

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

	<u>2006</u>	<u>2005</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
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)
<b>NET CASH (USED IN) OPERATING ACTIVITIES</b>	<u>(786,721)</u>	<u>(464,967)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Patent Costs	<u>(245,256)</u>	<u>(54,401)</u>
<b>NET CASH (USED IN) INVESTING ACTIVITIES</b>	<u>(245,256)</u>	<u>(54,401)</u>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in loan payable - shareholder	(1,570)	(9,688)
Proceeds from stock issuance	<u>1,091,402</u>	<u>519,500</u>

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>