

BALANCE SHEET  
NANOLOGIX, INC.  
(A DEVELOPMENT STAGE COMPANY)  
June 30, 2010 and 2009

	June 30	
	2010	2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 661,598	\$ 34,774
Prepaid Expenses	23,682	-
Trading securities	4	10
TOTAL CURRENT ASSETS	685,284	34,784
PROPERTY AND EQUIPMENT		
Leashold Improvements	233,366	4,488
Computer equipment	12,216	5,540
Furniture and fixtures	5,675	3,884
Machinery and equipment	405,655	20,280
	656,912	34,192
Less: Accumulated depreciation	(37,532)	(15,001)
TOTAL PROPERTY AND EQUIPMENT	619,380	19,191
OTHER ASSETS		
Deposits	4,161	11,325
Patent costs, net of accumulated amortization of \$350,389 in 2010 and \$351,978 in 2009	354,050	396,108
TOTAL OTHER ASSETS	358,211	407,433
TOTAL ASSETS	\$ 1,662,875	\$ 461,408

LIABILITIES AND STOCKHOLDERS' EQUITY

**CURRENT LIABILITIES**

Accounts payable	\$ 114,285	\$ 265,616
Accrued salaries	-	102,000
Accrued payroll taxes and penalties	185	503
<b>TOTAL CURRENT LIABILITES</b>	<u>114,470</u>	<u>368,119</u>

Notes payable	569	49,000
---------------	-----	--------

**STOCKHOLDERS' EQUITY**

Convertible preferred stock, \$.000001 par value, 50 shares authorized, issued and outstanding zero shares in 2010 and zero shares in 2009	-	-
Common stock, \$.0001 par value, 200,000,000 shares authorized in 2010 and 2009, issued and outstanding 109,374,822 shares in 2010 and 98,817,054 in 2009	10,937	9,882
Additional paid in capital	21,882,355	18,815,418
Deficit accumulated during the development stage	<u>(20,345,456)</u>	<u>(18,781,011)</u>
	<u>1,547,836</u>	<u>44,289</u>

<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u><u>\$ 1,662,875</u></u>	<u><u>\$ 461,408</u></u>
---	----------------------------	--------------------------

STATEMENT OF CASH FLOWS  
NANOLOGIX, INC.  
(A DEVELOPMENT STAGE COMPANY)  
Periods Ending June 30, 2010 and 2009

	Periods Ending June 30	
	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (973,554)	\$ (569,184)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Noncash expenses:		
Amortization	18,700	20,871
Depreciation	15,911	2,652
Loss on disposal of assets	7,802	53,542
Common stock issued for services and other non-cash items	602,393	263,315
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivables	-	199,230
Prepaid deposits and other assets	(23,549)	3,091
Increase (decrease) in:		
Accounts payable	(86,813)	(806) 43,870
Accrued expenses and other current liabilities	(51,672)	10,259
<b>NET CASH (USED IN) OPERATING ACTIVITIES</b>	<b>(490,782)</b>	<b>27,646</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(413,604)	(4,489)
Patent costs	-	(13,839)
<b>NET CASH (USED IN) INVESTING ACTIVITIES</b>	<b>(413,604)</b>	<b>(18,328)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in:		
Note payable - officer	(36,430)	19,200
Proceeds from stock issuance	1,513,816	(9,990)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>1,477,386</b>	<b>9,210</b>

NET INCREASE IN CASH	573,000	18,528
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>88,598</u>	<u>16,246</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 661,598</u>	<u>\$ 34,774</u>

STATEMENT OF OPERATIONS  
NANOLOGIX, INC.  
(A DEVELOPMENT STAGE COMPANY)  
Periods Ending June 30, 2010 and 2009

	Periods Ending June 30	
	2010	2009
REVENUE	\$ 235	\$ 20,407
OPERATING EXPENSES		
Research and development	74,473	54,815
Non-cash stock compensation	602,393	263,315
Officer's salaries	62,303	60,000
Wages	21,782	17,709
Advertising	5,410	6,075
Marketing	6,845	3,025
Printing and production	342	2,118
Show expense	20,474	4,525
Shareholder/stock expenses	2,088	1,877
Licenses and permits	2,008	-
Bank fees	268	249
Professional fees	48,087	56,191
Rent	9,660	7,695
Insurance	13,374	11,661
Auto expense	3,153	1,859
Meals and entertainment	2,504	3,632
Travel	28,200	9,502
Payroll taxes	3,482	1,849
State and local taxes	-	525
Amortization	18,700	20,871
Depreciation	15,911	2,652
Office expense	950	358
Supplies	13,569	753
Postage and delivery	1,618	824
Dues and subscriptions	365	-

Repairs and maintenance	1,810	431
Security	1,328	426
Telephone	2,246	1,741
Utilities	2,644	1,461
TOTAL OPERATING EXPENSES	<u>965,987</u>	<u>536,139</u>

OTHER INCOME (EXPENSE)

Loss on disposal of assets	<u>(7,802)</u>	<u>(53,452)</u>
NET LOSS	<u>\$ (973,554)</u>	<u>\$ (569,184)</u>

Per share information – basic and fully diluted:

Weighted average shares outstanding	<u>109,374,882</u>	<u>98,817,054</u>
Net (loss) per share	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>

STATEMENT OF STOCKHOLDERS' (DEFICIT)  
NANOLOGIX, INC.  
(A DEVELOPMENT STAGE COMPANY)  
For the Period From Inception June 21, 1989 to June 30, 2010

	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	4,016,733	401	-	-	1,513,416	-	1,513,817
Shares issued for services at \$.49 to \$1.02	178,294	18	-	-	129,575	-	129,593
Shares issued for services at \$.44 to \$1.02	-	-	1	472,800	-	-	472,800
Conversion of preferred shares	690,000	69	(1)	(472,800)	472,731	-	-
Net (loss)	-	-	-	-	-	(973,554)	(973,554)
Balance at June 30, 2010 (unaudited)	<u>109,374,822</u>	<u>10,937</u>	# \$ -	# \$ -	# \$ 21,882,355	# \$ (20,345,456)	# \$ 1,547,836