

BALANCE SHEET  
NANOLOGIX, INC.  
(A DEVELOPMENT STAGE COMPANY)  
December 31, 2008 and 2007

	December 31	
	2008	2007
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 16,246	\$ 174,579
Accounts receivable	199,230	265,369
Prepaid insurance	429	-
Trading securities	10	10
TOTAL CURRENT ASSETS	215,915	439,958
FIXED ASSETS		
Furniture and equipment, net of accumulated depreciation	17,355	25,119
OTHER ASSETS		
Employee Advances	-	5,000
Deposits	13,987	16,151
Patent costs, net of accumulated amortization of \$362,263 in 2008 and \$326,873 in 2007	456,681	588,536
TOTAL OTHER ASSETS	470,668	609,687
TOTAL ASSETS	\$ 703,938	\$ 1,074,764

LIABILITIES AND STOCKHOLDERS' EQUITY

**CURRENT LIABILITIES**

Accounts payable	\$ 221,745	\$ 104,391
Accrued salaries	91,742	-
Accrued payroll taxes and penalties	503	3,375
<b>TOTAL CURRENT LIABILITES</b>	<u>313,990</u>	<u>107,766</u>

**NON-CURRENT LIABILITIES**

Note payable - officer	29,800	-
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**STOCKHOLDERS' EQUITY**

Convertible preferred stock, \$.000001 par value, 50 shares authorized, issued and outstanding 1 share in 2008 and zero shares in 2007	126,428	-
Common stock, \$.0001 par value, 200,000,000 shares authorized in 2008 and 100,000,000 in 2007, issued and outstanding 94,999,692 shares in 2008 and 84,465,217 in 2007	9,500	8,447
Additional paid in capital	18,618,542	18,080,699
Deficit accumulated during the development stage	(18,394,322)	(17,122,148)
	<u>360,148</u>	<u>966,998</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u>\$ 703,938</u>	<u>\$ 1,074,764</u>

STATEMENT OF CASH FLOWS  
NANOLOGIX, INC.  
(A DEVELOPMENT STAGE COMPANY)  
Periods Ending December 31, 2008 and 2007

	Periods Ending December 31	
	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (1,272,174)	\$ (1,313,499)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Noncash expenses:		
Amortization	47,184	45,587
Depreciation	7,765	4,584
Loss on disposal of assets	114,740	-
Common stock issued for services and other non-cash items	517,533	579,681
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivables	66,139	(45,369)
Prepaid deposits and other assets	6,734	(8,152)
Increase (decrease) in:		
Accounts payable	117,355	(806) (19,141)
Accrued expenses and other current liabilities	88,870	(7,560)
<b>NET CASH (USED IN) OPERATING ACTIVITIES</b>	<b>(305,854)</b>	<b>(763,869)</b>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	-	(29,703)
Patent costs	(30,070)	(119,182)
<b>NET CASH (USED IN) INVESTING ACTIVITIES</b>	<b>(30,070)</b>	<b>(148,885)</b>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in:		

Note payable - officer	29,800	-
Proceeds from stock issuance	<u>147,791</u>	<u>1,029,147</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>177,591</u>	<u>1,029,147</u>
NET INCREASE IN CASH	(158,333)	116,393
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>174,579</u>	<u>58,186</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 16,246</u></u>	<u><u>\$ 174,579</u></u>

STATEMENT OF OPERATIONS  
NANOLOGIX, INC.  
(A DEVELOPMENT STAGE COMPANY)  
Periods Ending December 31, 2008 and 2007

	Quarter Ending December 31		Year-to-Date Ending December 31	
	2008	2007	2008	2007
REVENUE	\$ -	\$ 618	\$ 25,000	\$ 20,618
OPERATING EXPENSES				
Research and development	29,453	44,963	125,856	197,811
Non-cash stock compensation	120,540	31,726	517,533	579,681
Officer's salaries	80,000	15,000	100,000	90,000
Wages	10,031	11,812	50,639	48,242
Advertising	1,235	2,560	5,765	16,098
Marketing	5,000	-	5,000	13,300
Show expense	80	3,210	12,680	9,280
Shareholder/stock expenses	1,507	9,344	5,128	14,328
Bank fees	88	29	295	799
Licenses and permits	-	179	-	825
Professional fees	75,793	81,546	217,813	189,242
Rent	2,655	2,655	9,735	11,495
Insurance	5,292	6,204	30,295	41,660
Auto expense	123	597	3,289	1,897
Meals and entertainment	-	31	740	1,236
Travel	574	2,777	16,201	14,869
Payroll taxes	3,473	1,700	9,329	12,304
State and local taxes	-	-	1,124	525
Employee benefits	-	-	-	16,640
Amortization	12,994	21,677	47,184	45,587
Depreciation	4,327	4,584	7,765	4,584

Office expense	141	638	804	3,771
Supplies	591	648	1,313	4,497
Postage and delivery	346	1,075	2,884	2,775
Dues and subscriptions	-	258	4,150	3,001
Repairs and maintenance	-	-	-	340
Security	98	371	392	946
Telephone	1,056	1,022	3,224	5,622
Utilities	1,345	1,139	3,296	3,324
TOTAL OPERATING EXPENSES	<u>356,742</u>	<u>245,745</u>	<u>1,182,434</u>	<u>1,334,679</u>

OTHER INCOME (EXPENSE)

Interest income	-	-	-	101
Miscellaneous	-	-	-	461
Loss on disposal of assets	114,740	-	114,740	-
NET LOSS	<u>\$ (471,482)</u>	<u>\$ (245,127)</u>	<u>\$ (1,272,174)</u>	<u>\$ (1,313,499)</u>

Per share information – basic and fully diluted:

Weighted average shares outstanding			<u>94,999,692</u>	<u>84,465,217</u>
Net (loss) per share			<u>\$ (0.01)</u>	<u>\$ (0.02)</u>

STATEMENT OF STOCKHOLDERS' (DEFICIT)  
NANOLOGIX, INC.  
(A DEVELOPMENT STAGE COMPANY)  
For the Period From Inception June 21, 1989 to December 31, 2008

	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 @ .05 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	(793,075)	(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)	95,743,192	9,500	1	\$ 126,428	# \$ 18,618,542	# \$ (18,394,322)	# \$ 360,148

Note: During the fourth quarter, 7,479,000 stock options were cancelled.