

NANOIRICIDES, INC.  
Form 10-Q  
May 20, 2008

---

---

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

---

FORM 10 - Q

---

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended March 31, 2008

Commission File Number: 0001379006

NANOIRICIDES, INC.

(Exact name of registrant as specified in its charter)

NEVADA  
(State or other jurisdiction)  
of incorporation or organization)

76-0674577  
(IRS Employer Identification No.)

135 Wood Street, Suite 205  
West Haven, Connecticut 06516  
(Address of principal executive offices and zip code)  
(203) 937-6137  
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant is a larger accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one)

Large accelerated filer  Accelerated filer   
Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
Yes  No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).  
Yes  No

The number of shares outstanding of the Registrant's Common Stock as of May 18, 2008 was 119,240,835 shares.

---

---

1

---

NanoViricides, INC.  
FORM 10-Q  
INDEX

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

<u>Balance Sheets –March 31, 2008 (Unaudited) and June 30, 2007(Audited)</u>	3
--	---

<u>Statements of Operations (Unaudited) - For the Nine Months Ended March 31, 2008 and 2007, and for the Cumulative Period May 12, 2005 (Inception) through March 31, 2008.</u>	4
---	---

<u>Statements of Cash Flows (Unaudited) - For the Three and Nine Months Ended March 31, 2008 and 2007, and for the Cumulative Period May 12, 2005 (Inception) through March 31, 2008.</u>	5
---	---

<u>Notes to Financial Statements (Unaudited)</u>	7
--	---

Item 2. <u>Management's Discussion and Analysis of Financial Condition and Plan of Operation</u>	15
--	----

Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	20
---	----

Item 4. <u>Controls and Procedures.</u>	20
---	----

PART II OTHER INFORMATION

Item 1. <u>Legal Proceedings</u>	21
----------------------------------	----

Item 2. <u>Changes in Securities</u>	21
--------------------------------------	----

Item 3. <u>Defaults Upon Senior Securities</u>	21
--	----

Item 4. <u>Submission of Matters to a Vote of Security Holders</u>	21
--	----

Item 5. <u>Other Information</u>	21
----------------------------------	----

Item 6. <u>Exhibits and Reports on Form 8-K</u>	21
---	----

<u>Signatures</u>	22
-------------------	----

Certifications	23
----------------	----

Index

NANOIRICIDES, INC.  
(A DEVELOPMENT STAGE COMPANY)  
BALANCE SHEETS

	March 31, 2008	June 30, 2007
	Unaudited	
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 1,210,836	\$ 967,797
Prepaid expenses	338,572	251,722
Other current assets	179,050	5,000
<b>Total current assets</b>	<b>1,728,458</b>	<b>1,224,519</b>
Property and equipment, net	65,803	18,487
<b>OTHER ASSETS</b>		
Security deposit	88,333	100,000
Trademarks, net	6,962	7,215
Total Other Assets	95,295	107,215
<b>TOTAL ASSETS</b>	<b>\$ 1,889,556</b>	<b>\$ 1,350,221</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable – trade	\$ 119,602	\$ 72,845
Accounts payable – related parties	114,773	262,038
Accrued expenses	41,237	65,000
Accrued payroll to officers and related payroll tax expense	237,605	450,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>513,217</b>	<b>849,883</b>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>SHAREHOLDERS' EQUITY</b>		
Common stock, \$0.001 par value; 300,000,000 shares authorized, issued and outstanding: 119,240,981 and 114,069,144 at March 31, 2008 and June 30, 2007 respectively	119,241	114,069
Additional paid-in capital	9,472,103	6,855,689
Stock subscription receivable	(20)	(20)
Deficit accumulated during the development stage	(8,214,985)	(6,469,400)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>1,376,339</b>	<b>500,338</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 1,889,556</b>	<b>\$ 1,350,221</b>

The accompanying notes are an integral part of these financial statements



Index

NANOVIKICIDES, INC.  
(A DEVELOPMENT STAGE COMPANY)  
STATEMENTS OF OPERATIONS  
(Unaudited)

	Three Months Ended March 31,		Nine Months Ended March 31,		For the Cumulative Period From May 12, 2005 (Inception) through March 31, 2008
	2008	2007	2008	2007	
Revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Operating expenses:					
Research and development	232,784	244,761	550,273	575,715	2,212,743
Refund credit research and development costs	-	-	(166,050)	-	(166,050)
General and administrative (of this amount \$47,222, \$200,985, \$121,566, \$279,822 and \$1,002,470 was for stock and option based compensation to consultants and officers for each period presented)	572,534	683,605	1,408,932	1,732,285	5,491,227
Total operating expenses	805,318	928,366	1,793,155	2,308,000	7,537,920
Loss from operations	(805,318)	(928,366)	(1,793,155)	(2,308,000)	(7,537,920)
Other income (expense):					
Interest income	14,431	10,247	47,570	50,937	109,944
Non cash interest on convertible debentures	-	-	-	(7,644)	(73,930)
Non cash interest expense on beneficial conversion feature of convertible debentures	-	-	-	(82,918)	(713,079)
Total other income (expense)	14,431	10,247	47,570	(39,625)	(677,065)
Net loss	\$ (790,887)	\$ (918,119)	\$ (1,745,585)	\$ (2,347,625)	\$ (8,214,985)
Net loss per share: basic and diluted	\$ (.01)	\$ (.01)	\$ (.02)	\$ (.02)	
Weighted average shares outstanding: basic and diluted	119,196,586	112,626,302	117,489,413	112,085,679	

The accompanying notes are an integral part of these financial statements.



Index

NANOIRICIDES, INC.  
(A DEVELOPMENT STAGE COMPANY)  
STATEMENTS OF CASH FLOWS  
(UNAUDITED)

	Nine Months Ended		For the
	March 31,		Cumulative
	2008	2007	Period From
			May 12, 2005
			(Inception)
			through
			March 31, 2008
<b>OPERATING ACTIVITIES:</b>			
Net loss	\$ (1,745,585)	(2,347,625)	\$ (8,214,985)
Adjustments to reconcile net loss to net cash used in operating activities:			
Shares issued for services rendered	84,022	164,160	606,058
Warrants granted to scientific advisory board	30,500	88,740	274,988
Options issued to officers as compensation	7,044	26,922	121,424
Depreciation and amortization	4,783	1,615	7,402
Amortization of deferred financing expenses	-	6,714	51,175
Non cash interest on convertible debentures	-	7,644	73,930
Non cash interest expense on beneficial conversion feature of convertible debentures	-	82,918	713,079
Changes in assets and liabilities:			
Prepaid expenses	(86,850)	(150,957)	(323,572)
Deferred expenses	-	-	(2,175)
Other current assets	(174,050)	(100,000)	(194,050)
Accounts payable- trade	46,757	12,624	119,602
Accounts payable –related parties	(147,265)	81,682	114,773
Accrued expenses	(23,763)	(62,431)	41,237
Accrued payroll to officers and related payroll tax expense	(212,395)	163,718	237,605
Other payroll taxes payable	-	3,711	-
Net cash used in operating activities	(2,216,802)	(2,020,565)	(6,373,509)
<b>INVESTING ACTIVITIES:</b>			
Security deposit	11,667	-	(88,333)
Purchases of property and equipment	(51,846)	(18,586)	(72,580)
Purchase of trademarks	-	(5,630)	(7,587)
Net cash used in investing activities	(40,179)	(24,216)	(168,500)
<b>FINANCING ACTIVITIES:</b>			
Proceeds from issuance of convertible debentures	-	-	1,000,000
Proceeds from issuance of common stock and warrants in connection with private placements of common stock – net of fees	2,500,020	-	5,742,845
Proceeds from exercise of stock warrants attached to convertible debentures	-	50,000	920,000
Proceeds from exercise of stock options	-	-	90,000



Edgar Filing: NANOVIKICIDES, INC. - Form 10-Q

Net cash provided by financing activities	2,500,020	50,000	7,752,845
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	243,039	(1,994,781)	1,210,836
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	967,797	2,507,102	-
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 1,210,836	\$ 512,321	\$ 1,210,836

The accompanying notes are an integral part of these financial statements.

Index

NANOVIKICIDES, INC.  
(A DEVELOPMENT STAGE COMPANY)  
STATEMENTS OF CASH FLOWS (CONTINUED)  
SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITY  
(UNAUDITED)

During the periods indicated below, the Company had the following non-cash activity:

	Nine Months Ended March 31,		For the Cumulative Period From May 12, 2005 (Inception) through March 31, 2008
	2008	2007	
Common stock issued for services rendered	\$ 84,022	\$ 164,160	\$ 606,058
Stock options issued to the officers as compensation	7,044	26,922	121,424
Stock warrants granted to scientific advisory board	30,500	88,740	274,988
Common stock issued for interest on debentures	-	7,644	73,930
Shares of common stock issued in connection with debenture offering	-	-	49,000
Common stock issued upon conversion of convertible debentures	-	1,000,000	1,000,000
Debt discount related to beneficial conversion feature of convertible debt	-	-	713,079
Warrants issued in connection with private placement	-	-	1,262,632

The accompanying notes are an integral part of these financial statements.

Index

NANOVIKICIDES, INC  
(A DEVELOPMENT STAGE COMPANY)  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008 AND 2007  
(Unaudited)

Note 1. Basis of Presentation

The accompanying unaudited interim financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X of the Securities and Exchange Commission for Interim Reporting. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements.

In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation for the interim periods have been included. Operating results for the three and nine month period ended March 31, 2008, are not necessarily indicative of the results that may be expected for the year ending June 30, 2008. The accompanying financial statements and the information included under the heading "Management's Discussion and Analysis or Plan of Operation" should be read in conjunction with our company's audited financial statements and related notes included in our company's form 10-KSB for the year ended June 30, 2007.

Note 2. Organization and Nature of Business

NanoViricides, Inc. was incorporated under the laws of the State of Colorado on July 25, 2000 as Edot-com.com, Inc., and was organized for the purpose of conducting internet retail sales. On April 1, 2005, Edot-com.com, Inc. was incorporated under the laws of the State of Nevada for the purpose of re-domiciling the Company as a Nevada corporation. On May 12, 2005, the Corporations were merged and Edot-com.com, Inc., a Nevada corporation, (the Company), became the surviving entity.

On June 1, 2005, Edot-com.com, Inc. ("ECMM") acquired NanoViricides, Inc., a privately owned Florida corporation ("NVI"), pursuant to an Agreement and Plan of Share Exchange (the "Exchange"). NanoViricides, Inc. was incorporated under the laws of the State of Florida on May 12, 2005.

Pursuant to the terms of the Exchange, ECMM acquired NVI in exchange for an aggregate of 80,000,000 newly issued shares of ECMM common stock resulting in an aggregate of 100,000,000 shares of ECMM common stock issued and outstanding. NVI then became a wholly-owned subsidiary of ECMM. The ECMM shares were issued to the NVI Shareholders on a pro rata basis, on the basis of 4,000 shares of the Company's Common Stock for each share of NVI common stock held by such NVI Shareholder at the time of the Exchange.

As a result of the Exchange Transaction the former NVI stockholders held approximately 80% of the voting capital stock of the Company immediately after the Exchange Transaction. For financial accounting purposes, this acquisition was a reverse acquisition of the Company by NVI, under the purchase method of accounting, and was treated as a recapitalization with NVI as the acquirer. Accordingly, the financial statements have been prepared to give retroactive effect to May 12, 2005 (date of inception), of the reverse acquisition completed on June 1, 2005, and represent the operations of NVI.

On June 28, 2005, NVI was merged into its parent ECMM and the separate corporate existence of NVI ceased. Effective on the same date, EDOT-COM.COM, Inc. changed its name to NanoViricides, Inc. and its stock symbol to "NNVC", respectively. The Company is considered a development stage company at this time.

NanoViricides, Inc. (the “Company”), is a nano-biopharmaceutical company whose business goals are to discover, develop and commercialize therapeutics to advance the care of patients suffering from life-threatening viral infections. We are a development stage company with several drugs in various stages of early development. Our drugs are based on several patents, patent applications, provisional patent applications, and other proprietary intellectual property held by TheraCour Pharma, Inc., to which we have the necessary licenses in perpetuity for the treatment of the following human viral diseases: Human Immunodeficiency Virus (HIV/AIDS), Hepatitis B Virus (HBV), Hepatitis C Virus (HCV), Herpes Simplex Virus (HSV), Influenza, Rabies, and Asian Bird Flu Virus. TheraCour has granted us the right to include dengue fever among the viruses we are able to treat. However, no written agreement has been entered into with TheraCour and no assurance can be given that a written amendment to the licensing agreement with TheraCour will ever be reached or that, if reached, will be on terms favorable to the Company.

Index

We focus our research and clinical programs on specific anti-viral solutions. We are seeking to add to our existing portfolio of products through our internal discovery and clinical development programs and through an in-licensing strategy. To date, the Company has not developed any commercial products.

Note 3. Substantial Doubt Regarding Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Accordingly, they do not include any adjustments relating to the realization of the carrying value of assets or the amounts and classification of liabilities that might be necessary should the company be unable to continue as a going concern. The Company's significant operating losses and significant capital requirements, however, raise substantial doubt about the Company's ability to continue as a going concern.

Since May 2005, the Company has been engaged exclusively in research and development activities focused on developing targeted nano viral drugs. The Company has not yet commenced any product commercialization. The Company has incurred significant operating losses since its inception, resulting in a deficit accumulated during the development stage of \$8,214,985 at March 31, 2008. Such losses are expected to continue for the foreseeable future and until such time, if ever, as the Company is able to attain sales levels sufficient to support its operations. There can be no assurance that the Company will achieve or maintain profitability in the future. Despite the Company's financings in 2007 and a cash balance of \$1,210,836 at March 31, 2008, substantial additional financing will be required in future periods, as the Company believes it will require in excess of \$5,000,000 to fund its operations, capital costs, and additional staffing requirements during the next twelve months. Please see "liquidity and Capital resources

Based on the results of in-vivo and in-vitro studies which were completed in the first calendar quarter of 2007 and the Company's April 9, 2007 Cooperative Research and Development Agreement, (CRADA), with the Walter Reed Army Institute of Research, the Company's October 4, 2007 Cooperative Research and Development Agreement for Material Transfer (CRADAMT) with the United States Army Medical Research Institute of Infectious Diseases, the Company's CRADA with the Armed Forces Institute of Pathology and other agreements ( see "management's Plan of Operation") we have commenced a program to seek substantial additional financing to meet our planned cash requirements through private placements of our common stock and/or incurring debt ( See also Note 7). No assurances can be given that financing will be available or be sufficient to meet our capital needs. If we are unable to obtain financing to meet our working capital requirements, then we may be required to modify our operations, including curtailing our business significantly or ceasing operations altogether. During the fourth calendar quarter of 2007, the Company had received fully paid subscriptions in the aggregate amount of \$2,500,000 through the offering of shares of the Company's common stock. It is anticipated that these funds should enable the Company to support operations through the end of August, 2008.

Note 4. Summary of Significant Accounting Policies

Accounting Basis - The Company has not earned any revenue from limited principal operations. Accordingly, the Company's activities have been accounted for as those of a "Development Stage Company" as set forth in Financial Accounting Standards Board Statement No. 7 ("SFAS 7"). Among the disclosures required by SFAS 7 are that the Company's financial statements be identified as those of a development stage company, and that the statements of earnings, and stockholders' equity and cash flows disclose activity since the date of the Company's inception.

Index

Cash and Cash Equivalents - The Company considers highly liquid instruments with original maturities of three months or less to be cash equivalents.

Property and Equipment - Equipment is stated at cost and depreciated over the estimated useful lives of the assets (generally five years) using the straight-line method.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassification – Certain reclassifications have been made in prior year’s financial statements to conform to classification used in the current year. Such reclassification of prepaid expenses and other current assets has no effect on the balance of any one total account.

Research and Development - Research and development expenses consist primarily of costs associated with the preclinical and or clinical trials of drug candidates, compensation and other expenses for research and development, personnel, supplies and development materials, costs for consultants and related contract research and facility costs. Expenditures relating to research and development are expensed as incurred.

Accounting for Stock Based Compensation – The Company adopted the fair value recognition provisions of “FASB Statement No. 123(R) Share-Based Payment”, since inception, which requires compensation cost recognized includes compensation cost for all share-based payment granted based on the grant-date fair value .

Option-based officer’s compensation expense for the nine months ended March 31, 2008 and 2007 were \$7,044 and \$26,922. The fair value of the Company’s option-based awards granted to executive officers on September 23, 2005, were estimated using the Black-Scholes option-pricing model with following assumption:

Expected life in years	5 years
Risk free interest rate	3.88 to 4.10%
Expected volatility	108.00 to 109.00%
Dividend yield	0%

Computation of expected volatility is based on the equity volatilities of four comparable companies. The computation of expected life is as stated in employment contracts. The risk free interest rates used in the valuations of the fair value are based on risk free bond rates of similar time periods as the expected life of the stock options. Because the Company has no historical forfeiture rates, the stock option expense is not adjusted by an estimate for forfeiture as required under FASB 123(R).

Accounting for Non-Employee Stock Based Compensation – The Company accounts for shares and options issued for non-employees in accordance with the provision of Emerging Issue Task Force Issue No. 96-18, “Accounting for Equity Instruments that are issued to other than Employees for Acquiring, or in Conjunction with selling Goods or

Services". According to the provisions of ETIF 96-18, the Company determines the fair value of stock and options granted to non-employees on the measurement date which is either the date of a commitment for performance has been reached or when performance has been completed, depending upon the facts and circumstances. The fair value of the shares and options valued at commitment date is expensed immediately for past services or expensed over the service period for future services.

Index

Income Taxes - The Company utilizes Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," which requires an asset and liability approach to financial accounting and reporting for income taxes. The difference between the financial statement and tax basis of assets and liabilities is determined annually. Deferred income tax assets and liabilities are computed for those temporary differences that have future tax consequences using the current enacted tax laws and rates that apply to the periods in which they are expected to affect taxable income. Valuation allowances are established, if necessary, to reduce the deferred tax asset to the amount that will, more likely than not, be realized. Income tax expense is the current tax payable or refundable for the year plus or minus the net change in the deferred tax assets and liabilities.

Basis Earnings (Loss) per Share – Basic Earnings (Loss) per Share is calculated in accordance with SFAS No. 128, "Earnings per Share," by dividing income or loss attributable to common stockholders by the weighted average common stock outstanding. Diluted EPS is calculated in accordance with SFAS No. 128 by adjusting weighted average common shares outstanding by assuming conversion of all potentially dilutive shares. In periods where a net loss is recorded, no effect is given to potentially dilutive securities, since the effect would be antidilutive.

Concentrations of Risk - Financial instruments that potentially subject us to a significant concentration of credit risk consist primarily of cash and cash equivalents. The Company maintains deposits in federally insured institutions in excess of federally insured limits. The Company does not believe it is exposed to significant credit risk due to the financial position of the depository institutions in which those deposits are held.

Segment Reporting - As of March 31, 2008 the Company has determined that it operates in only one segment. Accordingly, no segment disclosures have been included in the notes to the consolidated financial statements.

Note 5. Significant Alliances and Related Parties

TheraCour Pharma, Inc.

Pursuant to an Exclusive License Agreement we entered into with TheraCour Pharma, Inc., (TheraCour), the Company was granted an exclusive license in perpetuity for technologies developed by TheraCour for the virus types: HIV, HCV, Herpes, Asian (bird) flu, Influenza and rabies. In consideration for obtaining this exclusive license, we agreed: (1) that TheraCour can charge its costs (direct and indirect) plus no more than 30% of direct costs as a Development Fee and such development fees shall be due and payable in periodic installments as billed, (2) we will pay \$25,000 per month for usage of lab supplies and chemicals from existing stock held by TheraCour, (3) we will pay \$2,000 or actual costs, whichever is higher for other general and administrative expenses incurred by TheraCour on our behalf, (4) make royalty payments (calculated as a percentage of net sales of the licensed drugs) of 15% to TheraCour Pharma, Inc., (5) agreed that TheraCour Pharma, Inc. retains the exclusive right to develop and manufacture the licensed drugs. TheraCour Pharma, Inc. agreed that it will manufacture the licensed drugs exclusively for NanoViricides, and unless such license is terminated, will not manufacture such product for its own sake or for others, and (6) TheraCour may request and NanoViricides, Inc. will pay an advance payment (refundable) equal to twice the amount of the previous months invoice to be applied as a prepayment towards expenses.

TheraCour has granted us the right to include Dengue Hemorrhagic Fever (DHF) Viruses, and the Dengue Fever Viruses, Ebola/Marburg Viruses, and certain other hemorrhagic viruses, as well as Epidemic Keratoconjunctivitis Causing Adenoviruses (EKC), among the viruses that NanoViricides will be developing drugs to treat. The Company and TheraCour are negotiating an amendment to the existing Licensing Agreement to include these additional virus types among the the virus types the Company is permitted to manufacture, use, and offer for sale. While the Company is currently negotiating such an amendment with TheraCour, there can be no assurance that an agreement will be reached, in which case TheraCour may revoke our permissive use of its materials, which may adversely impact our operations and cause the termination of our Cooperative Research and Development Agreement (CRADA) with the



United States Army Medical Research Institute of Infectious Diseases (USAMRIID), and The Walter Reed Army Institute of Research (WRAIR).

Index

TheraCour may terminate the license it has granted to the Company upon a material breach by us as specified in the agreement. However, we may avoid such termination if within 90 days of receipt of such termination notice we cure the breach.

Development costs charged by TheraCour Pharma, Inc. for the three months ended March 31, 2008 and 2007 were \$232,784 and \$129,959 and for the nine months ended March 31, 2008 and 2007 were \$550,273 and \$460,914 respectively, and \$1,890,943 since inception. As of March 31, 2008, pursuant to its license agreement the company has paid a security advance of \$182,941 to and held by TheraCour Pharma, Inc. which is reflected in Prepaid Expenses. The development costs are to be partially offset by a refundable Connecticut Research and Development tax credit of \$166,050.

No royalties are due TheraCour from the Company's inception through March 31, 2008.

On February 27, 2007, NanoViricides, Inc. entered into a sublease to occupy 5,000 square feet of space in Woodbridge, Connecticut. Performance of the Registrant's obligations was guaranteed by TheraCour Pharma, Inc., a principal shareholder of the Registrant and provider of the materials the Registrant uses in its operations.

TheraCour Pharma, Inc., is affiliated with the Company through the common control of it and our Company by Anil Diwan, President, who is a director of each corporation, and owns approximately 65% of the capital stock of TheraCour Pharma, Inc., which itself owns approximately 30% of the capital stock of the Company.

TheraCour Pharma, Inc. owns 35,370,000 shares of the Company's outstanding common stock as of March 31, 2008.

The FASB has issued Interpretation No. 46 (FIN-46R) (Revised December 2003), Consolidation of Variable Interest Entities. FIN-46R clarifies the application of Accounting Research Bulletin No. 51, "Consolidated Financial Statements," to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. It separates entities into two groups: (1) those for which voting interests are used to determine consolidation and (2) those for which variable interests are used to determine consolidation (the subject of FIN-46R). FIN-46R clarifies how to identify a variable interest entity and how to determine when a business enterprise should include the assets, liabilities, non-controlling interests, and results of activities of a variable interest entity in its consolidated financial statements.

FIN-46R requires that a variable interest entity to be consolidated by its "Primary Beneficiary." The Primary Beneficiary is the entity, if any, that stands to absorb a majority of the variable interest entity's expected losses, or in the event that no entity stands to absorb a majority of the expected losses, then the entity that stands to receive a majority of the variable interest entity's expected residual returns. If it is reasonably possible that an enterprise will consolidate or disclose information about a variable interest entity when FIN-46R becomes effective, the enterprise is required to disclose in all financial statements initially issued after December 31, 2003, the nature, purpose, size, and activities of the variable interest entity and the enterprise's maximum exposure to loss as a result of its involvement with the variable interest entity. For all periods presented in the financial statements, the Company evaluated its relationship with TheraCour Pharma, Inc. for purposes of FIN-46R, and concluded that it is not a variable interest entity that is subject to consolidation in the Company's financial statements under FIN-46R.

KARD Scientific, Inc.

In June 2005, the Company engaged KARD Scientific to conduct pre clinical animal studies and provide the Company with a full history of the study and final report with the data collected from Good Laboratory Practices (GLP) style studies. Dr. Krishna Menon, the Company's Chief Regulatory Officer, is also an officer and principal

owner of KARD Scientific. Lab fees charged by KARD Scientific for services for the three and nine months ended March 31, 2008 and 2007 were \$ 0 in all respective periods and \$321,220 since inception. The Company has paid KARD a \$50,000 advance payment (refundable) towards future fees.

Index

## Note 6. Prepaid Expenses

Prepaid expenses are summarized as follows:

	March 31, 2008	June 30, 2007
TheraCour Pharma, Inc. *	\$ 182,941	\$ 186,722
Kard Scientific, Inc. *	50,000	50,000
Prepaid other	105,631	15,000
	\$ 338,572	\$ 251,722

(\* See Note 5. Significant Alliances and Related Parties)

## Note 7. Equity Transactions

In August, 2007, the Scientific Advisory Board (SAB) was granted warrants to purchase 40,000 shares of common stock at \$.80 per share. These warrants, if not exercised, will expire in August, 2011. The fair value of these warrants in the amount of \$14,8000 was recorded as a consulting expense.

In November, 2007 the Scientific Advisory Board (SAB) was granted warrants to purchase 40,000 shares of common stock at \$.54 per share. These warrants, if not exercised, will expire in November, 2011. The fair value of these warrants in the amount of \$7,200 was recorded as a consulting expense

In February, 2008 the Scientific Advisory Board (SAB) was granted warrants to purchase 50,000 shares of common stock at \$.52 per share. These warrants, if not exercised, will expire in February 2012. The fair value of these warrants in the amount of \$8,500 was recorded as a consulting expense.

The option assumptions used to calculate these values are as follows:

	For the Three Months Ended March 31, 2008	For the Nine Months Ended March 31, 2008
Expected life in years	4 years	4 years
Risk free interest rate	2.46%	2.46%-4.31%
Expected volatility	104%	74%-104%
Dividend yield	0%	0%

For the nine months ended March 31, 2008, the Company's Board of Directors authorized the issuance of 171,691 shares of its common stock with a restrictive legend, for services. The Company recorded an expense of \$84,022.

In September, 2007, the Company had received fully paid subscriptions in the aggregate amount of \$2,375,000 through the offering of shares of the Company's common stock (the "Offering"). The subscriptions are for shares of common stock at a purchase price of \$.50 per share and warrants to purchase 0.30 shares of common stock at an exercise price of \$1.00 per share; which warrants may be exercised at any time and expire in three years. In accordance with the Offering, on October 16, 2007, the Company issued 4,750,000 shares of common stock and warrants to purchase 1,425,000 shares of common stock at an exercise price of \$1.00 per share. These warrants, if not exercised, will expire in fiscal year ending in 2011. The Company allocated a relative fair value of \$435,000 to these

warrants, by using the Black-Scholes option pricing model. The Company had agreed to use its best efforts to file a Registration Statement with the Securities and Exchange Commission covering the resale of the Registrable Securities issued or issuable pursuant to the Securities Purchase Agreement, and to use its best efforts to obtain effectiveness of the Registration Statement on or prior to one hundred and eighty days from the date of closing, and to keep such registration statement continuously in effect. The company may be required to issue additional warrants to purchase the company's common stock if the Registration Statement is not declared effective by the expiration of the Effectiveness Period. On January 3, 2008 the Company filed a Form SB-2 with the Securities and Exchange Commission. This filing became effective as of April 11, 2008

Index

## Note 8. Stock Options And Warrants

## Stock Options

The following table presents the combined activity of stock options issued for the nine months ended March 31, 2008 as follows:

Stock Options	Number of Shares	Weighted Average Exercise Price per share (\$)	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (\$)
Outstanding at June 30,2007	1,875,000	\$ 0.10	8.25	\$ 1,537,500
Granted	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Canceled	-	-	-	-
Outstanding at March 31, 2008	1,875,000	\$ 0.10	7.48	\$ 825,000
Exercisable at March 31, 2008	1,875,000	\$ 0.10	7.48	\$ 825,000

## Stock Warrants

The following table presents the combined activity of stock warrants issued for the nine months ended March 31, 2008 as follows:

Stock Warrants	Number of Shares	Weighted Average Exercise Price per share (\$)	Weighted Average Remaining Contractual Term (years)
Outstanding at June 30, 2007	2,695,000	\$ 1.95	1.94
Granted	1,630,000	2.59	.97
Exercised	-	-	-
Expired	-	-	-
Canceled	-	-	-
Outstanding at March 31, 2008	4,325,000	\$ 1.58	1.71
Exercisable at March 31, 2008	4,325,000	\$ 1.58	1.71

Of the above warrants, 2,375,000 expire in fiscal year ending June 30, 2009; 160,000 expire in fiscal year ending June 30, 2010; 1,660,000 expire in fiscal year ending June 30, 2011; and 130,000 expire in fiscal year ended June 30, 2012.

Index

## Note 9. Income Taxes

Deferred taxes arise from the temporary differences between financial statements and income tax recognition of net operating losses. The net operating loss carry forwards will begin to expire in the year 2017 if not utilized. Utilization of the Company's net operating loss carry forwards are limited based on changes in ownership as defined in Internal Revenue Code Section 382. As of March 31, 2008 the Company accumulated a tax loss of \$6,398,414 resulting in a deferred tax benefit of approximately \$3,506,600 which has been offset by a 100% valuation allowance.

During the nine months ended March 31, 2008, the valuation allowance increased by \$977,200 over the June 30, 2007 balance.

The Company's deferred tax assets are summarized as follows:

	March 31, 2008	June 30, 2007
Net operating loss carryforwards	\$ 2,537,200	1,611,400
Research and development credit	462,300	391,700
Other	507,100	526,300
Gross deferred tax assets	3,506,600	2,529,400
Valuation allowances	(3,506,600)	(2,529,400)
Deferred tax assets	\$ -	\$ -

During the three months ended on March 31, 2008, the Company recognized a refundable Research and Development tax credit of \$166,050. This credit is included under "Other Current Assets" on the Company's Balance Sheet.

## Note 10. Commitments and Contingencies

The Company is dependent upon its license agreement with TheraCour Pharma, Inc. (See Note 5). If it loses the right to utilize any of the proprietary information that is the subject of the TheraCour Pharma license agreement on which it depends, the Company will incur substantial delays and costs in development of its drug candidates.

While no legal actions are currently pending, the Company may be party to certain claims brought against it arising in the ordinary course of business. It is not possible to state the ultimate liability, if any, in these matters. In management's opinion, the ultimate resolution of such claims will not have a material adverse effect on the financial position of the Company.

On April 4, 2007, the Company signed a Cooperative Research and Development Agreement (CRADA) with the Walter Reed Army Institute of Research (WRAIR) to create new treatments for Dengue Fever using the Company's nanomedicine technology. The Company is currently negotiating a modification to this agreement as requested by WRAIR.

On October 4, 2007, the Company signed a Cooperative Research and Development Agreement for Material Transfer (CRADAMT) with the U.S. Army Medical Research Institute of Infectious Diseases (USAMRIID) to create new treatments for Filovirus using the Company's nanomedicine technology. Each party is individually responsible for funding its own respective researchers throughout this agreement, including laboratory facilities, salaries, overhead and indirect costs, etc.

## Index

On February 4, 2008, the Company signed a Cooperative Research Agreement with the United States Army Institute of Pathology (USAFIP) to test the efficacy of the Company's nanomedicine technology in preliminary animal studies against H5N1 and HIV viruses. The company will fund such studies in the amount of \$122,844.

On February 4, 2008, the Company signed a Technical Testing Agreement with a major medical research institute. The agreement provides for certain animal studies to test the efficacy of the Company's nanomedicine technology against Epidemic-Kerato Conjunctivitis ("EKC") and other viral diseases of the cornea and conjunctiva. The Company will fund the costs of these studies. These studies commenced in May, 2008.

While the licensing agreement between the Company and TheraCour does not provide for the use of the nanomaterials we license from TheraCour for the treatment of the Filovirus, TheraCour has permitted the Company to use the nanomaterials to develop a treatment for Filovirus until such time as the Company and TheraCour can negotiate an amendment to the Licensing Agreement to include the Filovirus among the virus types we are permitted to manufacture, use and offer for sale. While the Company is currently negotiating such an amendment with TheraCour, there can be no assurance that an agreement will be reached, in which case TheraCour may revoke our permissive use of its materials for Filovirus and the EKC virus, which may adversely impact our operations and cause the termination of our CRADA with the USAMRIID, WRAIR, USAFIP and the Technical Testing Agreement with the Medical Research Institute.

### Note 11. Subsequent Events

On March 27, 2008, the Company announced that it will begin its very first animal studies against HIV in a mouse model. On April 7, 2008, the Company reported that these studies have started. The company has budgeted \$250,000 for these studies. On May 5, 2008, the Company reported that its nanoviricide drug candidates against HIV were found to have significant therapeutic efficacy in animal studies using a mouse model

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

The following discussion and analysis should be read in conjunction with our unaudited financial statements and related notes included in this report. This report contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. The statements contained in this report that are not historic in nature, particularly those that utilize terminology such as "may," "will," "should," "expects," "anticipates," "estimates," "believes," or "plans" or comparable terminology are forward-looking statements based on current expectations and assumptions.

Various risks and uncertainties could cause actual results to differ materially from those expressed in forward-looking statements. All forward-looking statements in this document are based on information currently available to us as of the date of this report, and we assume no obligation to update any forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results to differ materially from any future results, performance, or achievements expressed or implied by such forward-looking statements.

### OUR CORPORATE HISTORY

NanoViricides, Inc. was incorporated under the laws of the State of Colorado on July 25, 2000 as Edot-com.com, Inc. and was organized for the purpose of conducting internet retail sales. On April 1, 2005, Edot-com.com, Inc. was incorporated under the laws of the State of Nevada for the purpose of re-domiciling the Company as a Nevada corporation, Edot-com.com (Nevada). On April 15, 2005, the Company and Edot-com.com (Nevada) were merged



and Edot-com.com, Inc., a Nevada corporation, became the surviving entity.

15

---

## Index

On June 1, 2005, the Company acquired NanoViricides, Inc., a privately owned Florida corporation (“NVI”), pursuant to an Agreement and Plan of Share Exchange (the “Exchange”). NVI was incorporated under the laws of the State of Florida on May 12, 2005 and its sole asset was comprised of a licensing agreement with TheraCour Pharma, Inc. (an approximately 31% shareholder of the Company) for rights to develop and commercialize novel and specifically targeted drugs based on TheraCour's targeting technologies, against a number of human viral diseases. Upon consummation of the Exchange, the Company adopted the business plan of NVI.

Pursuant to the terms of the Exchange, ECMM acquired NVI in exchange for an aggregate of 80,000,000 newly issued shares of ECMM common stock, resulting in an aggregate of 100,000,000 shares of ECMM common stock issued and outstanding. As a result of the Exchange, NVI became a wholly-owned subsidiary of ECMM. The ECMM shares were issued to the NVI Shareholders on a pro rata basis, on the basis of 4,000 shares of the Company's Common Stock for each share of NVI common stock held by such NVI Shareholder at the time of the Exchange.

On June 28, 2005, NVI was merged into its parent ECMM and the separate corporate existence of NVI ceased. Effective on the same date, Edot-com.com, Inc. changed its name to NanoViricides, Inc. and its stock symbol on the Pink Sheets to “NNVC”, respectively.

For financial accounting purposes, this acquisition was a reverse acquisition of the Company by NanoViricides (NVI), under the purchase method of accounting, and was treated as a recapitalization with NanoViricides as the acquirer. Accordingly, our historical financial statements have been prepared to give retroactive effect to May 12, 2005 (date of inception), of the reverse acquisition completed on June 1, 2005, and represent the operations of NanoViricides. With the acquisition of NanoViricides, we no longer remained an inactive entity and entered the pharmaceuticals business.

The Company is considered a development stage company at this time.

## Management's Plan of Operation

The Company's drug development business model was formed in May, 2005 with a license to the patents and intellectual property held by TheraCour Pharma, Inc., that enabled creation of drugs engineered specifically to combat viral diseases in humans. This exclusive license from TheraCour Pharma serves as a foundation for our intellectual property. The Company was granted a worldwide exclusive perpetual license to this technology for several drugs with specific targeting mechanisms in perpetuity for the treatment of the following human viral diseases: Human Immunodeficiency Virus (HIV/AIDS), Hepatitis B Virus (HBV), Hepatitis C Virus (HCV), Rabies, Herpes Simplex Virus (HSV), Human Influenza, Avian Influenza (Asian Bird Flu Virus including H5N1).

TheraCour has granted us the right to include Dengue Hemorrhagic Fever (DHF) Viruses, and the Dengue Fever Viruses, Ebola/Marburg Viruses, and certain other hemorrhagic viruses, as well as Epidemic Keratoconjunctivitis causing Adenoviruses (EKC), among the viruses that NanoViricides will be developing drugs to treat. The Company and TheraCour are negotiating an amendment to the existing Licensing Agreement to include these additional virus types among the virus types the Company is permitted to manufacture, use, and offer for sale. However, no written agreement has been entered into with TheraCour and no assurance can be given that a written amendment to the licensing agreement with TheraCour will ever be reached or that, if reached, will be on terms favorable to the Company.

To date, we have engaged in organizational activities; sourcing compounds and materials; and experimentation with studies on cell cultures and animals. We have generated funding through the issuances of debt and private placement of common stock. We have not generated any revenues and we do not expect to generate revenues in the near future. We may not be successful in developing our drugs or commence selling our products when planned, nor are we

certain that we will become profitable in the future. We have incurred net losses in each fiscal period since inception of our operations.

## Index

In December, 2005, the Company signed a Memorandum of Understanding with the National Institute of Hygiene and Epidemiology in Hanoi (NIHE), a unit of the Vietnamese Government's Ministry of Health. This Memorandum of Understanding calls for cooperation in the development and testing of certain NanoViricides. The parties agreed that the initial target would be the development of drugs against H5N1 (avian influenza). NIHE thereafter requested that we develop a drug for rabies, a request to which we agreed. The initial phase of this agreement called first for laboratory testing, followed by animal testing of several drug candidates developed by the Company. Preliminary laboratory testing of FluCide™-I, AviFluCide-I™ and AviFluCide-HP™ were successfully performed at the laboratories of the National Institute of Hygiene and Epidemiology in Hanoi (NIHE). The second phase of the project, animal and/or additional cell culture testing of the Influenza H1N1 and H5N1 candidates, as well as that of RabiCide-I™, the company's rabies drug, were completed during the first calendar quarter of 2007. Whereas the rabies and H1N1 experimental data have not been completely analyzed.

Results of the in vitro H5N1 work in Vietnam were reported in a press release on May 7, 2007. The information was as follows: The BSL3 studies against Clade 2 H5N1, a Dec. 2006 isolate in Vietnam, showed that the nanoviricide developed against Highly Pathogenic Influenzas, FluCide-HP™, was highly effective in suppressing cytopathic effects (CPE), whereas the broad-spectrum nanoviricide against all influenzas, FluCide™, was slightly less effective than AviFluCide-HP. Both of these candidates were significantly more effective than oseltamivir (Tamiflu®) in this blind study performed by the National Institute of Hygiene and Epidemiology (NIHE) scientists in Vietnam. In addition, the antibody-fragment-based H5N1 specific (Clade 1, Vietnam, 2004-2005 strains) AviFluCide™ drug candidate was demonstrated conclusively by Vietnam scientists to significantly suppress CPE against the rgH5N1 strain (Clade 1), confirming previous results. The Highly Pathogenic H5N1 subtype of influenza continues to rapidly evolve and is now found in two distinct subgroups, Clade 1 and Clade 2. According to CDC scientists, the Vietnam 2004/2005 strains belong to Clade 1, whereas the Indonesia 2006 (2007), Egypt 2006, and Vietnam 2006 (2007) strains are different and form the Clade 2 subgroup. The various Clade 2 strains are antigenically distinct from each other, but closer to each other than to Clade 1 strains. Highly Pathogenic Influenza strains of all clades possess the polybasic cleavage site. Thus FluCide-HP, designed against this site, is expected to be effective against all Highly Pathogenic influenza strains. It is felt that it makes no difference to which type, subtype, or clade, they belong.

Results of the Rabies animal studies in Vietnam have also been reported in press releases and in scientific conferences. We have found 20% to 30% survival of lethally infected mice upon treatment with three different nanoviricides. In contrast, the standard of care, anti-rabies antibodies, produced 0% (zero) survival rates. Repeated studies confirmed the results. Currently there is no treatment for Rabies after infection takes hold.

We have conducted animal studies for the efficacy of certain nanoviricides against common influenza and reported the results at scientific conferences and also in press releases. In these studies, we used Oseltamivir as the positive control. We found the nanoviricides to be as much as eight to ten times more effective than Oseltamivir in a super-lethally infected mice model with extension of the life of the animal as the end point. In contrast, we have demonstrated that the nanoviricide remained effective against an Oseltamivir resistant strain of the H5N1 bird flu virus.

On April 9, 2007, the Company signed a Cooperative Research and Development Agreement with the Walter Reed Army Institute of Research (WRAIR). The joint R&D effort will focus on creating new treatments for dengue fever using NanoViricides' virus-killing nanomedicine technology. The company is currently developing the necessary protocols of study in cooperation with the WRAIR scientists. We expect to begin the laboratory studies as soon as the prerequisites are completed. The Company included this project in the following section in "Requirement for Additional Capital".

On October 4, 2007 the Corporation signed a Cooperative Research and Development Agreement with the United States Army Medical Research Institute of Infectious Disease (USAMRIID). The joint R&D effort will focus on testing the Nanoviricides virus killing nanomedicine against the Filoviruses (Ebola and Marburg viruses). On October

15, 2007, the Company signed a Cooperative Research and Development Agreement (CRADA) with the U.S. Army Medical Research Institute of Infectious Diseases (USAMRIID) to create new treatments for Filovirus using the Company's nanomedicine technology. Each party is individually responsible for funding its own respective researchers throughout this agreement, including laboratory facilities, salaries, overhead and indirect costs, etc.

## Index

On February 19, 2008, the Company issued a press release regarding the results of the cell culture studies against Ebola Virus conducted by the USAMRIID scientists. The nanoviricides tested showed very high efficacy as measured by significant reduction in production of virus in the Ebola infected cells. Following upon this success, USAMRIID scientist have undertaken preliminary animal studies.

The Company said that the same nanoviricide that was highly effective against highly pathogenic Avian Influenza (HPAI, H5N1, Bird Flu), and Rabies was also highly effective against Ebola Virus in cell culture studies. The Company believes that it has developed a broad-spectrum nanoviricide that may have efficacy against a broad range of distinctly different viruses. To date, the Company is not aware of any other effective, non-toxic, broad-spectrum anti-viral agents.

The Ebola virus produces significant quantities of a decoy called soluble glycoprotein in infected animals. The Company anticipates that significant optimization efforts may be needed to overcome these technical challenges in animal studies.

The Company intends to pursue such defense and biosecurity related projects to the extent that government funding becomes available to the Company.

On March 27, 2008, the Company announced that it will begin its very first animal studies against HIV in a mouse model. On April 7, 2008, the Company reported that these studies have started.

Management believes that it has achieved significant milestones in the development of several antiviral nanoviricide drug candidates within a very short timeframe. We now have effective drug candidates validated in animal studies against Human Influenza, Rabies, and HIV (post dated event). In addition we have effective drug candidates validated in cell culture studies against Avian Flu (H5N1) and Ebola. Further, we have additional contracts with several renowned agencies to test our drug candidates against additional disease targets including Dengue Virus, H5N1 (Avian Flu), and EKC.

Management believes that it now has validated at least two broad-spectrum antiviral drug conditions in several disease models. Management believe that in addition to developing broad-spectrum antivirals, the Company has also established and validated its platform technologies for development of highly effective, specific, antiviral agents against particular viral diseases.

## Liquidity and Capital Resources

### Requirement for Additional Capital

Based on our current operating expenses, we currently have sufficient cash reserves to meet all of our anticipated obligations through August 31, 2008. As of March 31, 2008 we have a cash balance of \$1,210,836, which can support operations through August 31, 2008. However, we expect we will require in excess of \$5,000,000 to execute the first part of our business plan which covers twelve months of operations. Assuming that we are successful in raising additional financing, we anticipate that we will incur the following expenses over the next twelve months:

1 Research and Development costs of \$1,500,000: Includes planned costs of \$1,200,000 for multiple drug variations and in-vivo and in-vitro studies for FluCide™, AviFluCide™, FluCide HP™, and Rabies planned for year ended June 30, 2008. The Company has allocated the planned costs of \$1,200,000 approximately as follows: FluCide™ \$400,000, AviFluCide™ \$300,000, FluCide HP™ \$400,000, and Rabies \$100,000. Depending on the results of these clinical trials, we expect to commence with early stage development of a drug for HIV for which we have budgeted \$300,000.



Index

2 Corporate overhead of \$750,000: This amount includes budgeted office salaries, legal, accounting and other costs expected to be incurred by being a public reporting company.

3 Capital costs of \$1,250,000: This is the estimated cost for equipment and laboratory improvements. The Company plans to incur these costs after completion of certain animal studies, some of which commenced in the third calendar quarter of 2007.

4 Staffing costs of \$1,500,000: This is the estimated cost of hiring additional scientific staff and consulting firms to assist with, material characterization, pharmaco-kinetic, pharmaco-dynamic and toxicology studies, as required for development of necessary data for a future filing of an Investigational New Drug Application (IND) with the United States Food and Drug Administration.

The Company will be unable to proceed with its planned drug development, meet its administrative expense requirements, capital costs, or staffing costs without obtaining additional financing of approximately \$2,500,000 to meet its budget. The Company does not have any arrangements at this time for equity or other financings. If we are unable to obtain additional financing, our business plan will be significantly delayed.

The Company has limited experience with pharmaceutical drug development. Thus, our budget estimates are not based on experience, but rather based on advice given by our associates and consultants. As such these budget estimates may not be accurate. In addition, the actual work to be performed is not known at this time, other than a broad outline, as is normal with any scientific work. As further work is performed, additional work may become necessary or change in plans or workload may occur. Such changes may have an adverse impact on our estimated budget. Such changes may also have an adverse impact on our projected timeline of drug development.

On February 27, 2007 the Company leased an R&D facility to occupy 5,000 square feet of space in Woodbridge, Connecticut, originally built for the Bayer Pharmaceutical Corporation. The term of the occupancy is until January 30, 2009 at a monthly rent of \$11,667, plus an additional \$500 per month for utilities. The Company believes that an adjacent space may become available and would be suitable for small scale manufacturing. The facility will need to be certified by the FDA in order for the Company to produce experimental materials that can be sent to outside scientists for pharmaco-kinetic, pharmaco-dynamic and toxicology studies. These three sets of studies must be completed prior to the Company filing an Investigational New Drug (IND) Application with the FDA to begin the human safety and efficacy trials (Phase I, II and III).

We believe that this coming year's work-plan will lead us to obtain certain information about the safety and efficacy of some of the drugs under development in animal models. If our studies are not successful, we will have to develop additional drug candidates and perform further studies. If our studies are successful, then we expect to be able to undertake further studies in animal models to obtain necessary data regarding the pharmaco-kinetic and pharmaco-dynamic profiles of our drug candidates. We believe these data will then enable us to file an Investigational New Drug (IND) application, towards the goal of obtaining FDA approval for testing the drugs in human patients.

Most pharmaceutical companies expect 4 to 10 years of study to be required before a drug candidate reaches the IND stage. We believe that because we are working in the infectious agents area, our studies will have objective response end points, and will be of relatively short durations. Our business plan is based on these assumptions. If we find that we have underestimated the time duration of our studies, or we have to undertake additional studies, due to various reasons within or outside of our control, this will grossly and adversely impact both our timelines and our financing requirements.

Management intends to use capital and debt financing, as required, to fund the Company's operations. There can be no assurance that the Company will be able to obtain the additional capital resources necessary to fund its anticipated



obligations for the next twelve months.

The Company is considered to be a development stage company and will continue in the development stage until it generates revenues from the sales of its products or services.

19

---

## Index

### Subsequent Events

On May 5, 2008, the Company reported that its nanoviricide drug candidates against HIV were found to have significant therapeutic efficacy in animal studies using a mouse model. The Company believes that it now has validated drug candidates against HIV. The Company is not aware of any other anti-HIV efforts in which the very first screening studies led to successful drug candidates.

### ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

The Company is not exposed to market risk related to interest rates or foreign currencies.

### ITEM 4. CONTROLS AND PROCEDURES

#### EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

NNVC maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in reports filed by NNVC under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and regulations and that such information is accumulated and communicated to NNVC's management, including its Chief Executive Officer and Interim Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. Our Chief Executive Officer and Interim Chief Financial Officer evaluated, with the participation of other members of management, the effectiveness of NNVC's disclosure controls and procedures (as defined in Exchange Act Rule 15d-15(e)), as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on this evaluation, our Chief Executive Officer and Interim Chief Financial Officer concluded that the Company's controls were not effective as of March 31, 2008 due to inherent weaknesses present in the preparation of financial statements as a result of the departure of its Chief Financial Officer on May 16, 2007. The Company continues to take steps toward remediation of these weaknesses. The Company intends to remediate this weakness by its active search for a permanent Chief Financial Officer and the institution of additional internal reporting provisions and controls.

Although the management of our Company, including the Chief Executive Officer and the Chief Financial Officer, believes that our disclosure controls and internal controls currently provide reasonable assurance that our desired control objectives have been met, management does not expect that our disclosure controls or internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

#### CHANGE IN INTERNAL CONTROLS

There have been no changes in internal controls over financial reporting that occurred during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.



Index

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

None.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

In February, 2008, the Scientific Advisory Board (SAB) was granted warrants to purchase 50,000 shares of common stock at \$.52 per share. These warrants, if not exercised, will expire in February, 2012.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibit index

Exhibit

31.1 Certification of Chief Executive and Interim Chief Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934, as amended.

32.1 Certification of Chief Executive Officer and Interim Chief Financial Officer required by Rule 13a-14(b) or Rule 15d-14(b) under the Securities Exchange Act of 1934, as amended, and 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K.

21

---

Index

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: May 19, 2008

NANOIRICIDES, INC.

/s/ Eugene Seymour, MD  
Eugene Seymour, M.D.  
Chief Executive Officer and  
Interim Chief Financial Officer and Director

/s/ Anil Diwan  
Anil Diwan  
President and Chairman of the Board of Directors