

STATEMENT OF CASH FLOWS
NANOLOGIX, INC.
(A DEVELOPMENT STAGE COMPANY)
Periods Ending December 31, 2009 and 2008

	Periods Ending December 31	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (1,160,075)	\$ (1,272,174)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Noncash expenses:		
Amortization	40,350	47,184
Depreciation	9,273	7,765
Loss on disposal of assets	86,435	114,740
Common stock issued for services and other non-cash items	638,647	517,533
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivables	199,230	66,139
Prepaid deposits and other assets	10,128	6,734
Increase (decrease) in:		
Accounts payable	(20,648)	(806)
Accrued expenses and other current liabilities	(40,389)	88,870
NET CASH (USED IN) OPERATING ACTIVITIES	(237,049)	(305,854)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(213,604)	-
Patent costs	(50,655)	(30,070)
NET CASH (USED IN) INVESTING ACTIVITIES	(264,259)	(30,070)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in:		
Note payable - officer	7,200	29,800
Proceeds from stock issuance	566,460	147,791
NET CASH PROVIDED BY FINANCING ACTIVITIES	573,660	177,591
 NET INCREASE IN CASH	72,352	(158,333)
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	16,246	174,579
 CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 88,598	\$ 16,246

STATEMENT OF OPERATIONS
NANOLOGIX, INC.
(A DEVELOPMENT STAGE COMPANY)
Periods Ending December 31, 2009 and 2008

	Quarter Ending December 31		Year-to-Date Ending December 31	
	2009	2008	2009	2008
REVENUE	\$ 44	\$ -	\$ 21,361	\$ 25,000
OPERATING EXPENSES				
Research and development	34,314	29,453	126,778	125,856
Non-cash stock compensation	164,869	120,540	638,647	517,533
Officer's salaries	-	80,000	-	100,000
Wages	9,199	10,031	39,143	50,639
Advertising	760	1,235	8,205	5,765
Marketing	-	5,000	3,025	5,000
Printing and production	-	-	2,118	-
Show expense	3,275	80	7,800	12,680
Shareholder/stock expenses	6,975	1,507	22,205	5,128
Bank fees	32	88	380	295
Professional fees	17,879	75,793	117,226	217,813
Rent	4,140	2,655	15,975	9,735
Insurance	5,111	5,292	22,606	30,295
Auto expense	440	123	3,638	3,289
Meals and entertainment	-	-	4,681	740
Travel	317	574	14,294	16,201
Payroll taxes	748	3,473	2,994	9,329
State and local taxes	-	-	525	1,124
Amortization	10,087	12,994	40,350	47,184
Depreciation	2,318	4,327	9,273	7,765
Office expense	570	141	1,619	804

Supplies	650	591	2,281	1,313
Postage and delivery	659	346	2,434	2,884
Dues and subscriptions	458	-	458	4,150
Repairs and maintenance	-	-	833	-
Security	98	98	524	392
Telephone	555	1,056	3,866	3,224
Utilities	942	1,345	3,123	3,296
TOTAL OPERATING EXPENSES	<u>264,396</u>	<u>356,742</u>	<u>1,095,001</u>	<u>1,182,434</u>

OTHER INCOME (EXPENSE)

Interest income	-	-	-	-
Miscellaneous	-	-	-	-
Loss on disposal of assets	32,983	114,740	86,435	114,740
NET LOSS	<u>\$ (297,335)</u>	<u>\$ (471,482)</u>	<u>\$ (1,160,075)</u>	<u>\$ (1,272,174)</u>

Per share information – basic and fully diluted:

Weighted average shares outstanding			<u>104,489,795</u>	<u>94,999,692</u>
Net (loss) per share			<u>\$ (0.01)</u>	<u>\$ (0.01)</u>

BALANCE SHEET
NANOLOGIX, INC.
(A DEVELOPMENT STAGE COMPANY)
December 31, 2009 and 2008

	December 31	
	2009	2008
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 88,598	\$ 16,246
Accounts receivable	-	199,230
Prepaid insurance	129	429
Trading securities	8	10
TOTAL CURRENT ASSETS	88,735	215,915
FIXED ASSETS		
Furniture and equipment, net of accumulated depreciation	221,687	17,355
OTHER ASSETS		
Deposits	4,161	13,987
Patent costs, net of accumulated amortization of \$348,840 in 2009 and \$362,263 in 2008	380,552	456,681
TOTAL OTHER ASSETS	384,713	470,668
TOTAL ASSETS	\$ 695,135	\$ 703,938
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 201,098	\$ 221,745

Accrued salaries	51,696	91,742
Accrued payroll taxes and penalties	161	503
TOTAL CURRENT LIABILITES	<u>252,955</u>	<u>313,990</u>
NON-CURRENT LIABILITIES		
Note payable - officer	37,000	29,800
STOCKHOLDERS' EQUITY		
Convertible preferred stock, \$.000001 par value, 50 shares authorized, issued and outstanding zero shares in 2009 and 1 share in 2008	-	126,428
Common stock, \$.0001 par value, 200,000,000 shares authorized in 2009 and 2008, issued and outstanding 104,489,795 shares in 2009 and 94,999,692 shares in 2008	10,449	9,500
Additional paid in capital	19,766,633	18,618,542
Deficit accumulated during the development stage	(19,371,902)	(18,394,322)
	<u>405,180</u>	<u>360,148</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 695,135</u>	<u>\$ 703,938</u>

STATEMENT OF STOCKHOLDERS' (DEFICIT)
NANOLOGIX, INC.
(A DEVELOPMENT STAGE COMPANY)
For the Period From Inception June 21, 1989 to December 31, 2009

	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 @ .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 (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	(1,536,575)	(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)	94,999,692	9,500	- 1	- 126,428	- 18,618,542	- (18,394,322)	- 360,148
Shares issued for cash @ \$.035 to \$.325	7,716,290	772	-	-	759,918	-	760,690
Cancellation of shares	(1,660,500)	(166)	-	-	(59,109)	(27,505)	(86,780)
Shares issued for services at \$.050 to \$.50	1,618,938	162	-	-	288,301	-	288,463
Shares issued for services at \$.057 to \$.50	-	-	1	350,184	-	-	350,184
Cancellation of preferred shares	-	-	(1)	(107,450)	-	-	(107,450)
Conversion of preferred shares	1,815,375	181	(1)	(369,162)	368,981	-	-
Prior period adjustment for warrants issued by NPC in 2006	-	-	-	-	(210,000)	210,000	-
Net (loss)	-	-	-	-	-	(1,160,075)	(1,160,075)
Balance at December 31, 2009 (unaudited)	<u>104,489,795</u>	<u>10,449</u>	-	-	# \$ 19,766,633	# \$ (19,371,902)	# \$ 405,180