

BALANCE SHEET
NANOLOGIX, INC.
(A DEVELOPMENT STAGE COMPANY)
June 30, 2011 and 2010

| | June 30 | |
|---|-------------------|---------------------|
| | 2011 | 2010 |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 26,701 | \$ 661,598 |
| Accounts receivable | 12,000 | - |
| Prepaid expenses | 3,431 | 23,682 |
| Trading securities | - | 4 |
| TOTAL CURRENT ASSETS | 42,132 | 685,284 |
| PROPERTY AND EQUIPMENT | | |
| Leasehold Improvements | 255,024 | 233,366 |
| Computer equipment | 12,216 | 12,216 |
| Furniture and fixtures | 5,675 | 5,675 |
| Machinery and equipment | 430,975 | 405,655 |
| | 703,890 | 656,912 |
| Less: Accumulated depreciation | (145,932) | (37,532) |
| TOTAL PROPERTY AND EQUIPMENT | 557,958 | 619,380 |
| OTHER ASSETS | | |
| Deposits | 7,970 | 4,161 |
| Patent costs, net of accumulated amortization of \$389,318 in 2011 and \$350,389 in 2010 | 317,832 | 354,050 |
| TOTAL OTHER ASSETS | 325,802 | 358,211 |
| TOTAL ASSETS | \$ 925,892 | \$ 1,662,875 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 29,196 | \$ 114,285 |
| Accrued payroll taxes and penalties | - | 185 |
| TOTAL CURRENT LIABILITES | 29,196 | 114,470 |
| Notes payable | 9,800 | 569 |
| STOCKHOLDERS' EQUITY | | |
| Convertible preferred stock, \$.000001 par value, 50 shares authorized, issued and outstanding one share in 2011 and one share in 2010 | 19,600 | - |
| Common stock, \$.0001 par value, 200,000,000 shares authorized in 2011 and 2010, issued and outstanding 112,219.879 shares in 2011 and 109,374,822 in 2010 | 11,222 | 10,937 |
| Additional paid in capital | 23,804,935 | 21,882,355 |
| Deficit accumulated during the development stage | (22,948,861) | (20,345,456) |
| | 886,896 | 1,547,836 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUI | \$ 925,892 | \$ 1,662,875 |

NANOLOGIX, INC.
(A DEVELOPMENT STAGE COMPANY)
Periods Ending June 30, 2011 and 2010

| | Periods Ending June 30 | |
|---|------------------------|-------------------|
| | 2011 | 2010 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net loss | \$ (921,175) | \$ (973,554) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | |
| Noncash expenses: | | |
| Amortization | 20,156 | 18,700 |
| Depreciation | 41,436 | 15,911 |
| Loss on disposal of assets | - | 7,802 |
| Common stock issued for services and other non-cash items | 348,065 | 602,393 |
| Change in operating assets and liabilities: | | |
| (Increase) decrease in: | | |
| Prepaid deposits and other assets | 139 | (23,549) |
| Increase (decrease) in: | | |
| Accounts payable | (3,185) | (86,813) |
| Accrued expenses and other current liabilities | - | (51,672) |
| NET CASH (USED IN) OPERATING ACTIVITIES | (514,564) | (490,782) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of fixed assets | (14,292) | (413,604) |
| NET CASH (USED IN) INVESTING ACTIVITIES | (14,292) | (413,604) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Increase (decrease) in: | | |
| Note payable - officer | 9,800 | (36,430) |
| Proceeds from stock issuance | 335,000 | 1,513,816 |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | 344,800 | 1,477,386 |
| NET INCREASE IN CASH | (184,056) | 573,000 |
| CASH AND CASH EQUIVALENTS | | |
| AT BEGINNING OF YEAR | 210,757 | 88,598 |
| CASH AND CASH EQUIVALENTS | | |
| AT END OF YEAR | \$ 26,701 | \$ 661,598 |

STATEMENT OF OPERATIONS
NANOLOGIX, INC.
(A DEVELOPMENT STAGE COMPANY)
Periods Ending June 30, 2011 and 2010

| | Quarter Ending June 30 | | Year-to-Date Ending June 30 | |
|--|------------------------|-------------------|-----------------------------|---------------------|
| | 2011 | 2010 | 2011 | 2010 |
| REVENUE | \$ - | \$ 235 | \$ 128 | \$ 235 |
| OPERATING EXPENSES | | | | |
| Production | 5,993 | - | 12,449 | - |
| Research and development | 176,616 | 173,924 | 254,427 | 136,776 |
| Non-cash stock compensation | 153,200 | 374,098 | 348,065 | 602,393 |
| Wages | 13,192 | 10,905 | 30,185 | 21,782 |
| Advertising | 3,555 | 5,410 | 8,182 | 5,410 |
| Marketing | 13,500 | 6,845 | 27,000 | 6,845 |
| Consulting | 14,600 | - | 24,600 | - |
| Printing and production | - | 342 | - | 342 |
| Show expense | 2,515 | 3,521 | 5,091 | 20,474 |
| Shareholder/stock expenses | 2,134 | 1,358 | 2,961 | 2,088 |
| Contributions | - | - | - | - |
| Licenses and permits | - | 2,008 | - | 2,008 |
| Bank fees | 104 | 264 | 307 | 268 |
| Professional fees | 25,511 | 25,145 | 53,669 | 48,087 |
| Rent | 1,885 | 5,439 | 6,900 | 9,660 |
| Equipment rental | 875 | - | 875 | - |
| Insurance | 6,523 | 992 | 13,630 | 13,374 |
| Auto expense | 4,133 | 1,427 | 5,984 | 3,153 |
| Meals and entertainment | 5,746 | 1,374 | 6,849 | 2,504 |
| Travel | 27,469 | 21,534 | 34,295 | 28,200 |
| Payroll taxes | 968 | 1,746 | 3,650 | 3,482 |
| Amortization | 10,078 | 9,350 | 20,156 | 18,700 |
| Depreciation | 20,718 | 7,956 | 41,436 | 15,911 |
| Office expense | 7,136 | 212 | 8,917 | 950 |
| Supplies | 81 | 12,387 | 1,209 | 13,569 |
| Postage and delivery | 539 | 1,143 | 1,724 | 1,618 |
| Dues and subscriptions | 942 | 365 | 1,172 | 365 |
| Repairs and maintenance | 306 | - | 583 | 1,810 |
| Security | 175 | 1,185 | 305 | 1,328 |
| Telephone | 1,081 | 1,443 | 2,061 | 2,246 |
| Utilities | 1,095 | 1,189 | 2,621 | 2,644 |
| TOTAL OPERATING EXPENSES | \$ 500,670 | \$ 671,562 | 919,303 | 965,987 |
| OTHER INCOME (EXPENSE) | | | | |
| Loss on disposal of assets | | | - | (7,802) |
| NET LOSS | | | \$ (919,175) | \$ (973,554) |
| Per share information – basic and fully diluted: | | | | |
| Weighted average shares outstanding | | | 112,219,879 | 109,374,882 |
| Net (loss) per share | | | \$ (0.01) | \$ (0.01) |

STATEMENT OF STOCKHOLDERS' (DEFICIT)
NANOLOGIX, INC.
(A DEVELOPMENT STAGE COMPANY)
For the Period From Inception June 21, 1989 to June 30, 2011

| | 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) | 104,489,795 | 10,449 | - | - | 19,766,633 | (19,371,902) | 405,180 |
| Shares issued for cash @ \$.28 to \$.17 | 4,109,156 | 411 | - | - | 1,618,405 | - | 1,618,816 |
| Shares issued for services at \$.49 to \$.1.02 | 812,167 | 81 | - | - | 645,013 | - | 645,094 |
| Shares issued for services at \$.44 to \$.1.02 | - | - | 2 | 1,111,700 | - | - | 1,111,700 |
| Conversion of preferred shares | 1,220,000 | 122 | (1) | (901,050) | 900,928 | - | - |
| Net (loss) | - | - | - | - | - | (2,655,784) | (2,655,784) |
| Balance at December 31, 2010 (unaudited) | 110,631,118 | 11,063 | 1 | 210,650 | 22,930,979 | (22,027,686) | 1,125,006 |
| Shares issued for cash @ \$.285 to \$.412 | 894,146 | 89 | - | - | 334,911 | - | 335,000 |
| Shares issued for services at \$.45 to \$.48 | 84,615 | 9 | - | - | 39,406 | - | 39,415 |
| Shares issued for services at \$.39 to \$.51 | - | - | 1 | 308,650 | - | - | 308,650 |
| Conversion of preferred shares | 610,000 | 61 | (1) | (499,700) | 499,639 | - | - |
| Net (loss) | - | - | - | - | - | (921,175) | (921,175) |
| Balance at June 30, 2011 (unaudited) | 112,219,879 | 11,222 | 1 | \$ 19,600 | \$ 23,804,935 | \$ (22,948,861) | \$ 886,896 |