

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

	September 30	
	2011	2010
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 270,092	\$ 347,674
Prepaid expenses	3,207	12,847
TOTAL CURRENT ASSETS	273,299	360,521
PROPERTY AND EQUIPMENT		
Leasehold Improvements	264,861	240,603
Computer equipment	12,216	12,216
Furniture and fixtures	5,675	5,675
Machinery and equipment	430,975	430,975
	713,727	689,469
Less: Accumulated depreciation	166,650	45,488
TOTAL PROPERTY AND EQUIPMENT	547,077	643,981
OTHER ASSETS		
Deposits	7,970	6,660
Patent costs, net of accumulated amortization of \$399,395 in 2011 and \$359,739 in 2010	307,754	347,411
TOTAL OTHER ASSETS	315,724	354,071
TOTAL ASSETS	\$ 1,136,100	\$ 1,358,573
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 28,238	\$ 35,121
Accrued payroll taxes and penalties	-	438
TOTAL CURRENT LIABILITIES	28,238	35,559
STOCKHOLDERS' EQUITY		
Convertible preferred stock, \$.000001 par value, 50 shares authorized, issued and outstanding one share in 2011 and one share in 2010	34,800	236,000
Common stock, \$.0001 par value, 200,000,000 shares authorized in 2011 and 2010, issued and outstanding 114,497,582 shares in 2011 and 110,321,118 shares in 2010	11,450	11,032
Additional paid in capital	24,444,207	22,617,811
Deficit accumulated during the development stage	(23,382,595)	(21,541,829)
	1,107,862	1,323,014
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,136,100	\$ 1,358,573

STATEMENT OF CASH FLOWS
NANOLOGIX, INC.
(A DEVELOPMENT STAGE COMPANY)
Periods Ending September 30, 2011 and 2010

	Periods Ending September 30	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (1,354,909)	\$ (2,169,927)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Noncash expenses:		
Amortization	30,234	28,050
Depreciation	62,155	23,866
Loss on disposal of assets	-	7,802
Common stock issued for services and other non-cash	471,065	1,558,944
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivables	12,000	-
Prepaid deposits and other assets	363	(15,209)
Increase (decrease) in:		
Accounts payable	(4,144)	(165,977)
Accrued expenses and other current liabilities	-	(51,419)
NET CASH (USED IN) OPERATING ACTIVITIES	(783,236)	(783,870)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(24,129)	(446,160)
Patent costs	-	(2,710)
NET CASH (USED IN) INVESTING ACTIVITIES	(24,129)	(448,870)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in:		
Note payable - officer	-	(37,000)
Proceeds from stock issuance	866,700	1,528,816
NET CASH PROVIDED BY FINANCING ACTIVITIES	866,700	1,491,816
NET INCREASE IN CASH	59,335	259,076

CASH AND CASH EQUIVALENTS
AT BEGINNING OF YEAR

210,757 88,598

CASH AND CASH EQUIVALENTS
AT END OF YEAR

\$ 270,092 \$ 347,674

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

	<u>Quarter Ending September 30</u>		<u>Year-to-Date Ending September 30</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
REVENUE	\$ -	\$ 77	\$ 128	\$ 312
OPERATING EXPENSES				
Production	13,686	-	26,135	-
Research and development	283,219	346,468	405,646	316,510
Non-cash stock compensation	123,000	956,551	471,065	1,558,944
Wages	15,084	16,683	45,269	38,465
Advertising	3,091	1,000	11,273	6,410
Marketing	13,500	15,090	40,500	21,935
Consulting	23,600	-	48,200	-
Printing and production	-	-	-	342
Show expense	-	-	5,091	20,474
Shareholder/stock expenses	2,424	5,054	5,385	7,142
Bank fees	269	256	576	524
Professional fees	9,530	(24,348)	63,199	23,739
Outside services	-	1,494	-	1,494
Rent	4,140	2,760	11,040	12,420
Equipment rental	809	-	1,684	-
Insurance	6,523	6,502	20,153	19,876
Auto expense	2,829	820	8,813	3,973
Meals and entertainment	2,461	922	9,310	3,426
Travel	24,746	5,546	59,041	33,746
Payroll taxes	1,163	2,254	4,813	5,736
Amortization	10,078	9,350	30,234	28,050
Depreciation	20,719	7,955	62,155	23,866
Office expense	2,297	1,395	11,214	2,345
Supplies	611	(4,955)	1,820	8,614
Postage and delivery	1,135	829	2,859	2,447
Contributions	-	-	-	-
Licenses and permits	-	-	-	2,008
Dues and subscriptions	-	686	1,172	1,051
Repairs and maintenance	-	7,597	583	9,407
Security	130	130	435	1,458
Telephone	1,090	887	3,151	3,133
Utilities	1,600	1,882	4,221	4,526
TOTAL OPERATING EXPENSES	<u>\$ 567,734</u>	<u>\$ 1,362,808</u>	<u>1,355,037</u>	<u>2,162,061</u>
OTHER INCOME (EXPENSE)				
Loss on disposal of assets			-	(7,802)
Interest expense			-	(376)
NET LOSS			<u>\$ (1,354,909)</u>	<u>\$ (2,169,927)</u>
Per share information – basic and fully diluted:				
Weighted average shares outstanding			<u>114,497,582</u>	<u>110,321,118</u>
Net (loss) per share			<u>\$ (0.01)</u>	<u>\$ (0.02)</u>

STATEMENT OF STOCKHOLDERS' (DEFICIT)
NANOLOGIX, INC.
(A DEVELOPMENT STAGE COMPANY)
For the Period From Inception June 21, 1989 to September, 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 \$1.17	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	2,886,849	289	-	-	866,411	-	866,700
Shares issued for services at \$.36 to \$.48	124,615	12	-	-	53,803	-	53,815
Shares issued for services at \$.35 to \$.51	-	-	1	417,250	-	-	417,250
Conversion of preferred shares	855,000	86	(1)	(593,100)	593,014	-	-
Net (loss)	-	-	-	-	-	(1,354,909)	(1,354,909)
Balance at September 30, 2011 (unaudited)	114,497,582	11,450	1	\$ 34,800	\$ 24,444,207	\$ (23,382,595)	\$ 1,107,862