

STATEMENT OF CASH FLOWS
NANOLOGIX, INC.
(A DEVELOPMENT STAGE COMPANY)
Years Ended December 31, 2006 and 2005

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (2,331,900)	\$ (1,597,664)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Noncash expenses:		
Amortization	40,867	34,172
Loss on disposal of assets	41,918	20,035
Common stock issued for services and other non-cash items	1,653,668	1,109,024
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivables	(217,320)	46,116
Prepaid deposits and other assets	(12,599)	2,100
Trading Securities	-	1,277
Increase (decrease) in:		
Accounts Payable	104,049	(64,587)
Accrued expenses and other current liabilities	(65,404)	(15,440)
NET CASH (USED IN) OPERATING ACTIVITIES	(786,721)	(464,967)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Patent Costs	(245,256)	(54,401)
NET CASH (USED IN) INVESTING ACTIVITIES	(245,256)	(54,401)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in loan payable - shareholder	(1,570)	(9,688)
Proceeds from stock issuance	1,091,402	519,500

NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,089,832</u>	<u>509,812</u>
NET INCREASE IN CASH	57,855	(9,556)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>331</u>	<u>9,887</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 58,186</u>	<u>\$ 331</u>