

BALANCE SHEET  
NANOLOGIX, INC.  
(A DEVELOPMENT STAGE COMPANY)  
December 31, 2006 and 2005

ASSETS	DECEMBER 31,	
	2006	2005
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 58,186	\$ 331
*Accounts receivable	220,000	2,680
Trading securities	10	10
<b>TOTAL CURRENT ASSETS</b>	<b>278,196</b>	<b>3,021</b>
 <b>OTHER ASSETS</b>		
Deposits	12,999	400
Patent costs, net of accumulated amortization of 281,286 in 2006 and \$255,670 in 2005	514,941	352,470
<b>TOTAL OTHER ASSETS</b>	<b>527,940</b>	<b>352,870</b>
 <b>TOTAL ASSETS</b>	<b>\$ 806,136</b>	<b>\$ 355,891</b>

\* On 9 November 2007, the Board of Directors instituted arbitration proceedings against Messrs. Felder and McClelland to recover approximately \$265,000. \$220,000 of these funds were transferred to Messrs. Felder and McClelland during the last fiscal year, and these funds are now treated as an account receivable due from Messrs. Felder and McClelland to the Company. External counsel retained to handle the arbitration have indicated the claim is legitimate and substantial, but as with all disputes of this nature, there is significant risk that the Company may not be successful in its claims (in whole or in part) or in executing a judgment if it is successful. On the advice of counsel, the Company will make no further comment on these issues during the pendency of the arbitration proceedings.

## LIABILITIES AND STOCKHOLDERS' EQUITY

### CURRENT LIABILITIES

Accounts payable	\$ 123,532	\$ 19,483
Accrued salaries	5,000	20,390
Accrued bonuses	-	40,000
Accrued payroll taxes and penalties	5,935	15,949
Loan payable - shareholder	-	1,570
TOTAL CURRENT LIABILITES	134,467	97,392

### STOCKHOLDERS' EQUITY

Convertible preferred stock, \$.0001 par value, 50 shares authorized, issued and outstanding 2 share in 2006 and 1 shares in 2005	192,500	97,500
Common stock, \$.0001 par value, 100,000,000 shares authorized, issued and outstanding 61,635,684 shares in 2006 and 40,763,903 in 2005	6,164	4,076
Additional paid in capital	16,281,654	13,633,672
Deficit accumulated during the development stage	(15,808,649)	(13,476,749)
	671,669	258,499
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 806,136	\$ 355,891