

XSUNX INC  
Form 10-Q  
February 19, 2008

**FORM 10-Q**  
**SECURITIES EXCHANGE COMMISSION**  
Washington, D.C. 20549

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

**For Quarter Ended December 31, 2007**

*Commission file number: 000-29621*

**XSUNX, INC.**

(Exact name of registrant as specified in its charter)

Colorado  
(State of incorporation)

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

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

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

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

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

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

Title of each class: None

Indicate by check mark whether the registrant is a large 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.

Large Accelerated Filer  Accelerated Filer  Non-Accelerated Filer

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. As of February 15, 2008 the number of shares outstanding of the registrant's only class of common stock was 173,402,188.

## Table of Contents

PART I - FINANCIAL INFORMATION	PAGE
<b>Item 1. Condensed Consolidated Financial Statements</b>	
Independent Auditor's Report	F-1
Balance Sheets December 31, 2007 (unaudited) and September 30, 2007 audited	F-2
Statements of Operations for the Three Months ended December 31, 2007 and 2006 (unaudited) and the period February 25, 1997 (inception) to December 31, 2007	F-3
Statements of Stockholders Equity for the period February 25, 1997 (inception) to December 31, 2007 unaudited)	F-4
Statements of Cash Flows for the Three Months ended December 31, 2007 and 2006 (unaudited) and the period February 27, 1997 (inception) to December 31, 2007	F-5
Notes to Condensed Consolidated Financial Statements (Unaudited)	F-6
<b>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</b>	<b>3</b>
<b>Item 3 Qualitative and Quantitative Disclosures About Market Risk</b>	<b>8</b>
<b>Item 4. Controls and Procedures</b>	<b>8</b>
<b>PART II - OTHER INFORMATION</b>	
<b>Item 1. Legal Proceedings</b>	<b>9</b>
<b>Item 1a. Risk Factors</b>	<b>9</b>
<b>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</b>	<b>15</b>
<b>Item 3. Defaults upon Senior Securities</b>	<b>15</b>
<b>Item 4. Submission of Matters to a Vote of Security Holders</b>	<b>15</b>
<b>Item 5. Other Information</b>	<b>15</b>
<b>Item 6. Exhibits and Reports on Form 8-K</b>	<b>15</b>
<b>Signatures</b>	<b>17</b>

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**JASPERS + HALL, PC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Board of Directors  
XSUNX, INC.  
Aliso Viejo, CA

We have reviewed the accompanying balance sheet of XSUNX, INC. (a development stage company) as of December 31, 2007, and the related statements of operations, stockholders' equity (deficit), and cash flows for the three-month period then ended. These financial statements are the responsibility of the Company's management.

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

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

Jaspers + Hall, PC  
Denver, CO  
February 14, 2008

*/s/ Jaspers + Hall, PC*  
*Jaspers + Hall, PC*  
*Denver, Colorado*  
*February 14, 2008*

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

	(Unaudited) December 31, 2007	(Audited) September 30, 2007
<b><u>ASSETS:</u></b>		
Current assets:		
Cash	\$ 2,188,260	\$ 1,773,748
Prepaid Expenses	6,481	54,377
<b>Total current assets</b>	<b>2,194,741</b>	<b>1,828,125</b>
Fixed assets:		
Office & Misc. Equipment	39,450	39,437
Research and Development Equipment	634,907	532,795
Leasehold Improvement	89,825	89,825
<b>Total Fixed Assets</b>	<b>764,182</b>	<b>662,057</b>
Less Depreciation	(292,147)	(162,189)
<b>Total fixed assets</b>	<b>472,035</b>	<b>499,868</b>
Other assets:		
Patents/Trade Marks		-
Security Deposit	5,815	5,815
Accrued Interest Receivable	234,192	143,452
Note Receivable	1,500,000	1,500,000
Marketable Prototype	1,765,000	1,765,000
<b>Total other assets</b>	<b>3,505,007</b>	<b>3,414,267</b>
<b>TOTAL ASSETS</b>	<b>\$ 6,171,783</b>	<b>\$ 5,742,260</b>
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY:</u></b>		
<b>Current Liabilities:</b>		
Accounts Payable	\$ 238,897	\$ 259,652
Accrued Expenses	55,077	53,036
Current Portion of Note Payable		
<b>Total current liabilities</b>	<b>293,974</b>	<b>312,688</b>
<b>Stockholders' Equity:</b>		
Preferred Stock, par value \$0.01 per share; 50,000,000 shares authorized; no shares issued and outstanding		
Treasury Stock, no par value; no shares were issued or outstanding		
Common Stock, no par value; 500,000,000 shares authorized; 164,753,188 shares issued and outstanding at December 31, 2007 and 157,919,856 shares were issued and outstanding at September 30, 2007		
	15,669,169	13,563,869
Paid in Capital - Common Stock Warrants & Fees	3,635,418	2,326,553
Deferred Stock Compensation	(1,051,000)	

Deficit accumulated during the development stage	(12,375,778)	(10,460,850)
Total stockholders' profit (deficit)	5,877,809	5,429,572
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 6,171,783</b>	<b>\$ 5,742,260</b>

**See Accountants' Review Report**

F-2

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

	Three Months Ended December 31,		Feb. 25, 1997 (Inception) to December 31,
	2007	2006	2007
<b>Revenue</b>			
Service Income	\$ -	\$ -	\$ 14,880
Other Income			-
<b>Total Revenue</b>	<b>-</b>	<b>-</b>	<b>14,880</b>
<b>Expenses:</b>			
Advertising	4,530	16,747	65,132
Bank Charges	531	25	4,411
Conferences & Seminars	3,715	9,271	29,707
Consulting	27,277	35,982	1,537,861
Depreciation	129,958	27,047	311,760
Directors' Fees			11,983
Due Diligence			45,832
Dues and Subscriptions			-
Equipment Rental			1,733
Filing Fees			8,610
Impairment loss			923,834
Insurance	22,164	3,535	92,483
Legal & Accounting	59,039	77,418	797,419
Licenses & Fees	618	20	7,163
Commitment and Loan Fees	89,300		831,134
Meals & Entertainment			4,119
Miscellaneous	100	2,135	7,478
Office Expenses	3,794	6,229	45,294
Patent Fees		1,181	2,469
Postage & Shipping	1,375	688	16,203
Printing	408	6,911	28,878
Public Relations	68,674	26,630	558,035
Recruitment Expenses	1,403		48,467
Research & Development	6,406	209,945	2,022,328
Rent	17,208	14,860	129,731
Salaries	235,585	140,615	1,994,707
Subscription Reports		10	9,858
Taxes	1,666		10,503
Telephone	4,987	7,162	79,910
Transfer Agent Expense		283	20,365
Travel, Meals & Entertainment	31,376	29,829	305,869
Utilities	2,408		10,511
Abandoned Equipment			808
Option / Warrant Expense	1,308,865		3,785,418

<b>Total Operating Expenses</b>	2,021,387	616,523	13,750,013
<b>Other (Income) Expense</b>			
Interest Expense	395		248,955
Interest Income	(106,854)	(32,843)	(448,536)
Legal Settlement			(1,100,000)
Other			-
Forgiveness of Debt			(59,773)
<b>Total Other Income/Expense</b>	(106,459)	(32,843)	(1,359,354)
<b>Net (Loss)</b>	\$ (1,914,928)	\$ (583,680)	\$ (12,375,778)
<b>Per Share Information:</b>			
Basic and Diluted			
Weighted average number of common shares outstanding	163,724,263	157,169,856	
<b>Net Loss per Common Share</b>	\$ (0.01)	\$ (0.004)	

**See Accountants' Review Report**

F-3

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

	Treasury Stock		Common Stock		Paid in Capital	Deficit	
	# of Shares	Amount	# of Shares	Amount	Common Stock Warrants	Accumulated During the Exploration Stage	Totals
Inception February 25, 1997	-	-	-	-	-	-	-
Issuance of stock for cash	-	-	15,880	217,700	-	-	217,700
Issuance of stock to Founders	-	-	14,110	-	-	-	-
Issuance of stock for consolidation	-	-	445,000	312,106	-	-	312,106
Net Loss for Year	-	-	-	-	-	(193,973)	(193,973)
Balance - September 30, 1997	-	-	474,990	529,806	-	(193,973)	335,834
Issuance of stock for services	-	-	1,500	30,000	-	-	30,000
Issuance of stock for cash	-	-	50,200	204,000	-	-	204,000
Consolidation stock cancelled	-	-	(60,000)	(50,000)	-	-	(50,000)
Net Loss for Year	-	-	-	-	-	(799,451)	(799,451)
Balance - September 30, 1998	-	-	466,690	713,806	-	(993,424)	(279,618)
Issuance of stock for cash	-	-	151,458	717,113	-	-	717,113
Issuance of stock for services	-	-	135,000	463,500	-	-	463,500
Net Loss for Year	-	-	-	-	-	(1,482,017)	(1,482,017)
Balance - September 30, 1999	-	-	753,148	1,894,419	-	(2,475,441)	(581,022)
Issuance of stock for cash	-	-	15,000	27,000	-	-	27,000
Net Loss for year	-	-	-	-	-	(118,369)	(118,369)
Balance - September 30, 2000	-	-	768,148	1,921,419	-	(2,593,810)	(672,391)
Extinguishment of debt	-	-	-	337,887	-	-	337,887
Net Loss for year	-	-	-	-	-	(32,402)	(32,402)
Balance - September 30, 2001	-	-	768,148	2,259,306	-	(2,626,212)	(366,906)
Net Loss for year	-	-	-	-	-	-	-