XSUNX INC
Form 10KSB
January 11, 2006

FORM 10-KSB

SECURITIES EXCHANGE COMMISSION
Washington, D.C. 20549

Annual Report Pursuant to
the Securities Exchange Act of 1934

For the fiscal year ended September 30, 2005

Commission file number: 000-29621

XSUNX, INC.

(Exact name of registrant as specified in its charter)

Colorado	84-1384159
(State of incorporation)	(I.R.S. Employer Identification No.)

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

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

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

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

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

Title of each class: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to the filing requirements for at least the past 90 days. Yes [X] No [ ]

Check if disclosure of delinquent filers pursuant to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. [X]

State issuer's revenues for its most recent fiscal year. $0

Transitional Small Business Disclosure Format: Yes [_] No [X]

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

Aggregate market value of the authorized voting stock held by non-affiliates of the registrant as of September 30, 2005: $36,816,026 based on the last sale price at year end of $.36 as reported by OTCBB.

Number of authorized outstanding shares of the registrant's no par value common stock, as of January 9, 2005: 123,917,080

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, and Section 27A of the Securities Act of 1933 that reflect its current expectations about its future results, performance, prospects and opportunities. These forward-looking statements are subject to significant risks, uncertainties, and other factors, including those identified in Risk Factors (see Item 1 "Description of Business - Risk Factors")

below, which may cause actual results to differ materially from those expressed in, or implied by, any forward-looking statements. The forward-looking statements within this Form 10-KSB may be identified by words such as "believes," "anticipates," "expects," "intends," "may," "would," "will" and other similar expressions. However, these words are not the exclusive means of identifying these statements. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. Except as expressly required by the federal securities laws, the Company undertakes no obligation to publicly update or revise any forward-looking statements to reflect events or circumstances occurring subsequent to the filing of this Form 10-KSB with the SEC or for any other reason. You should carefully review and consider the various disclosures the Company make in this report and its other reports filed with the SEC that attempt to advise interested parties of the risks, uncertainties and other factors that may affect its business.

For further information about these and other risks, uncertainties and factors, please review the disclosure included in this report under Item 1 "Description of Business - Risk Factors and Item 6 "Management's Discussion and Analysis or Plan of Operation - Cautionary and Forward Looking Statements."

PART I

ITEM 1. DESCRIPTION OF BUSINESS.

COMPANY HISTORY

XsunX, Inc. ("XsunX," the "Company" or the "issuer") is a Colorado corporation formerly known as Sun River Mining Inc. "Sun River"). The Company was originally incorporated in Colorado on February 25, 1997. Effective September 24, 2003, the Company completed a Plan of Reorganization and Asset Purchase Agreement (the "Plan") with Xoptix, Inc., a California corporation.

Pursuant to the Plan the Company acquired the following three patents for Seventy Million (70,000,000) shares (post reverse split one for twenty): No. 6,180,871 for Transparent Solar Cell and Method of Fabrication (Device), granted on January 30, 2001; No. 6,320,117 for Transparent Solar Cell and Method of Fabrication (Method of Fabrication), granted on November 20, 2001; and No. 6,509,204 for Transparent Solar Cell and Method of Fabrication (formed with a Schottky barrier diode and method of its manufacture), granted on January 21, 2003.

Pursuant to the Plan, the Company authorized the issuance of 110,530,000 (post reverse split) common shares. Prior to the Plan the Company had no tangible assets and insignificant liabilities. Subsequent to the Plan the Company completed its name change from Sun River Mining, Inc. to XsunX, Inc. The transaction was completed on September 30, 2003.

GENERAL OVERVIEW

XsunX, Inc. is developing new and innovative thin film solar cell designs and manufacturing process with the intent to provide commercially viable solar cell designs that convert sun light into electrical energy. The process for producing electricity from sunlight is known as Photovoltaics. Photovoltaic ("PV") is the science of capturing and converting sun light into electricity.

The Company is focusing its research and product development efforts on thin

film PV devices in an effort to capitalize on what it perceives as cost and application diversity advantages to current rigid multi-crystalline silicon wafer technologies. The Company's current thin film cell designs employ between .2 microns to 1.5 microns of material thickness as opposed to an approximate 400 microns of material thickness for multi-crystalline cell designs. This significant reduction in cell thickness and flexibility of the completed cell structure leads to the use of "thin film" terminology in describing the solar cell design.

The focus of the Company's development efforts is to deliver two aspects of technologies in the form of an integrated solution providing, a) commercially scalable manufactured processes and equipment designed for the specific manufacture of the Company's thin film solar technologies, and, b) proprietary thin film solar cell designs that address new application opportunities in the growing field of Building Integrated Photovoltaics.

Building Integrated Photovoltaics ("BIPV"), in concept, allows photovoltaic material, in the form of photoelectric panels, to be incorporated into the design of building materials; thus, providing a way to integrate additional sources of power production into the operation of buildings. As the BIPV category of the photovoltaic industry is beginning its growth into the US and worldwide markets, XsunX intends to attpemt to achieve commercialization of BIPV through a combination of innovation and patented thin film designs and manufacturing techniques.

BIPV technology might eventually enable every building to be a virtual power plant by utilizing the power of the sun, through the skin of the building, in an aesthetically sound and structurally safe environment if its economics and productability can be proven.

PRODUCT DEVELOPMENT

The first of its product development efforts is Power Glass(TM) - an innovative thin film solar technology that is intended to allow windows to produce electricity from the power of the sun without significantly altering the appearance or use of the window or transparent surface. Using proprietary and patented solar cell designs and manufacturing processes, the Company is focused on the development of thin film solar cell designs for semi-transparent coatings on thin flexible plastics that create large area monolithic in appearance solar cell structures that you can see through.

The design of the Power Glass solar cell provides for the manufacture of numerous small cells on thin transparent flexible plastics. As part of the manufacturing process numerous individual cells are produced simultaneously on rolls of thin plastic substrates and interconnected using minimally apparent segmentations. The result is a large area integrated solar cell device that is monolithic or uniform in appearance and simulates tinted solar control films used in window shading applications. The Company believes the advantages to the use of its films in solar glass designs, over current solar glass designs, lie in improved esthetic appearance, reduced manufacturing or assembly requirements, and lower finished product costs.

These cells are single-junction amorphous silicon based (a-Si) solar cells that depending on the degree of light transmission, or transmisivity, are expected to operate at 4% + efficiencies. That is approximately 4 or more watts of direct current can be produced per square foot of Power Glass film. While lower in efficiency than opaque thin film multi-junction amorphous silicon at approximately 5-7%, and rigid silicon wafers at 12-15% efficiencies the Power

Glass films benefit from cost reductions in the manufacturing process. The Company believes that the following combined attributes will provide Power Glass films a competitive advantage while at the same time addressing architectural glass facade applications that have been under utilized as a platform for the integration of photovoltaic technologies;

- Low temperature processing techniques of (