

BALANCE SHEET
NANOLOGIX, INC.
(A DEVELOPMENT STAGE COMPANY)
December 31, 2012 and 2011

	December 31	
	2012	2011
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 63,605	\$ 115,246
Accounts receivable	111,039	-
Prepaid expenses	5,313	3,641
TOTAL CURRENT ASSETS	179,957	118,887
FIXED ASSETS		
Furniture and equipment, net of accumulated depreciation	450,696	496,708
OTHER ASSETS		
Deposits	1,770	7,970
Patent costs, net of accumulated amortization of \$449,349 in 2012 and \$409,473 in 2011	257,800	297,676
TOTAL OTHER ASSETS	259,570	305,646
TOTAL ASSETS	\$ 890,223	\$ 921,241
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 2,069	\$ 9,232
Accrued payroll taxes	-	167
TOTAL CURRENT LIABILITIES	2,069	9,399
STOCKHOLDERS' EQUITY		
Convertible preferred stock, \$.000001 par value, 50 shares authorized, issued and outstanding zero shares in 2012 and 2011	-	-
Common stock, \$.0001 par value, 200,000,000 shares authorized in 2012 and 2011, issued and outstanding 121,554,716 shares in 2012 and 115,211,860 shares in 2011	12,155	11,521
Additional paid in capital	26,511,289	24,788,886
Deficit accumulated during the development stage	(25,635,290)	(23,888,565)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 890,223	\$ 921,241

STATEMENT OF OPERATIONS
NANOLOGIX, INC.
(A DEVELOPMENT STAGE COMPANY)
Periods Ending December 31, 2012 and 2011

	Quarter Ending December 31		Year-to-Date Ending December 31	
	2012	2011	2012	2011
REVENUE	\$ 23,916	\$ 765	\$ 88,334	\$ 892
OPERATING EXPENSES				
Production	9,800	63,686	108,373	88,095
Research and development	73,777	85,660	333,480	491,305
Non-cash stock compensation	121,100	149,950	620,536	621,015
Wages	20,938	14,113	83,049	58,200
Advertising	1,385	870	19,830	12,142
Marketing	-	13,500	36,000	54,000
Consulting	23,100	44,350	96,400	92,550
Show expense	-	-	14,674	5,091
Shareholder/stock expenses	1,944	2,154	8,000	7,539
Bank fees	312	205	773	781
Professional fees	22,890	34,149	221,162	97,347
Outside services	204	-	4,631	1,728
Rent	8,285	5,540	27,024	16,580
Equipment rental	128	267	511	1,951
Insurance	5,474	1,331	26,233	21,484
Auto expense	1,970	2,027	7,993	10,840
Meals and entertainment	3,516	1,316	26,870	10,626
Travel	3,070	10,732	31,892	69,773
Payroll taxes	627	1,409	7,727	7,404
State and local taxes	-	-	1,100	-
Amortization	9,969	10,078	39,875	40,312
Depreciation	23,281	50,899	87,191	113,054
Office expense	2,601	2,569	14,706	12,451
Supplies	1,364	1,537	7,279	3,663
Postage and delivery	682	1,591	3,566	4,449
Dues and subscriptions	315	615	611	1,787
Licenses and permits	2,575	2,029	2,575	2,029
Repairs and maintenance	807	184	1,230	461
Security	130	130	520	565
Telephone	2,502	4,296	9,424	8,779
Utilities	2,559	1,548	8,963	5,770
TOTAL OPERATING EXPENSES	345,305	506,735	1,852,198	1,861,771
OTHER INCOME (EXPENSE)				
Interest income	17,268	-	17,268	-
NET LOSS	\$ (304,121)	\$ (505,970)	\$ (1,746,596)	\$ (1,860,879)
Per share information – basic and fully diluted:				
Weighted average shares outstanding			121,554,716	115,211,860
Net (loss) per share			\$ (0.01)	\$ (0.02)

STATEMENT OF STOCKHOLDERS' (DEFICIT)
NANOLOGIX, INC.
(A DEVELOPMENT STAGE COMPANY)
For the Period From Inception June 21, 1989 to December 31, 2012

	Common Stock		Preferred Stock		Additional Paid in Capital	(Deficit) Accumulated During the Development Stage	Total
	Shares	Amount	Shares	Amount			
Beginning Balance	-	\$ -	-	\$ -	\$ -	\$ -	\$ -
Net (loss)	-	-	-	-	-	(98)	(98)
Balance at December 31, 1989 (unaudited)	-	-	-	-	-	(98)	(98)
Net (loss)	-	-	-	-	-	(388)	(388)
Balance at December 31, 1990 (unaudited)	-	-	-	-	-	(486)	(486)
Net (loss)	-	-	-	-	-	(907)	(907)
Balance at December 31, 1991 (unaudited)	-	-	-	-	-	(1,393)	(1,393)
Shares issued for loans payable at \$.01 per share	1,849,300	185	-	-	19,815	-	20,000
Shares issued for research at \$.02 per share	1,811,100	181	-	-	35,628	-	35,810
Shares issued for expenses paid at \$.02 per share	205,000	21	-	-	4,080	-	4,100
Shares issued for services at \$.10 per share	134,600	13	-	-	12,987	-	13,000
Net (loss)	-	-	-	-	-	(67,027)	(67,027)
Balance at December 31, 1992 (unaudited)	4,000,000	400	-	-	72,510	(68,420)	4,490
Net (loss)	-	-	-	-	-	(7,993)	(7,993)
Balance at December 31, 1993 (unaudited)	4,000,000	400	-	-	72,510	(76,413)	(3,503)
Net (loss)	-	-	-	-	-	(14,160)	(14,160)
Balance at December 31, 1994 (unaudited)	4,000,000	400	-	-	72,510	(90,573)	(17,663)
Conversion of debt to capital	-	-	-	-	44,833	-	44,833
Reclassification of paid in capital	-	-	-	-	(7,090)	-	(7,090)
Shares issued for cash at \$.20 per share	500,000	50	-	-	99,950	-	100,000
Shares issued for cash at \$.40 per share	507,500	51	-	-	202,949	-	203,000
Shares issued for cash at \$.80 per share	25,000	2	-	-	19,998	-	20,000
Costs relating to sale of common shares	-	-	-	-	(10,200)	-	(10,200)
Share issued for cash at \$.06 per share	100,000	10	-	-	5,990	-	6,000
Net (loss)	-	-	-	-	-	(43,780)	(43,780)
Balance at December 31, 1995 (unaudited)	5,132,500	513	-	-	428,940	(134,353)	295,100
Cancellation of shares	(15,250)	(2)	-	-	2	-	-
Shares issued for conversion of debt at \$1.20 per share	87,500	9	-	-	104,991	-	105,000
Shares issued for cash at \$1.20 per share	306,000	31	-	-	367,169	-	367,200
Costs relating to sale of common shares	-	-	-	-	(36,000)	-	(36,000)
Net (loss)	-	-	-	-	-	(220,922)	(220,922)
Balance at December 31, 1996 (unaudited)	5,510,750	551	-	-	865,102	(355,275)	510,378
Shares issued for cash at \$1.20 per share	522,450	52	-	-	626,888	-	626,940
Value of stock options issued	-	-	-	-	67,974	-	67,974
Net (loss)	-	-	-	-	-	(346,225)	(346,225)
Balance at December 31, 1997 (unaudited)	6,033,200	603	-	-	1,559,964	(701,500)	859,067
Shares issued for cash at \$1.20 per share	225,000	23	-	-	269,977	-	270,000
Exercise of stock options at \$.01 per share	57,213	6	-	-	566	-	572
Shares issued for services at \$1.30 per share	51,037	5	-	-	66,388	-	66,393
Costs relating to sale of common shares	-	-	-	-	(41,148)	-	(41,148)
Value of stock options issued	-	-	-	-	117,401	-	117,401
Net (loss)	-	-	-	-	-	(546,876)	(546,876)
Balance at December 31, 1998 (unaudited)	6,366,450	637	-	-	1,973,148	(1,248,376)	725,409
Shares issued for cash at \$1.20 per share	111,000	11	-	-	133,189	-	133,200
Shares issued for services at \$1.20 per share	148,280	15	-	-	177,921	-	177,936
Value of stock options issued	-	-	-	-	330,699	-	330,699
Exercise of stock options at \$.01 per share	3,334	-	-	-	34	-	34
Net (loss)	-	-	-	-	-	(820,975)	(820,975)
Balance at December 31, 1999 (unaudited)	6,629,064	663	-	-	2,614,991	(2,069,351)	546,303
Shares issued for cash at \$.40 per share	28,000	3	-	-	11,197	-	11,200
Shares issued for services at \$.40 per share	310,510	31	-	-	124,174	-	124,205
Exercise of stock options at \$.01 per share	200,000	20	-	-	(20)	-	-
Net (loss)	-	-	-	-	-	(789,349)	(789,349)
Balance at December 31, 2000 (unaudited)	7,167,574	717	-	-	2,750,342	(2,858,700)	(107,641)
Shares issued for cash at \$.40 per share	251,625	25	-	-	100,625	-	100,650
Shares issued for services at \$.40 per share	479,938	48	-	-	191,927	-	191,975
Cancellation of shares	(132,625)	(13)	-	-	13	-	-
Value of stock options issued	-	-	-	-	768,000	-	768,000
Contribution of officers salary	-	-	-	-	50,000	-	50,000
Net (loss)	-	-	-	-	-	(1,145,781)	(1,145,781)
Balance at December 31, 2001 (unaudited)	7,766,512	777	-	-	3,860,907	(4,004,481)	(142,797)

Shares issued for cash at \$.40 per share	112,500	11	-	-	44,989	-	45,000
Shares issued for cash at \$.33 per share	80,000	8	-	-	25,992	-	26,000
Shares issued for services at \$.19 to \$.48 per share	393,756	39	-	-	144,042	-	144,081
Value of stock options issued	-	-	-	-	433,012	-	433,012
Contribution of officers salary	-	-	-	-	50,000	-	50,000
Net (loss)	-	-	-	-	-	(155,254)	(155,254)
Balance at December 31, 2002 (unaudited)	8,352,768	835	-	-	4,558,942	(4,159,735)	400,042
Shares issued for cash at \$.056 per share	1,500,000	150	-	-	83,850	-	84,000
Shares issued for services at \$.07 to \$.35 per share	4,819,762	482	-	-	836,847	-	837,329
Exercise of stock options at \$.008 per share	29,000	3	-	-	225	-	228
Exercise of stock options at \$.038 per share	848,000	85	-	-	32,159	-	32,244
Cancellation of shares	(12,500)	(1)	-	-	1	-	-
Contribution of officers salary	-	-	-	-	41,668	-	41,668
Contribution of capital by affiliate - cash	-	-	-	-	15,000	-	15,000
Net (loss)	-	-	-	-	-	(1,125,725)	(1,125,725)
Balance at December 31, 2003 (unaudited)	15,537,030	1,554	-	-	5,568,692	(5,285,460)	284,786
Shares issued for cash at \$.05 per share	2,790,000	279	-	-	144,721	-	145,000
Contribution of capital by affiliate - cash	-	-	-	-	15,000	-	15,000
Contribution of capital by affiliate - payment of expenses	-	-	-	-	16,478	-	16,478
Shares issued for services @ \$.53 per share	-	-	12	6,360,000	-	-	6,360,000
Net (loss)	-	-	-	-	-	(6,593,625)	(6,593,625)
Balance at December 31, 2004 (unaudited)	18,327,030	1,833	12	6,360,000	5,744,891	(11,879,085)	227,639
Shares issued for cash @ \$.50 per share	4,850,000	485	-	-	242,015	-	242,500
Shares issued for cash @ \$.125 per share	1,200,000	120	-	-	149,880	-	150,000
Shares issued for cash @ \$.07 per share	528,571	53	-	-	36,947	-	37,000
Shares issued for cash @ \$.035 per share	2,571,429	257	-	-	89,743	-	90,000
Costs relating to sale of common shares	-	-	-	-	(18,100)	-	(18,100)
Cancellation of shares	(385,714)	(39)	-	-	39	-	-
Shares issued for services at \$.07 to \$.42 per share	672,587	67	-	-	79,557	-	79,624
Shares issued for services at \$.95 per share	-	-	1	950,000	-	-	950,000
Shares issued for services at \$.078 per share	-	-	1	97,500	-	-	97,500
Conversion of preferred shares	13,000,000	1,300	(13)	(7,310,000)	7,308,700	-	-
Net (loss)	-	-	-	-	-	(1,597,664)	(1,597,664)
Balance at December 31, 2005 (unaudited)	40,763,903	4,076	1	97,500	13,633,672	(13,476,749)	258,499
Shares issued for cash @ \$.031 to \$.16	16,870,595	1,687	-	-	1,089,715	-	1,091,402
Costs relating to sale of common shares	-	-	-	-	(45,000)	-	(45,000)
Cancellation of shares	(4,593,170)	(459)	-	-	459	-	-
Shares issued for services at \$.055 to \$.24	2,627,356	263	-	-	418,165	-	418,428
Shares issued for services at \$.13 to \$.29	-	-	6	1,280,240	-	-	1,280,240
Conversion of preferred shares	5,967,000	597	(5)	(1,185,240)	1,184,643	-	-
Net (loss)	-	-	-	-	-	(2,331,900)	(2,331,900)
Balance at December 31, 2006 (unaudited)	61,635,684	6,164	2	192,500	16,281,654	(15,808,649)	671,669
Shares issued for cash @ \$.046 to \$.084	16,093,220	1,609	-	-	1,027,538	-	1,029,147
Shares issued for services at \$.08 to \$.135	861,313	86	-	-	94,595	-	94,681
Shares issued for services at \$.095 to \$.14	-	-	5	485,000	-	-	485,000
Conversion of preferred shares	5,875,000	588	(7)	(677,500)	676,912	-	-
Net (loss)	-	-	-	-	-	(1,313,499)	(1,313,499)
Balance at December 31, 2007 (unaudited)	84,465,217	8,447	-	-	18,080,699	(17,122,148)	966,998
Shares issued for cash @ \$.029 to \$.051	5,907,142	591	-	-	213,339	-	213,930
Cancellation of shares	(1,536,575)	(154)	-	-	(65,985)	-	(66,139)
Shares issued for services at \$.060 to \$.10	3,386,408	338	-	-	195,576	-	195,914
Shares issued for services at \$.051 to \$.15	-	-	4	321,619	-	-	321,619
Conversion of preferred shares	2,777,500	278	(3)	(195,191)	194,913	-	-
Net (loss)	-	-	-	-	-	(1,272,174)	(1,272,174)
Balance at December 31, 2008 (unaudited)	94,999,692	9,500	1	126,428	18,618,542	(18,394,322)	360,148
Shares issued for cash @ \$.035 to \$.325	7,716,290	772	-	-	759,918	-	760,690
Cancellation of shares	(1,660,500)	(166)	-	-	(59,109)	-	(59,109)
Shares issued for services at \$.050 to \$.50	1,618,938	162	-	-	288,301	-	288,463
Shares issued for services at \$.057 to \$.50	-	-	1	350,184	-	-	350,184
Cancellation of preferred shares	-	-	(1)	(107,450)	-	-	(107,450)
Conversion of preferred shares	1,815,375	181	(1)	(369,162)	368,981	-	-
Prior period adjustment for warrants issued by NPC in 2006	-	-	-	-	(210,000)	210,000	-
Net (loss)	-	-	-	-	-	(1,160,075)	(1,160,075)
Balance at December 31, 2009 (unaudited)	104,489,795	10,449	-	-	19,766,633	(19,371,902)	405,180
Shares issued for cash @ \$.28 to \$1.17	4,109,156	411	-	-	1,618,405	-	1,618,816
Shares issued for services at \$.49 to \$1.02	812,167	81	-	-	645,013	-	645,094
Shares issued for services at \$.44 to \$1.02	-	-	2	1,111,700	-	-	1,111,700
Conversion of preferred shares	1,220,000	122	(1)	(901,050)	900,928	-	-
Net (loss)	-	-	-	-	-	(2,655,784)	(2,655,784)
Balance at December 31, 2010 (unaudited)	110,631,118	11,063	1	210,650	22,930,979	(22,027,686)	1,125,006

Shares issued for cash @ \$.2837 to \$.412	3,196,127	320	-	-	1,026,380	-	1,026,700
Shares issued for services at \$.36 to \$.48	164,615	16	-	-	72,599	-	72,615
Shares issued for services at \$.35 to \$.51	-	-	1	548,400	-	-	548,400
Conversion of preferred shares	1,220,000	122	(2)	(759,050)	758,928	-	-
Net (loss)						(1,860,879)	(1,860,879)
Balance at December 31, 2011 (unaudited)	<u>115,211,860</u>	<u>11,521</u>	<u>-</u>	<u>-</u>	<u>24,788,886</u>	<u>(23,888,565)</u>	<u>911,842</u>
Shares issued for cash @ \$.206 to \$.30	4,834,816	483	-	-	1,102,017	-	1,102,500
Shares issued for services at \$.38 to \$.48	408,040	41	-	-	161,895	-	161,936
Shares issued for services at \$.32 to \$.51	-	-	1	458,600	-	-	458,600
Conversion of preferred shares	1,100,000	110	(1)	(458,600)	458,490	-	-
Prior period adjustment	-	-	-	-	-	(128)	(128)
Rounding	-	-	-	-	-	(1)	-
Net (loss)						(1,746,596)	(1,746,596)
Balance at December 31, 2012 (unaudited)	<u>121,554,716</u>	<u>12,155</u>	<u>-</u>	<u>-</u>	<u>\$ 26,511,289</u>	<u>\$ (25,635,290)</u>	<u>\$ 888,154</u>

STATEMENT OF CASH FLOWS
NANOLOGIX, INC.
(A DEVELOPMENT STAGE COMPANY)
Periods Ending December 31, 2012 and 2011

	Periods Ending December 31	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (1,746,596)	\$ (1,860,879)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Noncash expenses:		
Amortization	39,875	40,312
Depreciation	87,191	113,054
Common stock issued for services and other non-cash items	620,536	621,015
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivables	(111,039)	12,000
Prepaid deposits and other assets	5,878	(71)
Increase (decrease) in:		
Accounts payable	(7,162)	(23,150)
Accrued expenses and other current liabilities	(1,517)	167
NET CASH (USED IN) OPERATING ACTIVITIES	(1,112,834)	(1,097,552)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(41,307)	(24,659)
NET CASH (USED IN) INVESTING ACTIVITIES	(41,307)	(24,659)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in:		
Proceeds from stock issuance	1,102,500	1,026,700
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,102,500	1,026,700
NET INCREASE IN CASH	(51,641)	(95,511)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	115,246	210,757
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 63,605	\$ 115,246