

BALANCE SHEET  
NANOLOGIX, INC.  
(A DEVELOPMENT STAGE COMPANY)  
September 30, 2012 and 2011

	September 30	
	2012	2011
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 114,761	\$ 270,092
Accounts receivable	63,300	-
Prepaid expenses	7,400	3,207
<b>TOTAL CURRENT ASSETS</b>	<b>185,461</b>	<b>273,299</b>
<b>PROPERTY AND EQUIPMENT</b>		
Leashold Improvements	286,189	264,861
Computer equipment	12,216	12,216
Furniture and fixtures	5,675	5,675
Machinery and equipment	430,975	430,975
	735,055	713,727
Less: Accumulated depreciation	281,459	166,650
<b>TOTAL PROPERTY AND EQUIPMENT</b>	<b>453,596</b>	<b>547,077</b>
<b>OTHER ASSETS</b>		
Deposits	1,770	7,970
Patent costs, net of accumulated amortization of \$439,380 in 2011 and \$399,395 in 2011	267,769	307,754
<b>TOTAL OTHER ASSETS</b>	<b>269,539</b>	<b>315,724</b>
<b>TOTAL ASSETS</b>	<b>\$ 908,596</b>	<b>\$ 1,136,100</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 889	\$ 28,238
<b>TOTAL CURRENT LIABILITES</b>	<b>889</b>	<b>28,238</b>
<b>STOCKHOLDERS' EQUITY</b>		
Convertible preferred stock, \$.000001 par value, 50 shares authorized, issued and outstanding zero shares in 2012 and one share in 2011	-	34,800
Common stock, \$.0001 par value, 200,000,000 shares authorized in 2012 and 2011, issued and outstanding 114,497,582 shares in 2012 and 120,606,085 shares in 2011	12,061	11,450
Additional paid in capital	26,245,283	24,444,207
Deficit accumulated during the development stage	(25,349,637)	(23,382,595)
	907,707	1,107,862
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 908,596</b>	<b>\$ 1,136,100</b>

STATEMENT OF STOCKHOLDERS' (DEFICIT)  
NANOLOGIX, INC.  
(A DEVELOPMENT STAGE COMPANY)  
For the Period From Inception June 21, 1989 to September 30, 2012

	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 @ \$.2837 to \$.412	3,196,127	320	-	-	1,026,380	-	1,026,700
Shares issued for services at \$.36 to \$.48	164,615	16	-	-	72,599	-	72,615
Shares issued for services at \$.35 to \$.51	-	-	1	548,400	-	-	548,400
Conversion of preferred shares	1,220,000	122	(2)	(759,050)	758,928	-	-
Net (loss)	-	-	-	-	-	(1,860,879)	(1,860,879)
Balance at December 31, 2011 (unaudited)	115,211,860	11,521	-	\$ -	\$ 24,788,886	\$ (23,888,565)	\$ 911,842
Shares issued for cash @ \$.233 to \$.30	4,211,185	421	-	-	957,079	-	957,500
Shares issued for services at \$.38 to \$.48	328,040	33	-	-	131,503	-	131,536
Shares issued for services at \$.38 to \$.51	-	-	1	367,900	-	-	367,900
Conversion of preferred shares	855,000	86	(1)	(367,900)	367,814	-	-
Rounding	-	-	-	-	1	(1)	-
Net (loss)	-	-	-	-	-	(1,461,071)	(1,461,071)
Balance at September 30, 2012 (unaudited)	120,606,085	12,061	-	-	\$ 26,245,283	\$ (25,349,637)	\$ 907,707

STATEMENT OF OPERATIONS  
NANOLOGIX, INC.  
(A DEVELOPMENT STAGE COMPANY)  
Periods Ending September 30, 2012 and 2011

	Quarter Ending September 30		Year-to-Date Ending September 30	
	2012	2011	2012	2011
REVENUE	\$ 63,908	\$ -	\$ 64,418	\$ 128
OPERATING EXPENSES				
Production	15,718	13,686	117,170	26,135
Research and development	53,626	285,219	259,703	405,646
Non-cash stock compensation	243,836	123,000	499,436	471,065
Wages	23,781	15,084	62,111	45,269
Advertising	13,335	3,091	18,445	11,273
Marketing	9,000	13,500	36,000	40,500
Consulting	20,100	23,600	73,300	48,200
Show expense	124	-	14,674	5,091
Shareholder/stock expenses	1,804	2,424	6,056	5,385
Bank fees	116	269	461	576
Professional fees	56,878	9,530	198,272	63,199
Outside services	696	-	4,427	-
Rent	6,840	4,140	19,620	11,040
Equipment rental	128	809	383	1,684
Insurance	5,582	6,523	19,878	20,153
Auto expense	2,319	2,829	6,023	8,813
Meals and entertainment	5,166	2,461	23,354	9,310
Travel	4,152	24,746	28,822	59,041
Payroll taxes	2,839	1,163	8,200	4,813
Amortization	9,969	10,078	29,907	30,234
Depreciation	21,303	20,719	63,910	62,155
Office expense	7,699	2,297	11,540	11,214
Supplies	2,739	611	6,477	1,820
Postage and delivery	559	1,135	2,884	2,859
Dues and subscriptions	-	-	296	1,172
Repairs and maintenance	-	-	423	583
Security	130	130	390	435
Telephone	1,629	1,090	6,922	3,151
Utilities	1,806	1,600	6,405	4,221
TOTAL OPERATING EXPENSES	\$ 511,874	\$ 569,734	1,525,489	1,355,037
NET LOSS	\$ (447,966)	\$ (569,734)	\$ (1,461,071)	\$ (1,354,909)
Per share information – basic and fully diluted:				
Weighted average shares outstanding			120,606,085	114,497,582
Net (loss) per share			\$ (0.01)	\$ (0.01)

STATEMENT OF CASH FLOWS  
NANOLOGIX, INC.  
(A DEVELOPMENT STAGE COMPANY)  
Periods Ending September 30, 2012 and 2011

	Periods Ending September 30	
	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (1,461,071)	\$ (1,354,909)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Noncash expenses:		
Amortization	29,907	30,234
Depreciation	63,910	62,155
Common stock issued for services and other non-cash items	499,436	471,065
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(63,300)	-
Prepaid deposits and other assets	2,441	363
Increase (decrease) in:		
Accounts payable	(8,098)	(4,144)
Accrued expenses and other current liabilities	(412)	-
NET CASH (USED IN) OPERATING ACTIVITIES	(937,187)	(795,236)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(20,798)	(24,129)
NET CASH (USED IN) INVESTING ACTIVITIES	(20,798)	(24,129)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in:		
Proceeds from stock issuance	957,500	866,700
NET CASH PROVIDED BY FINANCING ACTIVITIES	957,500	866,700
 NET INCREASE IN CASH	 (485)	 47,335
<b>CASH AND CASH EQUIVALENTS</b>		
AT BEGINNING OF YEAR	115,246	210,757
 CASH AND CASH EQUIVALENTS AT END OF YEAR	 \$ 114,761	 \$ 258,092