NANOVIRICIDES, INC.
Form 10-Q/A
March 18, 2010

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

FORM 10 - Q/A

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 2009

Or

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to_____

Commission File Number: 333-148471

NANOVIRICIDES, INC.
(Exact name of registrant as specified in its charter)

NEVADA	76-0674577
(State or other jurisdiction of incorporation or organization)	(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 has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). 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	Q

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ¨ No Q

The number of shares outstanding of the Registrant's Common Stock as of February 19, 2010 was: 131,910,584.

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NANOVIRICIDES, INC.
(A DEVELOPMENT STAGE COMPANY)
BALANCE SHEETS
(Unaudited)

	December 31, 2009 (Unaudited)	June 30, 2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$4,032,863	$1,689,442
Prepaid expenses	312,904	321,545
Other current assets	107,026	109,312
Total current assets	4,452,793	2,120,299
Property and equipment, net	833,809	688,618
OTHER ASSETS:		
Trademark, net	322,914	192,344
Total other assets	322,914	192,344
TOTAL ASSETS	$5,609,516	$3,001,261
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$217,878	$147,067
Accounts payable – related parties	957,213	300,969
Accrued expenses	31,066	35,087
Accrued payroll to officers and related payroll tax expense	54,832	32,596
TOTAL CURRENT LIABILITIES	1,260,989	515,719
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Common stock, $0.001 par value; 300,000,000 shares authorized; 131,910,584 and 125,299,457 shares issued and outstanding.	131,911	125,299
Additional paid-in capital	17,868,788	14,455,778
Stock subscription receivable	-	(100,000)
Deficit accumulated during the development stage	(13,652,172)	(11,995,535)
TOTAL STOCKHOLDERS' EQUITY	4,348,527	2,485,542
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$5,609,516	$3,001,261

See accompanying notes to financial statements.

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NANOVIRICIDES, INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended December 31		Six Months Ended December 31,		For the Period from May 12, 2005 (Inception) through December 31,
	2009	2008	2009	2008	2009
Revenues	$-	$-	$-	$-	
Operating expenses:					
Research and development	629,803	426,957	1,093,725	927,242	7,815,688
Refund credit research and development costs	-	-	-	-	(258,318)
General and administrative	296,765	217,547	564,902	474,094	5,457,789
Total operating expenses	926,568	644,504	1,658,627	1,401,336	13,015,159
Loss from operations	(926,568)	(644,504)	(1,658,627)	(1,401,336)	(13,015,159)
Other income (expense):					
Interest income	1,120	14,004	1,990	26,081	149,996
Non cash interest on convertible debentures	-	-		-	(73,930)
Non cash interest expense on beneficial conversion feature of convertible debentures	-	-	-	-	(713,079)
Total other income (expense)	1,120	14,004	1,990	26,081	(637,013)
Net loss	(925,448)	$(630,500)	(1,656,637)	$(1,375,255)	(13,652,172)
Net loss per common share: basic and diluted	$(0.007)	$(0.01)	$(0.01)	$(0.01)	
Weighted average common shares outstanding: basic and diluted	127,546,405	122,716,140	126,669,572	121,660,720	

See accompanying notes to financial statements.

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

	Six Months Ended December 31,		For the Period from May 12, 2005 (Inception) through December 31,
	2009	2008	2009
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	(1,656,637)	$(1,375,255)	(13,652,172)
Adjustments to reconcile net loss to net cash used in operating activities:			
Shares and warrants issued for services rendered	99,832	58,000	910,389
Warrants granted to scientific advisory board	81,000	78,000	525,841
Options issued to officers as compensation	-	-	121,424
Depreciation and amortization	7,731	4,615	29,068
Amortization of deferred financing expenses	-	-	51,175
Non cash interest on convertible debentures	-	-	73,930
Non cash interest expense on beneficial conversion feature of convertible debentures	-	-	713,079
Changes in operating assets and liabilities:			
Prepaid expenses	8,641	59,567	(312,904)
Deferred expenses	-	-	(2,175)
Other current assets	2,286	(24,791)	(107,026)
Accounts payable	70,811	(172,913)	505,378
Accounts payable – related parties	656,244	188,111	957,213
Accrued expenses	(4,021)	(72,645)	31,066
Accrued payroll to officers and related payroll tax expense	22,236	(258,432)	54,832
Net cash used in operating activities	(711,877)	(1,515,743)	(10,100,882)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Security deposit	-	24,000	-
Purchases of property and equipment	(148,534)	(498,382)	(851,668)
Trademark and patent costs	(134,958)	(118,073)	(334,123)
Net cash used in investing activities	(283,492)	(592,455)	(1,185,791)
CASH FLOWS FROM FINANCING ACTIVITIES:			
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	1,437,450	3,227,554	11,301,926
Proceeds from exercise of stock warrants attached to convertible debentures	1,901,340	-	2,927,590
Stock subscription received	-	-	20
Proceeds from exercise of stock options	-	-	90,000
Net cash provided by financing activities	3,338,790	3,227,554	15,319,536

NET INCREASE IN CASH AND CASH EQUIVALENTS	2,343,421	1,119,356	4,032,863
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,689,442	816,386	-
CASH AND CASH EQUIVALENTS, END OF PERIOD	$4,032,863	$1,935,742	$4,032,863

See accompanying notes to financial statements.

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NANOVIRICIDES, 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:

	Six Months Ended December 31,		For the Period from May 12, 2005 (Inception) through December 31,
	2009	2008	2009
Common stock issued for services rendered	99,832	$58,000	157,832
Stock options issued to the officers as compensation	-	-	121,424
Stock warrants granted to scientific advisory board	81,000	78,000	159,000
Stock warrants granted to brokers	3,563	9,849	13,412
Common stock issued for interest on debentures	-	-	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
Debt discount related to beneficial conversion feature of convertible debt	-	-	713,079
Warrants issued in connection with private placement	5,097,300	827,485	7,681,578
Common Stock issued for equipment	-	-	137,500
Common Stock issued upon conversion of accounts payable	25,200	150,000	175,200

See accompanying notes to financial statements.

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NANOVIRICIDES, INC
(A DEVELOPMENT STAGE COMPANY)
FOR THE PERIOD FROM MAY 12, 2005 (INCEPTION) TO DECEMBER 31, 2009
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

Note 1. 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, , became the surviving entity.

On June 1, 2005, Edot-com.com, Inc. ("ECMM") acquired NanoViricide, 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 representing 80% of the voting capital stock of ECMM immediately after the Exchange transaction. 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 ECMM'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 ownership interests of the former shareholders of NVI for financial accounting purposes, the merger between ECMM and NVI has been treated as a reverse acquisition with NVI deemed the accounting acquirer and ECMM deemed the accounting acquiree under the purchase method of accounting in accordance with Statement of Financial Accounting Standards No. 141 "Business Combinations" ("SFAS No. 141"). The reverse merger is deemed a capital transaction and the net assets of NVI (the accounting acquirer) are carried forward to ECMM (the legal acquirer and the reporting entity) at their carrying value before the combination. The acquisition process utilizes the capital structure of ECMM and the assets and liabilities of NVI which are recorded at historical cost. The equity of ECMM is the historical equity of NVI retroactively restated to reflect the number of shares issued by ECMM in the transaction. 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, ECMM changed its name to NanoViricides, Inc. and its stock symbol to "NNVC", respectively. NanoViricides, Inc. 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. The Company's drugs are based on several patents, patent applications, provisional patent applications, and other proprietary intellectual property held by TheraCour Pharma, Inc. ("TheraCour®"), to which the Company has licenses in perpetuity for the treatment of the following human viral diseases: Human Immunodeficiency Virus (HIV/AIDS), Influenza including

Asian Bird Flu Virus, Herpes Simplex Virus (HSV), Hepatitis C Virus (HCV),Hepatitis B Virus (HBV), and Rabies. The Company has entered into an Additional License Agreement with TheraCour granting the Company the exclusive licenses in perpetuity for technologies developed by TheraCour for the additional virus types for Dengue viruses, Japanese Encephalitis, West Nile Virus, viruses causing viral Conjunctivitis (a disease of the eye) and Ocular Herpes, and Ebola/Marburg viruses,.

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The Company focuses its research and clinical programs on specific anti-viral therapeutics and is seeking to add to its existing portfolio of products through its internal discovery and clinical development programs and through an in-licensing strategy. To date, the Company has not developed commercialized any product.

Note 2. 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 six month period ended December 31, 2009, are not necessarily indicative of the results that may be expected for the year ending June 30, 2010. 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-K for the year ended June 30, 2009.

Note 3. Summary of Significant Accounting Policies

For a summary of significant accounting policies (which have not changed from June 30, 2009), see the Company’s Annual Report on Form 10-K for the year ended June 30, 2009.

Recently Issued Accounting Pronouncements

On June 5, 2003, the United States Securities and Exchange Commission (“SEC”) adopted final rules under Section 404 of the Sarbanes-Oxley Act of 2002 (“Section 404”), as amended by SEC Release No. 33-9072 on October 13, 2009. Under the provisions of Section 404 of the Sarbanes-Oxley Act, public companies and their independent auditors are each required to report to the public on the effectiveness of a company’s internal controls. The smallest public companies with a public float below $75 million have been given extra time to design, implement and document these internal controls before their auditors are required to attest to the effectiveness of these controls. This extension of time will expire beginning with the annual reports of companies with fiscal years ending on or after June 15, 2010. Commencing with its annual report for the fiscal year ending June 30, 2010, the Company will be required to include a report of management on its internal control over financial reporting. The internal control report must include a statement

- Of management’s responsibility for establishing and maintaining adequate internal control over its financial reporting;
- Of management’s assessment of the effectiveness of its internal control over financial reporting as of year end; and
- Of the framework used by management to evaluate the effectiveness of the Company’s internal control over financial reporting.

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Furthermore, it is required to file the auditor's attestation report separately on the Company's internal control over financial reporting on whether it believes that the Company has maintained, in all material respects, effective internal control over financial reporting.

In June 2009, the FASB issued new accounting guidance related to accounting standards codification and the hierarchy of GAAP the "FASB Accounting Standards Codification" ("Codification"), , to become the single official source of authoritative U.S. generally accepted accounting principles ("GAAP") to be applied by nongovernmental entities, superseding existing FASB, American Institute of Certified Public Accountants ("AICPA"), Emerging Issues Task Force ("EITF"), and related accounting literature. Rules and interpretive releases of the Securities and Exchange Commission ("SEC") under authority of federal securities laws are also sources of authoritative U.S. GAAP for SEC registrants. This guidance reorganizes the previously issued GAAP pronouncements into accounting topics and displays them using a consistent structure. The subsequent issuances of new standards will be in the form of Accounting Standards Updates that will be included in the Codification. The guidance is effective for the Company as of the interim period ended September 30, 2009. As the Codification was not intended to change or alter existing GAAP, it did not have an impact on the Company's consolidated financial statements. The only impact will be that references to authoritative accounting literature will be in accordance with the new numbering system prescribed by the Codification.

In August 2009, the FASB issued the FASB Accounting Standards Update No. 2009-04 "Accounting for Redeemable Equity Instruments - Amendment to Section 480-10-S99" which represents an update to section 480-10-S99, distinguishing liabilities from equity, per EITF Topic D-98, Classification and Measurement of Redeemable Securities. The Company does not expect the adoption of this update to have a material impact on its consolidated financial position, results of operations or cash flows.

In August 2009, the FASB issued the FASB Accounting Standards Update No. 2009-05 "Fair Value Measurement and Disclosures Topic 820 – Measuring Liabilities at Fair Value", which provides amendments to subtopic 820-10, Fair Value Measurements and Disclosures – Overall, for the fair value measurement of liabilities. This update provides clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using one or more of the following techniques: 1. A valuation technique that uses: a. The quoted price of the identical liability when traded as an asset b. Quoted prices for similar liabilities or similar liabilities when traded as assets. 2. Another valuation technique that is consistent with the principles of topic 820; two examples would be an income approach, such as a present value technique, or a market approach, such as a technique that is based on the amount at the measurement date that the reporting entity would pay to transfer the identical liability or would receive to enter into the identical liability. The amendments in this update also clarify that when estimating the fair value of a liability, a reporting entity is not required to include a separate input or adjustment to other inputs relating to the existence of a restriction that prevents the transfer of the liability. The amendments in this update also clarify that both a quoted price in an active market for the identical liability when traded as an asset in an active market when no adjustments to the quoted price of the asset are required are Level 1 fair value measurements. The Company does not expect the adoption of this update to have a material impact on its consolidated financial position, results of operations or cash flows.

In September 2009, the FASB issued the FASB Accounting Standards Update No. 2009-08 "Earnings Per Share – Amendments to Section 260-10-S99",which represents technical corrections to topic 260-10-S99, Earnings per share, based on EITF Topic D-53, Computation of Earnings Per Share for a Period that includes a Redemption or an Induced Conversion of a Portion of a Class of Preferred Stock and EITF Topic D-42, The Effect of the Calculation of Earnings per Share for the Redemption or Induced Conversion of Preferred Stock. The Company does not expect the adoption of this update to have a material impact on its consolidated financial position, results of operations or cash flows.

In September 2009, the FASB issued the FASB Accounting Standards Update No. 2009-09 “Accounting for Investments-Equity Method and Joint Ventures and Accounting for Equity-Based Payments to Non-Employees”. This update represents a correction to Section 323-10-S99-4, Accounting by an Investor for Stock-Based Compensation Granted to Employees of an Equity Method Investee. Additionally, it adds observer comment Accounting Recognition for Certain Transactions Involving Equity Instruments Granted to Other Than Employees to the Codification. The Company does not expect the adoption to have a material impact on its consolidated financial position, results of operations or cash flows.

In September 2009, the FASB issued the FASB Accounting Standards Update No. 2009-12 “Fair Value Measurements and Disclosures Topic 820 – Investment in Certain Entities That Calculate Net Assets Value Per Share (or Its Equivalent)”, which provides amendments to Subtopic 820-10, Fair Value Measurements and Disclosures-Overall, for the fair value measurement of investments in certain entities that calculate net asset value per share (or its equivalent). The amendments in this update permit, as a practical expedient, a reporting entity to measure the fair value of an investment that is within the scope of the amendments in this update on the basis of the net asset value per share of the investment (or its equivalent) if the net asset value of the investment (or its equivalent) is calculated in a manner consistent with the measurement principles of Topic 946 as of the reporting entity’s measurement date, including measurement of all or substantially all of the underlying investments of the investee in accordance with Topic 820. The amendments in this update also require disclosures by major category of investment about the attributes of investments within the scope of the amendments in this update, such as the nature of any restrictions on the investor’s ability to redeem its investments a the measurement date, any unfunded commitments (for example, a contractual commitment by the investor to invest a specified amount of additional capital at a future date to fund investments that will be make by the investee), and the investment strategies of the investees. The major category of investment is required to be determined on the basis of the nature and risks of the investment in a manner consistent with the guidance for major security types in U.S. GAAP on investments in debt and equity securities in paragraph 320-10-50-1B. The disclosures are required for all investments within the scope of the amendments in this update regardless of whether the fair value of the investment is measured using the practical expedient. The Company does not expect the adoption to have a material impact on its consolidated financial position, results of operations or cash flows.

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In January 2010, the FASB issued the FASB Accounting Standards Update No. 2010-01 “Equity Topic 505 – Accounting for Distributions to Shareholders with Components of Stock and Cash”, which clarify that the stock portion of a distribution to shareholders that allows them to elect to receive cash or stock with a potential limitation on the total amount of cash that all shareholders can elect to receive in the aggregate is considered a share issuance that is reflected in EPS prospectively and is not a stock dividend for purposes of applying Topics 505 and 260 (Equity and Earnings Per Share (“EPS”)). Those distributions should be accounted for and included in EPS calculations in accordance with paragraphs 480-10-25- 14 and 260-10-45-45 through 45-47 of the FASB Accounting Standards codification. The amendments in this Update also provide a technical correction to the Accounting Standards Codification. The correction moves guidance that was previously included in the Overview and Background Section to the definition of a stock dividend in the Master Glossary. That guidance indicates that a stock dividend takes nothing from the property of the corporation and adds nothing to the interests of the stockholders. It also indicates that the proportional interest of each shareholder remains the same, and is a key factor to consider in determining whether a distribution is a stock dividend.

In January 2010, the FASB issued the FASB Accounting Standards Update No. 2010-02 “Consolidation Topic 810 – Accounting and Reporting for Decreases in Ownership of a Subsidiary – a Scope Clarification”, which provides amendments to Subtopic 810-10 and related guidance within U.S. GAAP to clarify that the scope of the decrease in ownership provisions of the Subtopic and related guidance applies to the following:

1. A subsidiary or group of assets that is a business or nonprofit activity

2. A subsidiary that is a business or nonprofit activity that is transferred to an equity method investee or joint venture

3. An exchange of a group of assets that constitutes a business or nonprofit activity for a noncontrolling interest in an entity (including an equity method investee or joint venture).

The amendments in this Update also clarify that the decrease in ownership guidance in Subtopic 810-10 does not apply to the following transactions even if they involve businesses:

1. Sales of in substance real estate. Entities should apply the sale of real estate guidance in Subtopics 360-20 (Property, Plant, and Equipment) and 976-605 (Retail/Land) to such transactions.

2. Conveyances of oil and gas mineral rights. Entities should apply the mineral property conveyance and related transactions guidance in Subtopic 932-360 (Oil and Gas-Property, Plant, and Equipment) to such transactions.

If a decrease in ownership occurs in a subsidiary that is not a business or nonprofit activity, an entity first needs to consider whether the substance of the transaction causing the decrease in ownership is addressed in other U.S. GAAP, such as transfers of financial assets, revenue recognition, exchanges of nonmonetary assets, sales of in substance real estate, or conveyances of oil and gas mineral rights, and apply that guidance as applicable. If no other guidance exists, an entity should apply the guidance in Subtopic 810-10.

Management does not believe that any other recently issued, but not yet effective accounting pronouncements, if adopted, would have a material effect on the accompanying financial statements.

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Reclassification

Certain reclassifications have been made in prior year's financial statements to conform to classification used in the current year. The reclassifications from general and administrative expenses to research and development expenses does not change total operating expenses, operating loss or net loss for any period presented.

Note 4. 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 $13,652,172 at December 31, 2009. 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 2009 and 2008 and a cash and cash equivalent balance of $4,032,863 at December 31, 2009, substantial additional financing will be required in future periods. The Company believes it will require an additional $3,000,000 during the next twenty four months, and will also require up to an additional $2,000,000 to finance planned capital costs, and additional staffing requirements during the next twenty four months. The Company believes it can adjust its priorities of drug development, and its Plan of Operations as necessary if it is unable to raise such funds.

The Company continues to successfully raise additional capital, On September 30, 2009, the Company accepted subscriptions from certain investors in the aggregate amount of $3,217,400 from the offerings of shares of the Company 's common stock and warrants to purchase common stock and the exercise by the Company's warrant holders of their outstanding warrants. The offerings were commenced in June 2009, when the Company's stock price levels were approximately $0.57. The offerings were closed to investors on August 30, 2009, after an extension by the Company's Board of Directors from the original termination date of August 14, 2009. In the Company's offering of Units comprised of shares of common stock and warrants to purchase common stock, the Company accepted subscriptions for $1,337,500 for Units consisting of 2,675,000 shares and Warrants to purchase an additional 1,337,500 shares. In the offering to its warrant holders, the Company raised an aggregate of $1,879,900 for 3,759,800 shares and warrants to purchase 3,759,800 shares. All of the warrants sold in the offerings are exercisable at the price of $1.00 per share and expire in three years.

The Company is in discussions with certain potential investors to provide the additional capital set forth above. Additionally, A grant application for developing a broad-spectrum nanoviricide against hemorrhagic fever viruses such as Ebola/Marburg and Dengue is currently pending with the Department of Defense. 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.

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 exclusive licenses in perpetuity for technologies developed by TheraCour for the virus types: Human Immunodeficiency Virus (HIV/AIDS), Influenza including Asian Bird Flu Virus, Herpes Simplex Virus (HSV), Hepatitis C Virus (HCV), Hepatitis B Virus (HBV), and Rabies. The Company and TheraCour have agreed, in principle, to a Licensing Agreement to include additional virus types among the virus types the Company is permitted to manufacture, use, and offer for sale, and for payment of a license fee to TheraCour. The Company has entered into an Additional License Agreement with TheraCour granting the Company the exclusive licenses in perpetuity for technologies developed by TheraCour for the additional virus types for Dengue viruses, Japanese Encephalitis virus, West Nile Virus, Viruses causing viral Conjunctivitis (a disease of the eye) and Ocular Herpes, and Ebola/Marburg viruses.

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In consideration for obtaining these exclusive licenses, 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) to 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, (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.

There can be no assurance that the license fee will be paid or that the amendment will become effective, 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 United States Armed Forces Institute of Pathology (USAFIP).

TheraCour may terminate the license 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 six months ended December 31, 2009 and 2008, were $586,023 and $417,093 respectively, and$3,151,071 since inception. As of December 31, 2009, pursuant to its license agreement the Company has paid a security advance of $263,656 to and held by TheraCour Pharma, Inc. which is reflected in prepaid expenses

No royalties are due TheraCour from the Company’s inception through December 31, 2009.

On February 27, 2007, NanoViricides, Inc. entered into a sublease to occupy 5,000 square feet of space in Woodbridge, Connecticut. Performance of the Company’s obligations was guaranteed by TheraCour Pharma, Inc., a principal shareholder of the Company and provider of the materials the Company uses in its operations. This lease expired on January 30, 2009, and we have relocated our operations to an expanded facility at 135 Wood Street, West Haven, CT.

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 70% of the capital stock of TheraCour Pharma, Inc., which itself owns approximately 30% of the capital stock of the Company.

TheraCour Pharma, Inc. owns 31,460,000 shares of the Company’s outstanding common stock as of December 31, 2009. The Company anticipates the need to procure large quantities of the nanoviricides drug candidates for the upcoming studies. In order to support this production scale, TheraCour Pharma, Inc., the Company’s largest shareholder and licensor of the TheraCour® technology that the Company uses in its anti-viral drug development, has initiated a program to expand its laboratory facilities. On December 3, 2009 TheraCour concluded its sales of the Company’s stock pursuant to a Rule 10b5-1 trading plan selling, over a one year period, 1.8 million shares of the Company’s common stock.. The plan went into effect on February 17, 2009. The proceeds are expected to be used to pay for necessary improvements in laboratory facilities, the purchase of analytical equipment, and the costs of intellectual property (patent) protection.

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The FASB has issued guidance related Consolidation of Variable Interest Entities. The guidance clarifies the application 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 guidance 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.

The guidance further 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 the FASB guidance became 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., and concluded that it is not a variable interest entity that is subject to consolidation in the Company’s financial statements.

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. Dr. Krishna Menon, the Company’s Chief Regulatory Officer, is also an officer and principal owner of KARD Scientific. Since inception, lab fees charged by KARD Scientific for services to the Company total. $633,175.

Note 6. Prepaid Expenses

Prepaid expenses are summarized as follows:

	December 31, 2009	June 30, 2009
TheraCour Pharma, Inc. *	$ 263,656	$ 243,313
Kard Scientific, Inc. *	-	50,000
Prepaid other	49,248	28,232
	$ 312,904	$ 321,545

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

Note 7. Equity Transactions

In November 2009, the Scientific Advisory Board (SAB) was granted warrants to purchase 50,000 shares of common stock at $1.06 per share. These warrants, if not exercised, will expire in November 2013. The fair value of these warrants in the amount of$39,600 was recorded as consulting expense.

The fair value of the Company's option-based awards granted were estimated using the Black-Scholes option pricing model and the following assumptions.

	For the three months ended 12/31/09	For the six months ended 12/31/09
Expected life in years	4 yrs	4 yrs
Risk free interest rate	1.73%	1.73-2.06%
Expected volatility	92.94%	92.94-96.15%
Dividend yield	0%	0%

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On September 30, 2009, the Company accepted subscriptions from certain investors in the aggregate amount of $3,217,400 from the offerings of shares of the Company’s common stock and warrants to purchase common stock and the exercise by the Company’s warrantholders of their outstanding warrants. The offerings were commenced in June 2009, when the Company’s stock price levels were approximately $0.57. The offerings were closed to investors on August 30, 2009, after an extension by the Company’s Board of Directors from the original termination date of August 14, 2009. In the Company’s offering of Units comprised of shares of common stock and warrants to purchase common stock, the Company accepted subscriptions for $1,337,500 for Units consisting of 2,675,000 shares and Warrants to purchase an additional 1,337,500 shares. In the offering to its warrant holders, the Company raised an aggregate of $1,879,900 for 3,759,800 shares and warrants to purchase 3,759,800 shares. All of the warrants sold in the offerings are exercisable at the price of $1.00 per share and expire three years from the issue date.

For the six months ended December 31, 2009, the Company's Board of Directors authorized the issuance of 93,530 shares of its common stock with a restrictive legend, for consulting services. The Company recorded an expense of $64,463.

Note 8. Commitments and Contingencies