UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2007

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ___________ to ___________

Commission file number 000-29196

PROFILE TECHNOLOGIES, INC.

(Name of Small Business Issuer in Its Charter)

Delaware	**91-1418002**
(State or other jurisdiction of Incorporation or organization)	(I.R.S. Employer Identification No.)
2 Park Avenue, Suite 201 **Manhasset, New York**	**11030**
(Address of principal executive offices)	(Zip Code)

(516) 365-1909
(Issuer s Telephone Number, Including Area Code)

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

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

State the number of shares outstanding of each of the issuer s classes of common equity, as of the latest practicable date: 12,727,278 shares of common stock as of May 4, 2007.

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

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

PROFILE TECHNOLOGIES, INC.
Balance Sheet
(unaudited)

Assets	**March 31, 2007**
Current assets:	
Cash and cash equivalents	$ 321,192
Prepaid expenses and other current assets	13,494
Total current assets	334,686
Equipment, net of accumulated depreciation of $548,312	11,358
Deferred financing fees	360
Other assets	3,184
Total assets	$ 349,588
Liabilities and Stockholders' Deficit	
Current Liabilities:	
Accounts payable	$ 148,521
Notes payable to stockholders	57,500
Current portion of convertible debt	65,000
Deferred wages	736,210
Accrued professional fees	207,150
Accrued interest	1,594
Other accrued expenses	12,644
Total current liabilities	1,228,619
Long-term convertible debt, net of unamortized discount of $59,386	614
Stockholders' deficit:	
Common stock, $0.001 par value. Authorized 25,000,000 shares; issued and outstanding 12,627,278 shares	12,627
Additional paid-in capital	13,441,733
Accumulated deficit	(14,334,005)
Total stockholders' deficit	(879,645)

		March 31, 2007
Commitments, contingencies and subsequent events		
Total liabilities and stockholders' deficit	$	349,588

See accompanying notes to financial statements.

PROFILE TECHNOLOGIES, INC.
Statements of Operations
(unaudited)

	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006	Nine Months Ended March 31, 2007	Nine Months Ended March 31, 2006
Revenue	$	$	$	$
Cost of revenues				
Gross profit				
Operating expenses:				
Research and development	66,575	56,852	381,297	303,718
General and administrative	124,081	158,891	1,101,005	494,335
Total operating expenses	190,656	215,743	1,482,302	798,053
Loss from operations	(190,656)	(215,743)	(1,482,302)	(798,053)
Interest expense	10,051	12,300	16,129	237,632
Interest income	1,812		1,812	
Net loss	$ (198,895)	$ (228,043)	$ (1,496,619)	$ (1,035,685)
Basic and diluted net loss per share	$ (0.02)	$ (0.02)	$ (0.12)	$ (0.12)
Weighted average shares outstanding used to calculate basic and diluted net loss per share	12,623,945	10,544,723	12,543,005	8,811,991

See accompanying notes to financial statements.

PROFILE TECHNOLOGIES, INC.
Statements of Cash Flows
(unaudited)

	Nine Months Ended March 31, 2007	2006
Cash flows from operating activities:		
Net loss	$(1,496,619)	$(1,035,685)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	4,272	3,706
Accreted discount on convertible debt	560	106
Amortization of convertible debt discount included in interest expense	7,365	197,945
Accrued interest on convertible debt converted to equity		370
Accrued interest on notes payable to stockholders converted to equity		114,777
Amortization of debt issuance costs	480	10,450
Equity issued for services to consultants	192,950	85,850
Equity issued for services to employees and board of directors	685,300	
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	(772)	3,628
Other assets	(1,634)	865
Accounts payable	(23,532)	(26,905)
Deferred wages	24,609	68,510
Accrued professional fees	15,000	18,000
Accrued interest	(588)	(101,120)
Other accrued expenses		3,050
Net cash used in operating activities	(592,609)	(656,453)
Cash flows from financing activities:		
Common stock issuance costs		(110,750)
Allocated proceeds from issuance of common stock		377,806
Allocated proceeds from issuance of warrants attached to issuance of common stock		771,694
Proceeds from issuance of notes payable to stockholders		89,733
Proceeds from exercise of stock options and warrants	61,333	
Net cash provided by financing activities	61,333	1,128,483
Increase (decrease) in cash	(531,276)	472,030
Cash at beginning of period	852,468	27,045
Cash at end of period	$ 321,192	$ 499,075
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 6,339	$ 10,652
Convertible debt and related accrued interest converted into 100,000 and 456,740 shares of common stock during		

	Nine Months Ended March 31,	
the nine months ended March 31, 2007 and 2006, respectively	$ 50,000	$ 228,369
Notes payable to stockholder converted into 2,322,446 shares of common stock during the nine months ended March 31, 2006	$	$ 1,161,223
Accrued interest on notes payable to stockholder converted into 229,554 shares of common stock during the nine months ended March 31, 2006	$	$ 114,777

See accompanying notes to financial statements.

PROFILE TECHNOLOGIES, INC
March 31, 2007
Notes to Financial Statements (Unaudited)

1. Description of Business

Profile Technologies, Inc. (the Company), was incorporated in 1986 and commenced operations in fiscal year 1988. The Company is in the business of inspecting pipelines for corrosion and has developed a patented, non-destructive and non-invasive, high speed scanning process, using electro magnetic waves to remotely inspect buried, encased and insulated pipelines for corrosion. The Company is now actively marketing its inspection services for encased and insulated pipelines. In order to focus its resources on securing contracts for those services, it has temporarily suspended development work on its direct buried (encased) inspection service.

2. Basis of Presentation

The unaudited interim financial statements and related notes of the Company have been prepared pursuant to the instructions to Form 10-QSB. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted pursuant to such instructions. The preparation of financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, and expenses. On an on-going basis, the Company evaluates its estimates, including contract revenue recognition and impairment of long-lived assets. Actual results and outcomes may differ materially from these estimates and assumptions.

The financial statements and related notes should be read in conjunction with the audited financial statements and notes thereto included in the Company s annual report on Form 10-KSB for the year ended June 30, 2006. The information furnished reflects, in the opinion of management, all adjustments, consisting of only normal recurring items, necessary for fair presentation of the results of the interim periods presented. Interim results are not necessarily indicative of results for a full year.

3. Liquidity

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. The Company incurred cumulative losses of $14,334,005 through March 31, 2007, and had negative working capital of $893,933 as of March 31, 2007. Additionally, the Company has expended a significant amount of cash in developing its technology and patented processes. These conditions raise substantial doubt about the Company s ability to continue as a going concern. Management recognizes that in order to meet the Company s capital requirements, and continue to operate, additional financing, including seeking industry-partner investment through joint ventures or other possible arrangements, will be necessary. The Company is evaluating alternative sources of financing to improve its cash position and is undertaking efforts to raise capital. If the Company is unable to raise additional capital or secure revenue contracts and generate positive cash flow, it is unlikely that the Company will be able to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

4. Summary of Significant Accounting Policies

Cash and cash equivalents

Cash and cash equivalents includes highly liquid investments with original maturities of three months or less. On occasion, the Company has amounts deposited with financial institutions in excess of federally insured limits.

Fair Value of Financial Instruments

The Company has the following financial instruments: cash, accounts payable, notes payable to stockholders, and convertible debt. The carrying value of these instruments, other than the convertible debt, approximates fair value based on their liquidity. The fair value of the convertible debt was determined as the excess of the proceeds over the fair value of the warrants.

Deferred Financing Fees

The Company records costs incurred related to debt financings as deferred financing fees and amortizes, on a straight-line basis, the costs incurred over the life of the related debt. The amortization is recognized as interest in the financial statements. Upon conversion into equity or extinguishment of the related debt, the Company recognizes any unamortized portion of the deferred financing fees as interest expense.

Contract Revenue Recognition

The Company recognizes revenue from service contracts using the percentage of completion method of accounting. Contract revenues earned are measured using either the percentage of contract costs incurred to date to total estimated contract costs or, when the contract is based on measurable units of completion, revenue is based on the completion of such units. This method is used because management considers total cost or measurable units of completion to be the best available measure of progress on contracts. Because of the inherent uncertainties in estimating costs, it is at least reasonably possible that the estimates used may change in the near term.

Anticipated losses on contracts, if any, are charged to earnings as soon as such losses can be estimated. Changes in estimated profits on contracts are recognized during the period in which the change in estimate is known.

Cost of revenues include contract costs incurred to date as well as any idle time incurred by personnel scheduled to work on customer contracts.

The Company records claims for additional compensation on contracts upon revision of the contract to include the amount to be received for the additional work performed. Contract costs include all direct material and labor costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools and repairs, and depreciation costs. Selling, general, and administrative costs are charged to expense as incurred. Service contracts generally extend no more than six months.

The Company does not currently have any revenue generating service contracts to which this contract revenue recognition policy applies.

Research and Development

Research and development costs are expensed when incurred. During the three months ended March 31, 2007 and 2006, the Company incurred $66,575 and $56,852 on research and development activities. During the nine months ended March 31, 2007 and 2006, the Company incurred $381,297 and $303,718 on research and development activities.

Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of

The Company reviews long-lived assets, such as equipment and intangibles, for impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Valuation of Warrants and Options

The Company estimates the value of warrants and option grants using a Black-Scholes pricing model based on management assumptions regarding the warrant and option lives, expected volatility, and risk free interest rates.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recently Issued Accounting Standards Not Yet Adopted

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements (SFAS No. 157). SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements but does not require any new fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, with early adoption permitted as of January 1, 2007. The Company is currently evaluating the impact SFAS No. 157 will have on its Statement of Operations and Balance Sheet.

In September 2006, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin No. 108 (SAB 108). Due to diversity in practice among registrants, SAB 108 expresses SEC staff views regarding the process by which misstatements in financial statements are evaluated for purposes of determining whether financial statement restatement is necessary. SAB 108 is effective for fiscal years ending after November 15, 2006, and early application is encouraged. The Company does not expect any material impact from applying SAB 108.

In February 2007, the FASB issued FASB Statement No. 159*, The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS No. 159). SFAS No. 159 permits an instrument by instrument election to account for selected financial assets and liabilities at fair value. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007, with early adoption permitted as of January 1, 2007. The Company is currently evaluating the impact SFAS No. 159 will have on its Statement of Operations and Balance Sheet.

Vendor Concentration

Consultant Scientist Fees

The Company relies on the expertise of two consultant scientists to facilitate the development and testing of the Company s hardware and software. These scientists are also instrumental in compiling and interpreting the data captured during the testing of the hardware and software. The loss of the specialized knowledge provided by the scientists could have an adverse effect on the ability of the Company to successfully market its hardware and software. During the three and nine months ended March 31, 2007, the Company incurred cash fees payable to the scientists of $62,003 and $193,992, which are included in research and development expense in the Company s Statements of Operations. During the three and nine months ended March 31, 2006, the Company incurred cash fees payable to the scientists of $32,915 and $133,453, which are included in research and development expense in the Company s Statements of Operations.

As partial compensation for services rendered, on November 13, 2006, the Company granted the scientists stock options to purchase a total of 100,000 shares of common stock at an exercise price of $0.86 per share, expiring November 12, 2016. The 100,000 stock options had a fair value at the date of grant of $77,000, which is included in research and development expense in the Company s Statements of Operations for the nine months ended March 31, 2007.

As partial compensation for services rendered, on July 13, 2006, the Company granted one of the scientists a stock option to purchase 100,000 shares of common stock at an exercise price of $1.05 per share, expiring July 12, 2011. The 100,000 stock options had a fair value at the date of grant of $89,000, which is included in research and development expenses in the Company s Statements of Operations for the nine months ended March 31, 2007.

As partial compensation for services rendered, on December 12, 2005, the Company granted one of the scientists a stock option to purchase 50,000 shares of common stock at an exercise price of $1.12 per share, expiring December 12, 2010. The 50,000 stock options had a fair value at the date of grant of $50,500, which is included in research and development expense in the Company s Statements of Operations for the nine months ended March 31, 2006.

Total cash and equity compensation expense incurred for settlement of services rendered by the scientists totaled $62,003 and $359,992, or approximately 93% and 94%, of research and development expense for the three and nine months ended March 31, 2007.

Total cash and equity compensation expense incurred for settlement of services rendered by the scientists totaled $32,915 and $183,953, or approximately 58% and 61%, of research and development expense for the three and nine months ended March 31, 2006.

As of March 31, 2007, the Company owed the consultant scientists a total of $62,706, which is included in accounts payable at March 31, 2007.

5. Stock Based Compensation

Prior to January 1, 2006, the Company accounted for stock-based awards under the intrinsic value method, which followed the recognition and measurement principles of APB Opinion No. 25, *Accounting for Stock Issued to Employees*, and related Interpretations. The intrinsic value method of accounting resulted in compensation expense for stock options to the extent that the exercise prices were set below the fair market price of the Company s stock at the date of grant.

Effective January 1, 2006, the Company adopted SFAS No. 123R, *Share-Based Payment (* SFAS 123R) using the modified prospective application method, which requires measurement of compensation cost for all stock-based awards at fair value on date of grant and recognition of compensation over the service period for awards expected to vest. The fair value of stock options is determined using the Black-Scholes valuation model, which is consistent with the Company s valuation techniques previously utilized for options in footnote disclosures required under SFAS No. 123, *Accounting for Stock Based Compensation*, as amended by SFAS No. 148, *Accounting for Stock-Based Compensation Transition and Disclosure.* Such value is recognized as expense over the service period. To date, all stock option grants have been fully vested upon grant.

Had compensation cost for the Company s stock options been determined using the fair value method consistent with SFAS 123R for all periods presented, the Company s net loss and net loss per share would have been reduced to the pro forma amounts indicated below:

	Three Months Ended March 31, 2006	Nine Months Ended March 31, 2006
Net loss:		
As reported	$ (228,043)	$ (1,035,685)
Plus: stock-based employee compensation expense included in reported net loss		
Less: stock based compensation expense determined under fair value based method for all employee awards		(352,000)
Net loss	$ (228,043)	$ (1,387,685)
Net loss per share		
Basic and diluted as reported	$ (0.02)	$ (0.12)
Basic and diluted pro forma	$ (0.02)	$ (0.16)

6. Net Loss Per Share

Basic net loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. Diluted net loss per share is computed by dividing the net loss by the weighted average number of common and dilutive common equivalent shares outstanding during the period. As the Company had a net loss attributable to common shareholders in each of the periods presented, basic and diluted net loss per share are the same.

Excluded from the computation of diluted net loss per share for the three and nine months ended March 31, 2007, because their effect would be antidilutive, are stock options and warrants to acquire 12,426,417 shares of common stock with a weighted-average exercise price of $0.99 per share. Also excluded from the computation of diluted net loss per share for the three and nine months ended March 31, 2007 are 250,000 shares of common stock that may be issued if investors exercise their conversion right under the Debentures related to the 2003 Offering as discussed in Note 8 because their effect would be antidilutive.

Excluded from the computation of diluted net loss per share for the three and nine months ended March 31, 2006, because their effect would be antidilutive, are stock options and warrants to acquire 10,204,818 shares of common stock with a weighted-average exercise price of $1.12 per share. Also excluded from the computation of diluted net loss per share for the three and nine months ended March 31, 2006 are 350,000 shares of common stock that may be issued if investors exercise their conversion right under the Debentures related to the 2003 Offering as discussed in Note 8 because their effect would be antidilutive.

For the three and nine months ended March 31, 2007 and 2006, additional potential dilutive securities that were excluded from the diluted net loss per share computation are the exchange rights discussed in Note 9 that could result in options to acquire up to 223,000 shares of common stock with an exercise price of $1.00 per share at March 31, 2007 and 2006.

For purposes of earnings per share computations, shares of common stock that are issuable at the end of a reporting period are included as outstanding.

7. Related Parties

Notes Payable Stockholders

In April 2002, the Company issued a non-interest bearing bridge note payable to an officer of the Company in the amount of $7,500. The note is payable in full when the Company determines it has sufficient working capital to do so. On September 29, 2002, the officer who was owed the $7,500 died.

The Company entered into various loan agreements with Murphy Evans, President, a director and stockholder of the Company. On March 6, 2003, the Company s Board of Directors approved the Loan Amendment and Promissory Note (the Amended Evans Loan) between the Company and Murphy Evans. The Amended Evans Loan aggregated all previous debt and superseded and replaced all of the terms of the previous loans with Mr. Evans, including any conversion features. The Amended Evans Loan bore interest on the aggregate principal balance at a rate of 5% per annum, payable on June 30 and December 31 of each year, with the principal balance due and payable in full on December 31, 2003. The Amended Evans Loan was exempt from registration under Section 4(2) of the Securities Act.

In January 2006, Mr. Evans converted the entire then outstanding principal and accrued interest on the Amended Evans Loan pursuant to the terms of the 2005 Offering as defined below.

Interest expense related to the Amended Evans Loan was $579 and $16,449 for the three and nine months ended March 31, 2006.

In September 2002, the Company entered into two non-interest bearing bridge loans in the respective principal amounts of $40,000 and $10,000 (the "Stockholder Loans") payable to two stockholders of the Company. The terms of the Stockholder Loans provide for payment at such time as the Company determines it has sufficient working capital to repay the principal balances of the Stockholder Loans. The Stockholder Loans are convertible into 57,142 and 14,286 equity units, respectively, at any time prior to re-payment. Each equity unit is comprised of one share of the Company's common stock, with a detachable 5-year warrant to purchase one additional share at an exercise price of $1.05 per share. Neither stockholder has converted either Stockholder Loan into equity units.

The following is a summary of notes payable to stockholders as of March 31, 2007:

Deceased Officer Note	$ 7,500
Stockholder Loans	50,000
Total	$ 57,500

8. Convertible Debt

On June 19, 2003, the Board of Directors approved the offering (the 2003 Offering) of $1,000,000 in convertible debentures (the Debentures). The Debentures are convertible into that number of shares of the Company s common stock equal to the amount of the converted indebtedness divided by $0.50 per share. The Debentures bear interest at a rate of 5% per annum, payable quarterly. Delinquent interest payments bear interest at a rate of 12% per annum. The Company is required to redeem each Debenture on the 5th anniversary of the date of the Debenture. The Company may, in its discretion, redeem any Debenture at any time prior to the mandatory redemption date of the Debenture by providing no less than 60 days prior written notice to the holder of the Debenture. Certain events of default will result in the Debentures being redeemable by the Company upon demand of the holder.

Upon the purchase of, and for each $0.50 of the Debenture s principal amount, the Company issued to each investor a warrant (the Warrant) to purchase one (1) share of the Company s common stock at an exercise price of $0.75 per share. The Warrants are exercisable at any time prior to the 5th anniversary date of the redemption of the Debenture.

Warrants issued in connection with the 2003 Offering were recorded based on their relative fair value as compared to the fair value of the debt at issuance. The relative fair value of the warrants was recorded as paid-in capital. The intrinsic value of the Debentures results in a beneficial conversion feature, recorded as a discount against the Debentures, which reduces the book value of