

BALANCE SHEET  
NANOLOGIX, INC.  
(A DEVELOPMENT STAGE COMPANY)  
September 30, 2009 and 2008

	September 30	
	2009	2008
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 116,762	\$ 18,238
Accounts receivable	-	270,369
Prepaid insurance	2,099	193
Trading securities	8	10
<b>TOTAL CURRENT ASSETS</b>	<b>118,869</b>	<b>288,810</b>
<b>FIXED ASSETS</b>		
Furniture and equipment, net of accumulated depreciation	65,837	21,682
<b>OTHER ASSETS</b>		
Deposits	9,161	13,987
Patent costs, net of accumulated amortization of \$362,845 in 2009 and \$361,064 in 2008	404,828	610,526
<b>TOTAL OTHER ASSETS</b>	<b>413,989</b>	<b>624,513</b>
<b>TOTAL ASSETS</b>	<b>\$ 598,695</b>	<b>\$ 935,005</b>

LIABILITIES AND STOCKHOLDERS' EQUITY

**CURRENT LIABILITIES**

Accounts payable	\$ 241,129	\$ 168,843
Accrued salaries	76,000	11,932
Accrued payroll taxes and penalties	191	51
<b>TOTAL CURRENT LIABILITES</b>	<u>317,320</u>	<u>180,826</u>

**NON-CURRENT LIABILITIES**

Note payable	49,000	37,800
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**STOCKHOLDERS' EQUITY**

Convertible preferred stock, \$.000001 par value, 50 shares authorized, issued and outstanding zero share in 2009 and 1 share in 2008	-	107,450
Common stock, \$.0001 par value, 200,000,000 shares authorized in 2008 and 100,000,000 in 2007, issued and outstanding 101,703,217 shares in 2009 and 92,063,089 in 2008	10,170	9,206
Additional paid in capital	19,385,343	18,522,563
Deficit accumulated during the development stage	(19,163,138)	(17,922,840)
	<u>232,375</u>	<u>716,379</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u>\$ 598,695</u>	<u>\$ 935,005</u>

STATEMENT OF CASH FLOWS  
NANOLOGIX, INC.  
(A DEVELOPMENT STAGE COMPANY)  
Periods Ending September 30, 2009 and 2008

	Periods Ending September 30	
	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (951,311)	\$ (800,692)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Noncash expenses:		
Amortization	31,738	34,190
Depreciation	4,052	3,438
Loss on disposal of assets	53,542	-
Common stock issued for services and other non-cash items	473,778	434,493
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivables	199,230	(5,000)
Prepaid deposits and other assets	3,158	6,970
Increase (decrease) in:		
Accounts payable	19,384	(806) 64,452
Accrued expenses and other current liabilities	(16,054)	8,609
<b>NET CASH (USED IN) OPERATING ACTIVITIES</b>	<b>(182,483)</b>	<b>(253,540)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(52,535)	-
Patent costs	(33,426)	(56,181)
<b>NET CASH (USED IN) INVESTING ACTIVITIES</b>	<b>(85,961)</b>	<b>(56,181)</b>

CASH FLOWS FROM FINANCING ACTIVITIES

Increase (decrease) in:

Note payable - officer

19,200

37,800

Proceeds from stock issuance

349,760

115,580

NET CASH PROVIDED BY FINANCING ACTIVITIES

368,960

153,380

NET INCREASE IN CASH

100,516

(156,341)

CASH AND CASH EQUIVALENTS

AT BEGINNING OF YEAR

16,246

174,579

CASH AND CASH EQUIVALENTS

AT END OF YEAR

\$ 116,762

\$ 18,238

STATEMENT OF OPERATIONS  
NANOLOGIX, INC.  
(A DEVELOPMENT STAGE COMPANY)  
Periods Ending September 30, 2009 and 2008

	<u>Year-to-Date Ending September 30</u>	
	<u>2009</u>	<u>2008</u>
REVENUE	\$ 21,318	\$ 25,000
OPERATING EXPENSES		
Research and development	92,464	96,403
Non-cash stock compensation	473,778	396,993
Officer's salaries	90,000	-
Wages	29,008	60,608
Advertising	7,445	4,548
Marketing	3,025	-
Printing and production	2,118	-
Show expense	4,525	12,600
Shareholder/stock expenses	15,230	3,621
Bank fees	348	207
Professional fees	99,347	142,020
Rent	11,963	7,080
Insurance	17,494	25,002
Auto expense	3,198	3,166
Meals and entertainment	4,874	740
Travel	13,785	15,627
Payroll taxes	3,182	5,857
State and local taxes	525	1,124
Amortization	31,738	34,190
Depreciation	4,052	3,438
Office expense	922	645

Supplies	1,631	722
Postage and delivery	1,775	2,538
Dues and subscriptions	-	4,150
Repairs and maintenance	833	-
Security	425	294
Telephone	3,310	2,169
Utilities	2,182	1,950
TOTAL OPERATING EXPENSES	<u>919,177</u>	<u>825,692</u>

OTHER INCOME (EXPENSE)

Miscellaneous	53,452	-
Interest income	-	-
NET LOSS	<u>\$ (951,311)</u>	<u>\$ (800,692)</u>

Per share information – basic and fully diluted:

Weighted average shares outstanding	<u>101,703,217</u>
Net (loss) per share	<u>\$ (0.01)</u>

STATEMENT OF STOCKHOLDERS' (DEFICIT)  
NANOLOGIX, INC.  
(A DEVELOPMENT STAGE COMPANY)  
For the Period From Inception June 21, 1989 to September, 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 \$.27	4,942,570	494	-	-	543,496	-	543,990
Cancellation of shares	(1,285,500)	(129)	-	-	(59,146)	(27,505)	(86,780)
Shares issued for services at \$.050 to \$.45	1,516,080	152	-	-	244,582	-	244,734
Shares issued for services at \$.057 to \$.39	-	-	1	229,044	-	-	229,044
Cancellation of preferred shares	-	-	(1)	(107,450)	-	-	(107,450)
Conversion of preferred shares	1,530,375	153	(1)	(248,022)	247,869	-	-
Prior period adjustment for warrants issued by NPC in 2006	-	-	-	-	(210,000)	210,000	-
Net (loss)	-	-	-	-	-	(951,311)	(951,311)
Balance at September 30, 2009 (unaudited)	<u>101,703,217</u>	<u>10,170</u>	-	-	# \$ 19,385,343	# \$ (19,163,138)	# \$ 232,375