

XSUNX INC
Form 10-Q
May 14, 2008

FORM 10-Q

SECURITIES EXCHANGE COMMISSION

Washington, D.C. 20549

Quarterly Report under Section 13 or 15(d) of
The Securities Exchange Act of 1934

For Quarter Ended March 31, 2008

Commission file number: 000-29621

XSUNX, INC.

(Exact name of registrant as specified in its charter)

Colorado
(State of incorporation)

84-1384159
(I.R.S. Employer Identification No.)

65 Enterprise, Aliso Viejo, CA 92656
(Address of principal executive offices) (Zip Code)

Registrant's telephone number: (949) 330-8060

Securities registered pursuant to Section 12(b) of the Act:

Title of each class: None Name of each exchange on which registered: N/A

Securities registered pursuant to Section 12(g) of the Act:

Title of each class: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, during the preceding twelve (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 large accelerated filer, an accelerated filer, or a non-accelerated filer.

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 has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed

by a court. Yesx No o

The number of shares of common stock issued and outstanding as of May 13, 2008 was 174,984,541.

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XSUNX
(A DEVELOPMENT STAGE COMPANY)
FINANCIAL STATEMENTS
March 31, 2008
(UNAUDITED)

JASPERS + HALL, PC
CERTIFIED PUBLIC ACCOUNTANTS

9175 E. Kenyon Avenue, Suite 100
Denver, CO 80237
303-796-0099

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors
XSUNX, INC.
Aliso Viejo, CA

We have reviewed the accompanying balance sheet of XSUNX, INC. (a development stage company) as of March 31, 2008, and the related statements of operations, stockholders' equity (deficit), and cash flows for the three-month and six-month periods then ended. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards of the Public Company Accounting Oversight Board (United States). The review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements for them to be in conformity with accounting principles generally accepted in the United States.

Jaspers + Hall, PC
Denver, CO
May 13, 2008

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XSUNX, INC.
(A Development Stage Company)
Balance Sheets

	(Unaudited) March 31, 2007	(Audited) September 30, 2007
ASSETS:		
Current assets:		
Cash	\$ 3,467,130	\$ 1,773,748
Inventory Held for Sale - Marketable Prototype	1,632,625	\$ 1,720,875
Prepaid Expenses	54,686	54,377
Total current assets	5,154,441	3,549,000
Fixed assets:		
Office & Misc. Equipment	63,911	39,437
Research and Development Equipment	634,907	532,795
Leasehold Improvement	89,825	89,825
Other - Oregon Manufacturing Progress Payment	500,000	-
Total Fixed Assets	1,288,643	662,057
Less Depreciation	(195,513)	(118,064)
Total fixed assets	1,093,130	543,993
Other assets:		
Patents/Trade Marks		-
Security Deposit	5,815	5,815
Accrued Interest Receivable	141,223	143,452
Total other assets	1,647,038	1,649,267
TOTAL ASSETS	\$ 7,894,609	\$ 5,742,260
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Current Liabilities:		
Accounts Payable	\$ 244,365	\$ 259,652
Accrued Expenses	59,498	53,036
Total current liabilities	303,863	312,688
Stockholders' Equity:		
Preferred Stock, par value \$0.01 per share; 50,000,000 shares authorized; no shares issued and outstanding		
Treasury Stock, no par value; no shares where issued or outstanding		
Common Stock, no par value; 500,000,000 shares authorized; 173,403,188 shares issued and outstanding at March 31, 2008 and 157,919,856 shares were issued and outstanding at September 30, 2007		
	18,169,169	13,563,869
Paid in Capital - Common Stock Warrants & Fees	3,635,418	2,326,553
Deferred Stock Compensation	(1,155,300)	
Deficit accumulated during the development stage	(13,058,541)	(10,460,850)
Total stockholders' profit (deficit)	7,590,746	5,429,572
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 7,894,609	\$ 5,742,260

See Accountants' Review Report

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XSUNX, INC.
(A Development Stage Company)
Statement of Operations
(Unaudited)

	Three Months Ended March 31,		Six Months Ended March 31,		Feb. 25, 1997 (Inception) to March 31,
	2008	2007	2008	2007	2008
Revenue					
Service Income	\$ -	\$ 6,880		\$ 6,880	\$ 14,880
Other Income					-
Total Revenue	-	6,880	-	6,880	14,880
Expenses:					
Advertising	3,724	18,223	8,254	43,470	68,856
Bank Charges	636	204	1,187	229	5,067
Conferences & Seminars	69	99	3,784	9,370	29,776
Consulting	108,803	4,269	139,799	42,542	1,650,383
Depreciation	(106,328)	16,714	23,630	34,667	205,432
Directors' Fees					11,983
Due Diligence					45,832
Dues and Subscriptions					-
Equipment Rental					1,733
Filing Fees	1,042		1,042	2,497	9,652
Impairment loss					923,834
Insurance	12,576	31,049	34,740	34,585	105,059
Legal & Accounting	49,073	41,252	74,393	109,577	812,773
Licenses & Fees	25	50	643	70	7,188
Commitment and Loan Fees					741,834
Meals & Entertainment					4,119
Miscellaneous			100	28	7,478
Office Expenses	3,170	3,073	6,962	11,434	48,474
Patent Fees					2,469
Postage & Shipping	1,492	1,972	2,867	2,698	17,695
Printing	10,278	1,968	10,686	6,382	39,156
Public Relations	133,220	670	201,894	27,300	691,255
Recruitment Expenses			1,403		48,467
Research & Development	149,295	109,236	155,701	320,331	2,171,623
Rent	21,670	15,638	38,879	30,350	151,402
Salaries	285,366	216,105	520,950	357,880	2,280,072
Subscription Reports					9,858
Taxes	802	504	2,468	504	11,305
Telephone	7,140	6,478	12,126	12,288	87,049
Transfer Agent Expense		100		383	20,365
Travel, Meals & Entertainment	37,245	38,376	69,199	75,581	343,692
Utilities	3,127		5,536		13,639
Abandoned Equipment					808

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Option / Warrant Expense			1,308,865	364	3,785,418
Total Operating Expenses	722,425	505,980	2,625,108	1,122,530	14,353,746
Other (Income) Expense					
Interest Expense	395	364	790	364	249,350
Interest Income	78,239	(51,515)	(28,220)	(84,769)	(369,902)
Legal Settlement					(1,100,000)
Other					-
Forgiveness of Debt					(59,773)
Total Other Income/Expense	78,634	(51,151)	(27,430)	(84,405)	(1,280,325)
Net (Loss)	\$ (801,059)	\$ (447,949)	\$ (2,597,678)	\$ (1,031,245)	\$ (13,058,541)
Per Share Information:					
Basic					
Weighted average number of common shares outstanding	172,206,449	157,046,230	169,774,536	156,249,529	
Net Loss per Common Share	\$ (0.005)	\$ (0.003)	(0.02)	\$ (0.007)	

See Accountants' Review Report

XSUNX, INC.
(A Development Stage Company)
Statement of Stockholders' Equity (Deficit)
December 31, 2007
(Unaudited)

	Treasury Stock		Common Stock		Paid in Capital	Deficit		
	# of Shares	Amount	# of Shares	Amount	Common Stock Warrants	Accumulated During the Exploration Stage	Deferred Compensation	Totals
Inception February 25, 1997	-	-	-	-	-	-	-	-
Issuance of stock for cash	-	-	15,880	217,700	-	-	-	217,700
Issuance of stock to Founders	-	-	14,110	-	-	-	-	-
Issuance of stock for consolidation	-	-	445,000	312,106	-	-	-	312,106
Net Loss for Year	-	-	-	-	-	(193,973)	-	(193,973)
Balance - September 30, 1997	-	-	474,990	529,806	-	(193,973)	-	335,834
Issuance of stock for services	-	-	1,500	30,000	-	-	-	30,000
Issuance of stock for cash	-	-	50,200	204,000	-	-	-	204,000
Consolidation stock cancelled	-	-	(60,000)	(50,000)	-	-	-	(50,000)
Net Loss for Year	-	-	-	-	-	(799,451)	-	(799,451)
Balance - September 30, 1998	-	-	466,690	713,806	-	(993,424)	-	(279,618)
Issuance of stock for cash	-	-	151,458	717,113	-	-	-	717,113
Issuance of stock for services	-	-	135,000	463,500	-	-	-	463,500
Net Loss for Year	-	-	-	-	-	(1,482,017)	-	(1,482,017)
Balance - September 30, 1999	-	-	753,148	1,894,419	-	(2,475,441)	-	(581,022)
Issuance of stock for cash	-	-	15,000	27,000	-	-	-	27,000
Net Loss for year	-	-	-	-	-	(118,369)	-	(118,369)

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Balance - September 30, 2000	-	-	768,148	1,921,419	-	(2,593,810)	-	(672,391)
Extinguishment of debt	-	-	-	337,887	-	-	-	337,887
Net Loss for year	-	-	-	-	-	(32,402)	-	(32,402)
Balance - September 30, 2001	-	-	768,148	2,259,306	-	(2,626,212)	-	(366,906)
Net Loss for year	-	-	-	-	-	(47,297)	-	(47,297)
Balance - September 30, 2002	-	-	768,148	2,259,306	-	(2,673,509)	-	(414,203)
Issuance of stock for Assets	-	-	70,000,000	3	-	-	-	3
Issuance of stock for Cash	-	-	9,000,000	225,450	-	-	-	225,450
Issuance of stock for Debt	-	-	115,000	121,828	-	-	-	121,828
Issuance of stock for Expenses	-	-	115,000	89,939	-	-	-	89,939
Issuance of stock for Services	-	-	31,300,000	125,200	-	-	-	125,200
Net Loss for year	-	-	-	-	-	(145,868)	-	(145,868)
Balance - September 30, 2003	-	-	111,298,148	2,821,726	-	(2,819,377)	-	2,350
Issuance of stock for cash	-	-	2,737,954	282,670	-	-	-	282,670
Issuance of Common Stock Warrants	-	-	-	-	1,200,000	-	-	1,200,000
Net Loss for Year	-	-	-	-	-	(1,509,068)	-	(1,509,068)
Balance - September 30, 2004	-	-	114,036,102	3,104,396	1,200,000	(4,328,445)	-	(24,049)
Issuance of stock for cash	-	-	6,747,037	531,395	-	-	-	531,395
Issuance of stock for services	-	-	3,093,500	360,945	-	-	-	360,945
Issuance of stock for collateral	26,798,418	-	-	-	-	-	-	-
Net Loss for Year	-	-	-	-	-	(1,400,839)	-	(1,400,839)
Balance - September 30, 2005	26,798,418	-	123,876,639	3,996,735	1,200,000	(5,729,284)	-	(532,549)

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Issuance of stock for services	-	-	72,366	31,500	-	-	-	31,500
Issuance of Common Stock Warrants	-	-	-	-	951,250	-	-	951,250
Issuance of stock for debenture conversion	-	-	21,657,895	5,850,000				5,850,000
Issuance of stock for interest expense	-	-	712,956	241,383				241,383
Issuance of stock for warrant conversion	-	-	10,850,000	3,171,250				3,171,250
Net Loss for Year	-	-	-	-	-	(3,441,940)		(3,441,940)
Balance September 30, 2006	26,798,418	-	157,169,856	13,290,869	2,151,250	(9,171,354)	-	6,270,765