

BALANCE SHEET
NANOLOGIX, INC.
(A DEVELOPMENT STAGE COMPANY)
September 30, 2007 and 2006

	September 30,	
	2007	2006
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 67,809	\$ 140,840
Accounts receivable	265,369	160,000
Trading securities	10	10
TOTAL CURRENT ASSETS	333,188	300,850
FIXED ASSETS		
Furniture and equipment, net of accumulated depreciation	27,284	-
OTHER ASSETS		
Deposits	14,588	9,928
Patent costs, net of accumulated amortization of \$305,196 in 2007 and \$271,069 in 2006	504,159	465,440
TOTAL OTHER ASSETS	518,747	475,368
TOTAL ASSETS	\$ 879,219	\$ 776,218

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Accounts payable	\$ 41,038	\$ 105,036
Accrued salaries	2,458	13,384
Accrued payroll taxes and penalties	3,276	-
Loan payable - shareholder	-	83,334
TOTAL CURRENT LIABILITES	46,772	201,754

STOCKHOLDERS' EQUITY

Convertible preferred stock, \$.0001 par value, 50 shares authorized, issued and outstanding 1 share in 2007 and 3 shares in 2006	60,000	425,000
Common stock, \$.0001 par value, 100,000,000 shares authorized, issued and outstanding 78,534,114 shares in 2007 and 56,297,693 in 2006	7,853	5,630
Additional paid in capital	17,642,249	15,482,771
Deficit accumulated during the development stage	(16,877,655)	(15,338,937)
	832,447	574,464
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 879,219	\$ 776,218

STATEMENT OF CASH FLOWS
NANOLOGIX, INC.
(A DEVELOPMENT STAGE COMPANY)
Periods Ending September 30, 2007 and 2006

	Periods Ending September 30,	
	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (1,069,006)	\$ (1,862,188)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Noncash expenses:		
Amortization	23,910	30,650
Common stock issued for services and other non-cash items	547,955	1,381,753
Loss on disposal	-	41,918
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivables	(45,369)	(157,320)
Prepaid deposits and other assets	(1,590)	(9,527)
Increase (decrease) in:		
Accounts payable	(82,494)	(806) 85,553
Accrued expenses and other current liabilities	(5,200)	(62,955)
NET CASH (USED IN) OPERATING ACTIVITIES	(631,794)	(552,116)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(27,284)	-
Patent costs	(13,128)	(230,539)
NET CASH (USED IN) INVESTING ACTIVITIES	(40,412)	(230,539)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in loan payable - shareholder	-	(1,570)
Pending equity transactions		83,334

Proceeds from stock issuance	<u>681,829</u>	<u>841,400</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>681,829</u>	<u>923,164</u>
NET INCREASE IN CASH	9,623	140,509
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>\$ 67,809</u></u>	<u><u>\$ 140,840</u></u>

STATEMENT OF OPERATIONS
NANOLOGIX, INC.
(A DEVELOPMENT STAGE COMPANY)
For the Periods Ending September 30, 2007 and 2006

	Periods Ending September 30,	
	2007	2006
REVENUE	\$ 20,000	\$ -
OPERATING EXPENSES		
Research and development	156,075	120,108
Non-cash stock compensation	547,955	1,381,753
Officer's salaries	75,000	88,165
Wages	36,431	9,537
Advertising	13,538	5,677
Marketing	13,300	4,350
Show expense	6,069	-
Shareholder/stock expenses	4,984	13,816
Bank fees	770	248
Licenses and permits	646	-
Professional fees	105,105	47,297
Rent	8,840	5,200
Insurance	29,179	33,493
Auto expense	1,300	-
Travel	13,297	12,252
Payroll taxes	10,603	13,281
State and local taxes	525	1,185
Employee benefits	22,917	42,425
Amortization	23,910	30,650
Office expense	3,133	1,722
Supplies	3,848	1,530

Postage and delivery	1,699	1,175
Dues and subscriptions	2,744	200
Repairs and maintenance	340	238
Security	575	-
Telephone	4,600	3,763
Utilities	2,185	1,628
TOTAL OPERATING EXPENSES	<u>1,089,568</u>	<u>1,819,693</u>
OTHER INCOME (EXPENSE)		
Gain (loss) on disposal of assets	-	(41,918)
Penalties	-	(1,608)
Miscellaneous	461	-
Interest expense	-	(30)
Interest income	101	1,061
NET LOSS	<u>\$ (1,069,006)</u>	<u>\$ (1,862,188)</u>
Per share information – basic and fully diluted:		
Weighted average shares outstanding	<u>78,534,114</u>	<u>40,763,903</u>
Net (loss) per share	<u>\$ (0.01)</u>	<u>\$ (0.05)</u>

STATEMENT OF STOCKHOLDERS' (DEFICIT)
NANOLOGIX, INC.
(A DEVELOPMENT STAGE COMPANY)
For the Period From Inception June 21, 1989 to September 30, 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 s	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 ex	-	-	-	-	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	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	61,635,684	6,164	2	\$ 192,500	\$ 16,281,654	\$ (15,808,649)	\$ 671,669
Shares issued for cash @ \$.046 to \$.084	11,308,692	1,131	-	-	680,698	-	681,829
Shares issued for services at \$.09 to \$.125	714,738	71	-	-	82,884	-	82,955
Shares issued for services at \$.095 to \$.14	-	-	4	465,000	-	-	465,000
Conversion of preferred shares	4,875,000	487	(5)	(597,500)	597,013	-	-
Net (loss)	-	-	-	-	-	(1,069,006)	(1,069,006)
Balance at September 30, 2007	<u>\$ 78,534,114</u>	<u>\$ 7,853</u>	<u>\$ 1</u>	<u>\$ 60,000</u>	<u>\$ 17,642,249</u>	<u>\$ (16,877,655)</u>	<u>\$ 832,447</u>