

BALANCE SHEET
NANOLOGIX, INC.
(A DEVELOPMENT STAGE COMPANY)
December 31, 2007 and 2006

	DECEMBER 31,	
	2007	2006
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 174,579	\$ 58,186
Accounts receivable	265,369	220,000
Trading securities	10	10
TOTAL CURRENT ASSETS	439,958	278,196
 PROPERTY AND EQUIPMENT		
Computer equipment	5,540	-
Furniture and fixtures	3,883	-
Machinery and equipment	20,280	-
	29,703	-
Less: Accumulated depreciation	(4,584)	-
TOTAL PROPERTY AND EQUIPMENT	25,119	-
 OTHER ASSETS		
Employee advances	5,000	-
Deposits	16,151	12,999
Patent costs, net of accumulated amortization of \$326,873 in 2007 and \$281,286 in 2006	588,536	514,941
TOTAL OTHER ASSETS	609,687	527,940
 TOTAL ASSETS	 \$ 1,074,764	 \$ 806,136

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Accounts payable	\$ 104,391	\$ 123,532
Accrued salaries	-	5,000
Accrued worker's compensation	207	-
Accrued payroll taxes and penalties	3,168	5,935
Loan payable - shareholder	-	-
TOTAL CURRENT LIABILITES	107,766	134,467

STOCKHOLDERS' EQUITY

Convertible preferred stock, \$.0001 par value, 50 shares authorized, issued and outstanding zero shares in 2007 and 2 shares in 2006	-	192,500
Common stock, \$.0001 par value, 200,000,000 shares authorized in 2007 and 100,000,000 in 2006, issued and outstanding 84,465,217 shares in 2007 and 61,635,684 in 2006	8,447	6,164
Additional paid in capital	18,080,699	16,281,654
Deficit accumulated during the development stage	(17,122,148)	(15,808,649)
	966,998	671,669
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,074,764	\$ 806,136

STATEMENT OF CASH FLOWS
NANOLOGIX, INC.
(A DEVELOPMENT STAGE COMPANY)
Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (1,313,499)	\$ (2,331,900)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Noncash expenses:		
Amortization	45,587	40,867
Depreciation	4,584	-
Loss on disposal of assets	-	41,918
Common stock issued for services and other non-cash items	579,681	1,653,668
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivables	(45,369)	(217,320)
Prepaid deposits and other assets	(8,152)	(12,599)
Increase (decrease) in:		
Accounts Payable	(19,141)	104,049
Accrued expenses and other current liabilities	(7,560)	(65,404)
NET CASH (USED IN) OPERATING ACTIVITIES	<u>(763,869)</u>	<u>(786,721)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(29,703)	-
Patent costs	(119,182)	(245,256)
NET CASH (USED IN) INVESTING ACTIVITIES	<u>(148,885)</u>	<u>(245,256)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in loan payable - shareholder	-	(1,570)

Proceeds from stock issuance	<u>1,029,147</u>	<u>1,091,402</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>1,029,147</u>	<u>1,089,832</u>
NET INCREASE IN CASH	116,393	57,855
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>58,186</u>	<u>331</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 174,579</u></u>	<u><u>\$ 58,186</u></u>

STATEMENT OF OPERATIONS
NANOLOGIX, INC.
(A DEVELOPMENT STAGE COMPANY)
Years Ended December 31, 2007 and 2006

	Year Ended December 31,	
	2007	2006
REVENUES	\$ 20,618	\$ -
OPERATING EXPENSES		
Research and development	197,811	165,801
Non-cash stock compensation	579,681	1,698,668
Wages	138,242	136,530
Advertising	16,098	7,697
Marketing	13,300	13,050
Shareholder/stock expenses	14,328	14,422
Show expense	9,280	-
Bank fees	799	348
Insurance	41,660	44,941
Licenses and permits	825	25
Professional fees	189,242	60,814
Rent	11,495	6,500
Travel	16,766	17,495
Meals and entertainment	1,236	1,015
Payroll taxes	12,304	16,485
State and local taxes	525	531
Employee benefits	16,640	49,487
Amortization	45,587	40,867
Depreciation	4,584	-
Office expense	3,771	3,762
Supplies	4,497	2,044

Postage and delivery	2,775	1,799
Dues and subscriptions	3,001	200
Repairs and maintenance	340	238
Telephone	5,622	4,979
Security	946	-
Utilities	3,324	2,045
TOTAL OPERATING EXPENSES	<u>1,334,679</u>	<u>2,289,743</u>

OTHER INCOME (EXPENSE)

Gain (loss) on disposal of assets	-	(41,918)
Penalties	-	(1,618)
Miscellaneous	461	120
Interest expense	-	(30)
Interest income	101	1,289
NET LOSS	<u>\$ (1,313,499)</u>	<u>\$ (2,331,900)</u>

Per share information – basic and fully diluted:

Weighted average shares outstanding	<u>84,465,217</u>	<u>61,635,684</u>
Net (loss) per share	<u>\$ (0.02)</u>	<u>\$ (0.04)</u>

STATEMENT OF STOCKHOLDERS' (DEFICIT)
NANOLOGIX, INC.
(A DEVELOPMENT STAGE COMPANY)
For the Period From Inception June 21, 1989 to December 31, 2007

	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	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 e:	-	-	-	-	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	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	<u>40,763,903</u>	<u>\$ 4,076</u>	<u>1</u>	<u>\$ 97,500</u>	<u>\$ 13,633,672</u>	<u>\$ (13,476,749)</u>	<u>\$ 258,499</u>
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	<u>61,635,684</u>	<u>6,164</u>	<u>2</u>	<u>\$ 192,500</u>	<u>\$ 16,281,654</u>	<u>\$ (15,808,649)</u>	<u>\$ 671,669</u>
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	<u><u>\$ 84,465,217</u></u>	<u><u>\$ 8,447</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 18,080,699</u></u>	<u><u>\$ (17,122,148)</u></u>	<u><u>\$ 966,998</u></u>