

STATEMENT OF CASH FLOWS
NANOLOGIX, INC.
(A DEVELOPMENT STAGE COMPANY)
Years Ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (1,597,664)	\$ (6,593,625)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Noncash expenses:		
Amortization	34,172	32,489
Depreciation	-	1,254
Loss on disposal of assets	20,035	44,301
Unrealized loss on sale of securities	-	1,544
Non-cash stock compensation	-	(13,000)
Forgiveness of debt	-	(28,035)
Common stock issued for services and other non-cash items	1,109,024	6,376,478
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivables	46,116	(48,796)
Prepaid deposits and other assets	2,100	-
Trading Securities	1,277	(1,287)
Increase (decrease) in:		
Accounts Payable	(64,587)	(15,527)
Accrued expenses and other current liabilities	(15,440)	91,567
NET CASH (USED IN) OPERATING ACTIVITIES	<u>(464,967)</u>	<u>(152,637)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Patent Costs	(54,401)	(11,461)
NET CASH (USED IN) INVESTING ACTIVITIES	<u>(54,401)</u>	<u>(11,461)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		

Increase (decrease) in loan payable - shareholder	(9,688)	11,179
Contribution of capital by majority shareholder	-	15,000
Proceeds from stock issuance	<u>519,500</u>	<u>145,000</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>509,812</u>	<u>171,179</u>
NET INCREASE IN CASH	(9,556)	7,081
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>9,887</u>	<u>2,806</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 331</u></u>	<u><u>\$ 9,887</u></u>