

Homeland Safety International, Inc
F/K/A Sniffex, Inc.
Interim Financial Statements
September 30, 2006
Unaudited

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F/K/A Sniffex, Inc.
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Homeland Safety International, Inc.
F/K/A Sniffex, Inc.
Balance Sheet
September 30, 2006
Unaudited

ASSETS		
Current Assets		
Cash	\$	74,718
Accounts Receivable		5,657
Notes Receivable		61,000
Inventory		67,928
Prepaid Expenses		<u>7,700</u>
Total Current Assets		217,003
Fixed Assets		
Computer equipment		8,574
Accum. Depreciation		<u>(3,658)</u>
Total Fixed Assets		4,916
Other Assets		
License		600,000
Deposit		<u>2,200</u>
Total Other Assets		<u>602,200</u>
TOTAL ASSETS	\$	<u><u>824,119</u></u>
 LIABILITIES & STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts Payable	\$	62,742
Accrued Expenses		20,306
Current Portion of Long-Term Debt		<u>232,000</u>
Total Current Liabilities		315,048
Long-Term Liabilities		
Convertible Notes 5%		<u>130,000</u>
Total Long-Term Liabilities		<u>130,000</u>
Total Liabilities		<u>445,048</u>
 Stockholders' Equity		
Common Stock, authorized 225,000,000 shares, par value \$.001, issued and outstanding 90,199,322 shares		90,199
Additional Paid in Capital		6,100,895
Stock Subscription Receivable		(5,000,000)
Accumulated Deficit		<u>(812,023)</u>
Total Stockholders' Equity		<u>379,071</u>
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	\$	<u><u>824,119</u></u>

These financial statements and notes thereto present fairly, in all material respects, the financial position of the Company and the results of its operations and cash flows for the periods presented, in conformity with accounting principles generally accepted in the United States, consistently applied and hereby certified by Paul Johnson, President, Homeland Safety International, Inc.

The accompanying notes are an integral part of these financial statements.

Homeland Safety International, Inc.
F/K/A Sniffex, Inc.
Statement of Operations
For the Three Months Ended
September 30, 2006
Unaudited

Sales		\$	124,649
Cost of Goods Sold			<u>46,450</u>
Gross Profit			78,199
Expenses:			
Selling, General and Administrative			<u>218,999</u>
Operating Income (Loss)			(140,800)
Other Income (Expense)			
Interest income			720
Interest expense			<u>(4,487)</u>
Income (Loss) before taxes			(144,567)
Provision for income taxes			<u>-</u>
Net Income (Loss)		\$	<u><u>(144,567)</u></u>
Basic and Diluted (Loss) per share		\$	<u><u>(0.0016)</u></u>
Weighted Average Number of Shares			<u><u>88,070,750</u></u>

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Homeland Safety International, Inc.
F/K/ASniffex, Inc
Statement of Stockholder's Equity
Inception Through September 30, 2006
(Unaudited)

	Common Shares	Stock Amount	Paid in Capital	Subscriptions Receivable	Accumulated Deficit	Total Equity
Common Shares Issued to founders for subscriptions receivable on October 27, 2004	4,000,000	\$ 4,000	\$ -	\$ (4,000)	\$ -	\$ -
Net (Loss) December 31, 2004	-	-	-	-	(34,487)	(34,487)
Balance December 31, 2004	<u>4,000,000</u>	<u>4,000</u>	<u>-</u>	<u>(4,000)</u>	<u>(34,487)</u>	<u>(34,487)</u>
Proceeds received on subscription Common Shares Issued for License Agreement on March 23, 2005	-	-	-	2,000	-	2,000
Common Shares Issued for Convertible Notes & Accrued Int.	60,000,000	60,000	540,000	-	-	600,000
Common Stock Sold	14,980,000	14,980	134,820	-	-	149,800
Proceeds received on subscription Comon shares issued for services	20,000	20	180	-	-	200
Stock Subscription Agreement	-	-	-	2,000	-	2,000
Stock Subscription Agreement	10,000	10	28,804	-	-	28,814
Net (Loss)	1,511,853	1,512	2,498,488	(2,500,000)	-	-
Balance December 31, 2005	<u>1,511,853</u>	<u>1,512</u>	<u>2,498,488</u>	<u>(2,500,000)</u>	<u>-</u>	<u>-</u>
Net (Loss) March 31, 2006	-	-	-	-	(366,942)	(366,942)
Balance March 31, 2006	<u>82,033,706</u>	<u>82,034</u>	<u>5,700,780</u>	<u>(5,000,000)</u>	<u>(401,429)</u>	<u>381,385</u>
Convert note and accrued interest for stock Net (Loss) June 30, 2006	-	-	-	-	(141,400)	(141,400)
Balance June 30, 2006	<u>82,033,706</u>	<u>82,034</u>	<u>5,700,780</u>	<u>(5,000,000)</u>	<u>(542,829)</u>	<u>239,985</u>
Convert note and accrued interest for stock Common Stock Sold	1,005,068	1,005	49,248	-	-	50,253
Net (Loss) June 30, 2006	-	-	-	-	(124,627)	(124,627)
Balance June 30, 2006	<u>83,038,774</u>	<u>\$ 83,039</u>	<u>\$ 5,750,028</u>	<u>\$ (5,000,000)</u>	<u>\$ (667,456)</u>	<u>\$ 165,611</u>
Convert note and accrued interest for stock Common Stock Sold	3,000,548	3,000	147,027	-	-	150,027
Net (Loss) Septmber 30, 2006	4,160,000	4,160	203,840	-	(144,567)	208,000
	<u>90,199,322</u>	<u>\$ 90,199</u>	<u>\$ 6,100,895</u>	<u>\$ (5,000,000)</u>	<u>\$ (812,023)</u>	<u>\$ 379,071</u>

These financial statements and notes thereto present fairly, in all material respects, the financial position of the Company and the results of its operations and cash flows for the periods presented, in conformity with accounting principles generally accepted in the United States, consistently applied and hereby certified by **Paul Johnson, President, Homeland Safety International, Inc.**

The accompanying notes are an integral part of these financial statements.

Homeland Safety International, Inc.
F/K/A Sniffex, Inc
Statement of Cash Flows
For the Three Months Ended September 30, 2006
(Unaudited)

Cash flows from operating activities:	
Net loss	\$ (144,567)
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation and amortization	714
Changes in operating assets and liabilities, net of effects of acquisitions:	
Accounts receivable	(4,034)
Notes receivable	(61,000)
Inventory	(33,933)
Prepaid Expenses	(4,345)
Accounts payable	200
Accrued expenses	(1,034)
Net cash used by operations	<u>(247,999)</u>
Cash flows from investing activities:	
Purchase of property and equipment	-
Net cash used by investing activities	<u>-</u>
Cash flows from financing activities:	
Convert note to stock	150,027
Convertible notes payable	(50,000)
Stock sales	208,000
Net cash provided by financing activities	<u>308,027</u>
Net decrease in cash and cash equivalents	60,028
Cash and cash equivalents, beginning of period	14,690
Cash and cash equivalents, end of period	<u>\$ 74,718</u>

These financial statements and notes thereto present fairly, in all material respects, the financial position of the Company and the results of its operations and cash flows for the periods presented, in conformity with accounting principles generally accepted in the United States, consistently applied and hereby certified by Paul Johnson, President, Homeland Safety International, Inc.

The accompanying notes are an integral part of these financial statements.

Homeland Safety International, Inc.
F/K/A Sniffex, Inc.

Notes of Financial Statements

NOTE 1. GENERAL ORGANIZATION AND BUSINESS

Sniffex, Inc (the Company) was incorporated under the laws of the state of Nevada on October 27, 2004 and subsequently terminated on January 20, 2005. The Company re-filed on February 14, 2005. The Company has one officer and director. The purpose of the Company is to engage in the business of manufacture and marketing of bomb detection devices. The Company was in development stage as defined in FASB#7, until August, 2005 when it had its first product sales. In August, 2006 the Company filed a certificate of amendment with the Nevada Secretary of State to change its corporate name to Homeland Safety International, Inc.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America.

Earnings (Loss) per Share

The basic earnings (loss) per share are calculated by dividing the Company's net income available to common shareholders by the weighted average number of shares outstanding during the period. The diluted earnings (loss) per share are calculated by dividing the Company's net income (loss) available to common shareholders by the diluted weighted average number of share outstanding during the period. The diluted weighted average number of shares outstanding is the basic weighted number of shares adjusted for any potentially dilutive convertible debt or equity (common stock equivalents). At September 30, 2006, the Company had losses from operations and all common stock equivalents were anti-dilutive. Accordingly, basic and fully-diluted loss per share is the same for all periods presented.

Dividends

The Company has not adopted any policy regarding payment of dividends. No dividends have been paid during the period shown.

Income Taxes

The provision for income taxes is the total of the current taxes payable and the net of the change in the deferred income taxes. Provision is made for the deferred income where differences exist between the period in which transactions affect current taxable income and the period in which they enter into the determination of net income in the financial statements. Management elected to provide a reserve against the potential future income tax benefits from its current net operating loss, due to the uncertainty of its realization.

Stock Based Compensation

The Company accounts for its stock based compensation based on the provisions in SFAS No. 123, *Accounting for Stock-Based Compensation* which utilizes the fair value method for the valuation of its securities given as compensation.

Bad Debts

The Company employs the direct write off method of handling uncollectible accounts.

Advertising

Advertising is expensed when incurred.

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 estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3. STOCKHOLDERS' EQUITY

On October 27, 2004, the Company issued 4,000,000 common shares to the founders at \$0.001 per share for a \$4,000 subscription receivable. On February 11, 2005, \$2,000 of the subscription was collected. On December 31, 2005 the \$ 2,000 balance of the subscription receivable was collected. On March 23, 2005, the Company issued 60,000,000 common shares for the License Agreement to market their product at \$.01 per share. During the second quarter of 2005 the Company issued 14,980,000 shares of common stock at \$.01 per share in exchange for the payment of \$ 149,000 of convertible notes plus accrued interest of \$ 800. The company also sold 20,000 shares at \$.01 per share during the second quarter of 2005. During the fourth quarter of 2005, 10,000 shares were issued for services. Also, during the fourth quarter of 2005 the company entered into two stock purchase and subscription agreements for 1,511,853 shares each. The Company is not sure whether they will receive the funding for these two subscription agreements or not. If the Company finds out that the agreements will not be funded then they will be cancelled and the Company will make the appropriate adjustments to their financial statements. During the second quarter of 2006 the Company converted a note and accrued interest for 1,005,068 shares of stock. During the third quarter of 2006 the Company issued 3,000,548 shares of stock for a note and accrued interest and sold 4,160,000 shares pursuant to the registration statement.

NOTE 4. RELATED PARTY TRANSACTIONS

The officer and director of the Company is involved in other business activities and may, in the future, become involved in other business opportunities that become available. He may face a conflict in selecting between the Company and other business interests. The Company has not formulated a policy for the resolution of such conflicts.

NOTE 5. PROVISION FOR INCOME TAXES

The Company provides for income taxes under Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes. SFAS No. 109 requires the use of an asset and liability approach in accounting for income taxes. Deferred tax assets and liabilities are recorded based on the differences between the financial statement and tax bases of assets and liabilities and the tax rates in effect when these differences are expected to reverse.

SFAS No. 109 requires the reduction of deferred tax assets by a valuation allowance if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. In the Company's opinion, it is uncertain whether they will generate sufficient taxable income in the future to utilize the net deferred tax asset. Accordingly, a valuation allowance equal to the deferred tax asset has been recorded. The total deferred tax asset is \$ 259,600, which is calculated by multiplying a 34% estimated tax rate by the items

making up the deferred tax account (pre-operating costs of \$763,622). The total valuation allowance is a comparable \$(259,600).

NOTE 6. NOTES PAYABLE

The Company has several convertible notes payable that are convertible into common stock of the Company.

Convertible note with interest at 5% convertible into stock at \$.01 per share	\$9,000
Convertible notes with interest at 5% convertible into stock at \$ 3.00 per share	<u>353,000</u>
Total	\$ 362,000
Less: Current portion	<u>(232,000)</u>
Long Term portion	\$ 130,000

NOTE 7. GOING CONCERN

The accompanying financial statements have been prepared assuming that the company will continue as a going concern. The Company limited sources of revenue. This raises substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from this uncertainty. The Company had its first product sales in August, 2005. On September 1, 2005 the company entered into a funding commitment whereby TASC International agreed to fund up to an additional \$ 277,000 over the next six months with 2 year convertible notes that are convertible into the company's stock at the rate of \$ 3.00 per share. In November 2005 the company entered into two stock purchase and subscription agreements for 1511,853 shares each. The Company is unsure whether they will receive the funding from these two agreements or not. During the second quarter of 2006 the Company received \$ 110,000 proceeds from the issuance of convertible notes and also converted a note payable and accrued interest of \$ 50,253 for stock. During the third quarter of 2006 the Company sold 7,160,548 shares of stock pursuant to the registration statement.

Management continues to seek funding from its shareholders and other qualified investors to pursue its business plan. In June, 2006 the Company filed a registration statement with the Secretary of State in Nevada. The registration statement is to sell a minimum of 12,000,000 shares at \$0.05 per share. The Company has 180 days to get the minimum proceeds from the offering. As of September 30, 2006 the Company has issued 8,165,616 shares of stock pursuant to the registration statement. In the alternative, the Company may be amenable to a sale, merger or other acquisition in the event such transaction is deemed by management to be in the best interests of the shareholders. In either event, management will ensure that the Company's shareholders are provided with appropriate voting rights, whether in person or by proxy, in accordance with Nevada law.

NOTE 8. LICENSE AGREEMENT

On March 23, 2005, the Company entered into a License Agreement with the holder of a US Patent for an apparatus and method for the detection of materials. The agreement grants the Company the license to market and manufacture the device under the name Sniffex. The license term is equal to the unexpired term of the last patent in effect of the patents encompassed under the agreement. The stated value of the license is \$600,000 for which the Company issued 60,000,000 common shares at \$0.01.

