NANOVIRICIDES, INC.
Form 10-Q
May 20, 2011

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, 2011

Commission File Number: 333-148471

NANOVIRICIDES, INC.

(Exact name of Company 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
(Company's telephone number, including area code)

Indicate by check mark whether the Company (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 Company was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the Company 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 Company was required to submit and post such files). Yes ¨ No ¨

Indicate by check mark whether the Company 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	o
Non-accelerated filer	¨	Smaller reporting company	x

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

Yes ¨ No x

The number of shares outstanding of the Company's Common Stock as of May 20, 2011 was: 142,091,333.

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

	March 31, 2011 (Unaudited)	June 30, 2010
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$7,763,391	$ 6,955,733
Prepaid expenses	355,399	291,272
Other current assets	167,637	209,902
Total current assets	8,286,427	7,456,907
Property and equipment, net	1,171,912	1,168,374
OTHER ASSETS:		
Trademark, net	400,152	367,077
Total other assets	400,152	367,077
TOTAL ASSETS	$9,858,491	$ 8,992,358
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$325,837	$ 127,620
Accounts payable – related parties	463,308	1,193,593
Accrued expenses	20,564	85,716
Accrued payroll to officers and related payroll tax expense	-	22,917
Derivative Liability	-	1,043,808
TOTAL CURRENT LIABILITIES	809,709	2,473,654
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Series A Convertible Preferred stock, $0.001 par value, 10,000,000 shares designated, 8,217,500 and 7,593,750 shares issued and outstanding, respectively	8,218	7,594
Series B Convertible Preferred stock, $0.001 par value, 10,000,000 shares designated, -0- and 260,000 shares issued and outstanding, respectively	-	260
Common stock, $0.001 par value; 300,000,000 shares authorized; 141,457,703 and 133,980,411 shares issued and outstanding, respectively	141,491	133,982
Additional paid-in capital	30,858,360	23,116,611
Deficit accumulated during the development stage	(21,959,287)	(16,739,743)

TOTAL STOCKHOLDERS' EQUITY	9,048,782	6,518,704
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$9,858,491	$ 8,992,358

See accompanying notes to the financial statements.

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

	Three Months Ended March 31,		Nine Months Ended March 31,		For the Period May 12, 2005 (Inception) through March 31,
	2011	2010	2011	2010	2011
Revenues	$-	$-	$-	$-	
Operating expenses:					
Research and development	1,652,309	1,582,705	3,524,784	2,676,430	13,614,156
Change in Refund credit research and development costs	42,265	42,378	42,265	42,378	(378,577)
General and administrative	863,083	800,056	1,600,867	1,364,958	8,228,820
Total operating expenses	2,557,657	2,425,139	5,167,916	4,083,766	21,464,399
Loss from operations	(2,557,657)	(2,425,139)	(5,167,916)	(4,083,766)	(21,464,399)
Other income (expense):					
Interest income	882	601	6,572	2,592	157,558
Non cash interest on convertible debentures	-	-	-	-	(73,930)
Non cash interest expense on beneficial conversion feature of convertible debentures	-	-	-	-	(713,079)
Change in fair value of derivative liabilities	10,088	-	(58,200)	-	134,563
Total other income (expense)	10,970	601	(51,628)	2,592	(494,888)
Loss before income taxes	(2,546,687)	(2,424,538)	(5,219,544)	(4,081,174)	(21,959,287)
Income tax provision	-	-	-	-	-
Net loss	$(2,546,687)	$(2,424,538)	$(5,219,544)	$(4,081,174)	$(21,959,287)
Net loss per common share: basic and diluted	$(0.002)	$(0.02)	$(0.04)	$(0.03)	
Weighted average common shares outstanding: - basic and diluted	140,222,753	132,036,147	137,995,662	129,754,900	

See accompanying notes to the financial statements.

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

	Nine Months Ended March 31,		For the Period May 12, 2005 (Inception) through March 31,
	2011	2010	2011
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$(5,219,544)	$(4,081,174)	$(21,959,287)
Adjustments to reconcile net loss to net cash used in operating activities:			
Shares and warrants issued for services	429,250	428,582	1,706,929
Preferred shares issued for license	-	7,000	7,000
Preferred shares issued as compensation	1,418,565	1,220,330	2,638,894
Warrants granted to scientific advisory board	154,800	121,200	803,641
Options issued to officers as compensation	-	-	121,424
Depreciation and amortization	157,880	43,266	269,507
Amortization of deferred financing expenses	-	-	51,175
Change in fair value of deferred liability	58,200	-	(134,563)
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	(15,070)	16,157	(298,342)
Deferred expenses	-	-	(2,175)
Other current assets	42,265	44,664	(175,639)
Accounts payable- trade	198,217	100,296	670,217
Accounts payable –related parties	(754,015)	407,557	439,577
Accrued expenses	(114,209)	(39,648)	(28,492)
Accrued payroll to officers and related payroll tax expense	(22,917)	-	-
Net cash used in operating activities	(3,666,578)	(1,731,770)	(15,103,125)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Security deposit	-	-	-
Purchases of property and equipment	(131,107)	(188,349)	(1,395,511)
Trademark and patent costs	(39,657)	(134,959)	(422,331)
Net cash used in investing activities	(170,764)	(323,308)	(1,817,842)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of Convertible Preferred Series B Stock	4,595,000		10,145,000
	-	1,432,250	11,296,768

Proceeds from issuance of common stock and warrants in connection with private placements of common stock, net of fees			
Proceeds from exercise of stock warrants	50,000		50,000
Proceeds from exercise of stock warrants attached to convertible debentures	-	1,881,340	3,102,590
Proceeds from exercise of stock options	-	-	90,000
Net cash provided by financing activities	4,645,000	3,313,590	24,684,358
NET CHANGE IN CASH AND CASH EQUIVALENTS	807,658	1,258,512	-
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	6,955,733	1,689,442	-
CASH AND CASH EQUIVALENTS, END OF PERIOD	$7,763,391	$2,947,954	$7,763,391

See accompanying notes to the 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:

	Nine months ended March 31,		For the Period May 12, 2005 (Inception) through March 31,
	2011	2010	2011
Common stock issued for services rendered	$429,250	$321,582	$11,706,929
Preferred stock issued as compensation	1,418,565	1,220,330	2,638,895
Preferred stock issued in payment of license fee	-	7,000	7,000
Stock options issued to the officers as compensation	-	-	121,424
Stock warrants granted to scientific advisory board	154,800	121,200	803,641
Stock warrants granted to brokers	-	3,563	3,563
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
Common Stock issued upon conversion of Series B Preferred Stock	-	-	7,800,000
Common Stock issued for dividends on Series B Preferred Stock	77,481	-	105,878
Debt discount related to beneficial conversion feature of convertible debt	-	-	713,079
Stock Warrants Issued in connection with Private Placement	-	5,097,300	7,681,578
Common stock issued for accounts payable	-	25,200	175,020
Common stock issued for equipment	-	-	137,500

See accompanying notes to the financial statements.

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NANOVIRICIDES, INC.
(A DEVELOPMENT STAGE COMPANY)
MARCH 31, 2011 AND 2010
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., the 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"). Nanoviricide, 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. 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. ("TheraCour"), 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 and Asian Bird Flu Virus.

On February 15, 2010 the Company approved an Additional License Agreement with TheraCour Pharma, Inc. ("TheraCour"). Pursuant to the exclusive Additional License Agreement, the Company was granted exclusive licenses, in perpetuity, for technologies, developed by TheraCour, for the development of drug candidates for the treatment of Dengue viruses, Ebola/Marburg viruses, Japanese Encephalitis, viruses causing viral Conjunctivitis (a disease of the eye) and Ocular Herpes. As consideration for obtaining these exclusive licenses, we agreed to pay a onetime licensing fee equal to 7,000,000 shares of the Company's Series A Convertible Preferred Stock (the "Series A Preferred

Stock"). The Series A Preferred Stock is convertible, only upon sale or merger of the company, or the sale of or license of substantially all of the Company's intellectual property, into shares of the Company's common stock at the rate of four shares of common stock for each share of Series A Preferred Stock. The Series A Preferred Stock has a preferred voting preference at the rate of four votes per share. The Preferred Series A do not contain any rights to dividends, have no liquidation preference, and are not to be amended without the holder's approval. The 7,000,000 shares were valued at the par value of $7,000.

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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 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 Article 8 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 month period ended March 31, 2011, are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2011. 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 fiscal year ended June 30, 2010

Note 3 – Summary of Significant Accounting Policies

For a summary of significant accounting policies (which have not changed from June 30, 2010), see the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2010.

Recently Issued Accounting Pronouncements

Derivatives and Fair Value of Financial Instruments

The Company has evaluated the application of paragraph 815-10-05-4 of the FASB Accounting Standards Codification to the preferred stock convertible to common stock associated with the Preferred Series B stock issued May 12, 2010 and September 21, 2010 (described in Note 6). Based on the guidance in paragraph 815-10-05-4 of the FASB Accounting Standards Codification the Company concluded these instruments were required to be accounted for as derivatives as of May 12, 2010. The Company records the fair value of the preferred stock that are classified as derivatives on its balance sheet at fair value with changes in the values of these derivatives reflected in the consolidated statements of operations as "Gain (loss) on derivative liabilities." These derivative instruments are not designated as hedging instruments under paragraph 815-10-05-4 of the FASB Accounting Standards Codification and are disclosed on the balance sheet under Derivative Liabilities.

The Company follows paragraph 825-10-50-10 of the FASB Accounting Standards Codification for disclosures about fair value of its financial instruments and has adopted paragraph 820-10-35-37 of the FASB Accounting Standards Codification ("Paragraph 820-10-35-37") to measure the fair value of its financial instruments. Paragraph 820-10-35-37 establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America (U.S. GAAP), and expands disclosures about fair value measurements. To increase consistency and comparability in fair value measurements and related disclosures, Paragraph 820-10-35-37 establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into three (3) broad levels. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three (3) levels of fair value hierarchy defined by Paragraph 820-10-35-37 are described below:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

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Level 3 – Unobservable inputs that are supported by little or no market activity and that are financial instruments whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant judgment or estimation. The Company's Level 3 liabilities consist of the derivative liabilities associated with the Preferred Series B stock issued May 12, 2010. The Company did not report any derivative liability at March 31, 2011, previously all of the Company's derivative liabilities were categorized as Level 3 fair value assets.

If the inputs used to measure the financial assets and liabilities fall within more than one level described above, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Level 3 Valuation Techniques

Financial assets are considered Level 3 when their fair values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable. Level 3 financial liabilities consist of the Preferred Series B stock issued May 12, 2010 for which there is no current market for these securities such that the determination of fair value requires significant judgment or estimation. We have valued the automatic conditional conversion, re-pricing/down-round, change of control; default and follow-on offering provisions using a lattice model, with the assistance of a valuation consultant, for which management understands the methodologies. These models incorporate transaction details such as Company stock price, contractual terms, maturity, risk free rates, as well as assumptions about future financings, volatility, and holder behavior as of issuance and June 30, 2010. The primary assumptions include projected annual volatility of 125%-127%; the follow-on option becomes available starting December 29, 2010 and holder conversion targets at 200% of the conversion price.

The fair value of the derivatives was $ 461,477 as of January 3, 2011 upon issuance of 250,000 shares of the Company's Series B Convertible Preferred stock and was at $0 at March 31, 2011.

The foregoing assumptions are reviewed quarterly and are subject to change based primarily on management's assessment of the probability of the events described occurring. Accordingly, changes to these assessments could materially affect the valuation.

Financial Assets and Liabilities Measured at Fair Value on a Recurring Basis

Financial assets and liabilities measured at fair value on a recurring basis are summarized below and disclosed on the balance sheet under Derivative Liabilities:

		As of March 31, 2011			
	Carrying	Fair Value Measurements Using			
	Value	Level 1	Level 2	Level 3	Total
Liabilities					
Derivative Liabilities					
Preferred Series B	0			0	0
Total Derivative Liabilities	0			0	0

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The table below provides a summary of the changes in fair value, including net transfers in and/or out, of all financial assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the quarter ended March 31, 2011:

	Fair Value Measurements Using Level 3 Inputs	
	Derivative Liabilities	Totals
Beginning Balance as of January 3, 2011	461,477	461,477
Total Gains or Losses (realized/unrealized)		
Included in Net Income	(10,088)	(10,088)
Included in Other Comprehensive Income		
Purchases, Issuances and Settlements	-	-
Transfers in and/or out of Level 3	(451,389)	(451,389)
Ending Balance at March 31, 2011	0	0

The Company does not have any other assets or liabilities measured at fair value on a recurring or a non-recurring basis, consequently, the Company did not have any fair value adjustments for assets and liabilities measured at fair value at March 31, 2011, nor gains or losses are reported in the statement of operations that are attributable to the change in unrealized gains or losses relating to those assets and liabilities still held at the reporting date for the three months ended March 31, 2011.

Subsequent Events

The Company follows the guidance in Section 855-10-50 of the FASB Accounting Standards Codification for the disclosure of subsequent events. The Company will evaluate subsequent events through the date when the financial statements are issued. Pursuant to ASU 2010-09 of the FASB Accounting Standards Codification, the Company as an SEC filer considers its financial statements issued when they are widely distributed to users, such as through filing them on EDGAR.

Recently issued accounting pronouncements

In January 2010, the FASB issued the FASB Accounting Standards Update No. 2010-06 “Fair Value Measurements and Disclosures (Topic 820) Improving Disclosures about Fair Value Measurements”, which provides amendments to Subtopic 820-10 that requires new disclosures as follows:

1. Transfers in and out of Levels 1 and 2. A reporting entity should disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for the transfers.

2. Activity in Level 3 fair value measurements. In the reconciliation for fair value measurements using significant unobservable inputs (Level 3), a reporting entity should present separately information about purchases, sales, issuances, and settlements (that is, on a gross basis rather than as one net number).

This Update provides amendments to Subtopic 820-10 that clarify existing disclosures as follows:

1. Level of disaggregation. A reporting entity should provide fair value measurement disclosures for each class of assets and liabilities. A class is often a subset of assets or liabilities within a line item in the statement of financial position. A reporting entity needs to use judgment in determining the appropriate classes of assets and liabilities.

2. Disclosures about inputs and valuation techniques. A reporting entity should provide disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements. Those disclosures are required for fair value measurements that fall in either Level 2 or Level 3.

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This Update also includes conforming amendments to the guidance on employers' disclosures about postretirement benefit plan assets (Subtopic 715-20). The conforming amendments to Subtopic 715-20 change the terminology from major categories of assets to classes of assets and provide a cross reference to the guidance in Subtopic 820-10 on how to determine appropriate classes to present fair value disclosures. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years.

In April 2010, the FASB issued ASU No. 2010-13, “Compensation—Stock Compensation (Topic 718): Effect of Denominating the Exercise Price of a Share-Based Payment Award in the Currency of the Market in Which the Underlying Equity Security Trades” (“ASU 2010-13”). This update provides amendments to Topic 718 to clarify that an employee share-based payment award with an exercise price denominated in the currency of a market in which a substantial portion of the entity’s equity securities trades should not be considered to contain a condition that is not a market, performance, or service condition. Therefore, an entity would not classify such an award as a liability if it otherwise qualifies as equity. The amendments in ASU 2010-13 are effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2010.

In August 2010, the FASB issued ASU 2010-21, “Accounting for Technical Amendments to Various SEC Rules and Schedules: Amendments to SEC Paragraphs Pursuant to Release No. 33-9026: Technical Amendments to Rules, Forms, Schedules and Codification of Financial Reporting Policies” (“ASU 2010-21”), was issued to conform the SEC’s reporting requirements to the terminology and provisions in ASC 805, Business Combinations, and in ASC 810-10, Consolidation. ASU No. 2010-21 was issued to reflect SEC Release No. 33-9026, “Technical Amendments to Rules, Forms, Schedules and Codification of Financial Reporting Policies,” which was effective April 23, 2009. The ASU also proposes additions or modifications to the XBRL taxonomy as a result of the amendments in the update.

In August 2010, the FASB issued ASU 2010-22, “Accounting for Various Topics: Technical Corrections to SEC Paragraphs” (“ASU 2010-22”), which amends various SEC paragraphs based on external comments received and the issuance of SEC Staff Accounting Bulletin (SAB) No. 112, which amends or rescinds portions of certain SAB topics. The topics affected include reporting of inventories in condensed financial statements for Form 10-Q, debt issue costs in conjunction with a business combination, sales of stock by subsidiary, gain recognition on sales of business, business combinations prior to an initial public offering, loss contingent and liability assumed in business combination, divestitures, and oil and gas exchange offers.

In December 2010, the FASB issued the FASB Accounting Standards Update No. 2010-28 “Intangibles—Goodwill and Other (Topic 350): When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts” (“ASU 2010-28”).Under ASU 2010-28, if the carrying amount of a reporting unit is zero or negative, an entity must assess whether it is more likely than not that goodwill impairment exists. To make that determination, an entity should consider whether there are adverse qualitative factors that could impact the amount of goodwill, including those listed in ASC 350-20-35-30. As a result of the new guidance, an entity can no longer assert that a reporting unit is not required to perform the second step of the goodwill impairment test because the carrying amount of the reporting unit is zero or negative, despite the existence of qualitative factors that indicate goodwill is more likely than not impaired. ASU 2010-28 is effective for public entities for fiscal years, and for interim periods within those years, beginning after December 15, 2010, with early adoption prohibited.

In December 2010, the FASB issued the FASB Accounting Standards Update No. 2010-29 “Business Combinations (Topic 805): Disclosure of Supplementary Pro Forma Information for Business Combinations” (“ASU 2010-29”). ASU 2010-29 specifies that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had

occurred as of the beginning of the comparable prior annual reporting period only. The amendments in this Update also expand the supplemental pro forma disclosures under Topic 805 to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The amended guidance is effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. Early adoption is permitted.

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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 consolidated financial statements.

Note 4 – Financial Condition

The Company's financial statements for the interim period ended March 31, 2011 have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities and commitments in the normal course of business. The Company had a deficit accumulated during the development stage of $21,959,287 In addition, the Company has not generated any revenues and no revenues are anticipated in the short-term. Since May 2005, the Company has been engaged exclusively in research and development activities focused on developing targeted antiviral drugs. The Company has not yet commenced any product commercialization. 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. As of March 31, 2011 the Company had a cash and cash equivalent of $7,763,391.

While the Company continues to incur significant operating losses and has significant capital requirements, the Company has been able to finance its business through sale of its securities. (See Note 8). Additionally, on April 18, 2011, the Company entered into an additional Securities Purchase Agreement (the "Agreement") with Seaside, relating to the offering and sale (the "Offering") of up to 500,000 shares of the Company's Series B Convertible Preferred Stock, par value $0.001 per share (the "Series B Preferred Stock") at the purchase price of $10.00 per share (the "Purchase Price"). On April 19, 2011, Seaside purchased an initial 250,000 shares of the Series B Preferred Stock for an aggregate purchase price of $2,500,000 (the "Initial Closing"). Fourteen weeks following the Initial Closing, conditioned upon the Company's satisfaction of conditions precedent set forth in the Agreement, Seaside will purchase the remaining 250,000 shares of the Series B Preferred Stock for the purchase price of $2,500,000 (the "Subsequent Closing"). The Company has sufficient capital to continue its business, at least, through December 31, 2012, at the current rate of expenditure. The Company therefore would not be considered to have risks relative to its ability to continue as a going concern within the applicable guidelines.

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 losses from operations since its inception, resulting in a deficit accumulated during the development stage of $21,959,287 at March 31, 2011 and expects recurring losses from operations 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 2010 and 2009 and a cash and cash equivalent balance of $7,763,391 at March 31, 2011, 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.

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: 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. and (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.

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On February 15, 2010, the Company approved an Additional License Agreement with TheraCour Pharma, Inc. ("TheraCour"). Pursuant to the exclusive Additional License Agreement, the Company was granted exclusive licenses, in perpetuity, for technologies developed by TheraCour for the development of drug candidates for the treatment of Dengue viruses, Ebola/Marburg viruses, Japanese Encephalitis, viruses causing viral Conjunctivitis (a disease of the eye) and Ocular Herpes. As consideration for obtaining these exclusive licenses, we agreed to pay a onetime licensing fee equal to seven million shares of the Company's Series A Convertible Preferred Stock (the "Series A Preferred Stock"). The Series A Preferred Stock is convertible, only upon sale or merger of the company, or the sale of or license of substantially all of the Company's intellectual property, into shares of the Company's common stock at the rate of four shares of common stock for each share of Series A Preferred Stock. The Series A Preferred Stock has a preferred voting preference at the rate of four votes per share. The Preferred Series A do not contain any rights to dividends; have no liquidation preference and are not to be amended without the holders approval. The issuance of the 7,000,000 shares was valued at their par value or $7,000.

TheraCour Pharma, Inc. may terminate these licenses upon a material breach by us as specified in the agreement.

Development costs charged by and paid to TheraCour were $876,860 and $899,484 for the nine months ended March 31, 2011, and 2010, respectively and $4,528,834 since inception. As of March 31, 2011, pursuant to its license agreement, the Company has paid a security advance of $313,656 to and held by TheraCour which is reflected in Prepaid Expenses. The development costs are partially offset by a refundable Connecticut Research and Development tax credit of $162,637. No royalties are due TheraCour from the Company's inception through March 31, 2011.

TheraCour 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 common stock of TheraCour, which itself owns approximately 24.90% of the Common stock of the Company.

TheraCour owns 33,360,000 shares of the Company's outstanding common stock as of March 31, 2011.

The Company follows Section 810-10 of the FASB Accounting Standards Codification, for Consolidation of Variable Interest Entities 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. Section 810-10 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.

Section 810-10 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. At June 30, 2010 and 2009 the Company evaluated its relationship with TheraCour Pharma, Inc. for purposes of Section 810-10 of the FASB Accounting Standards Codification, and concluded that TheraCour Pharma, Inc. is not a variable interest entity that is subject to consolidation in the Company's financial statements under Section 810-10.

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 (CGLP) 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 nine months ended March 31, 2011, and 2010, were $719,462 and $-0- respectively and $1,352,637 since inception.

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Note 6 - Prepaid Expenses

Prepaid Expenses are summarized as follows:

	March 31, 2011	June 30, 2010
TheraCour Pharma, Inc.	$ 313,656	$ 263,656
Prepaid Others	41,743	27,616
	$ 355,399	$ 291,272

Note 7 – Equity Transactions

On May 11, 2010, the Company entered into a Securities Purchase Agreement (the "Agreement") with Seaside 88, LP, a Florida limited partnership ("Seaside"), relating to the offering and sale of 500,000 shares of the Company's $0.001 par value Series B Convertible Preferred Stock, ("Series B") at the purchase price of $10.00 per share (the "Purchase Price"). Under the terms of the agreement, 60,000 shares of Series B shall automatically convert into shares of the Company's $0.001 par value common stock at the closing and every fourteenth day thereafter at a conversion factor equal to the Purchase Price divided by the lower of (i) of the daily volume weighted average of actual trading prices of the Company's $0.001 par value common stock on the trading market (the "VWAP") for the ten consecutive trading days immediately prior to a conversion date multiplied by 0.85 or (ii) the VWAP for the trading day immediately prior to a conversion date multiplied by 0.88. The Agreement also provided that a 10% per annum dividend would accrue on all outstanding shares of Series B (the "Dividend"), to be paid on each conversion date either in cash or the Company's $0.001 par value common stock. If the Company chooses to pay the said dividends in stock, each share of the Company's $0.001 par value common stock would be valued at 85% of the 10-day VWAP.

On May 12, 2010, the Company issued 500,000 shares of the Series B in accordance with the aforementioned agreement. The Company received $5,000,000 in consideration for the Series B. The Company recorded a placement agent fee of $400,000 and legal fees of $50,000 in association with this transaction. As set forth in Note 3 the Company evaluated the application of paragraph 810-10-05-4 of the FASB Accounting Standards Codification to the preferred stock convertible to common stock associated with the Preferred Series B stock issued May 12, 2010. Based on paragraph 810-10-05-4 of the FASB Accounting Standards Codification, the Company concluded these instruments were required to be accounted for as derivatives as of May 12, 2010. The Company recorded an initial derivative liability of $1,787,379, which is amortized as the Series B is converted pursuant to the terms of the Securities Purchase Agreement.

On September 16, 2010, Seaside and the Company executed a Letter Agreement and Amendment (the "Letter Agreement") regarding the purchase and sale of an additional 500,000 shares (the "Additional Shares") of the Company's Series B Convertible Preferred Stock (the "Series B Preferred Stock") at the purchase price of $10.00 per share as originally contemplated by that certain Securities Purchase Agreement, dated May 11, 2010, between the parties (the "Agreement").

Pursuant to the Letter Agreement, the parties agreed to amend certain provisions of the Agreement so that the Additional Shares could be purchased in two (2) closings, at each of which the Company will issue and sell to Seaside 250,000 shares of Series B Preferred Stock. The parties also agreed that the second closing of the Additional Shares would occur ninety (90) days subsequent to the first closing of the Additional Shares (the "First Follow-on Closing Date"). The Company also agreed to decrease the number of shares of Series B Preferred Stock that automatically convert from 60,000 shares to 40,000 shares, commencing on the First Follow-on Closing Date and the date of the subsequent closing, and every 14th day thereafter, subject to certain limitations and qualifications, into shares of the

Company's common stock, par value $0.001 per share (the "Common Stock"). The Certificate of Designation for the Series B Preferred Stock was amended to reflect such change in the number of shares convertible into Common Stock at each conversion date. Each share of Series B Preferred Stock converts into shares of Common Stock at a conversion factor equal to the Purchase Price divided by the lower of (i) of the daily volume weighted average of actual trading prices of the Common Stock on the trading market (the "VWAP") for the ten consecutive trading days immediately prior to a conversion date multiplied by 0.85 or (ii) the VWAP for the trading day immediately prior to a conversion date multiplied by 0.88.

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In the event that the 20-Day VWAP, as defined in the Agreement, does not equal or exceed $0.20 (the "Floor"), as calculated with respect to any subsequent conversion date, then such conversion will not occur and the shares not converted on that date will be added to the shares to be converted on the following conversion date.

The First Follow-on Closing occurred on September 21, 2010. The conversion price per share for the First Follow-on Closing was $0.93007, and the Company raised gross proceeds of $2,500,000 at such First Follow-on Closing, before estimated offering expenses of approximately $270,000 which includes placement agent and attorneys' fees.

The Second Follow-on Closing occurred on December 21, 2010. The Company raised gross proceeds of $2,500,000 at such Second Follow-on Closing, before estimated offering expenses of approximately $270,000 which includes placement agent and attorney's fees. The first conversion of the Second Follow-on shares occurred on January 3, 2011, at a conversion price of $1.16348 per share.

The offering was made pursuant to the Company's shelf registration statement on Form S-3 (File No. 333-165221), which was declared effective by the Securities and Exchange Commission on April 29, 2010. The Company, pursuant to Rule 424(b) under the Securities Act of 1933, has filed with the Securities and Exchange Commission a prospectus supplement relating to the offering.

In connection with the offering, pursuant to a placement agency agreement entered into by and between Midtown Partners & Co., LLC ("Midtown") and the Company on March 3, 2010 (the "Placement Agent Agreement"), the Company paid Midtown a cash fee representing 8% of the gross purchase price paid by Seaside for the Series B Preferred Stock.

During the three months ended March 31, 2011, Seaside converted the following amounts of Series B Preferred Stock into the Company's Common Stock:

Date of Conversion	Number of Shares of Series B Converted	Conversion Price	Number of Shares of .001 par value Common Stock Issued Pursuant to Conversion	Dividend Conversion Price	Dividend Shares Issued	Total Shares of .001 par value Common Stock Issued to Seaside
1/3/11	40,000	1.16348	343,796	1.16348	7,653	351,449
1/14/11	40,000	1.258	317,965	1.258	6,403	324,368
1/31/11	40,000	1.1226	356,422	1.237	5,271	361,694
2/14/11	40,000	1.08103	370,017	1.08103	4,613	374,630
2/28/11	40,000	0.98617	405,610	0.98617	3,500	409,110
3/14/11	40,000	1.08911	367,274	1.08911	1,761	369,035
3/28/11	10,000	1.11129	89,986	1.11129	345	90,331

On April 18, 2011, the Company entered into an additional Securities Purchase Agreement (the "Agreement") with Seaside, relating to the offering and sale (the "Offering") of up to 500,000 shares of the Company's Series B Convertible Preferred Stock, par value $0.001 per share (the "Series B Preferred Stock") at the purchase price of $10.00 per share (the "Purchase Price"). On April 19, 2011, Seaside purchased an initial 250,000 shares of the Series B Preferred Stock for an aggregate purchase price of $2,500,000 (the "Initial Closing"). Fourteen weeks following the Initial Closing, conditioned upon the Company's satisfaction of conditions precedent set forth in the Agreement, Seaside will purchase the remaining 250,000 shares of the Series B Preferred Stock for the purchase price of $2,500,000 (the "Subsequent

Closing"). 40,000 shares of the Series B Preferred Stock shall automatically convert into shares of the Company's common stock, par value $0.001 per share (the "Common Stock") at each of the Initial Closing and the Subsequent Closing and every fourteenth day thereafter at a conversion price equal to the Purchase Price divided by the lower of (i) the daily volume weighted average of actual trading prices of the Common Stock on the trading market (the "VWAP") for the ten consecutive trading days immediately prior to a conversion date multiplied by 0.85 and (ii) the VWAP for the trading day immediately prior to a conversion date multiplied by 0.88. In the event that the conversion price does not equal or exceed $0.20 (the "Floor"), as calculated with respect to any subsequent conversion date, then such conversion will not occur and the shares not converted on that date will be added to the conversion on the following conversion date.

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The Agreement contains representations and warranties and covenants for each party, which must be true and have been performed at each closing. Additionally, the Company has agreed to indemnify and hold harmless Seaside against certain liabilities in connection with the issuance and sale of the Series B Preferred Stock under the Agreement.

The conversion price per share for the Initial Closing was $1.28138, and the Company raised gross proceeds from the offering of $2,500,000, before estimated offering expenses of approximately $200,000 which includes placement agent and attorneys' fees.

The Offering was made pursuant to the Company's shelf registration statement on Form S-3 (File No. 333-165221), which was declared effective by the Securities and Exchange Commission on April 29, 2010. The Company, pursuant to Rule 424(b) under the Securities Act of 1933, filed with the Securities and Exchange Commission a prospectus supplement relating to the Offering.

In connection with the Offering, pursuant to a Placement Agency Agreement entered into by and between Midtown and the Company, as amended by an Underwriter Agent Agreement Amendment No. 1, dated March 28, 2011 (as amended, the "Placement Agency Agreement"), the Company will pay Midtown a cash fee representing 6% of the gross purchase price paid by Seaside for the Series B Preferred Stock.

On December 10, 2010, the Company filed a Form S-8 Registration Statement related to the issuance of 50,000 shares of the Company's .001 par value common stock, pursuant to a consulting agreement. The Company issued such shares on or about December 10, 2010, and recorded a consulting expense of $64,000.

Unregistered Securities

In October 2010, the Scientific Advisory Board (SAB) was granted warrants to purchase 60,000 shares of common stock at $1.81 per share expiring in October, 2014. These warrants was valued at $50,800 and recorded as consulting expense.

On November 1, 2010 the Company issued of 30,000 shares of its Series A $.001 par value Convertible Preferred Stock with a restrictive legend pursuant to a consulting agreement and recorded a consulting expense of $53,935.

On December 10, 2010 the Company issued of 25,000 shares of its $.001 par value common stock with a restrictive legend for $25,000 upon the exercise of 25,000 warrants issued pursuant to a prior year private placement.

On February 4, 2011 the Company issued of 25,000 shares of its $.001 par value common stock with a restrictive legend for $25,000 upon the exercise of 25,000 warrants issued pursuant to a prior year private placement

In February, 2011, the Scientific Advisory Board (SAB) was granted warrants to purchase 60,000 shares of common stock at $1.47 per share expiring in February, 2015. The fair value of these warrants in the amount of $54,000 was recorded as consulting expense.

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For the nine months ended March 31, 2011, the Company's Board of Directors authorized the issuance of 38,285 shares of its common stock with a restrictive legend for consulting services. The Company recorded an expense of $49,000.

Note 8 - Commitments and Contingencies

OPERATING LEASE

The Company’s principal executive offices are located at 135 Wood Street, West Haven, Connecticut, and include approximately 7,000 square feet of office and laboratory space at a base monthly rent of $7,311. The term of lease expires in February 28, 2012, and may be extended, at the option of the Company, for an additional two years. The lease can be cancelled by the Company upon six months written notice.

On February 27, 2007, NanoViricides, Inc. entered into a sublease to occupy 5,000 square feet of space at 4 Research Drive, Woodbridge, Connecticut at a monthly rent of $8,337.50, plus an additional $500 per month for utilities. The term of the occupancy expired January 30, 2009.

At March 31, 2011, future minimum rental payments due under these operating leases are as follows:

2011	$75,038
2012	16,675

Total rent expense amounted to $75,395 and $36,556 for the nine months ended March 31, 2011 and 2010, respectively, and $650,413 since inception.

Note 9 – Subsequent Events

Management has evaluated all events that occurred after the balance sheet date through the date when these financial statements were issued to determine if they must be reported. The Management of the Company has determined that there were certain reportable subsequent events to be disclosed as follows:

On April 18, 2011, the Company entered into an additional Securities Purchase Agreement (the “Agreement”) with Seaside, relating to the offering and sale (the “Offering”) of up to 500,000 shares of the Company’s Series B Convertible Preferred Stock, par value $0.001 per share (the “Series B Preferred Stock”) at the purchase price of $10.00 per share (the “Purchase Price”). On April 19, 2011, Seaside purchased an initial 250,000 shares of the Series B Preferred Stock for an aggregate purchase price of $2,500,000 (the “Initial Closing”). Fourteen weeks following the Initial Closing, conditioned upon the Company’s satisfaction of conditions precedent set forth in the Agreement, Seaside will purchase the remaining 250,000 shares of the Series B Preferred Stock for the purchase price of $2,500,000 (the “Subsequent Closing”). 40,000 shares of the Series B Preferred Stock shall automatically convert into shares of the Company’s common stock, par value $0.001 per share (the “Common Stock”) at each of the Initial Closing and the Subsequent Closing and every fourteenth day thereafter at a conversion price equal to the Purchase Price divided by the lower of (i) the daily volume weighted average of actual trading prices of the Common Stock on the trading market (the “VWAP”) for the ten consecutive trading days immediately prior to a conversion date multiplied by 0.85 and (ii) the VWAP for the trading day immediately prior to a conversion date multiplied by 0.88. In the event that the conversion price does not equal or exceed $0.20 (the “Floor”), as calculated with respect to any subsequent conversion date, then such conversion will not occur and the shares not converted on that date will be added to the conversion on the following conversion date.

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The Agreement contains representations and warranties and covenants for each party, which must be true and have been performed at each closing. Additionally, the Company has agreed to indemnify and hold harmless Seaside against certain liabilities in connection with the issuance and sale of the Series B Preferred Stock under the Agreement.

The conversion price per share for the Initial Closing was $1.28138, and the Company raised gross proceeds from the offering of $2,500,000, before estimated offering expenses of approximately $200,000 which includes placement agent and attorneys' fees.

The Offering was made pursuant to the Company's shelf registration statement on Form S-3 (File No. 333-165221), which was declared effective by the Securities and Exchange Commission on April 29, 2010. The Company, pursuant to Rule 424(b) under the Securities Act of 1933, filed with the Securities and Exchange Commission a prospectus supplement relating to the Offering.

In connection with the Offering, pursuant to a Placement Agency Agreement entered into by and between Midtown and the Company, as amended by an Underwriter Agent Agreement Amendment No. 1, dated March 28, 2011 (as amended, the "Placement Agency Agreement"), the Company will pay Midtown a cash fee representing 6% of the gross purchase price paid by Seaside for the Series B Preferred Stock.

The Company has evaluated all events that occurred after the balance sheet through the date when the financial statements were issued to determine if they must be reported. The Management of the Company determined that there were no additional reportable subsequent events to be disclosed.

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

The following discussion should be read in conjunction with the information contained in the consolidated financial statements of the Company and the notes thereto appearing elsewhere herein and in conjunction with the Management's Discussion and Analysis of Financial Condition and Results of Operations set forth in the Company's Annual Report on Form 10-K for the year ended June 30, 2010. Readers should carefully review the risk factors disclosed in this Form 10-K and other documents filed by the Company with the SEC.

As used in this report, the terms "Company", "we", "our", "us" and "NNVC" refer to Nanoviricides, Inc., a Nevada corporation.

PRELIMINARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Report contains forward-looking statements within the meaning of the federal securities laws. These include statements about our expectations, beliefs, intentions or strategies for the future, which we indicate by words or phrases such as "anticipate," "expect," "intend," "plan," "will," "we believe," "NNVC believes," "management believes" and similar language. The forward-looking statements are based on the current expectations of NNVC and are subject to certain risks, uncertainties and assumptions, including those set forth in the discussion under "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this report. Actual results may differ materially from results anticipated in these forward-looking statements. We base the forward-looking statements on information currently available to us, and we assume no obligation to update them.

Investors are also advised to refer to the information in our previous filings with the Securities and Exchange Commission (SEC), especially on Forms 10-K, 10-Q and 8-K, in which we discuss in more detail various important factors that could cause actual results to differ from expected or historic results. It is not possible to foresee or identify all such factors. As such, investors should not consider any list of such factors to be an exhaustive statement of all

risks and uncertainties or potentially inaccurate assumptions.

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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), Influenza and Asian Bird Flu Virus. 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. The Company may want to add further virus types to its drug pipeline. The Company would then need to negotiate with TheraCour an amendment to the Licensing Agreement to include those of such additional viruses that the Company determines it wants to follow for further development. We are seeking to add to our existing portfolio of products through our internal discovery pre-clinical development programs and through an in-licensing strategy.

The Company intends to perform the regulatory filings and own all the regulatory licenses for the drugs it is currently developing. The Company will develop these drugs in part via subcontracts to TheraCour Pharma, Inc., the exclusive source for these nanomaterials. The Company may manufacture these drugs itself, or under subcontract arrangements with external manufacturers that carry the appropriate regulatory licenses and have appropriate capabilities. The Company intends to distribute these drugs via subcontracts with distributor companies or in partnership arrangements. The Company plans to market these drugs either on its own or in conjunction with marketing partners. The Company also plans to actively pursue co-development, as well as other licensing agreements with other Pharmaceutical companies. Such agreements may entail up-front payments, milestone payments, royalties, and/or cost sharing, profit sharing and many other instruments that may bring early revenues to the Company. Such licensing and/or co-development agreements may shape the manufacturing and development options that the company may pursue. There can be no assurance that the Company will be able to enter into co-development or other licensing agreements.

To date, we have engaged in organizational activities; developing and sourcing compounds and preparing nano-materials; and experimentation involving preclinical studies using cell cultures and animals. We have generated funding through the issuances of debt and private placement of common stock (see Item 5 Recent Sales of Unregistered Securities). The Company does not currently have any long term debt. 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 and start selling our products when planned, or we may not become profitable in the future. We have incurred net losses in each fiscal period since inception of our operations.

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Collaborative Agreements and Contracts

On December 23, 2005, the Company signed a Memorandum of Understanding (MOU) 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 NanoViricides will retain all intellectual property rights with respect to any resulting product and 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 FluCideTM-I, AviFluCide-ITM and AviFluCide-HPTM were successfully performed at the laboratories of the National Institute of Hygiene and Epidemiology in Hanoi (NIHE), against both clade 1 and clade 2 of H5N1 virus isolated in Vietnam. Successful animal testing ofRabiCide-ITM, the company's rabies drug, was performed in Vietnam during the first half of 2007, and reproducibly repeated in 2008. Rabies testing can safely be done at their BSL2 facility. The H5N1 animal testing requires a BSL3 (biological safety laboratory level 3) laboratory. NIHE has acquired a BSL3 animal testing capacity during 2008. The work with NIHE will likely continue through calendar year 2010. While the MOU provides for a final agreement between the Company and NIHE, we have not yet discussed a "final agreement" with NIHE and continue to work under the existing MOU. There are no financial obligations or responsibilities for either the Company or NIHE pursuant to the provisions of the MOU.

We have finalized execution of a Materials Cooperative Research and Development Agreement (M-CRADA) with the Centers for Disease Control and Prevention (CDC), Atlanta, GA in July, 2008. This agreement was initiated based on our success against Rabies in the animal studies conducted at NIHE Vietnam. Preliminary animal studies against Rabies were expected to start in the last quarter of calendar year 2009 or first quarter of calendar year 2010. The Company has lowered the priority of this program during the recent economic crisis in order to use our resources most effectively. Subsequent to the agreement execution, the Company has supplied certain materials to CDC for testing. This testing, if successful, is expected to expand to involve potential use of nanoviricides as (1) a post- infection therapeutic drug against rabies, possibly in conjunction with a rabies vaccine, and (2) a post-exposure prophylactic drug against rabies, to replace costly human or monoclonal antibodies, possibly in conjunction with a rabies vaccine. To date, there is no effective post-infection therapeutic against rabies. Post-exposure prophylaxis market has been estimated to be as much $300M to $500M worldwide.

We have finalized a Materials Transfer Agreement (MTA) with the United States Army Institute of Infectious Diseases (USAMRIID) to develop antiviral agents against Ebola, Marburg and other hemorrhagic viruses in October 2007. Preliminary studies began in February, 2008. Certain nanoviricides candidates were found to be highly successful against Ebola virus in pre-clinical cell culture studies. Ebola virus is known to produce, in vivo, a soluble decoy protein that is a portion of its surface glycoprotein. If the nanoviricides that were successful in the in vitro studies bind to the decoy protein portion of the Ebola virus envelope, then we would expect that the nanoviricides would be neutralized in vivo by the decoy protein. We are therefore developing novel ligands that would potentially bind to the Ebola virus glycoprotein portion that is known to be not a part of the decoy protein. The MTA was extended for another year in October, 2009 to continue these studies. The Company has lowered the priority of this program during the recent economic crisis in order to use our resources most effectively.

We have finalized an agreement with a Medical Institute to perform animal studies of our eye drop formulation of nanoviricides against viral EKC (viral Epidemic Kerato-conjunctivitis) in March, 2008. The first EKC-CideTM-I animal study was completed in June, 2008. Biochemical testing of the samples is continuing. The study indicated that the best nanoviricide drug candidate showed excellent clearance of clinical signs of the disease, viz. redness of the eye as well as sticky exudates, in a short time after treatment.
On May 6, 2009, the Company entered into a Clinical Study Agreement with THEVAC, LLC, a company affiliated with the Emerging Technology Center of the Louisiana State University. At present, TheVac is performing biological

testing of anti-herpes nanoviricides. TheVac is conducting studies on the effect of anti-herpes nanoviricide drug candidates against herpes cold sores and genital herpes in cell culture models. In addition, TheVac is also conducting studies on the effect of anti-herpes nanoviricides drug candidates in a mouse model of herpes keratitis. Professor Gus Kousoulas and his team at Louisiana State University have validated and published on this animal model extensively in peer-reviewed scientific journals.

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On February 16, 2010, the Company announced that it had signed a research and development agreement with Dr. Eva Harris's laboratory at the University of California, Berkeley (UC Berkeley). Under this agreement, Dr. Harris and coworkers will evaluate the effectiveness of nanoviricides® drug candidates against various dengue viruses. Cell culture models as well as in vivo animal studies will be employed for testing the drug candidates. Dr. Eva Harris is a Professor of Infectious Diseases at UC Berkeley. She is a leading researcher in the field of dengue. Her group has developed a unique animal model for dengue virus infection and disease that effectively emulates the pathology seen in humans. In particular, the critical problem of dengue virus infection, called "Antibody-Dependent Enhancement" (ADE), is reproduced in this animal model. When a person who was previously infected with one serotype of dengue virus is later infected by a different serotype, the antibodies produced by the immune system can lead to increased severity of the second dengue infection, instead of controlling it. ADE thus can lead to severe dengue disease or dengue hemorrhagic fever (DHF).

On May 13, 2010, the Company announced that it had entered into a Research and Development Agreement with Professor Ken Rosenthal Lab at NEOUCOM. Professor Rosenthal has developed in vitro or cell culture based tests for identifying the effectiveness of antiviral agents against HSV. He has also developed a skin lesion mouse model for HSV infection. Dr. Rosenthal has been involved in the evaluation of HSV vaccines as well as anti-HSV drugs. His laboratory has developed an improved mouse model of skin-infection with HSV to follow the disease progression. This model has been shown to provide highly uniform and reproducible results. A uniform disease pattern including onset of lesions and further progression to zosteriform lesions is observed in all animals in this model. This uniformity makes it an ideal model for comparative testing of various drug candidates. Dr. Rosenthal is a professor of microbiology, immunology and biochemistry at Northeastern Ohio Universities Colleges of Medicine and Pharmacy (NEOUCOM). He is a leading researcher in the field of herpes viruses. His research interests encompass several aspects of how herpes simplex virus (HSV) interacts with the host to cause disease. His research has addressed how HSV infects skin cells and examined viral properties that facilitate its virulence and ability to cause encephalitis. In addition, Dr. Rosenthal has also been studying a viral protein that makes the HSV more virulent by helping the virus to take over the cellular machinery to make copies of its various parts, assemble these parts together into virus particles and release the virus to infect other cells. He is also researching how the human host immune response works against HSV for the development of protective and therapeutic vaccines.

On August 16, 2010, the Company reported that its anti-Herpes drug candidates demonstrated significant efficacy in the recently completed cell culture studies in Dr. Rosenthal Lab at NEOUCOM. Several of the anti-Herpes nanoviricides® demonstrated a dose-dependent maximal inhibition of Herpes virus infectivity in a cell culture model. Almost complete inhibition of the virus production was observed at clinically usable concentrations. These studies employed the H129 strain of herpes simplex virus type 1 (HSV-1). H129 is an encephalitic strain that closely resembles a clinical isolate; it is known to be more virulent than classic HSV-1 laboratory strains. The H129 strain will be used in subsequent animal testing of nanoviricides.

On May 17, 2010, the Company announced that it had signed a research and development agreement with the University of California, San Francisco (UCSF), for the testing of its anti-HIV drug candidates. Cheryl Stoddart, PhD, Assistant Professor in the UCSF Division of Experimental Medicine, will be the Principal Investigator. The Company plans to continue its anti-HIV in vitro (cell culture) testing program at the Southern Research Institute in Frederick, MD. The Company also plans to continue its anti-HIV in vivo (animal model) testing program at KARD Scientific, MA. The animal model for HIV, the SCID-hu mouse model is a complex and expensive model. Due to budgetary constraints, our anti-HIV program had to be slowed down in the last few years.

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Subsequent Event.

On April 18, 2011, the Company entered into an additional Securities Purchase Agreement (the "Agreement") with Seaside, relating to the offering and sale (the "Offering") of up to 500,000 shares of the Company's Series B Convertible Preferred Stock, par value $0.001 per share (the "Series B Preferred Stock") at the purchase price of $10.00 per share (the "Purchase Price"). On April 19, 2011, Seaside purchased an initial 250,000 shares of the Series B Preferred Stock for an aggregate purchase price of $2,500,000 (the "Initial Closing"). Fourteen weeks following the Initial Closing, conditioned upon the Company's satisfaction of conditions precedent set forth in the Agreement, Seaside will purchase the remaining 250,000 shares of the Series B Preferred Stock for the purchase price of $2,500,000 (the "Subsequent Closing"). 40,000 shares of the Series B Preferred Stock shall automatically convert into shares of the Company's common stock, par value $0.001 per share (the "Common Stock") at each of the Initial Closing and the Subsequent Closing and every fourteenth day thereafter at a conversion price equal to the Purchase Price divided by the lower of (i) the daily volume weighted average of actual trading prices of the Common Stock on the trading market (the "VWAP") for the ten consecutive trading days immediately prior to a conversion date multiplied by 0.85 and (ii) the VWAP for the trading day immediately prior to a conversion date multiplied by 0.88. In the event that the conversion price does not equal or exceed $0.20 (the "Floor"), as calculated with respect to any subsequent conversion date, then such conversion will not occur and the shares not converted on that date will be added to the conversion on the following conversion date.

The Agreement contains representations and warranties and covenants for each party, which must be true and have been performed at each closing. Additionally, the Company has agreed to indemnify and hold harmless Seaside against certain liabilities in connection with the issuance and sale of the Series B Preferred Stock under the Agreement.

The conversion price per share for the Initial Closing was $1.28138, and the Company raised gross proceeds from the offering of $2,500,000, before estimated offering expenses of approximately $200,000 which includes placement agent and attorneys' fees.

The Offering was made pursuant to the Company's shelf registration statement on Form S-3 (File No. 333-165221), which was declared effective by the Securities and Exchange Commission on April 29, 2010. The Company, pursuant to Rule 424(b) under the Securities Act of 1933, filed with the Securities and Exchange Commission a prospectus supplement relating to the Offering.

In connection with the Offering, pursuant to a Placement Agency Agreement entered into by and between Midtown and the Company, as amended by an Underwriter Agent Agreement Amendment No. 1, dated March 28, 2011 (as amended, the "Placement Agency Agreement"), the Company paid Midtown a cash fee representing 6% of the gross purchase price paid by Seaside for the Series B Preferred Stock.

The Company's Drug Pipeline

Management believes that it has achieved significant milestones in the development of a number of antiviral nanoviricide drug candidates. We now have high efficacy lead drug candidates against five commercially important diseases, namely, (1) All Influenza viruses (FluCide-I™), (2) HIV (HIVCide-I™), (3) Nanoviricide Eye Drops for Viral Infections of the External Eye, (4) a nanoviricide against Herpes "Cold Sores" and genital herpes, and (5) Dengue viruses. Further, the Company has identified highly active nanoviricide drug candidates against Ebola/Marburg, and against Rabies. In addition, the Company has also established the technology feasibility for (a) broad-spectrum nanoviricides, and (b) Just-in-Time ADIF(™) technology; both of which are well suited for stockpiling to defend against known as well as novel infectious diseases.

The Company has not yet performed detailed safety profile studies to be included in a “Tox Package” for submission to the FDA for any of our drug candidates. Our studies regarding safety of the various nanoviricide drug candidates to date have been preliminary and of a limited nature. However, the nanoviricides have been well tolerated with no overt adverse effects observed even in animals treated for more than 2 weeks. Management’s beliefs are based on results of pre-clinical cell culture studies and in vivo animal studies using mice.

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We continue to achieve significant success in our drug development programs.

On August 16, 2010, the Company reported that its anti-Herpes drug candidates demonstrated significant efficacy in the recently completed cell culture studies in Dr. Rosenthal Lab at NEOUCOM. Several of the anti-Herpes nanoviricides® demonstrated a dose-dependent maximal inhibition of Herpes virus infectivity in a cell culture model. Almost complete inhibition of the virus production was observed at clinically usable concentrations. These studies employed the H129 strain of herpes simplex virus type 1 (HSV-1). H129 is an encephalitic strain that closely resembles a clinical isolate; it is known to be more virulent than classic HSV-1 laboratory strains. The H129 strain will be used in subsequent animal testing of nanoviricides.

Several of the anti-Herpes nanoviricides® demonstrated a dose-dependent maximal inhibition of Herpes virus infectivity in a cell culture model. Almost complete inhibition of the virus production was observed at clinically usable concentrations. These studies employed the H129 strain of herpes simplex virus type 1 (HSV-1). H129 is an encephalitic strain that closely resembles a clinical isolate; it is known to be more virulent than classic HSV-1 laboratory strains. The H129 strain will be used in subsequent animal testing of nanoviricides.

This anti-HSV program is designed for the development of an effective anti-herpes nanoviricide drug for the treatment of cold sores or genital herpes simplex virus infections. The Company plans to develop this drug as a skin cream or ointment formulation for external application.

During this quarterly period we reported that our new, further optimized, nanoviricide® drug candidates against influenza have demonstrated profoundly greater effectiveness than Tamiflu® (Roche) in lethal animal model study. In the influenza mouse lethal infection model, animals treated with one of the optimized FluCide™ nanoviricide drug candidates survived beyond the stated full duration of study (21 days), and those treated with two additional drug candidates survived almost the full duration of the study. Animals in these three groups survived significantly longer (20.2 to 22.2 days) as compared to the animals treated with Oseltamivir (Tamiflu®) only 8.3 days.

These studies were conducted by Dr. Krishna Menon, PhD, VMD, MRCS, at KARD Scientific, MA. One million virus particles of Influenza A Strain A/WS/33 (H1N1) were aspirated directly into the lungs of mice. The same quantity of virus infection was repeated at 22 hrs. This influenza model was designed to be uniformly fatal in 100% of the infected, untreated animals within 5 days after infection. Treatment with the FluCide candidates and Tamiflu® (Roche) commenced 24 hours after the first viral infection. The duration of study was set at 21 days in the protocol. It was extended in order to properly evaluate the longest surviving animals.

These drug candidates were also found to offer significant protection against devastating lung lesions in this lethal influenza infection animal study.

We have reported that post-infection treatment with its optimized FluCide™ drug candidates resulted in dramatic reduction in the number of lung lesions that are caused by a lethal influenza virus infection. Four days post virus infection, animals treated with three of the optimized FluCide™ nanoviricide drug candidates exhibited greater than 95% reduction in the number of lung lesions as compared to the infected yet untreated control animals (p-values < 0.001). In contrast, animals treated with Oseltamivir (Tamiflu®, Roche) showed only a 50% reduction. In another significant finding, no increase in the number or size of the lung lesions was observed over the entire duration of the study in the FluCide™-treated animals. . This was not the case for the Oseltamivir-treated animals. This demonstrated that treatment with FluCide drug candidates provided clear and strong protection against lung damage caused by the severe influenza infection.

In addition, we also found that these FluCide™ drug candidates led to significant reduction in the damaging white blood cell presence in lung tissue in the same study. These optimized FluCide™ drug candidates resulted in significant

reduction in lung tissue presence of leukocytes, and in particular, that of eosinophils in a lethal influenza infection animal model.

Eosinophil expansion occurs in response to a viral infection, and is indicative of a viral infection. Various white blood cells (leukocytes) also increase in response to a viral infection. These phenomena are part of the normal immune response. In severe influenza cases, it is thought that patients can go into a stage called “cytokine storm syndrome”. This may be thought of as an all-out attack by an expanded army of white blood cells in response to an uncontrolled viral infection. In an attempt to control the viral infection, the immune system attacks the infected cells as well as nearby normal cells. This can lead to severe lung damage that may rapidly become fatal.

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We observed that the reduced white blood cell and eosinophil counts were consistent with the dramatic reduction in lung lesions that we had found to occur upon FluCide treatment in lethally influenza infected animals.

We also found that treatment with the FluCide™ drug candidates resulted in a 1000-fold reduction of influenza viral load in the lungs of animals infected with lethal dose of influenza virus in this study.

The amount of infectious virus in the lungs of the infected animals treated with three of the optimized FluCide™ nanoviricide drug candidates was reduced by greater than 1000-fold as compared to the infected untreated control animals (p-values < 0.001), four days after virus infection. In contrast, animals treated with Oseltamivir (Tamiflu®, Roche) showed less than a 2-fold reduction in lung viral load at the same time point. This indicated a 500-fold greater reduction in viral load by FluCide drug candidates over Oseltamivir.

Of great clinical significance is the fact that 2 of the optimized FluCide™ drug candidates maintained this greatly reduced lung viral load at 7, 13 and 19 days after virus infection in this 21 day study. Thus, treatment with FluCide drug candidates appeared to protect against the complete cycle of infection, virus expansion and spread of infection in the lungs that follows the initial virus infection. This was not the case for the oseltamivir-treated animals. Animals treated with Oseltamivir (Tamiflu®, Roche) showed less than a 2-fold reduction in lung viral load at 4 days and the viral load was increased at 7 days to the same level as that found in the infected, untreated control animals shortly before their death.

The Company had previously reported 18.3 days mean survival, in conjunction with a thirty-fold (30X) lung viral load reduction, with its then best anti-influenza drug candidate in the same animal model. Since then the Company says its FluCide program has progressed to process chemistry optimizations that were expected to provide additional benefits in terms of efficacy and safety improvements. The Company now reports that these improvements have led to animal survival over the full defined 21 day duration of study for one drug candidate, with two additional drug candidates close behind the top candidate, at 20.2 and 20.4 days, along with a 1,000X reduction in the lung viral load, indicating the success of our process chemistry optimizations.

Based on this information, the Company believes that its Fluicide program is on course for further development towards an IND submission to the FDA.

The Company thus has a strong and growing drug pipeline to take us several years into the future. The Company already has technologies in development that promise to yield even better drugs against various diseases as the drugs we are developing now approach their product end of lifecycle.

It should be noted that all of our studies to date were preliminary. Thus, the evidence we have developed is indicative, but not considered confirmative, of the capabilities of the nanoviricides technology's potential. With the success of these preliminary studies, the Company has decided to perform further pre-clinical studies that validate safety and efficacy of its materials and its various anti-viral drugs. Management intends to use capital and debt financing to enable the completion of these goals.

Requirement for Additional Capital

As of March 31, 2011, we have a cash and cash equivalent balance of $7,763,391 which will be sufficient to fund our currently budgeted operations through December 31, 2012 at the Company’s current rate of expense.

We estimate that we will need approximately an additional $10M to $15M over the next 18 months for further development of our drug pipeline. These additional funds, if raised, will enable us to perform Toxicology Package Studies and additional efficacy studies necessary to prepare the full dataset required for filing our first Investigational

New Drug Application (“IND”) with the US FDA on one of our drug candidates. The additional funds will also be needed to pay additional personnel, increased subcontract costs related to the expansion and further development of our drug pipeline, and for additional capital and operational expenditures required to file our first IND.

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On April 18, 2011, the Company entered into an additional Securities Purchase Agreement (the "Agreement") with Seaside, for the purchase of its securities. The Company raised gross proceeds from this offering of $2,500,000, before estimated offering expenses of approximately $200,000 which includes placement agent and attorneys' fees.

Further, we anticipate incurring additional capital costs in the upcoming eighteen months to construct or obtain facilities to support an initial new drug application filing with the FDA in accordance with our business plans.

We are currently evaluating several vehicles for raising these additional funds.

Assuming that we are successful in raising this additional financing, we anticipate that we will incur the following additional expenses over the next 18 months.

1. Research and Development of $5,000,000: Planned costs for in-vivo and in-vitro studies for pan-influenza FluCide, Eye nanoviricide, HIVCide, HerpeCide, Dengue and Ebola/Marburg, and Rabies programs.

2. Corporate overhead of $1,250,000: This amount includes budgeted office salaries, legal, accounting, investor relations, public relations, and other costs expected to be incurred by being a public reporting company.

3. Capital costs of $1,500,000: This is the estimated cost for equipment and laboratory improvements..

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

In addition the Company anticipates estimated capital costs of $2,000,000 for infrastructure and laboratory facilities for a scaled up research pilot production facility.

In March, 2010, the Company filed a Form S-3 Shelf Registration with the Securities and Exchange Commission (SEC) for the sale from time to time of up to $40 million of the Company's securities. The registration statement became effective on April 29, 2010. As of March 31, 2011, the Company drew down $10,000,000 of the $40,000,000 S-3 Shelf Registration. The Company anticipates further draw downs on this S-3 Shelf Registration to fund its additional capital requirements and expenditures as required. 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.

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 most of our studies 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.

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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 beyond December, 2012. The Company currently has no long term debt.

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.

Research and Development Costs

The Company does not maintain separate accounting line items for each project in development. The Company maintains aggregate expense records for all research and development conducted. Because at this time all of the Company's projects share a common core material, the Company allocates expenses across all projects at each period-end for purposes of providing accounting basis for each project. Project costs are allocated based upon labor hours performed for each project.

The Company has signed several cooperative research and development agreements with different agencies and institutions The Company expects to enter into additional cooperative agreements with other governmental and non-governmental, academic, or commercial, agencies, institutions, and companies. There can be no assurance that a final agreement may be achieved and that the Company will execute any of these agreements. However, should any of these agreements materialize, the Company will implement a system to track these costs by project and account for these projects as customer-sponsored activities and show these project costs separately.

Other drug candidates:

Nanoviricides against Rabies, Ebola/Marburg, Hepatitis C Virus (HCV), and several other viral diseases are at various early stages of research and development and involve a substantial amount of uncertainty as to the development of these drug candidates. At this time, very little resources have been allocated to these drugs. However should the early studies of any of these drug candidates provide an indication of high efficacy, the corresponding drug candidate will become a full-fledged drug development project and the Company will endeavor to seek additional funding for the necessary drug development work.

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.

The Company is currently engaged in a national search for a manufacturing facility. The manufacturing portion of the facility will eventually need to be certified by the FDA in order for the Company to produce experimental materials that can be used in human clinical trials. It is preferable to use the same quality of materials for pharmaco-kinetic, pharmaco-dynamic and toxicology studies. These three sets of studies must be completed prior to the Company filing an IND with the FDA to begin the human safety and efficacy trials (Phase I, II and III).

Management intends to use capital and debt financing, as required, to fund the Company's operations. Management intends to pursue non-diluting funding sources such as government grants and contracts as well as licensing agreements with other pharmaceutical companies.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not required for smaller reporting companies.

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ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures.

Based upon an evaluation of the effectiveness of disclosure controls and procedures, our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have concluded that as of the end of the period covered by this Quarterly Report on Form 10-Q our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Exchange Act) were effective to provide reasonable assurance that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified by the rules and forms of the SEC and is accumulated and communicated to management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

b) Changes in internal control over financial reporting.

Other than as described above, there were no material changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred as of December 31, 2009, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

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

On February 4, 2011 the Company authorized the issuance of 25,000 shares of its $.001 par value common stock with a restrictive legend for $25,000 upon the exercise of 25,000 warrants issued pursuant to a prior year private placement

In February, 2011, the Scientific Advisory Board (SAB) was granted warrants to purchase 60,000 shares of common stock at $1.47 per share. These warrants, if not exercised, will expire in February, 2015. The fair value of these warrants in the amount of $54,000 was recorded as consulting expense.

For the nine months ended March 31, 2011, the Company's Board of Directors authorized the issuance of 38,285 shares of its common stock with a restrictive legend for consulting services. The Company recorded an expense of $49,000.

The securities described above were offered and sold in reliance upon exemptions from registration pursuant to Section 4(2) under the Securities Act and Rule 506 of Regulation D promulgated thereunder. The agreements executed in connection with this sale contain representations to support the Registrant’s reasonable belief that the Investor had access to information concerning the Registrant’s operations and financial condition, the Investor acquired the securities for their own account and not with a view to the distribution thereof in the absence of an effective registration statement or an applicable exemption from registration, and that the Investor are sophisticated within the meaning of Section 4(2) of the Securities Act and are “accredited investors” (as defined by Rule 501 under the Securities Act). In addition, the issuances did not involve any public offering; the Registrant made no solicitation in connection with the sale other than communications with the Investor; the Registrant obtained representations from the Investor regarding their investment intent, experience and sophistication; and the Investor either received or had access to adequate information about the Registrant in order to make an informed investment decision. The Company has not utilized an underwriter for an offering of its securities, except in the recent financings completed on May 11, 2010, and September 16, 2010, December 21, 2010, and April 18, 2011, with Seaside 88, LP, wherein Midtown Capital Partners, LLC were engaged as placement agent for the Company’s securities sold in those offerings.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. (REMOVED AND RESERVED)

ITEM 5. OTHER INFORMATION

None.

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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. During the fiscal quarter ended March 31, 2011, the Company filed the following Current Reports on Form 8-K:

None.

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SIGNATURES

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

Dated: May 20, 2011

NANOVIRICIDES, INC.

/s/ Eugene Seymour, MD
Name: Eugene Seymour, M.D.
Title: Chief Executive Officer and Interim Chief Financial Officer and Director
(Principal Executive Officer and Principal Financial Officer)

/s/ Anil Diwan
Name: Anil Diwan
Title: President and Chairman of the Board of Directors