621 as of August 31, 2007. The loan is evidenced by a promissory note, is unsecured and does not bear any interest. The promissory note is payable on demand.

Plan of Operations

Our planned expenditures over the next twelve months are approximately \$1,000,000. As described above under *Our Plan of Operations* , we anticipate that we will require financing in the amount of approximately \$1,730,000 in order to carry out our plan of operations for the next twelve months. While this amount may be offset by any gross profits that we earn from sales of our ITonis video solutions, we anticipate that we do not have sufficient funds to enable us to undertake our plan of operations past the next month. Accordingly, we anticipate that we will require additional financing in order to enable us to sustain our operations for the next twelve months, as outlined above under *Our Plan of Operations* .

We anticipate that additional funding will be in the form of equity financing from the sale of our common stock. We presently have no arrangements in place for any additional equity financings. In the absence of such additional financing, we may not be able to continue our plan of operations beyond the next month and our business plan may fail. If we do not obtain the required additional financing, we will initially scale back our business operations and may ultimately be forced to abandon our plan of operations and our business activities.

Cash Used In Operating Activities

We used cash of \$374,956 in operating activities during the first nine months of fiscal 2007 compared to cash used of \$296,969 in operating activities during the first nine months of fiscal 2006.

Cash From Investing Activities

We used cash of \$34,362 in investing activities during the first nine months of fiscal 2007 which consisted of upgrades and enhancements to technology and purchases of equipment. We used cash in investing activities in the amount of \$36,925 during the first nine months of fiscal 2006. Cash used in investing activities in fiscal 2006 was attributable primarily to the purchase of computer hardware and equipment that we have acquired in connection with the development and testing of our ITonis video solution.

Cash from Financing Activities

We generated cash of \$442,628 from financing activities during the first nine months of fiscal 2007 compared to cash of \$184,641 generated from financing activities during the first nine months of fiscal 2006.

Cash generated from financing activities during the first nine months of fiscal 2007 and 2006 was attributable to shares issued for cash.

Going Concern

We have not attained profitable operations and are dependent upon obtaining financing to pursue any extensive business activities. For these reasons our auditors stated in their report that they have substantial doubt we will be able to continue as a going concern.

Future Financings

We anticipate continuing to rely on equity sales of our common shares in order to continue to fund our business operations. Issuances of additional shares will result in dilution to our existing stockholders. There is no assurance that we will achieve any additional sales of our equity securities or arrange for debt or other financing to fund our planned activities.

Off-Balance Sheet Arrangements

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

Item 3. Controls and Procedures

As required by Rule 13a-15 under the Securities Exchange Act of 1934 (the Exchange Act), we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of August 31, 2007, being the date of our most recently completed quarter. This evaluation was carried out under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, Mr. Thomas Neal Roberts. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the rules and forms of the Securities and Exchange Commission (the SEC).

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and our Chief Financial Officer, to allow timely decisions regarding required disclosure.

During the fiscal quarter ended August 31, 2007, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to affect, our internal control over financial reporting during the quarter ended August 31, 2007.

The term internal control over financial reporting is defined as a process designed by, or under the supervision of, the registrant s principal executive and principal financial officers, or persons performing similar functions, and effected by the registrant s board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- (a) Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the registrant;
- (b) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the registrant are being made only in accordance with authorizations of management and directors of the registrant; and
- (c) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the registrant s assets that could have a material effect on the financial statements.

Item 3A(T). Controls and Procedures

Not Applicable.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

We currently are not a party to any material legal proceedings and, to our knowledge, no such proceedings are threatened or contemplated.

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

Sales of securities without registration under the Securities Act of 1933 during the quarter ended August 31, 2007 have been previously disclosed.

Item 3. Defaults Upon Senior Securities

None.

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

No matters were submitted to our security holders for a vote during the quarter ended August 31, 2007.

Item 5. Other Information

None.

Item 6. Exhibits

The following exhibits are included with this Quarterly Report on Form 10-QSB:

Exhibit

Number Description of Exhibit

3.1 Articles of Incorporation (1)

3.2 Certificate of Amendment to Articles of Incorporation (1)

3.3 By-Laws (1)

3.4 Certificate of Change pursuant to NRS 78.209 effective March 19, 2007 (6)

10.1 Asset Purchase Agreement dated October 1, 2005 between ITonis Inc. and Onyx Trading Inc. (1)

10.2 Employment Agreement between ITonis Inc. and Antonin Kral dated January 1, 2006 (1)

10.3 Employment Agreement between ITonis Inc. and Nicolas Lavaud dated February 1, 2006 (1)

10.4 Employment Agreement between ITonis Inc. and Thomas Neal Roberts dated September 1, 2007 (10)

10.5 Employment Agreement between ITonis Inc. and Lawrence Haber dated September 1, 2007 (10)

10.6 Share Purchase Agreement dated September 8, 2007 between ITonis Inc., iOcean Media Limited and Aquos Media Limited (11)

Exhibit

Number Description of Exhibit

10.7	Asset Purchase Agreement between ITonis Inc. and Nordic IPTV Company ApS (formerly Makeitwork ApS) dated January 31, 2006 (1)
10.8	Reseller Agreement dated February 7, 2006 between ITonis Inc. and Makeitwork ApS (1)
10.9	Lease Agreement dated December 23, 2005 between Achat Real a.s. and ITonis CZ s.r.o. (1)
10.10	2006 Stock Option Plan (2)
10.11	Amendment dated February 15, 2006 to Employment Agreement between ITonis Inc. and Nicolas Lavaud dated February 1, 2006 (3)
10.12	Amendment dated August 9, 2006 to Reseller Agreement dated February 7, 2006 between ITonis Inc. and Nordic IPTV Company ApS (formerly, Makeitwork ApS") (3)
10.13	Promissory Note issued by ITonis Inc. to Nicolas Lavaud in the amount of CZ 400,000Kc dated July 3, 2006 (3)
10.14	Subscription Agreement between ITonis Inc. and Spectrum Managers Ltd. dated December 12, 2006 (4)
10.15	Memorandum of Understanding between the Company and iOcean Media Limited dated April 16, 2007 (7)
10.16	Employment Agreement between the Company and Thomas Neal Roberts dated September 1, 2007 (9)
10.17	Employment Agreement between the Company and Lawrence Haber dated September 1, 2007 (9)
10.18	Share Purchase Agreement between the Company, iOcean Media Limited and Aquos Media Limited dated September 8, 2007 (10)
14.1	Code of Ethics (8)
16.1	Letter of Moores Rowland dated February 15, 2007 (5)
<u>31.1</u>	<u>Certification of Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(a) of the Exchange Act (11)</u>
<u>32.1</u>	<u>Certification of Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (11)</u>

- (1) Filed as an exhibit to the registration statement on Form SB-2 filed with the SEC on May 12, 2006.
- (2) Filed as an exhibit to Amendment No. 1 to the registration statement on Form SB-2 filed with the SEC on June 27, 2006.
- (3)

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Filed as an exhibit to Amendment No. 2 to the registration statement on Form SB-2 filed with the SEC on August 11, 2006.

- (4) Filed as an exhibit to our Current Report on Form 8-K filed with the SEC on December 15, 2006.

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- (5) Filed as an exhibit to our Current Report on Form 8-K filed with the SEC on February 23, 2007.
- (6) Filed as an exhibit to our Current Report on Form 8-K filed with the SEC on March 20, 2007.
- (7) Filed as an exhibit to our Current Report on Form 8-K filed with the SEC on April 24, 2007.
- (8) Filed as an exhibit to our Annual Report on Form 10-KSB filed with the SEC on April 27, 2007.
- (9) Filed as an exhibit to our current report on Form 8-K filed with the SEC on September 11, 2007.
- (10) Filed as an exhibit to our current report on Form 8-K filed with the SEC on September 13, 2007.
- (11) Filed as an exhibit to this Quarterly Report on Form 10-QSB.

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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.

ITONIS INC.

By: */s/ Thomas N. Robert*

Thomas N. Roberts
Chief Executive Officer and Chief Financial Officer

Date: October 18, 2007

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