

Edgar Filing: XSUNX INC - Form 10QSB

XSUNX INC  
Form 10QSB  
May 19, 2005

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

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

For Quarter Ended March 31, 2005

Commission file number: 000-29621

XSUNX, INC.  
-----

(Exact name of registrant as specified in its charter)

Colorado  
-----  
(State of incorporation)

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

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

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

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

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

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

Title of each class: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 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  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 May 13, 2005 the number of shares outstanding of the registrant's only class of common stock was 120,996,239

Transitional Small Business Disclosure Format (check one): Yes  No

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PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

XSUNX

(AN DEVELOPMENT STAGE COMPANY)  
FINANCIAL STATEMENTS

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SIX-MONTHS ENDED March 31, 2005  
(UNAUDITED)

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XSUNX, INC.  
(Formerly Sun River Mining, Inc.)  
(A Development Stage Company)  
Balance Sheets  
(Unaudited)

|                        | March 31,<br>2005 |
|------------------------|-------------------|
|                        | -----             |
| ASSETS:                |                   |
| Current assets:        |                   |
| Cash                   | \$ 155,471        |
| Prepaid Expenses       | 17,143            |
|                        | -----             |
| Total current assets   | 172,614           |
|                        | -----             |
| Fixed assets:          |                   |
| Office Equipment (Net) | 2,270             |
| R&D Equipment          | 173,000           |
|                        | -----             |
| Total fixed assets     | 175,270           |
|                        | -----             |
| Other assets:          |                   |
| Patents                | 10,000            |
| Deposit - Lease        | -                 |
|                        | -----             |
| Total other assets     | 10,000            |
|                        | -----             |

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|  |             |
|--|-------------|
| TOTAL ASSETS   | \$ 357,884  |
|  | =====       |
| LIABILITIES AND STOCKHOLDERS' EQUITY:  |             |
| Current Liabilities:   |             |
| Accounts Payable   | \$ 236,270  |
| Accrued Expenses   | 532         |
| Notes Payable  | -           |
|  | -----       |
| Total current liabilities  | 236,802     |
|  | -----       |
| Stockholders' Equity:  |             |
| Preferred Stock, par value \$0.01 per share; 50,000,000 shares authorized; no shares issued and outstanding  | -           |
| Common Stock, no par value; 500,000,000 shares authorized; 120,544,239 shares issued and outstanding at March 31, 2005 and 114,036,102 outstanding at September 30, 2004 | 3,619,531   |
| Common stock warrants  | 1,200,000   |
| Deficit accumulated during the exploratory stage   | (4,698,449) |
|  | -----       |
| Total stockholders' profit (deficit)   | 121,082     |
|  | -----       |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY   | \$ 357,884  |
|  | =====       |

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XSUNX, INC.  
(Formerly Sun River Mining, Inc.)  
(A Development Stage Company)  
Consolidated Statements of Operations  
(Unaudited)

|                     | Three-Months Ended<br>March 31, |       | Six-Months Ended<br>March 31, |       |
|---------------------|---------------------------------|-------|-------------------------------|-------|
|                     | 2005                            | 2004  | 2005                          | 2004  |
|                     | -----                           | ----- | -----                         | ----- |
| Revenue             | \$ -                            | \$ -  |                               |       |
| Expenses:           |                                 |       |                               |       |
| Abandoned Equipment | -                               | -     | -                             |       |
| Advertising         | 550                             | -     | 2,410                         |       |
| Bank Charges        | 111                             | 62    | 301                           | 6     |

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|   |              |             |              |              |
|---|--------------|-------------|--------------|--------------|
| Consulting  | -            | -           | -            | -            |
| Contract R&D  | 114,439      | 12,850      | 213,336      | 12,850       |
| Depreciation  | -            | -           | -            | -            |
| Directors' Fees   | -            | -           | -            | -            |
| Due Diligence   | -            | -           | -            | -            |
| Equipment Rental  | -            | -           | -            | -            |
| Impairment loss   | -            | -           | -            | -            |
| Legal & Accounting                                      | 9,509        | 9,999       | 18,633       | 15,340       |
| Licenses & Fees   | 25           | -           | 25           | -            |
| Meals & Entertainment                                   | -            | -           | -            | 11           |
| Office Expenses   | 1,143        | 138         | 2,548        | 2,750        |
| Salaries  | 38,227       | 37,500      | 79,112       | 65,000       |
| Postage & Shipping                                      | 298          | 158         | 472          | 300          |
| Printing  | 463          | 5           | 502          | 130          |
| Public Relations  | 32,037       | 375         | 39,226       | 840          |
| Rent  | 2,250        | 2,268       | 3,750        | 5,170        |
| Taxes   | -            | -           | -            | -            |
| Telephone   | 1,329        | 902         | 2,333        | 1,540        |
| Transfer Agent Expense                                  | 1,335        | 250         | 3,094        | 1,800        |
| Travel  | 3,719        | -           | 4,680        | 220          |
| Warrant Option Expense                                  | -            | -           | -            | -            |
|   | -----        | -----       | -----        | -----        |
| Total Operating Expenses                                | 205,435      | 64,507      | 370,422      | 106,140      |
|   | -----        | -----       | -----        | -----        |
| Other Income (Expense)                                  |              |             |              |              |
| Interest Expense  | -            | -           | -            | -            |
| Interest Income   | -            | -           | -            | -            |
| Returned Merchandise                                    | (320)        | -           | (418)        | -            |
| Forgiveness of Debt                                     | -            | -           | -            | -            |
|   | -----        | -----       | -----        | -----        |
| Net (Loss)  | \$ (205,115) | \$ (64,507) | \$ (370,004) | \$ (106,140) |
|   | -----        | -----       | -----        | -----        |
| Per Share Information:                                  |              |             |              |              |
| Weighted average number of<br>common shares outstanding | 120,544,239  | 111,248,148 |              |              |
|   | -----        | -----       |              |              |
| Net Loss per Common Share                               | *            | *           |              |              |
|   | -----        | -----       |              |              |

\* Less than \$.01

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XSUNX, INC.  
(Formerly Sun River Mining, Inc.)  
(A Development Stage Company)  
Statements of Cash Flows  
(Unaudited)

Indirect Method

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|   | Six-Months Ended<br>March 31, |              |
|---|-------------------------------|--------------|
|   | 2005                          | 2004         |
|   | -----                         | -----        |
| Cash Flows from Operating Activities:                                   |                               |              |
| Net Loss  | \$ (370,004)                  | \$ (106,000) |
| Adjustments to reconcile net loss to cash used in operating activities: |                               |              |
| Issuance of Common Stock for Services                                   | 24,000                        |              |
| Issuance of Common Stock Warrants                                       | -                             |              |
| (Increase) Decrease in Deposits   | -                             | (1,000)      |
| (Increase) in Stock Subscriptions Receivable                            | -                             | (4,000)      |
| (Increase) Decrease in Prepaid Expense                                  | 2,857                         |              |
| Increase (Decrease) in Accrued Expenses                                 | (5,376)                       | 65,000       |
| Increase in Accounts Payable  | 147,290                       | 18,000       |
|   | -----                         | -----        |
| Net Cash Flows Used for Operating Activities                            | (201,233)                     | (28,000)     |
|   | -----                         | -----        |
| Cash Flows from Investing Activities:                                   |                               |              |
| Purchase of Fixed Asset   | (173,000)                     |              |
| Purchase of Intangible Assets   | -                             |              |
|   | -----                         | -----        |
| Net Cash Flows Used for Investing Activities                            | (173,000)                     |              |
|   | -----                         | -----        |
| Cash Flows from Financing Activities:                                   |                               |              |
| Payments to Notes Payable   | 1,225                         |              |
| Proceeds from Notes Payable   | -                             | 10,000       |
| Issuance of Common Stock  | 491,135                       | 21,000       |
|   | -----                         | -----        |
| Net Cash Flows Provided by Financing Activities                         | 492,360                       | 31,000       |
|   | -----                         | -----        |
| Net Increase (Decrease) in Cash   | 118,127                       | 2,000        |
|   | -----                         | -----        |
| Cash and cash equivalents - Beginning of period                         | 37,344                        |              |
|   | -----                         | -----        |
| Cash and cash equivalents - End of period                               | \$ 155,471                    | \$ 2,000     |
|   | =====                         | =====        |
| Supplemental Disclosure of Cash Flow Information                        |                               |              |
| Cash Paid During the Year for:  |                               |              |
| Interest  | \$ -                          |              |
|   | =====                         | =====        |
| Income Taxes  | \$ -                          |              |
|   | =====                         | =====        |
| NON-CASH TRANSACTIONS   |                               |              |
| Common stock issued in exchange for services                            | \$ 24,000                     |              |
|   | =====                         | =====        |

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XSUNX, INC.  
(Formerly Sun River Mining, Inc.)  
(A Development Stage Company)  
Consolidated Statement of Stockholders' Equity (Deficit)  
March 31, 2005  
(Unaudited)

|                                | Common Stock<br># of Shares | Amount      | Common<br>Stock<br>Warrants |
|--------------------------------|-----------------------------|-------------|-----------------------------|
|                                | -----                       | -----       | -----                       |
| Balance - September 30, 1999   | 753,148                     | \$1,894,419 | \$ -                        |
| Issuance of stock for cash     | 15,000                      | 27,000      | -                           |
| Net Loss for year              | -                           | -           | -                           |
| Balance - September 30, 2000   | 768,148                     | 1,921,419   | -                           |
| Extinguishment of debt         | -                           | 337,887     | -                           |
| Net Loss for year              | -                           | -           | -                           |
| Balance - September 30, 2001   | 768,148                     | 2,259,306   | -                           |
| Net Loss for year              | -                           | -           | -                           |
| Balance - September 30, 2002   | 768,148                     | 2,259,306   | -                           |
| Issuance of stock for Assets   | 70,000,000                  | 3           | -                           |
| Issuance of stock for Cash     | 9,000,000                   | 225,450     | -                           |
| Issuance of stock for Debt     | 115,000                     | 121,828     | -                           |
| Issuance of stock for Accruals | 115,000                     | 89,939      | -                           |
| Issuance of stock for Services | 31,300,000                  | 125,200     | -                           |
| Net Loss for year              | -                           | -           | -                           |
| Balance - September 30, 2003   | 111,298,148                 | 2,821,726   | -                           |
| Issuance of stock for cash     | 181,750                     | 21,071      | -                           |
| Issuance of stock for cash     | 217,450                     | 22,598      | -                           |
| Issuance of stock for cash     | 254,956                     | 34,669      | -                           |
| Issuance of stock for cash     | 694,649                     | 96,306      | -                           |
| Issuance of stock for cash     | 157,649                     | 21,421      | -                           |
| Issuance of stock for cash     | 57,000                      | 5,133       | -                           |
| Issuance of stock for cash     | 1,174,500                   | 81,472      | -                           |
| Issuance of stock for warrants | -                           | -           | 1,200,000                   |
| Net Loss for year              | -                           | -           | -                           |
| Balance - September 30, 2004   | 114,036,102                 | 3,104,396   | 1,200,000                   |
| Issuance of stock for cash     | 5,907,537                   | 471,068     | -                           |
| Issuance of stock for cash     | 300,600                     | 20,067      | -                           |
| Issuance of stock for services | 300,000                     | 24,000      | -                           |
| Net Loss for Period            | -                           | -           | -                           |
| Balance - March 31, 2005       | 120,544,239                 | \$3,619,531 | \$ 1,200,000                |
|                                | =====                       | =====       | =====                       |

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All shares have been adjusted for the 1 for 20 reverse split.

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XSUNX, INC.  
(FORMERLY SUN RIVER MINING, INC.)  
Notes to Financial Statements  
March 31, 2005  
(Unaudited)

Note 1 - Presentation of Interim Information:

In the opinion of the management of XSUNX, Inc., the accompanying unaudited financial statements include all normal adjustments considered necessary to present fairly the financial position as of March 31, 2005 and the results of operations for the three and six-months ended March 31, 2005 and 2004 and for the period February 25, 1997 (inception) to March 31, 2005, and cash flows for the six-months ended March 31, 2005 and 2004 and the for the period February 25, 1997 (inception) to March 31, 2005. Interim results are not necessarily indicative of results for a full year.

The financial statements and notes are presented as permitted by Form 10-Q, and do not contain certain information included in the Company's audited financial statements and notes for the fiscal year ended September 30, 2004.

Note 2 - Going Concern:

The Company's financial statements have been presented on the basis that it is a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

The Company is in the exploration state and has not earned any revenue from operations. The Company's ability to continue as a going concern is dependent upon its ability to develop additional sources of capital or locate a merger candidate and ultimately, achieve profitable operations. The accompanying financial statements do not include any adjustments that might result from the outcome of these uncertainties. Management is seeking new capital to revitalize the Company.

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Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY AND FORWARD LOOKING STATEMENTS



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In addition to statements of historical fact, this Form 10-KSB contains forward-looking statements. The presentation of future aspects of XsunX, Inc. ("XsunX", the "Company" or "issuer") found in these statements is subject to a number of risks and uncertainties that could cause actual results to differ materially from those reflected in such statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date hereof. Without limiting the generality of the foregoing, words such as "may", "will", "expect", "believe", "anticipate", "intend", or "could" or the negative variations thereof or comparable terminology are intended to identify forward-looking statements.

These forward-looking statements are subject to numerous assumptions, risks and uncertainties that may cause XsunX's actual results to be materially different from any future results expressed or implied by XsunX in those statements. Important facts that could prevent XsunX from achieving any stated goals include, but are not limited to, the following:

Some of these risks might include, but are not limited to, the following:

- (a) volatility or decline of the Company's stock price;
- (b) potential fluctuation in quarterly results;
- (c) failure of the Company to earn revenues or profits;
- (d) inadequate capital to continue or expand its business, inability to raise additional capital or financing to implement its business plans;
- (e) failure to commercialize its technology or to make sales;
- (f) rapid and significant changes in markets;
- (g) litigation with or legal claims and allegations by outside parties;
- (h) insufficient revenues to cover operating costs.

There is no assurance that the Company will be profitable, the Company may not be able to successfully develop, manage or market its products and services, the Company may not be able to attract or retain qualified executives and technology personnel, the Company's products and services may become obsolete, government regulation may hinder the Company's business, additional dilution in outstanding stock ownership may be incurred due to the issuance of more shares, warrants and stock options, or the exercise of warrants and stock options, and other risks inherent in the Company's businesses.

The Company undertakes no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after the date hereof. Readers should carefully review the factors described in other documents the Company files from time to time with the Securities and Exchange Commission, including the Quarterly Reports on Form 10-QSB and Annual Reports on Form 10-KSB filed by the Company and any Current Reports on Form 8-K filed by the Company.

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XsunX, Inc. is developing Power Glass(TM) - an innovative solar technology that is intended to allow glass windows to produce electricity from the power of the sun. This process for producing electricity is known as Photovoltaics. Photovoltaic ("PV") is the science of capturing and converting solar energy into electricity.

Using patented solar cell design and manufacturing processes, the Company is focused on the development of very thin semi-transparent coatings on thin-film flexible plastics that create large area monolithic solar cell structures that you can see through. This semi-transparency makes Power Glass(TM) glazing desirable for placing over glass, plastics, and other see-through structures.

The Company's strategy is to complete the development and commercialization of its Power Glass(TM) process and enter into licensing agreements with channel partners who will manufacture and distribute products made with the XsunX solar electric glass technology. In this manner, it is anticipated that glass manufactures will incorporate the Power Glass(TM) technology into their manufacturing process as an "original equipment manufacturer" (OEM) and sell the finished product to their consumers.

For the period ended March 31, 2005, the Company had and continues to focus on the development and refinement of commercially appealing solar cell designs, proprietary manufacturing processes and facilities design that could be provided to our future licensees as turn-key solutions for the mass production of Power Glass(TM) films. A large part of the Company's investment capital is used for product development. However, this may begin to shift towards marketing, sales, and business development in this new fiscal year ending September 30, 2005.

The Company continues to do research to develop the XsunX Power Glass(TM) process for future commercial applications. Areas of current process development include:

- (a) Process development on thin-film sheet and rolled polymers and plastics
- (b) Characterize efficiency and transparency vs. thickness - curves for applications
- (c) Engineer the integration of reel-to-reel and laser scribing process into manufacturing devices

In conjunction with on going R&D efforts the Company is talking with various manufactures to assist in the development of specific applications, processes and manufacturing requirements.

The Company intends to continue to make investments in the commercial development of its patents and evolving technologies through the course of the next year. To finance these development efforts we are currently engaged in on going capital formation efforts to fund the Company's projected deficits for development costs in the current year. The Company intends to continue to fulfill its working capital requirements through the sale of Common Stock. A majority of the investment proceeds will be allocated for the commercial development of its Power Glass(TM) product line.

Management believes the summary data presented herein is a fair presentation of the Company's results of operations for the periods presented. Due to the Company's change in primary business focus in October 2003 and new business opportunities these historical results may not necessarily be indicative of results to be expected for any future period. As such, future results of the Company may differ significantly from previous periods.

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Results of Operations for the Three-Month Period Ended March 31, 2005 Compared to the Same Period in 2004

The Company had no revenues in the quarter ended March 31, 2005 as well as for the same period in 2004.

The Company incurred operating expenses totaling \$205,435 for the three months ending March 31, 2005 compared to \$64,507 for the same period in 2004, a 314% increase. The major components for the increase to operating expense of \$140,928 include: an increase of \$101,589 in contract research and development activities, an increase of \$32,037 in public relations activities, and an

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increase to travel expenses of \$3,719. In the same quarter 2004 research and development expenses were only \$12,850, public relations costs were \$375, and travel expenses were \$0.

The loss per share in the quarter ending March 31, 2005 and the same period in 2004 was nominal. The Company expects the trend of accelerated losses to continue in the future until the Company achieves commercialization of its technology and revenues commence, of which there is no assurance.

Results of Operations for the Six-Month Period Ended March 31, 2005 Compared to the Same Period in 2004

The Company generated no revenues in the period ended March 31, 2005 as well as for the same period in 2004.

The Company incurred operating expenses totaling \$370,422 for the six months ending March 31, 2005 compared to \$106,142 for the same period in 2004, a 286% increase. The major components for the increase to operating expense of \$264,280 include: an increase of \$200,486 in research and development activities, an increase of \$38,386 in public relations, a \$14,112 increase in salary expense, and an increase to travel expenses of \$3,719. These expenses are anticipated to continue to increase as the Company continues the development of the Company's new business plan as the developer and provider of semi-transparent solar electric glazing technologies.

The net loss for the six months ending March 3, 2005 was (\$370,004) as compared to a net loss of (\$106,142) for the same period 2004. The loss per share was nominal for the period in 2005 and 2004.

### Liquidity and Capital Resources

The Company had cash at March 31, 2005 of \$155,471 and prepaid expenses in the amount of \$17,143 as compared to cash of \$37,344 and prepaid expenses in the amount of \$20,000 as of September 30, 2004. The Company had a net working capital (deficit) of (\$64,188) as compared to a working capital (deficit) of (\$38,819) at September 30, 2004.

Cash flows used in operating activities during the six-month period ended, March 31, 2005, was (\$201,233) as compared to using (\$28,978) for the same period 2004. Cash flow used in investing activities was (\$173,000) for the six months ended March 31, 2005 as compared to cash used in investing activities of (\$0) during the six months ended March 31, 2004. Cash flow provided by financing activities was \$492,360 for the six months ended March 31, 2005 as compared to cash provided by financing activities of \$31,471 during the six months ended March 31, 2004.

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For the six-months ended March 31, 2005, the Company's capital needs have been met from the proceeds of a series of private placements of Common Stock made by the Company. The Company completed private placements of its common stock pursuant to Regulation S totaling \$491,134.97 in the quarter ended March 31, 2005 as compared to \$31,471 for the same period 2004. The proceeds from the above sales of unregistered securities were used primarily to fund the research and developments efforts and day-to-day operations of the Company and to pay the accrued liabilities associated with these operations.

We had, at March 31, 2005, cash and cash equivalents of \$155,471 and net working capital (deficit) of (\$64,188). We anticipate that there will not be sufficient cash generated from operations in the current year necessary to fund our current and anticipated cash requirements. The Company is currently engaged in efforts to obtain additional financing from equity and debt placements.

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### NEED FOR ADDITIONAL FINANCING

The Company anticipates that there will be no cash generated from operations in the current year necessary to fund its anticipated cash requirements. The Company has incurred operating deficits since its reorganization in October 2003, which are expected to continue until its new business model is fully developed. Accordingly, the Company is dependent on raising additional capital necessary to meet the Company's cash needs for Research, Development, General and Administrative expenses including the costs of compliance with the continuing reporting requirements of the Securities Exchange Act of 1934.

The Company has been able to raise capital in a series of equity and debt offerings in the past and is actively pursuing additional financing in the form of loans or equity placements to cover on going cash needs. There can be no assurances that the Company will be able to obtain such additional financing, on terms acceptable to it and at the times required, or at all. Lack of capital may be a sufficient impediment to prevent it from accomplishing the goal of commercializing a licensable process for the manufacture of semi-transparent solar electric glazing technologies.

Irrespective of whether the Company's cash assets prove to be inadequate to meet the Company's operational needs, the Company might seek to compensate providers of services by issuances of stock in lieu of cash.

### GOING CONCERN

The Company is in the development stage and as of the period ending March 31, 2005, did not have any products for sale, and had not generated any revenue from sales or other operating activities. To date the Company's principal source of liquidity has been the private placement of equity securities and the issuance of notes payable. As such, the Company's ability to secure additional financing on a timely basis is critical to its ability to stay in business and to pursue planned operational activities.

Based on the foregoing and the Company's history of losses, the Company's financial statements for the six-month period ended March 31, 2005 include a going concern opinion from its outside auditors, which stated there "is substantial doubt" about our ability to continue operating as a "going concern."

### Item 3. CONTROLS AND PROCEDURES

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The Company's Chief Executive Officer and Chairman have evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this quarterly report and, based on this evaluation, have concluded that the disclosure controls and procedures are effective.

There have been no changes in the Company's internal control over financial reporting that occurred during the Company's first fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

### PART II - OTHER INFORMATION

Item 1. Legal Proceedings - None.

Item 2. Changes in securities -

In a private placement of the Company's common stock pursuant to Regulation S of the Act on or about January 3, 2005 the Company accepted an

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offer for the sale of 66,600 shares at a price of \$.0944 per share, which raised gross proceeds of \$6,284.25. This offer and sale was completed on January 3, 2005.

On or about February 4, 2005 the Company issued 300,000 shares of common stock pursuant to Rule 144 of the Act to 1 consultant as compensation for seven months of services to be rendered to the company. The shares were valued at the market price of the Company's common stock at the time of issuance which was \$0.08 per share for a total compensated value of \$24,000.00.

In a private placement of the Company's common stock pursuant to Regulation S of the Act on or about February 19, 2005, the Company accepted an offer for the sale of 234,000 shares at a price of \$.0589 per share, which raised gross proceeds of \$13,782.60. This offer and sale was completed on February 19, 2005.

In a private placement of the Company's common stock pursuant to Regulation S of the Act on or about April 1, 2005, the Company accepted an offer for the sale of 327,000 shares at a price of \$.0764 per share, which raised gross proceeds of \$24,980. This offer and sale was completed on April 1, 2005.

On or about May 5, 2005 the Company issued 125,000 shares of common stock pursuant to Rule 144 of the Act to 1 consultant as compensation for three months of services to be rendered to the company. The shares were valued at the market price of the Company's common stock at the time of issuance which was \$0.08 per share for a total compensated value of \$10,000.00.

Grant of Options/Warrants

During the quarter period ending March 31, 2005 the Company issued consultancy and advisory Warrants to 3 individuals as compensation for 2 years service each as members of the Company's Scientific Advisory Board. Each individual was granted Warrants totaling 250,000 shares with an exercise price of \$0.20 per share. The Warrants were issued as part of Consultancy and Advisory

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Agreements and each carry a 3 year exercise term and the following vesting provisions:

(i) 50,000 shares upon the effective date of Warrant. Thereafter, the Warrant shall become exercisable at the rate of 25,000 Shares per calendar quarter, or any apportioned amount thereof, during the term of engagement between the consultant and the Company.

Item 3. Defaults upon senior securities - None.

Item 4. Submission of matters to a vote of security holders - None.

Item 5. Other information - None

Item 6. Exhibits and reports on Form 8-K -

A. Exhibits:

32 Sarbanes-Oxley Certification

33 Sarbanes-Oxley Certification

B. 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, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: May 13, 2005

XSUNX, INC.

By: /s/ Tom M. Djokovich

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Tom M. Djokovich, Chief Executive  
Officer, President, and acting Chief  
Financial Officer

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