NANOVIRICIDES, INC.
Form 10-K
September 16, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NANOVIRICIDES, INC.

(Name of Business Issuer in Its Charter)

NEVADA	76-0674577
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1 CONTROLS DRIVE, SHELTON, CONNECTICUT, 06484

(Address of principal executive offices)

203-937-6137

(Issuer’s telephone number, including area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT: NONE

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

COMMON STOCK, PAR VALUE $0.001 PER SHARE	NYSE MKT
(Title of Class)	(Name of exchange on which registered)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ¨ No x

Indicate by a check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes ¨ No x

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 such filing requirements for the past 90 days.

Yes x No ¨

Indicate by checkmark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files.

Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not 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-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer", or "smaller reporting company in Rule 12b-2 of the Exchange Act (check one):

Large accelerated filer ¨ Accelerated filer ¨
Non-accelerated filer x Smaller reporting Company ¨

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

Yes ¨ No x

As of September 16, 2016, there were approximately 58,180,000 shares of common stock of the registrant issued and outstanding.

The aggregate market value of the voting stock held on December 31, 2015 by non-affiliates of the registrant was $49,101,470 based on the closing price of $1.18 per share, as reported on the NYSE MKT on December 31, 2015, the last business day of the registrant's most recently completed fiscal second quarter (calculated by excluding all shares held by executive officers, directors and holders known to the registrant of five percent or more of the voting power of the registrant's common stock, without conceding that such persons are "affiliates" of the registrant for purposes of the federal securities laws).

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PART I

SPECIAL NOTE ON FORWARD-LOOKING STATEMENTS

The information in this report contains forward-looking statements. All statements other than statements of historical fact made in this report are forward looking. In particular, the statements herein regarding industry prospects and future results of operations or financial position are forward-looking statements. These forward-looking statements can be identified by the use of words such as “believes,” “estimates,” “could,” “possibly,” “probably,” anticipates,” “projects,” “expects,” “may,” “will,” or “should,” “designed to,” “designed for,” or other variations or similar words. No assurances can be given that the future results anticipated by the forward-looking statements will be achieved. Forward-looking statements reflect management’s current expectations and are inherently uncertain. Our actual results may differ significantly from management’s expectations.

Although these forward-looking statements reflect the good faith judgment of our management, such statements can only be based upon facts and factors currently known to us. Forward-looking statements are inherently subject to risks and uncertainties, many of which are beyond our control. As a result, our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth below under the caption “Risk Factors.” For these statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. You should not unduly rely on these forward-looking statements, which speak only as of the date on which they were made. They give our expectations regarding the future but are not guarantees. We undertake no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by law.

ITEM I: BUSINESS

Organization and Nature of Business

Our Corporate History

NanoViricides, Inc. (the “Company”) 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, Edot-com.com (Nevada). On April 15, 2005, Edot- com.com (Colorado) and Edot-com.com (Nevada) were merged and Edot-com.com, Inc., (ECMM) a Nevada corporation, became the surviving

entity. On April 15, 2005, the authorized shares of common stock was increased to 300,000,000 shares at $.001 par value and the Company effected a 3.2 to 1 forward stock split effective May 12, 2005.

On June 1, 2005, Edot-com.com, Inc. acquired NanoViricide, Inc., a privately owned Florida corporation (“NVI”), pursuant to an Agreement and Plan of Share Exchange (the “Exchange”). NVI was incorporated under the laws of the State of Florida on May 12, 2005 and its sole asset was comprised of a licensing agreement with TheraCour Pharma, Inc., (“TheraCour,” an approximately 16.5% shareholder of NVI) for rights to develop and commercialize novel and specifically targeted drugs based on TheraCour’s targeting technologies, against a number of human viral diseases. (For financial accounting purposes, the 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). Upon consummation of the Exchange, ECMM adopted the business plan of NVI.

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. As a result of the Exchange, NVI 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.

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 on the Pink Sheets to "NNVC", respectively. The Company submitted a Form-10SB to the SEC to become a reporting company on November 14, 2006. The Company's filing status became effective in March, 2007. On June 28, 2007, the company became quoted on the OTC Bulletin Board under the symbol NNVC. The Company is considered a development stage company at this time.

On September 10, 2013, the Company adopted a uniform reverse split of its securities in a 3.5 to 1 ratio, reducing its authorized common stock to 85,714,287 shares at $0.001 par value, in order to satisfy the share price listing requirements of US National exchanges. On Wednesday, September 25, 2013, the Company's common stock began trading on the New York Stock Exchange MKT (NYSE MKT) under the same symbol, namely "NNVC".

NanoViricides, Inc. (the "Company"), is a nano-biopharmaceutical (nanomedicine) 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. The Company's drugs are based on several patents, patent applications, provisional patent applications, and other proprietary intellectual property held by TheraCour Pharma, Inc. ("TheraCour®"), to which the Company has exclusive licenses in perpetuity for the treatment of the following human viral diseases: Human Immunodeficiency Virus (HIV/AIDS), Influenza including Asian Bird Flu Virus (INF), Herpes Simplex Virus (HSV), Hepatitis C Virus (HCV), Hepatitis B Virus (HBV), and Rabies. On February 15, 2010, the Company 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 (DENV), Japanese Encephalitis (JEV), West Nile Virus (WNV), viruses causing viral Conjunctivitis (a disease of the eye) and Ocular Herpes, and Ebola/Marburg viruses.

The Company focuses its research and clinical programs on specific anti-viral therapeutics and is seeking to add to its existing portfolio of products through its internal discovery and clinical development programs and through an in-licensing strategy. To date, the Company has not commercialized any product.

The Company does not claim to be creating a cure for viral diseases. The Company's objectives are to create the best possible anti-viral nanoviricides and then subject these compounds to rigorous laboratory and animal testing towards US FDA and international regulatory approvals. Our long-term research efforts are aimed at augmenting the nanoviricides that we currently have in development with additional therapeutic agents to produce further improved anti-viral agents in the future. We believe that many viral infections that are at present untreatable or incurable would be curable using such an advanced approach.

The Nanoviricide® Platform Technology

NanoViricides, Inc. is a global leading company in the application of nanomedicine technologies to the complex issues of viral diseases. The nanoviricide® technology enables direct attacks at multiple points on a virus particle. It is believed that such attacks would lead to the virus particle becoming ineffective at infecting cells. Antibodies in contrast attack a virus particle at only a maximum of two attachment points per antibody. In addition, the nanoviricide technology also simultaneously enables attacking the rapid intracellular reproduction of the virus by incorporating one or more active pharmaceutical ingredients (APIs) within the core of the nanoviricide. The nanoviricide technology is the only technology in the world, to the best of our knowledge, that is capable of both (a) attacking extracellular virus thereby breaking the reinfection cycle, and simultaneously (b) disrupting intracellular production of the virus, thereby enabling complete control of a virus infection.

Our anti-viral therapeutics, that we call “nanoviricides®” are designed to look to the virus like the native host cell surface to which it binds. Since these binding sites for a given virus do not change despite mutations and other changes in the virus, we believe that our drugs will be broad-spectrum, i.e. effective against most if not all strains, types, or subtypes, of a given virus, provided the virus-binding portion of the nanoviricide is engineered appropriately.

This powerful platform technology has enabled us to develop several drug candidates against a large number of different viruses that could be further improved into clinical drug candidates, thus building a very broad drug pipeline that may lead to exponential growth of the Company upon the approval of our first drug candidate.

It is important to realize that the flexible nanoviricides nanomedicines show substantial advantages over hard sphere nanoparticles in this antiviral drug application. Hard sphere nanomaterials such as dendritic materials (dendrimers), nanogold shells, silica, gold or titanium nanospheres, polymeric particles, etc., were never designed to be capable of completely enveloping and neutralizing the virus particle.

Nanoviricides are designed to work by binding to and eliminating virus particles from the blood-stream, just as antibodies do, only potentially much better. Treating a patient that has a viral infection with a nanoviricide against that virus is expected to result in reduction in viremia. Reduction in viremia is an important goal in diseases caused by all viral infections. Nanoviricides are designed to accomplish this using a “Bind-Encapsulate-Destroy” strategy to eliminate the free virus.

A nanoviricide is constructed by chemically attaching a ligand designed to bind to a virus particle, to a polymeric material that forms a flexible nanomicelle by self-assembly. If antibodies are known to affect a viral disease, it is possible to construct a nanoviricide against it, and there can be a general expectation of some success, depending upon the ligand chosen. We can choose a ligand from any of a number of chemical classes, including small chemicals, peptides, or antibody fragments or even whole antibodies.

A nanoviricide is made by chemically covalently linking a “nanomicelle” - a globular polymeric micelle with pendant lipid chains inside, to one or more different small chemical ligands designed to mimic the cellular receptor to which the virus binds. In addition, the nanoviricide can carry additional active pharmaceutical ingredients (APIs), which may be chosen to affect the intracellular virus life cycle. Thus the nanoviricide platforms enables construction of complete virus-killing nanomachines that block the virus from entering the cell as well as that block further production of the virus inside the cell.

Attacking the “Achilles Heel” of the Virus- Unchanging Ability of the Virus to Bind to Its Cognate Receptor on Cell

We strive hard to develop virus-binding small chemical ligands that mimic the cognate cellular receptor of the virus, using rational design and molecular modeling strategies and our internal, accumulated expertise. This is the receptor to which a virus binds to gain entry into the human cell. Some viruses use more than one, different, receptors. The nanoviricide® platform technology allows use of different ligands on the same nanoviricide drug to be able to attack such difficult viruses.

It would be very difficult for a virus to become resistant to a nanoviricide that mimics the virus' cellular receptor. This is because, no matter how much a virus mutates or changes, its binding to the cellular receptor does not change. If the virus does not bind to the nanoviricide efficiently, it would likely have lost its ability to bind to the cellular receptor efficiently as well, resulting in an attenuated version with limited pathogenicity.

Beyond Antibodies: A Nanoviricide in Its Design is a Nanomachine Built to Destroy Viruses

A nanoviricide exposes a very high density of virus binding sites on its surface, in contrast to a human cell. Thus, a virus would be more likely to be captured by the nanoviricide than to bind to a cell. Once bound to the virus, it is thought that the nanoviricide would wrap itself around the virus, and the interior lipidic chains of the nanoviricide would merge into the lipid envelope of an enveloped virus, thus destabilizing the virus. This would result in loss of the viral glycoproteins that it uses to bind to cell and to fuse with the cell membrane, thus rendering the virus particle non-infectious. In contrast, for an antibody to be successful as a drug, as many as ten to fifteen antibodies must bind to saturate the virus surface. The resulting antibody-virus complex then may be subject to the complement protein system in the bloodstream, or it may bind to antibody-receptors on human immune cells. Thus the human immune system needs to be functional for an antibody to be effective as a "drug". In a sense, antibodies only "flag" the virus particle as foreign.

Almost any virus that causes pathology in humans is able to do so because it has developed intelligent and complicated pathways for disabling the human immune system at one or more points. This may be one of the reasons why many antiviral antibodies fail in the field use. Additionally, viruses readily escape antibodies by mutations. Such viral escape from antibodies has been witnessed in almost every viral epidemic, be it HIV/AIDS, Influenza pandemic of 2009, or the recent Ebola epidemic of 2014-15. In contrast, a nanoviricide would complete the job of making the virus particle non-infectious, without any help from the human immune system.

Broad-Spectrum Nanoviricide Drug Candidates

A nanoviricide is generally “broad-spectrum” in the sense that it would be effective against all viruses that use the same cellular receptor.

Formulation is Inherent in the Design Aspect of a Nanoviricide

We believe that once we declare a clinical candidate for a given indication in our HerpeCide programs, further IND-enabling pre-clinical development will be rapid. Formulation development for novel drugs in normal pharmaceutical paradigm often takes years. However, in the nanoviricide approach, the nanomicelle polymeric backbone itself takes care of the formulation aspects. The nanomicelle is designed to optimize the drug for its intended route of administration, be it injectable, skin cream, eye drops, or even oral. Thus no specific formulation development is expected to be required after clinical candidate declaration. In addition, we have already short-listed the ligands as well as the nanomicelle backbones for the final candidates in the HerpeCide program. At present, as we synthesize these for the studies leading to clinical candidate declaration. At the same time, we are also continuing to develop the necessary CMC aspects of the resulting candidates in parallel. We have already performed preliminary safety studies of our injectable FluCide™ drug candidate with excellent safety indications in both mouse (at KARD Scientific) and rat (at BASi) models. The HerpeCide program drug candidates are dermal or ocular topical treatments. Thus we believe that the safety/toxicology studies for these candidates will be relatively straightforward.

Uniform Polymer Nature Enables Nanomedicine Manufacturing Quality Assurance

A major problem in the field of nanomedicines has been that most nanomedicines have been found to be notoriously difficult to manufacture in a consistent manner from batch to batch. This is because of the complexity inherent in making large molecules, and the very nature of polymer and particle making processes.

The nanoviricide technology has been designed from the ground up to enable consistent manufacture and control. Thus, the nanoviricide backbone is a homopolymer of a single repeating unit or monomer, and not a block copolymer. In addition, the nanoviricide polymer is designed to dynamically and naturally self-assemble into micelles in a solution. Also, the virus-binding ligands are chemically attached to the polymer. The extent of attachment can be assessed by analytical techniques that we have developed and continue to develop as needed. Further we use sterile (or almost so) techniques in the polymer processing to minimize any contamination with endotoxins or other foreign particles. The final nanoviricide solutions can be sterile filtered using membrane filtration processes. The resulting solutions can be concentrated in a non-contaminating environment in our Process Scale-Up Lab or our cGMP Facility.

Thus the nanoviricides platform has been designed from the ground up to enable simplifications in processes and analyses that need to be implemented in order to develop robust, reproducible, and scalable processes.

State of the Company – Drug Development Programs

During the financial year ending June 30, 2016, we have continued to make significant progress in advancing our drug pipeline, and improving our resources. NanoViricides and our affiliates have further added significant strength in our staffing this year, with the total staff now at more than 30, and R&D staff at well over 20 persons with expertise from chemistry, polymer chemistry, chemical engineering, chemical and biochemical analyses, virological studies, to regulatory filings.

We currently have eight different drug development programs, attesting to the strength of our platform technology. We have now chosen to focus strategically on our HerpeCide™ program indications and drug candidates that are expected to result in a robust franchise with drug approvals against a number of different herpesvirus indications.

Pharmaceutical drug development is an expensive and long duration proposition. Management's plan is to develop each of our nanoviricides to the necessary stage(s) and then engage into licensing or co-development relationships with other pharmaceutical companies. Such licensing or co-development relationships usually may entail upfront payments, milestones payments, cost-sharing, and eventual revenue-sharing, including royalty on sales. There is no guarantee that we will be able to negotiate agreements that are financially beneficial to the Company at the present stage. As and when needed, Management plans to continue to raise additional funds for our continuing drug development efforts from public markets.

We believe we are now one of the very few small pharmaceutical drug innovators that possess their own cGMP or cGMP-capable manufacturing facility. With our new campus and pilot-scale c-GMP-capable manufacturing facility, we are now in a position to advance our drug candidates into clinical trials, produce the pre-clinical "tox package" batches, and the clinical drug substance batches.

The Company's new cGMP-capable pilot-scale manufacturing facility in Connecticut may enable initial market entry for our products upon approval, allowing the Company to grow into a stand-alone Pharma company, in addition to a potential licensing strategy for success. The Company thus continues to minimize risk to investors by improving the potential for success.

The HerpeCide™ Program is Now Our Top Priority with At Least Four Indications to Follow

We are planning at least four different indications in our HerpeCide™ program, namely (i) skin cream from the treatment of shingles caused by VZV, (ii) skin cream for the treatment of orolabial herpes ("cold sores") and recurrent herpes labialis (RHL) mostly caused by HSV-1, (iii) ocular eye drops treatment for external eye herpes keratitis (HK), caused by HSV-1 or HSV-2, and (iv) skin cream for the treatment of genital herpes caused by HSV2. Of these, the skin cream candidates against HSV-1 and VZV are the most advanced and are likely to be our earliest nanoviricide drug candidates to enter human clinical trials.

The potential broad-spectrum nature of our anti-HSV drug candidates is expected to enable several antiviral indications. Thus, HSV-1 primarily affects skin and mucous membranes causing "cold sores". HSV-2 primarily affects skin and mucous membranes leading to genital herpes. HSV-1 infection of the eye causes herpes keratitis that can lead to blindness in some cases. In addition, human herpesvirus-3 (HHV-3), aka varicella-zoster virus (VZV) causes chickenpox in children and when reactivated in adults, causes shingles. Shingles breakouts are amenable to topical treatment, as are the HSV cold sores, genital lesions, and herpes keratitis of the eye. Most of these indications do not have satisfactory treatments at present, if any. Further, the treatment of herpesvirus infections caused by acyclovir- and famciclovir- resistant mutants is currently an unmet medical need.

Previously, in August 2015, we obtained confirmatory animal studies data on our then current lead anti-herpesvirus drug candidate at TransPharm, LLC. The data confirmed the results earlier obtained in Professor Ken Rosenthal Lab at the NorthEast Ohio Medical Center (NEOMED). In both studies, dermal topical treatment with our anti-HSV drug candidate led to 85~100% survival in mice lethally infected with the zosteriform, neurotropic, clinically-derived and relevant strain, namely HSV-1 H129. In contrast, all of the untreated mice had severe clinical morbidity and none of the untreated mice survived. These studies established this drug candidate as a viable, effective potential drug. (Professor Rosenthal has since retired from NEOMED and is now Professor of Biomedical Sciences at the College of Medicine, Roseman University of Health Sciences, Summerlin, NV.)

Progress In Identifying Clinical Lead Drug Candidates Against the Four HerpeCide Program Indications

We have developed additional variations of the ligand used in this older herpecide drug candidate using molecular modeling and rational design strategies. The new ligands appear to have substantially improved effectiveness and similar level of safety as the prior tested ligand. We are now performing studies on chemical covalent conjugates of these ligands with different “nanomicelle” polymer backbones. We have planned a brief set of studies to identify the lead clinical candidates for the different herpesvirus indications based on these new nanoviricides.

These nanoviricides drug candidates developed against herpes are also expected to be effective against the shingles virus, namely the Varicella Zoster Virus (VZV), also called HHV-3 (human herpesvirus-3). Tests of their safety and effectiveness are under way in cell culture studies. At present, there is no well-established animal model of shingles infection, while animal models have been developed to test for shingles vaccines. There is a promising human skin explant-based model for evaluation of drugs against VZV infection that we plan to utilize in lieu of animal studies. This model is expected to be more relevant than an animal model. It is particularly suited for a topical drug such as ours. We believe that, if successful, these data will be sufficient to establish the effectiveness of a nanoviricide drug candidate to pursue further in human clinical studies. Additionally, dermal safety/toxicology studies will be needed. These studies will be relatively short in time scope if the drug is not significantly systemically distributed when given topically. Thus these safety/tox studies for the VZV skin cream are expected to be significantly shorter than the studies for ocular, injectable, or oral drugs.

Topical treatment of herpesvirus infections is important because herpesviruses become latent in neuronal cells or in ganglia, and cause periodic localized breakouts that appear as skin rashes and lesions. Systemic drug treatment results in side effects because of the high systemic drug concentrations that need to be achieved and the large drug quantities that must be administered. Since the virus remains mostly localized in the area of the rash and connected nerve apparatus, using high concentrations of drugs delivered in small quantities topically would allow maximizing the effectiveness while minimizing side effects.

Since these nanoviricides are designed to attack the virus directly, we believe that human clinical studies should reflect the success of the preclinical studies.

We are also working on developing relevant chemical identification and characterization assays, physicochemical and biochemical characterization assays, and chemical process optimization studies, that will be part of the CMC (Chemistry, Manufacture and Controls) section of the Investigational New Drug (IND) Application for the shingles drug. We believe this drug will be our first candidate into the human clinical trials.

Thus we are performing studies relevant to an Investigational New Drug (IND) application filing in the HerpeCide program at present.

HerpeCide Program Collaborations

We have engaged several new collaborations to help us finalize clinical candidates and develop IND-enabling pre-clinical data in our various programs this year. Notably, this year, we have signed collaborations with the CORL at the University of Wisconsin for HSV-1 and HSV-2, with focus on small animal models for ocular disease; the Campbell Lab at the University of Pittsburgh for in vitro cell culture models of various ocular viruses including many adenovirus and herpesvirus strains, as well as animal models for ocular herpes keratitis (HK) and adenoviral epidemic

kerato-conjunctivitis (EKC); and Baylor College of Medicine for small animal model of ocular herpes. Of these, the Baylor program is currently on hold due to lack of personnel to advance it at the site. We are also working on developing additional collaborations to help with pre-clinical studies of nanoviricides against VZV. TransPharm, LLC, a contract research organization (CRO), continues to provide animal studies support in pre-clinical animal efficacy of our HSV-1 and HSV-2 skin cream drug candidates. In addition, we have a continuing relationship with BASi, a CRO for GLP and non-GLP safety/toxicology studies. We have engaged Biologics Consulting Group (BCG) for advice and help with regulatory affairs.

Shingles and Associated Pain, Post-herpetic Neuralgia (PHN)

Shingles is caused by re-activation of the chickenpox virus that most humans acquire in childhood. The chickenpox vaccine for children is a live, attenuated virus (LAV). The LAV is not as pathogenic as the wild-type virus. However, this means the virus is present in the vaccinated individual, but remains suppressed by the immune system. In both vaccinated and unvaccinated persons, re-activation occurs when the immune system is suppressed which may be simply because of stress, advanced age, or some other immune modifying circumstances include immune-compromise due to organ transplants or other diseases. Generally, humans in the age range of 50-60 are more prone to shingles, with next reactivation occurring about 10~15 years later. There is a shingles vaccine approved for adults age 60 and above, which is now also available for adults younger than that.

Acyclovir-based oral drugs, such as valacyclovir (Valtrex®), are available as systemic therapy for shingles. However, VZV is substantially less sensitive to (val)acyclovir than is HSV-1. Thus the oral drug generally does not result in optimal level of the active drug at the site of VZV viral production, and does not result in significant control of the pathology. Most adults with shingles recover in about 15~30 days. While the rash is unsightly, its stinging pain is often debilitating. Further, 65~70% of patients develop post-herpetic neuralgia, or PHN, a stinging, debilitating pain that lasts more than 30 days, and in some patients may last for years. At present an oral drug called FV-100 is in Phase 3 clinical trials for PHN. A Phase 2 clinical study comparing FV-100 to valacyclovir for PHN and shingles has been completed by Bristol-Myers-Squibb (BMS) in CY Q4, 2015. BMS is no longer developing this drug, although a small company is continuing to develop it. FV-100 is a nucleoside analog with an extremely restricted activity range. It is highly specific to VZV, and it did not have effectiveness against even the equivalent simian virus in pre-clinical studies.

It is generally believed that PHN results from damage to the local nerve endings and nerve cells caused by the uncontrolled production of the shingles virus. We believe that an effective therapy, such as our nanoviricide against VZV, which blocks progression of the virus to infect new cells and thereby limits further production of virus, would minimize the damage to nerve endings and nerve cells caused by the virus. We believe that this would minimize the occurrence, severity, and time period of PHN, in addition to having significant effects on the severity of shingles rash, lesions, and healing time.

We believe that a skin cream would be the best form of treatment to provide rapid control of the virus and shingles lesions patch expansion, since the shingles outbreak remains highly localized. A skin cream would afford much greater local exposure of drug to virus compared to a systemic oral or injectable treatment.

An effective therapy for patients with severe shingles continues to be an unmet need.

HSV-1, HSV-2, Ocular Herpes Keratitis

We believe that a skin cream for the control of HSV-1 “cold sores” (herpes labialis, and recurrent herpes labialis or RHL), is another drug candidate that will be close to enter human clinical trials. We have already achieved strong success in animal studies against HSV-1, as discussed above.

We believe that we will be able to successfully develop a drug for Ocular Herpes Keratitis (HK) as well. It is caused by HSV-1 or HSV-2 infection of the external eye. We are developing this drug as topical eye drops or eye lotion, in order to achieve maximum local drug effect while minimizing systemic exposure. We plan on testing these drug candidates against adenoviruses as well, to determine if the same drug would also be effective against epidemic kerato-conjunctivitis (EKC, the severe “pink eye” disease). If the same drug works against herpesvirus and adenovirus infections of the eye, this drug would cover almost 99% of all external eye viral pathologies.

We believe that we will be able to develop a drug against HSV-2 genital herpes as well. We plan on developing a skin cream for this indication, to maximize local effectiveness.

The FluCide™ Program

We are continuing our development of the FluCide™ anti-influenza drug program at the next lower priority level after the HerpeCide program. We have two drugs in development in this program. The Injectable FluCide is designed to

piggy-back into IV infusions for severely ill, hospitalized influenza patients. There are approximately 100,000 to 300,000 such cases in the USA alone annually. No current anti-influenza drugs are sufficiently effective to be of help in this scenario. We believe that our injectable FluCide would be substantially superior to current anti-influenza drugs and would be able to save lives in this scenario, based on the strong effectiveness in animal studies that has been observed. Following this drug, we are working on an Oral FluCide drug candidate for out-patient influenza treatment.

We have recently announced collaboration with the Webster Lab at the St. Jude Children's Hospital, TN, for the pre-clinical development program for both injectable and oral anti-influenza nanoviricide drug development. Given the several failures of anti-influenza drug developments that have led to increased burden of pre-clinical studies, our FluCide pre-clinical development program is expected to take longer than our HerpeCide™ program IND-enabling pre-clinical studies.

NanoViricides, Inc. is possibly the first company in the world in the entire field of nanomedicines to have developed an orally available nanomedicine drug with high effective bioavailability. We have previously estimated an effective bioavailability of about 30-35% for the oral form of an anti-influenza drug candidate comparing to the same drug given as injectable, based on animal studies. Our oral anti-influenza drug candidate has shown extremely high broad-spectrum effectiveness against two different influenza A viruses in animal models.

In addition, we are developing a highly effective injectable anti-influenza drug. The Company is developing this injectable drug for hospitalized patients with severe influenza, including immuno-compromised patients. The Company believes that this drug may also be usable as a single-dose injection in a medical office for less severe cases of influenza. Both of these anti-influenza therapeutic candidates are “broad-spectrum”, i.e. they are expected to be effective against most if not all types of influenzas including H7N9, Bird Flu H5N1, other Highly Pathogenic Influenzas (HPI/HPAI), Epidemic Influenzas such as the 2009 “swine flu” H1N1/A/2009, and Seasonal Influenzas including the recent H3N2 influenza. The Company has already demonstrated that our anti-influenza drugs have significantly superior activity when compared to oseltamivir (Tamiflu®) against two unrelated influenza A subtypes, namely, H1N1 and H3N2 in a highly lethal animal model.

Our position that an injectable drug against influenza is a viable option is now affirmed by the approval of the very first injectable drug for influenza in December, 2014, namely peramivir (Rapivab, by BioCryst). Interestingly, peramivir as an injection was approved even though it did not appear to provide significant additional benefits over other drugs in its class. Overall, patients who received 600 mg of peramivir had symptom relief 21 hours sooner, on average, than those who received the placebo, which is consistent with other drugs in the same class. Additionally, peramivir injection was found to be not effective for hospitalized patients with severe influenza.

Thus, an effective therapy for patients hospitalized with severe influenza continues to be an unmet need.

In addition, a single injection treatment of non-hospitalized patients would be a viable drug if it provides superior benefits to existing therapies.

Both of these anti-influenza drug candidates can be used as prophylactics to protect at-risk personnel such as health-care workers and immediate family members and caretakers of a patient.

DengueCide™

We are developing a broad-spectrum anti-dengue nanoviricide is in pre-clinical development in the DengueCide™ program at a lower priority than FluCide. The Company is developing a broad-spectrum drug against Dengue viruses that is expected to be useful for the treatment of any of the four major serotypes of dengue viruses, including in severe cases of dengue (DSS) and dengue hemorrhagic fever (DHF). It is thought that DSS and DHF caused by prior antibodies against dengue that a patient’s body creates to fight a second unrelated dengue infection, and the second virus uses these antibodies effectively to hitch a ride into human cells, thereby causing a more severe infection than in naive patients. The Company has received an “Orphan Drug Designation” for our DengueCide™ drug from the USFDA as well as the European Medicines Agency (EMA). This orphan drug designation carries significant economic benefits for the Company. We have previously achieved significant survival of mice in a lethal infection animal model of dengue disease. This model simulates antibody-dependent enhancement of dengue, which is believed to lead in

humans to severe dengue, and dengue hemorrhagic fever. These studies were performed by Professor Eva Harris at the University of Berkeley.

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HIVCide™

Our HIVCide™ program is currently receiving the lowest development priority primarily due to the extremely expensive nature of this program. The drug candidates in the HIVCide™ program were found to have effectiveness equal to that of a triple drug HAART cocktail therapy in the standard humanized SCID-hu Thy/Liv mouse model. Moreover, the nanoviricides were long acting. Viral load suppression continued to hold for more than four weeks after stopping HIVCide treatment. The Company believes that this strong effect and sustained effect together indicate that HIVCide can be developed as a single agent that would provide “Functional Cure” from HIV/AIDS. The Company believes that substantially all HIV virus can be cleared upon HIVCide treatment, except the integrated viral genome in latent cells. This would enable discontinuation of treatment until HIV reemerges from the latent reservoir, which may be several months without any drugs. Moreover, the Company believes that this therapy would also minimize the chances of HIV transmission. The Company is currently optimizing the anti-HIV drug candidates. These drug candidates are effective against both the R5 and X4 subtypes of HIV-1 in cell cultures. The Company believes that these drug candidates are “broad-spectrum”, i.e. they are expected to be effective against most strains and mutants of HIV, and therefore escape of mutants from our drugs is expected to be minimal. Certain anti-HIV nanoviricides have already been demonstrated that appear to provide extended viral load suppression for as long as 30 days or more even after stopping the drug, in animal studies. Given the chronic nature of HIV/AIDS, such a drug that has long sustained effect is expected to provide significant benefits to the patient. We believe once a week dosing is possible. Anti-HIV drug development is both expensive and slow because of the nature of the animal studies that require SCID mice whose immune system is destroyed and then replaced by surgically implanting and growing human immune system tissues in the mouse body. Due to our limited resources, HIVCide development is further hampered.

EKC

In addition, the Company is developing broad-spectrum eye drops that are expected to be effective against a majority of the viral infections of the external eye. Most of these viral infections are from adenoviruses or from herpesviruses. The Company has shown excellent efficacy of its drug candidates against EKC (adenoviral epidemic kerato-conjunctivitis) in an animal model. If feasible, we are planning to merge the anti-EKC drug development program and the ocular Herpes Keratitis drug development program, to develop a single drug that is effective against both diseases, i.e. effective against both adenoviruses and herpesviruses. This work is in research stage.

Other Drug Programs: Ebola, Rabies and others

In addition to these eight drugs in development, the Company also has research programs against Rabies virus, Ebola and Marburg viruses, the recently emerged Middle East Respiratory Syndrome coronavirus (MERS-CoV), and others. We will not be undertaking socially important programs such as the development of an anti-Zika virus drug candidate, or continuation of our efforts in developing anti-Ebola drug candidate, unless non-dilutive funding for such efforts becomes available.

To date, the Company does not have any commercialized products. The Company continues to add to our existing portfolio of products through our internal discovery and clinical development programs and also seeks to do so through an in-licensing strategy.

Thus, this year, we have further focused our programs and prioritized them in order to advance our first drug candidate into the clinic in the near future.

Safety and Toxicology Studies

As part of the IND–enabling development of our Injectable FluCide™ drug candidate, we previously performed initial safety-toxicology screening of an optimized FluCide® drug candidate in a GLP-like toxicology study in rats. We reported that a good safety profile was observed for this drug candidate in rats, around the end of January 2015. These results are in agreement with the previously reported results of a non-GLP toxicology study in mice. The current study results also support the Company's positive findings in animal models of infection with different influenza A virus strains in which no safety or toxicology concerns were observed. The Company has previously reported that many of its FluCide candidates demonstrated extremely high anti-influenza activity in those models. These results are extremely important since they indicate that FluCide continues to look very promising as one of the most advanced candidates in the Company's drug development pipeline.

We believe that these safety/toxicology results are also applicable to other drug candidates as well in the sense that they have established the safety of the polymer backbones that we have employed. The polymer is made up of PEG (polyethylene glycol) chains put together into a single polymer chain with ligands and pendant lipids substantially uniformly attached at the connector points. This enables the nanoviricide to be substantially non-immunogenic. PEG chain attachment or PEGylation is a widely used technique for rendering antibodies and other drugs substantially non-immunogenic.

Clinical and Regulatory Strategy

We have engaged Biologics Consulting Group, a well-known group of regulatory consultants, to advise us on the regulatory pathways, and the studies required for the IND applications for the various disease indications.

We are developing a global clinical strategy in order to get our first drug candidate into the clinic as soon as feasible. To this end, we are studying the human clinical trials regulatory requirements in various countries, in particular, Australia, India, and the USA. It may be possible to start Phase I safety human clinical trials in Australia several months ahead of start of similar trials in the USA, provided that a cGMP-like or cGLP manufactured drug product can be entered into Phase I human clinical trials in Australia. [cGMP-like may be loosely interpreted as a drug product manufactured in a process that is compliant with the current Good Manufacturing Practices (cGMP) Guidelines, although the facility may not yet be registered as a cGMP facility. cGLP product is generally interpreted as a drug product that is produced in compliance with current Good Laboratory Practices (cGLP), and therefore is a well characterized research product, but has not yet gone through the rigorous manufacturing quality and reproducibility requirements that are part of cGMP.]

Large Market Sizes – The Company Targets an Overall Anti-Viral Drug Market Size that Exceeds $40B

The current market size for drugs for the treatment of herpes infections is about $2~4B. We believe that when an effective topical treatment is introduced, the market size is likely to expand substantially.

The approximate market size for severe cases of shingles may be in the billion-dollar range. Severe cases of shingles may lead to hospitalization in a few cases, possibly several thousands in the USA. In addition, shingles appearing on the face may reach the eye and may cause significant vision issues. The out-patient treatment market size for shingles at present is limited, because of the limited effectiveness of existing drugs. An effective drug could expand this market into billions of dollars globally. Novel shingles vaccines with improved effectiveness are in development. However, as shingles is not seen as a life-threatening or life-modifying disease, the use of vaccines is limited, and may continue to be limited, especially if an effective drug is developed.

In addition, the estimated market size for an effective anti-Influenza drug is expected to be in tens of billions of dollars. The current estimate of anti-influenza drug market size is about $4B. Given the number of influenza cases annually, it is estimated that a successful oral anti-influenza drug could be a $50B or greater market.

The current market size for anti-HIV treatments is in excess of $40B.

Our New Campus in Shelton, CT

We are happy to report that our new campus at Shelton, CT, is now mostly operative. With the expanded R&D labs, Analytical Labs, the new Bio labs, the new Process Scale-Up production facility, and the new cGMP-capable manufacturing facility established at our new Shelton campus, we are in a much stronger position than ever to move our drug development programs into the clinic rapidly.

We have substantially expanded our staff and skillset to accommodate the substantial workload associated with performing all of the studies for moving our advanced drug candidates towards IND filings. We have doubled our internal scientific staff, including the staff of our affiliates, during the reporting year. New staff also must undergo training in new techniques, methods, instrumentation, as well as our own internal processes. We have implemented strong project management processes in order to manage the multitude of our internal projects and sub-projects.

We employ the same team that developed the small-scale synthesis chemistry for translation of those chemical syntheses into clinical-scale processes, and also to perform the related chemical engineering, quality control, quality assurance, and regulatory tasks along the way. This results in some serialization of efforts from small-scale synthesis to scale-up of production for clinical scale. However, the personnel cost, as well as the time and expense cost of transfer of knowledge and training of a separate dedicated team is avoided because the same expert scientists who have developed the chemistries are also involved in scaling them up into process scale. To enable such extensive multi-tasking, we have a continuous training program in place, with both formal and informal components. We believe that this approach helps us keep drug development costs as low as possible.

Process Scale-Up Production Capability

The Process Scale-up area is now operational at scales of about 200g to 500g per step for different chemical synthesis and processing steps. It comprises reactors and process vessels on chassis or skids, ranging from 1L to 30L capacities. Many of the reactors or vessels have been designed by us for specific tasks.

cGMP Production Capability

Our versatile, customizable cGMP-capable manufacturing facility is designed to support the production of kilogram-scale quantities of any of our nanoviricides drugs. In addition, it is designed to support the production of the drug in any formulation such as injectable, oral, skin cream, eye drops, lotions, etc. The production scale is designed so that clinical batches for Phase I, Phase II, and Phase III can be made in this facility. The clean room suite contains areas suitable for the production of sterile injectable drug formulations, which require special considerations.

We have planned certain minimal infrastructure modifications to improve the capabilities of the cGMP-compliant facility, based on our experience in the Scale-up operations. Certain of these improvements are expected to add a separate production suite for manufacture of skin in an area that was designated for such further expansion. After these infrastructure improvements, we will need to produce at least three consecutive batches of a drug product and satisfy that said drug product is within our own defined specifications. After we are satisfied with such strong reproducibility of our processes, we plan to register the facility as a cGMP manufacturing facility with the US FDA.

Our Virology Lab is now BSL-2 Certified

Most importantly, we have significantly enhanced our internal anti-viral cell culture testing capabilities at our new Shelton campus. We have achieved BSL-2 (Biological Safety Level 2) certification from the State of Connecticut for our Virology suite at the new campus. This suite comprises three individual virology work-rooms, enabling us to work on several different viruses and strains at the same time. This facility is designed only for cell culture studies on viruses, and no animal studies can be conducted at any of our own facilities. We have brought in Brian Friedrich, Ph.D., as the Company's Virologist. Dr. Friedrich has previously performed drug screening of hundreds of candidates against several viruses including alphaviruses, bunyaviruses, and filoviruses (namely, Ebola and Marburg, which are BSL-4), to discover potential therapeutics, while he was at United States Army Medical Research Institute of Infectious Diseases (USAMRIID). Brian has also worked extensively on Flaviviruses, specifically West Nile Virus, while at University of Texas Medical Branch (UTMB). He has also worked on HIV as part of his PhD thesis. Dengue viruses as well as the Zika virus belong to the Flavivirus family. We have already acquired certain Zika virus strains and Brian has already developed the cell culture assays that can help determine if a ligand is active against the Zika virus. Dr. Friedrich has also established assays for screening of candidates against VZV, and is in the process of developing assays for HSV-1 and HSV-2 as well. We believe that having developed the internal capabilities for cell

culture testing of our ligands and nanoviricides against a variety of viruses has substantially strengthened our drug development programs. We believe that this internal screening enables extremely speedy evaluation of a much larger number of candidates than external collaborations allow. This has significantly improved our ability of finding highly effective ligands and performing structure-activity-relationship studies of the same in a short time period.

Manufacturing Requirements of Some of Our Drug Candidates

The HerpeCide program drug product batch requirements are estimated to be fairly modest because of the topical nature of treatment. We are estimating that approximately 100g~200g batch will be sufficient for the “Tox Package” (i.e. safety and toxicology) studies. We are estimating that a ~200g batch will be more than sufficient for initial Phase-I human clinical studies. We already have the facilities for producing up to 1kg per batch. Many of our synthesis steps have already been scaled up to 200g~500g scales. The “nanomicelle” polymer manufacture is already scaled to ~500g scale. Thus we believe that we have sufficient production capability for the amounts of the HerpeCide drugs that would be needed for tox package as well as clinical studies.

As we move our drug candidates into clinical studies, we plan to perform further scale-up studies to get to about 1kg per batch production scale. In the current facility, we may be able to manufacture about 10kg to 20kg of cGMP product annually. Depending upon the drug’s potency and indication, this production size may fetch modest revenues of around $20M to $100M, enabling profitable market entry. Such initial commercialization would allow the Company to turn itself into a stand-alone pharmaceutical company, by enabling capital formation for larger scale manufacturing facilities and fueling further growth.

Patents, Trademarks, Proprietary Rights: Intellectual Property

The Company has an exclusive license in perpetuity for technologies developed by TheraCour for the following virus types: HIV, Hepatitis C Virus, Herpes, Asian (bird) flu, Influenza, and rabies. 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. (Also please see under “Significant Alliances: Related Parties: TheraCour Pharma”).

Patents and other proprietary rights are essential for our operations. If we have a properly designed and enforceable patent, it can be more difficult for our competitors to use our technology to create competitive products and more difficult for our competitors to obtain a patent that prevents us from using technology we create. As part of our business strategy, we actively seek patent protection both in the United States and internationally and intend to file additional patent applications, when appropriate, to cover improvements in our compounds, products and technology. We also rely on trade secrets, internal know-how, technological innovations and agreements with third parties to develop, maintain and protect our competitive position. Our ability to be competitive will depend on the success of this strategy.

The Company believes that the drugs by themselves, Injectable FluCide, Oral FluCide, DengueCide, HIVCide, Nanoviricide Eye Drops, HerpeCide, RabiCide, and others, may be eligible for patent protection. The Company plans on filing patent applications for protecting these drugs when we have definitive results from in-vitro or in-vivo studies that enable further drug development and IND application filing.

The Company has licensed key patents, patent applications and rights to proprietary and patent-pending technologies related to our compounds, products and technologies (see Table 1), but we cannot be certain that issued patents will be enforceable or provide adequate protection or that pending patent applications will result in issued patents.

Table 1: Intellectual Property, Patents, and Pending Patents Licensed by the Company

	Patent or Application	Date of Issue/ Application	US Expiry Date	International	Owners
1	US6,521,736 (Certain specific amphiphilic polymers).	Issued: Feb 18, 2003	Feb 18, 2020	N/A	TheraCour Pharma and Univ. of Massachusetts, Lowell. [Nonexclusive

					license from TheraCour Pharma].
2	PCT/US06/01820 (SOLUBILIZATION AND TARGETED DELIVERY OF DRUGS WITH SELF-ASSEMBLING AMPHIPHILIC POLYMERS).	Applied: Jan 19, 2006 PCT U.S. Issuance:May 8, 2012.	October, 2028 (estimated)	Applications are in various prosecution stages. Fifty two of these have been issued or validated	TheraCour Pharma, Inc. [Exclusive License].
3	PCT/US2007/001607 SELF-ASSEMBLING AMPHIPHILIC POLYMERS AS ANTIVIRAL AGENTS	Applied: Jan 22, 2007	Ca. 2029(estimated)	Applications are in various prosecution stages. Nine of these have been issued or validated	TheraCour Pharma, Inc. [Exclusive License].

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We have previously announced certain important issuances of patents on the TheraCour® technology underlying our nanoviricides® drugs. A fundamental patent on the polymeric micelles composition, structure and uses was issued in the USA with substantially broad claims. This validates the novelty of our approach as well as our leadership position in the nanomedicines based on polymeric micelle technologies. This patent application has so far been issued, granted, and/or validated, with substantially similar broad claims as 52 different patents in different countries and multi-country intellectual property organizations. The Company announced in May 2012 that a fundamental patent, on which the nanoviricides® technology is based, is due to be issued in the USA on May 8, 2012. The US Patent (No. 8,173,764) is granted for "Solubilization and Targeted Delivery of Drugs with Self-Assembling Amphiphilic Polymers." It was issued on May 8, 2012. The patent term is expected to last through October 1, 2028, including anticipated extensions in compensation for time spent in clinical trials. This US Patent has been allowed with a very broad range of claims to a large number of families of chemical structure compositions, pharmaceutical compositions, methods of making the same, and uses of the same. The disclosed structures enable self-assembling, biomimetic nanomedicines. NanoViricides, Inc. holds exclusive, perpetual, worldwide licenses to these technologies for a broad range of antiviral applications and diseases. The other national and regional counterparts of the international Patent Cooperation Treaty ("PCT") application number PCT/US06/01820, which was filed in 2006, have issued as a Singapore National Patent Publication, a South African patent, and also as an ARIPO regional patent, an OAPI regional patent (covering Benin, Burkina Faso, Cameroon, Central African Republic, Chad, Republic of Congo, Cote d'Ivoire, Equatorial Guinea, Gabon, Guinea, Guinea Bissau, Mali, Mauritania, Niger, Senegal, and Togo). It has also issued as a granted patent in New Zealand, China, Mexico, Japan, Australia, Canada, several countries in Europe, Hong Kong, Indonesia, Israel, Korea, Malaysia, Philippines, Pakistan, and Vietnam among others. Estimated expiry dates range nominally from 2026 to 2027 prior to accounting for various extensions available in different regions and countries. Additional issuances are continuing in Europe, and in several other countries around the world.

Another fundamental patent application on the antivirals developed using the polymeric micelles has so far been issued, granted, and/or validated, with substantially broad claims as well, as 9 different patents. The counterparts of the international PCT application PCT/US2007/001607 have issued as a granted patent in ARIPO, Australia, China, Japan, Mexico, New Zealand, OAPI, South Africa, and Korea to date. Additional issuances are expected in Europe, USA, and in several other countries around the world. This patent application teaches antivirals based on the TheraCour polymeric micelle technologies, their broad structures and compositions of matter, pharmaceutical compositions, methods of making the same, and their uses. The nominal expiry dates are expected to range from 2027 to 2029. Further patent prosecution in several other regions and countries is continuing.

A total of, at least, 61 patents have been issued globally, on the basis of the two international PCT patent families that cover the fundamental aspects of our platform technology. Additional patent grants are expected to continue as the applications progress through prosecution processes. All of the resulting patents have substantially broad claims.

These patents have nominal expiry dates in 2026 to 2029. The dates can be further extended in several countries and regions for the additional allowances due to the regulatory burden of drug development process, or other local considerations, such as licensing to a local majority held company. Many countries allow up to five years extension for regulatory delays.

No patent applications have been filed for the actual drug candidates that we intend to develop as drugs as of now. We intend to file the patent application for FluCide and HerpeCide before entering human clinical trials. The estimated expiry date for the FluCide and HerpeCide patents, if and when issued, would be no earlier than 2036-2037.

Of the patents and technologies licensed, the Company believes that the Company will not be using the intellectual property, compositions of matter, or other aspects described and secured under the US Patent No. US 6,521,736. The Company believes that this patent describes an inferior technology compared to the technology in the later patent filings of Dr. Diwan. This patent, the Company believes, discloses prototype materials that served to establish the proof of principles developed by Dr. Anil Diwan, the Company's President and co- founder, whether such materials were possible to create and whether such materials would indeed be capable of encapsulation of pharmaceutically relevant compounds. The Company believes that the new and novel compositions disclosed in the new patent applications, No. PCT/US06/01820, and No. PCT/US2007/001607, and additional proprietary intellectual property provide the necessary features that enable the development of nanoviricides. The Company believes that no other published literature materials or existing patents are capable of providing all of the necessary features for this development, to the best of our knowledge. However, the Company has no knowledge of the extensive active internal developments at a number of companies in the targeted therapeutics area.

We may obtain patents for our compounds many years before we obtain marketing approval for them. Because patents have a limited life, which may begin to run prior to the commercial sale of the related product, the commercial value of the patent may be limited. However, we may be able to apply for patent term extensions, based on delays experienced in marketing products due to regulatory requirements. There is no assurance we would be able to obtain such extensions. The Company controls the research and work TheraCour performs on its behalf and no costs may be incurred without the prior authorization or approval of the Company.

Patents relating to pharmaceutical, biopharmaceutical and biotechnology products, compounds and processes such as those that cover our existing compounds, products and processes and those that we will likely file in the future, do not always provide complete or adequate protection. Future litigation or reexamination proceedings regarding the enforcement or validity of our licensor, TheraCour Pharma Inc.'s existing patents or any future patents, could invalidate TheraCour's patents or substantially reduce their protection. In addition, the pending patent applications and patent applications filed by TheraCour, may not result in the issuance of any patents or may result in patents that do not provide adequate protection. As a result, we may not be able to prevent third parties from developing the same compounds and products that we have developed or are developing. In addition, certain countries do not permit enforcement of our patents, and manufacturers are able to sell generic versions of our products in those countries.

We also rely on unpatented trade secrets and improvements, unpatented internal know-how and technological innovation. In particular, a great deal of our material manufacturing expertise, which is a key component of our core material technology, is not covered by patents but is instead protected as a trade secret. We protect these rights mainly through confidentiality agreements with our corporate partners, employees, consultants and vendors. These agreements provide that all confidential information developed or made known to an individual during the course of their relationship with us will be kept confidential and will not be used or disclosed to third parties except in specified circumstances. In the case of employees, the agreements provide that all inventions made by the individual while employed by us will be our exclusive property. We cannot be certain that these parties will comply with these confidentiality agreements, that we have adequate remedies for any breach, or that our trade secrets will not otherwise become known or be independently discovered by our competitors.

Trademarks

On April 20, 2010, the United States Patent and Trademark Office granted trademark registration number 3,777,001 to the Company for the standard character mark “nanoviricides” (the “Mark”) for International Class 5, pharmaceutical preparation for the treatment of viral diseases. The Mark was registered on the Principal Register and is protected in all its letter forms, including corresponding plural and singular forms, various forms of capitalization, and fonts and designs.

Recognition

On August 24, 2016, the Honorable U.S. Senator Chris Murphy visited the Company’s new campus in Shelton, CT.

On July 25, 2016, our President, Dr. Anil Diwan, was invited to participate in the prestigious 31st Annual Chief Executive of the Year Gala Reception & Dinner held at the New York Stock Exchange. In addition, he was also invited to participate in the CEO Roundtable Discussion on Innovation.

On April 18, 2016, the Company announced that it has been recognized as one of the "Most Innovative Business Leaders of 2016" by AI Global Media, publisher of Acquisition International Magazine and Website ("AI") (http://www.acquisition-intl.com). A focus article on NanoViricides was published in AI Magazine, February 2016 issue.

Presentations and Conferences

The Company continues its efforts at connecting with additional investors and presenting in investor-oriented business conferences. Some of these are listed below.

On June 9, 2016, the Company's CEO, Eugene Seymour, MD, MPH, presented recent progress at the LDMicro Invitational Conference in Los Angeles, CA.

On June 8, 2016, the Company's CEO, Eugene Seymour, MD, MPH, presented recent progress at the BIO2016 International Convention in San Francisco, California.

On March 21, 2016, the Company announced that its CEO, Dr. Eugene Seymour was interviewed by Jane King of SmallCapNation. Dr. Seymour discussed the Company's current status and achievements.

On February 22, 2016, the Company announced that information on its novel, proprietary anti-virus platform technology has been published in the book "*Handbook of Clinical Nanomedicine, Vol. 1. Nanoparticles, Imaging, Therapy, and Clinical Applications*", a CRC Press publication. The chapter entitled "Nanoviricides: Targeted Anti-Viral Nanomaterials" provides an in-depth presentation of the NanoViricides platform technology, evidence for how nanoviricides® are believed to act plus dramatic results of nanoviricides specifically targeting certain viral diseases, such as Influenza.

On February 11th, 2016, our CEO, Dr. Seymour presented an overview of the Company's platform technology and programs at the Disruptive Growth and Healthcare Conference held at the Convene Conference Center, New York City.

On February 8, 2016, our CEO, Eugene Seymour, MD, MPH, presented information about the company's programs at the BIOCEO conference held at the Waldorf-Astoria Hotel in New York City.

On January 23, 2016, the Company held its 2015 Annual Shareholders Meeting at the Sheraton Hotel in Stamford, CT.

On January 13, 2016, our CEO, Eugene Seymour, MD, MPH, presented an overview of the Company at the Biotech Showcase conference in San Francisco.

On December 3, 2015, the Company's CEO Eugene Seymour, MD, MPH presented an overview of the Company at the LDMicro conference at the Luxe Hotel in Los Angeles. LD Micro is an investment newsletter firm that focuses on finding undervalued companies in the micro-cap space.

Glossary of Terms

Nano - When used as a prefix for something other than a unit of measure, as in "nanoscience," nano means relating to nanotechnology, or on a scale of nanometers (one billionth of a meter or greater).

Viricide - An agent which reliably deactivates or destroys a virus.

Nanoviricide ® – An agent which is made by attaching ligands against a certain virus or family of viruses to a nanomicelle based on the Company's patent-pending and proprietary technologies.

Ligand - A short peptide or chemical molecule fragment that has been designed to specifically recognize one particular type of virus.

Micelle - an aggregate of molecules in a solution, such as those formed by detergents.

Nanomicelle - A term coined to describe the micelles formed from the backbone polymer of a nanoviricide sans attached ligands.

Pendant polymeric micelles - A polymeric micelle forms from a polymer whose chemical constitution is such that even a single chain of the polymer forms a micelle. A pendant polymer is a polymer that has certain units in its backbone that extend short chains branched away from the backbone. Pendant Polymeric Micelles therefore are polymeric micelle materials that are a class of pendant polymers, and naturally form exceptionally well-defined, self-assembling, globular micelles with a core-shell architecture.

Mutations - The ability (of a virus) to change its genetic structure to avoid the body's natural defenses. Mutant viruses are created from a parent virus strain through a process of natural selection under pressure as it replicates in a host.

P-Value - In statistical hypothesis testing, the p-value is the probability of obtaining a result at least as extreme as that obtained, assuming that the null hypothesis is true; wherein the truth of the null hypothesis states that the finding was the result of chance alone. The fact that p-values are based on this assumption is crucial to their correct interpretation. The smaller the p-value, the greater is the probability that the observed study results and the comparison control are distinct, and therefore that the study results are not a result of chance alone.

More technically, the p-value of an observed value observed of some random variable T used as a test statistic is the probability that, given that the null hypothesis is true, T will assume a value as or more unfavorable to the null hypothesis as the observed value observed. "More unfavorable to the null hypothesis" can in some cases mean greater than, in some cases less than and in some cases further away from a specified center value.

Investigational New Drug Application (Investigational New Drug ("IND") - The process of licensure of a new drug in the US goes through several steps. A simplified explanation of these steps is as follows. Initially a Company may file a pre-IND application to seek meetings with the FDA for guidance on work needed for filing an IND application. The Company obtains data on the safety and effectiveness of the drug substance in various laboratory studies including cell cultures and animal models. The Company also obtains data on chemical manufacturing of the drug substance. These and certain additional data are used to create an IND which the Company files with the FDA. After the FDA approves an IND application, the Company may conduct human clinical studies. A Phase I human clinical trial is designed typically to evaluate safety of the drug and maximum permissible dosage level. A Phase II human clinical trial that follows is designed to evaluate effectiveness of the drug against the disease in a small cohort of patients. A Phase III human clinical trial thereafter is designed to evaluate effectiveness and safety in larger groups of patients, often at multiple sites. The Company may then submit an NDA (New Drug Application) with the data collected in the clinical trials. The FDA may approve the NDA. Once the NDA is approved, the Company can sell the drug in the USA. European countries have similar processes under the European Medicines Agency (EMA). Other countries have similar processes.

SAR: Structure-Activity-Relationship study. When an initial lead drug compound is found that has activity, further studies on drug compounds obtained by suitably modifying it are performed with the goal of improving efficacy, safety, or both. Such studies are called SAR studies.

A Note on US FDA Priority Review Vouchers

The Food and Drug Administration Amendments Act of September 2007 authorizes the FDA to award a priority review voucher to any company that the FDA has determined is eligible for priority approval process for a treatment for a neglected tropical disease. The priority review voucher can be traded to another company in a manner similar to carbon (emissions) credit vouchers. The recipient company can save as much as six months on their drug review process, and it is anticipated that they would be willing to trade in vouchers with cash benefits to the company developing drugs against neglected tropical diseases. The regulation became effective as of September 30, 2008.

Economists at Duke University, who proposed the voucher concept in 2006, have calculated that reduction of the FDA approval time from 18 to six months could be worth more than $300 million to a company with a top-selling drug with a net present value close to $3 billion. At this level, the voucher would be expected to offset the substantial investment and risk required for discovery and development of a new treatment for a neglected tropical disease. (David B. Ridley, Henry G. Grabowski and Jeffrey L. Moe, “Developing Drugs For Developing Countries”, Health Affairs, 25, no. 2 (2006): 313-324; doi: 10.1377/hlthaff.25.2.313; © 2006 by Project Hope. and (http://blogs.cgdev.org/globalhealth/2007/10/fda_priority_review.php). Some of the PRVs have been “sold” for as much as $250M or so recently.

While there is no indication whether NanoViricides, Inc. can obtain priority review for its drugs against neglected tropical diseases, the high efficacies of our drug candidates lead us to believe that this may be possible. FDA awards priority review status on the basis of several criteria. NanoViricides, Inc. is currently working on several neglected tropical diseases, including Dengue fever viruses, rabies, Ebola/Marburg viruses, among others. Of these, Dengue viruses are explicitly included in the list under this Public Law, and the remaining viruses are eligible for similar treatment according to the language in the Public Law, at the discretion of the Secretary of Health (Food and Drug Administration Amendments Act of 2007, P.L. 110–85, Sept. 27, 2007, http://www.fda.gov/oc/initiatives/fdaaa/PL110-85.pdf). The Zika virus was added to this list recently.

Products

NanoViricides, Inc. currently has no products for sale. The Company currently has developed reasonably safe and effective drug candidates against eight different indications as demonstrated in pre-clinical cell culture and animal studies. The Company believes that with the funds on hand, it should be able to take at least two of these drug candidates into initial human clinical trials in the near future.

Reports to Security Holders

As a result of its filing of Form 10-SB and listing on the FINRA OTC Bulletin Board, the Company became subject to the reporting obligations of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These obligations include filing an annual report under cover of Form 10-K, with audited financial statements, unaudited quarterly reports on Form 10-Q and the requisite proxy statements with regard to annual shareholder meetings. The public may read and copy any materials the Company files with the Securities and Exchange Commission (the "Commission") at the Commission's Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the Commission at 1-800-SEC-0030. The Commission maintains an Internet site (http://www.sec.gov) that contains reports, proxy and information statements and other information regarding issuers that file electronically with the Commission. Information about the Company is also available on its Web site at www.nanoviricides.com . Information included on the Web site is not part of this Form 10-K.

The Company's common stock was listed on the NYSE MKT (A US national exchange) on September 25, 2013. The NYSE MKT Exchange requires additional corporate governance, financial and reporting requirements.

Website

Our website address is www.nanoviricides.com.

We intend to make available through our website, all of our filings with the Commission and all amendments to these reports as soon as reasonably practicable after filing, by providing a hyperlink to the EDGAR website containing our reports.

Our Contact Information

Our principal executive offices are currently located at 1 Controls Drive, Shelton, Connecticut 06484 and our telephone number is (203) 937-6137 (voice mail). We can be contacted by email at info@nanoviricides.com.

ITEM 1A. RISK FACTORS

Our business, financial condition, operating results and prospects are subject to the following risks. Additional risks and uncertainties not presently foreseeable to us may also impair our business operations. If any of the following risks or the risks described elsewhere in this report actually occurs, our business, financial condition or operating results could be materially adversely affected. In such case, the trading price of our common stock could decline, and our stockholders may lose all or part of their investment in the shares of our common stock.

This Form 10-K contains forward-looking statements that involve risks and uncertainties. These statements can be identified by the use of forward-looking terminology such as “believes,” “expects,” “intends,” “plans,” “may,” “will,” “should, “predict” or “anticipation” or the negative thereof or other variations thereon or comparable terminology. Actual results could differ materially from those discussed in the forward- looking statements as a result of certain factors, including those set forth below and elsewhere in this Form 10-K.

Risks Specific to Our Business

Our company is a development stage company that has no products approved for commercial sale, never generated any revenues and may never achieve revenues or profitability.

Our company is a development stage company that has no products approved for commercial sale, never generated any revenues and may never achieve revenues or profitability. We are a development stage biopharmaceutical company. Currently, we have no products approved for commercial sale and, to date, we have not generated any revenues. Our ability to generate revenue depends heavily on:

- demonstration and proof of principle in pre-clinical trials that a nanoviricide is safe and effective;
- successful development of our first product candidates FluCide, Nanoviricide Eye Drops, HIVCide, HerpeCide or another one of the drug candidates in our pipeline;
- our ability to seek and obtain regulatory approvals, including with respect to the indications we are seeking;
- the successful commercialization of our product candidates; and
- market acceptance of our products.

All of our existing product candidates are in early stages of development. It will be several years, if ever, until we have a commercial drug product available for resale. If we do not successfully develop and commercialize these products, we will not achieve revenues or profitability in the foreseeable future, if at all. If we are unable to generate revenues or achieve profitability, we may be unable to continue our operations.

We are a development stage company with a limited operating history, making it difficult for you to evaluate our business and your investment. We are in the development stage and our operations and the development of our proposed products are subject to all of the risks inherent in the establishment of a new business enterprise, including but not limited to:

- the absence of an operating history;
- the lack of commercialized products;
- insufficient capital;
- expected substantial and continual losses for the foreseeable future;
- limited experience in dealing with regulatory issues; the lack of manufacturing experience and limited marketing experience;

- an expected reliance on third parties for the development and commercialization of our proposed products;
- a competitive environment characterized by numerous, well-established and well capitalized competitors; and
- reliance on key personnel.

Because we are subject to these risks, you may have a difficult time evaluating our business and your investment in our company.

Our ability to become profitable depends primarily on the following factors:

- our ability to develop drugs, obtain approval for such drugs, and if approved, to successfully commercialize our nanoviricide drug(s);
- our R&D efforts, including the timing and cost of clinical trials; and
- our ability to enter into favorable alliances with third-parties who can provide substantial capabilities in clinical development, regulatory affairs, sales, marketing and distribution.

Even if we successfully develop and market our drug candidates, we may not generate sufficient or sustainable revenue to achieve or sustain profitability.

We have incurred significant operating losses and may not ever be profitable. As of June 30, 2016, we had a cash and cash equivalent balance of $24,162,185. Also, the Company has incurred significant operating losses since its inception, resulting in an accumulated deficit of $64,824,201 at June 30, 2016. Such losses are expected to continue for the foreseeable future. The Company estimates that it has sufficient cash to support current operations through the next two years, i.e. through June, 2018.

We will need to raise substantial additional capital in the future to fund our operations and we may be unable to raise such funds when needed and on acceptable terms.

While we believe we currently have sufficient funding to be able to take at least one our drug candidates into initial human clinical trials, we currently do not have sufficient resources to complete the development and commercialization of any of our proposed products. As of June 30, 2016, we have a cash and cash equivalent balance of $24,162,185, which will be sufficient to fund our operations for the next twenty four months at our budgeted rate of expenditures.

In the event that we cannot obtain acceptable financing, or that we are unable to secure additional financing on acceptable terms, we would be unable to complete development of our various drug candidates. This would

necessitate implementing staff reductions and operational adjustments that would include reductions in the following business areas:

- research and development programs;
- preclinical studies and clinical trials; material characterization studies, regulatory processes;
- a search for third party marketing partners to market our products for us.

The amount of capital we may need will depend on many factors, including the:

- progress, timing and scope of our research and development programs;
- progress, timing and scope of our preclinical studies and clinical trials;
- time and cost necessary to obtain regulatory approvals;
- time and cost necessary to establish our own marketing capabilities or to seek marketing partners;
- time and cost necessary to respond to technological and market developments;
- changes made or new developments in our existing collaborative, licensing and other commercial relationships; and
- new collaborative, licensing and other commercial relationships that we may establish.

Our fixed expenses, such as rent, license payments and other contractual commitments, may increase in the future, as we may:

- enter into leases for new facilities and capital equipment;
- enter into additional licenses and collaborative agreements; and
- incur additional expenses associated with being a public company.

We have limited experience in drug development and may not be able to successfully develop any drugs.

Until the formation of NanoViricide, Inc. (the Company's predecessor prior to the reverse merger in 2005) our management and key personnel had no experience in pharmaceutical drug development and, consequently, may not be able to successfully develop any drugs. Our ability to achieve revenues and profitability in our business will depend, among other things, on our ability to:

- develop products internally or obtain rights to them from others on favorable terms;
- complete laboratory testing and human studies;
- obtain and maintain necessary intellectual property rights to our products;
- successfully complete regulatory review to obtain requisite governmental agency approvals;
- enter into arrangements with third parties to manufacture our products on our behalf; and
- enter into arrangements with third parties to provide sales and marketing functions.

Development of pharmaceutical products is a time-consuming process, subject to a number of factors, many of which are outside of our control. Consequently, we can provide no assurance of the successful and timely development of new drugs.

Our drug candidates are in their developmental stage. Further development and extensive testing will be required to determine their technical feasibility and commercial viability. Our success will depend on our ability to achieve scientific and technological advances and to translate such advances into reliable, commercially competitive drugs on a timely basis. Drugs that we may develop are not likely to be commercially available for a few years. The proposed development schedules for our drug candidates may be affected by a variety of factors, including technological difficulties, proprietary technology of others, and changes in government regulation, many of which will not be within our control. Any delay in the development, introduction or marketing of our drug candidates could result either in such drugs being marketed at a time when their cost and performance characteristics would not be competitive in the marketplace or in the shortening of their commercial lives. In light of the long-term nature of our projects, the unproven technology involved and the other factors described elsewhere in "Risk Factors", we may not be able to complete successfully the development or marketing of any drugs.

We may fail to successfully develop and commercialize our drug candidates because they:

- are found to be unsafe or ineffective in clinical trials;
- do not receive necessary approval from the FDA or foreign regulatory agencies;
- fail to conform to a changing standard of care for the diseases they seek to treat; or
- are less effective or more expensive than current or alternative treatment methods.

Drug development failure can occur at any stage of clinical trials and as a result of many factors and there can be no assurance that we or our collaborators will reach our anticipated clinical targets. Even if we or our collaborators complete our clinical trials, we do not know what the long-term effects of exposure to our drug candidates will be. Furthermore, our drug candidates may be used in combination with other treatments and there can be no assurance that such use will not lead to unique safety issues. Failure to complete clinical trials or to prove that our drug candidates are safe and effective would have a material adverse effect on our ability to generate revenue and could require us to reduce the scope of or discontinue our operations.

We must comply with significant and complex government regulations, compliance with which may delay or prevent the commercialization of our drug candidates.

The R&D, manufacture and marketing of drug candidates are subject to regulation, primarily by the FDA in the United States and by comparable authorities in other countries. These national agencies and other federal, state, local and foreign entities regulate, among other things, R&D activities (including testing in primates and in humans) and the testing, manufacturing, handling, labeling, storage, record keeping, approval, advertising and promotion of the products that we are developing. Noncompliance with applicable requirements can result in various adverse consequences, including approval delays or refusals to approve drug licenses or other applications, suspension or termination of clinical investigations, revocation of approvals previously granted, fines, criminal prosecution, recalls or seizures of products, injunctions against shipping drugs and total or partial suspension of production and/or refusal to allow a company to enter into governmental supply contracts.

The process of obtaining FDA approval has historically been costly and time consuming. Current FDA requirements for a new human drug or biological product to be marketed in the United States include: (1) the successful conclusion of pre-clinical laboratory and animal tests, if appropriate, to gain preliminary information on the product's safety; (2) filing with the FDA of an IND application to conduct human clinical trials for drugs or biologics; (3) the successful completion of adequate and well-controlled human clinical investigations to establish the safety and efficacy of the product for its recommended use; and (4) filing by a company and acceptance and approval by the FDA of a New Drug Application, or NDA, for a drug product or a biological license application, or BLA, for a biological product to allow commercial distribution of the drug or biologic. A delay in one or more of the procedural steps outlined above could be harmful to us in terms of getting our drug candidates through clinical testing and to market.

The FDA reviews the results of the clinical trials and may order the temporary or permanent discontinuation of clinical trials at any time if it believes the drug candidate exposes clinical subjects to an unacceptable health risk. Investigational drugs used in clinical studies must be produced in compliance with current good manufacturing practice, or GMP, rules pursuant to FDA regulations.

Sales outside the United States of products that we develop will also be subject to regulatory requirements governing human clinical trials and marketing for drugs and biological products and devices. The requirements vary widely from country to country, but typically the registration and approval process takes several years and requires significant resources. In most cases, even if the FDA has not approved a product for sale in the United States, the product may be exported to any country if it complies with the laws of that country and has valid marketing authorization by the appropriate authority. There are specific FDA regulations that govern this process.

We also are subject to the following risks and obligations, related to the approval of our products:

- The FDA or foreign regulators may interpret data from pre-clinical testing and clinical trials in different ways than we interpret them.
- If regulatory approval of a product is granted, the approval may be limited to specific indications or limited with respect to its distribution.
- In addition, many foreign countries control pricing and coverage under their respective national social security systems.
- The FDA or foreign regulators may not approve our manufacturing processes or manufacturing facilities.
- The FDA or foreign regulators may change their approval policies or adopt new regulations.
- Even if regulatory approval for any product is obtained, the marketing license will be subject to continual review, and newly discovered or developed safety or effectiveness data may result in suspension or revocation of the marketing license.
- If regulatory approval of the product candidate is granted, the marketing of that product would be subject to adverse event reporting requirements and a general prohibition against promoting products for unapproved or "off-label" uses.
- In some foreign countries, we may be subject to official release requirements that require each batch of the product we produce to be officially released by regulatory authorities prior to its distribution by us.
- We will be subject to continual regulatory review and periodic inspection and approval of manufacturing modifications, including compliance with current GMP regulations.

We can provide no assurance that our drug candidates will obtain regulatory approval or that the results of clinical studies will be favorable.

The Company reports summary of its studies as the data become available to the Company, after analyzing and verifying same, in its press releases.

All of our products in development are still in the pre-clinical stage, and not submitted to any regulatory agencies in any formal drug licensing or approval processes. We have previously held a pre-IND meeting with the US FDA regarding our anti-influenza drug candidates, in March 2012. However, since then, we have re-evaluated our priorities. We have now prioritized our HerpeCide™ program drug candidates as our highest priority candidates. We believe that we have obtained valuable information at the pre-IND meeting for our ourFluCide program that we believe we can apply to our HerpeCide program in a generalized manner.

Such strategic changes are necessitated due to the limited resources available to us for drug development. We perform such strategic changes in order to maximize our chances of entering into human clinical trials in the regulatory process in the earliest time frame possible, and within the funding available to the Company, guided by input from a number of sources. Such changes are designed to accelerate some programs and would lead to delays in some other programs that receive lower priority, due to our limited resources. We may not be able to accurately assess the effect of such changes on our business plan.

The testing, marketing and manufacturing of any product for use in the United States will require approval from the FDA. We cannot predict with any certainty the amount of time necessary to obtain such FDA approval and whether any such approval will ultimately be granted. Preclinical and clinical trials may reveal that one or more products are ineffective or unsafe, in which event further development of such products could be seriously delayed or terminated. Moreover, obtaining approval for certain products may require testing on human subjects of substances whose effects on humans are not fully understood or documented. Delays in obtaining FDA or any other necessary regulatory approvals of any proposed drug and failure to receive such approvals would have an adverse effect on the drug's potential commercial success and on our business, prospects, financial condition and results of operations. In addition, it is possible that a proposed drug may be found to be ineffective or unsafe due to conditions or facts that arise after development has been completed and regulatory approvals have been obtained. In this event, we may be required to withdraw such proposed drug from the market. To the extent that our success will depend on any regulatory approvals from government authorities outside of the United States that perform roles similar to that of the FDA, uncertainties similar to those stated above will also exist.

Even if we obtain regulatory approvals, our marketed drug candidates will be subject to ongoing regulatory review. If we fail to comply with continuing U.S. and foreign regulations, we could lose our approvals to market these drugs and our business would be seriously harmed.

Following any initial regulatory approval of any drugs we may develop, we will also be subject to continuing regulatory review, including the review of adverse experiences and clinical results that are reported after our drug candidates are made commercially available. This would include results from any post-marketing tests or vigilance required as a condition of approval. The manufacturer and manufacturing facilities we use to make any of our drug candidates will also be subject to periodic review and inspection by the FDA. The discovery of any previously unknown problems with the drug, manufacturer or facility may result in restrictions on the drug or manufacturer or facility, including withdrawal of the drug from the market. If we are required to withdraw all or more of our drugs from the market, we may be unable to continue revenue-generating operations. Reliance on third-party manufacturers entails risks to which we would not be subject if we manufactured drugs ourselves, including reliance on the

third-party manufacturer for regulatory compliance. Our drug promotion and advertising is also subject to regulatory requirements and continuing FDA review.

Development of our drug candidates requires a significant investment in R&D. Our R&D expenses in turn, are subject to variation based on a number of factors, many of which are outside of our control. A sudden or significant increase in our R&D expenses could materially and adversely impact our results of operations.

We currently have sufficient funds on hand to take at least one drug candidate through initial human clinical trials, and at least one other candidate towards regulatory submissions for starting human clinical trials. We believe we will be pursuing two of the candidates from our HerpCide™ program (which at present has four separate disease indications underneath the program) for an IND and initiating human clinical trials with the limited financial resources in hand.

The Company will be unable to proceed with its business plan beyond approximately June 30, 2018, without obtaining additional financing to support its budgeted Research and Development and other costs.

Because we expect to expend substantial resources on R&D, our success depends in large part on the results as well as the costs of our R&D. A failure in our R&D efforts or substantial increase in our R&D expenses would adversely affect our results of operations. R&D expenditures are uncertain and subject to much fluctuation. Factors affecting our R&D expenses include, but are not limited to:

- the number and outcome of clinical studies we are planning to conduct; for example, our R&D expenses may increase based on the number of late-stage clinical studies that we may be required to conduct;
- the number of drugs entering into pre-clinical development from research; for example, there is no guarantee that internal research efforts will succeed in generating sufficient data for us to make a positive development decision;
- licensing activities, including the timing and amount of related development funding or milestone payments; for example, we may enter into agreements requiring us to pay a significant up-front fee for the purchase of in-process R&D that we may record as R&D expense.

We have no experience in conducting or supervising clinical trials and must outsource all clinical trials.

We have no experience in conducting or supervising clinical trials that must be performed to obtain data to submit in concert with applications for approval by the Food and Drug Administration (“FDA”). The regulatory process to obtain approval for drugs for commercial sale involves numerous steps. Drugs are subjected to clinical trials that allow development of case studies to examine safety, efficacy, and other issues to ensure that sale of drugs meets the requirements set forth by various governmental agencies, including the FDA. In the event that our protocols do not meet standards set forth by the FDA, or that our data is not sufficient to allow such trials to validate our drugs in the face of such examination, we might not be able to meet the requirements that allow our drugs to be approved for sale.

Because we have no experience in conducting or supervising clinical trials, we must outsource our clinical trials to third parties. We have no control over their compliance with procedures and protocols used to complete clinical trials in accordance with standards required by the agencies that approve drugs for sale. If these subcontractors fail to meet these standards, the validation of our drugs would be adversely affected, causing a delay in our ability to meet revenue-generating operations.

We are subject to risks inherent in conducting clinical trials. The risk of non-compliance with FDA-approved good clinical practices by clinical investigators, clinical sites, or data management services could delay or prevent us from developing or ever commercializing our drug candidates.

Agreements with clinical investigators and medical institutions for clinical testing and with other third parties for data management services place substantial responsibilities on these parties, which could result in delays in, or termination of, our clinical trials if these parties fail to perform as expected. For example, if any of our clinical trial sites fail to comply with FDA-approved good clinical practices, we may be unable to use the data gathered at those sites. If these clinical investigators, medical institutions or other third parties do not carry out their contractual duties or obligations or fail to meet expected deadlines, or if the quality or accuracy of the clinical data they obtain is compromised due to their failure to adhere to our clinical protocols or for other reasons, our clinical trials may be extended, delayed or terminated, and we may be unable to obtain regulatory approval for or successfully commercialize our drug candidates.

We or regulators may suspend or terminate our clinical trials for a number of reasons. We may voluntarily suspend or terminate our clinical trials if at any time we believe that they present an unacceptable risk to the patients enrolled in our clinical trials. In addition, regulatory agencies may order the temporary or permanent discontinuation of our clinical trials at any time if they believe that the clinical trials are not being conducted in accordance with applicable regulatory requirements or that they present an unacceptable safety risk to the patients enrolled in our clinical trials.

Our clinical trial operations will be subject to regulatory inspections at any time. If regulatory inspectors conclude that we or our clinical trial sites are not in compliance with applicable regulatory requirements for conducting clinical trials, we may receive reports of observations or warning letters detailing deficiencies, and we will be required to implement corrective actions. If regulatory agencies deem our responses to be inadequate, or are dissatisfied with the corrective actions that we or our clinical trial sites have implemented, our clinical trials may be temporarily or permanently discontinued, we may be fined, we or our investigators may be precluded from conducting any ongoing or any future clinical trials, the government may refuse to approve our marketing applications or allow us to manufacture or market our drug candidates or we may be criminally prosecuted. If we are unable to complete clinical trials and have our products approved due to our failure to comply with regulatory requirements, we will be unable to commence revenue-generating operations.

Efforts of government and third-party payers to contain or reduce the costs of health care may adversely affect our revenues even if we were to develop an FDA approved drug.

Our ability to earn sufficient returns on our drug candidates may depend in part on the extent to which government health administration authorities, private health coverage insurers and other organizations will provide reimbursement for the costs of such drugs and related treatments. Significant uncertainty exists as to the reimbursement status of newly approved health care drugs, and we do not know whether adequate third-party coverage will be available for our drug candidates. If our current and proposed drugs are not considered cost-effective, reimbursement to the consumers may not be available or sufficient to allow us to sell drugs on a competitive basis. The failure of the government and third-party payers to provide adequate coverage and reimbursement rates for our drug candidates could adversely affect the market acceptance of our drug candidates, our competitive position and our financial performance.

If we fail to comply with applicable continuing regulatory requirements, we may be subject to fines, suspension or withdrawal of regulatory approval, product recalls and seizures, operating restrictions and criminal prosecutions.

Confidentiality agreements with employees and others may not adequately prevent disclosure of trade secrets and other proprietary information. Disclosure of our trade secrets or proprietary information could compromise any competitive advantage that we have.

We depend upon confidentiality agreements with our officers, employees, consultants, and subcontractors to maintain the proprietary nature of the technology. These measures may not afford us sufficient or complete protection, and may not afford an adequate remedy in the event of an unauthorized disclosure of confidential information. In addition, others may independently develop technology similar to ours, otherwise avoiding the confidentiality agreements, or produce patents that would materially and adversely affect our business, prospects, financial condition, and results of operations.

We will rely upon licensed patents to protect our technology. We may be unable to obtain or protect such intellectual property rights, and we may be liable for infringing upon the intellectual property rights of others.

Our ability to compete effectively will depend on our ability to maintain the proprietary nature of our technologies and the proprietary technology of others with which we have entered into licensing agreements. We have exclusively licensed patent applications from TheraCour Pharma, Inc. and expect to file patents of our own in the coming years. There can be no assurance that any of these patent applications will ultimately result in the issuance of a patent with respect to the technology owned by us or licensed to us. The patent position of pharmaceutical or biotechnology companies, including ours, is generally uncertain and involves complex legal and factual considerations. The standards that the United States Patent and Trademark Office use to grant patents are not always applied predictably or uniformly and can change. There is also no uniform, worldwide policy regarding the subject matter and scope of claims granted or allowable in pharmaceutical or biotechnology patents. Accordingly, we do not know the degree of future protection for our proprietary rights or the breadth of claims that will be allowed in any patents issued to us or to others. Further, we rely on a combination of trade secrets, know-how, technology and nondisclosure, and other contractual agreements and technical measures to protect our rights in the technology. If any trade secret, know-how or other technology not protected by a patent were to be disclosed to or independently developed by a competitor, our business and financial condition could be materially adversely affected.

We do not believe that any of the drug candidates we are currently developing infringe upon the rights of any third parties nor are they infringed upon by third parties; however, there can be no assurance that our technology will not be found in the future to infringe upon the rights of others or be infringed upon by others. In such a case, others may assert infringement claims against us, and should we be found to infringe upon their patents, or otherwise impermissibly utilize their intellectual property, we might be forced to pay damages, potentially including treble damages, if we are found to have willfully infringed on such parties' patent rights. In addition to any damages we might have to pay, we may be required to obtain licenses from the holders of this intellectual property, enter into royalty agreements, or redesign our drug candidates so as not to utilize this intellectual property, each of which may prove to be uneconomical or otherwise impossible. Conversely, we may not always be able to successfully pursue our claims against others that infringe upon our technology and the technology exclusively licensed from the TheraCour Pharma Inc. Thus, the proprietary nature of our technology or technology licensed by us may not provide adequate protection against competitors.

Moreover, the cost to us of any litigation or other proceeding relating to our patents and other intellectual property rights, even if resolved in our favor, could be substantial, and the litigation would divert our management's efforts. Uncertainties resulting from the initiation and continuation of any litigation could limit our ability to continue our operations.

Other companies or organizations may assert patent rights that prevent us from developing and commercializing our drug candidates.

We are in a relatively new scientific field that has generated many different patent applications from organizations and individuals seeking to obtain important patents in the field. Because the field is so new, very few of these patent applications have been fully processed by government patent offices around the world, and there is a great deal of uncertainty about which patents will issue, when, to whom, and with what claims. It is likely that there will be significant litigation and other proceedings, such as interference proceedings in various patent offices, relating to patent rights in the field. Others may attempt to invalidate our patents or other intellectual property rights. Even if our rights are not directly challenged, disputes among third parties could lead to the weakening or invalidation of those intellectual property rights.

Thus, it is possible that one or more organizations will hold patent rights to which we will need a license. Any license required under any patent may not be made available on commercially acceptable terms, if at all. In addition, such licenses are likely to be non-exclusive and, therefore, our competitors may have access to the same technology licensed to us. If we fail to obtain a required license and are unable to design around a patent, we may be unable to effectively market some of our technology and drug candidates, which could limit our ability to generate revenues or achieve profitability and possibly prevent us from generating revenue sufficient to sustain our operations.

We are dependent upon TheraCour Pharma Inc. for the rights to develop the products we intend to sell.

Our ability to develop, manufacture and sell the products the Company plans to develop is derived from our "Material Licensing Agreement" with TheraCour Pharma Inc. ("TheraCour"). While we hold the license in perpetuity, the Agreement may be terminated by TheraCour as a result of: the insolvency or bankruptcy proceedings by or against the Company, a general assignment by the Company to is creditors, the dissolution of the Company, cessation by the Company of business operations for ninety (90) days or more or the commencement by the Company or an affiliate to challenge or invalidate the issued patents.

The Company does not hold the rights to any other patents nor does the Company conduct its own research and development to develop other products to manufacture and sell. If the Company's Agreement with TheraCour is terminated, it is unlikely we will be able to commence revenue-generating operations or that the Company could continue operating at all.

We lack suitable facilities for clinical testing; reliance on third parties.

The Company does not have facilities that could be used to conduct clinical testing. We expect to contract with third parties to conduct all clinical testing required to obtain approvals for any drugs that we might develop. We currently outsource all clinical testing to a number of third parties in various collaborations and service contracts. Any of our collaborators or service providers may discontinue the service contract or collaboration. We will then be required to modify our priorities and goals, obtain other collaborators or service providers to replace the ones we lose, or we may even be forced to abandon certain drug development programs. In addition, any failures by third parties to adequately perform their responsibilities may delay the submission of our proposed products for regulatory approval, impair our ability to deliver our products on a timely basis or otherwise impair our competitive position.

We have limited manufacturing experience.

The Company has never manufactured products in the highly regulated environment of pharmaceutical manufacturing. There are numerous regulations and requirements that must be maintained to obtain licensure and the permits required to commence manufacturing, as well as additional requirements to continue manufacturing pharmaceutical products. We now own facilities that could be used to manufacture clinical quantities of any products that might be developed by the Company.We believe that this cGMP-capable facility may allow us to produce limited quantities of a drug after approval for initial market entry, and that such an effort may make commercial sense if the treatment course requirements and afflicted patient populations are limited, and if the remuneration for the treatment course is appropriate. However, we do not own, nor lease facilities suitable for cGMP manufacture of any of our drug candidates in large commercial quantities, nor do we have the resources at this time to acquire or lease suitable facilities. At present, we have not retained any contract manufacturing organizations (CMO) for commercial manufacture or for clinical product manufacture.

We have no sales and marketing personnel.

We are an early stage development Company with limited resources. We do not currently have any products available for sale, so have not secured sales and marketing staff at this early stage of operations. We cannot generate sales without sales or marketing staff and must rely on officers to provide any sales or marketing services until such staff are secured, if ever. Even if we were to successfully develop approvable drugs, we will not be able to sell these drugs if we or our third party manufacturers fail to comply with manufacturing regulations.

If we were to successfully develop approvable drugs, before we can begin selling these drugs, we must obtain regulatory approval of our manufacturing facility and process or the manufacturing facility and process of the third party or parties with whom we may outsource our manufacturing activities. In addition, the manufacture of our products must comply with the FDA’s current Good Manufacturing Practices regulations, commonly known as GMP

regulations. The GMP regulations govern quality control and documentation policies and procedures. Our manufacturing facilities, if any in the future and the manufacturing facilities of our third party manufacturers will be continually subject to inspection by the FDA and other state, local and foreign regulatory authorities, before and after product approval. We cannot guarantee that we, or any potential third party manufacturer of our products, will be able to comply with the GMP regulations or other applicable manufacturing regulations.

As of the date of this filing, we have approximately thirty employees and several consultants and independent contractors. The only consultant/contractor that we consider critical to the Company is TheraCour, discussed in the next risk factor. All other consultant/contractors would be more readily replaceable. We have recently significantly expanded our operations and staff materially and our new employees include a number of key managerial, technical, financial, R&D and operations personnel. The expansion of our business will continue to place a significant strain on our limited managerial, operational and financial resources. We have no experience in integrating multiple employees. Therefore, there is a substantial risk that we will not be able to integrate new employees into our operations which would have a material adverse effect on our business, prospects, financial condition and results of operations.

We license our core technology from TheraCour Pharma Inc. and we are dependent upon them as they have exclusive development rights. If we lose the right to utilize any of the proprietary information that is the subject of this license agreement, we may incur substantial delays and costs in development of our drug candidates

The Company has entered into a Material License Agreement with TheraCourPharma, Inc. ("TheraCour") (an approximately 15.8 % shareholder of the Company's common stock) whereby TheraCour has exclusive rights to develop exclusively for us, the materials that comprise the core drugs of our planned business. TheraCour is a development stage company with limited financial resources and needs the Company's progress payments to further the development of the nanoviricides. The Company controls the research and work TheraCour performs on its behalf and no costs may be incurred without the prior authorization or approval of the Company. No royalties are due to TheraCour from the Company's inception through June 30, 2016.

We depend on TheraCour and other third parties to perform manufacturing activities effectively and on a timely basis. If these third parties fail to perform as required, this could impair our ability to deliver our products on a timely basis or cause delays in our clinical trials and applications for regulatory approval, and these events could harm our competitive position and adversely affect our ability to commence revenue-generating operations. The manufacturing process for pharmaceutical products is highly regulated, and regulators may shut down manufacturing facilities that they believe do not comply with regulations. We and our manufacturers are subject to the FDA's current Good Manufacturing Practices, which are extensive regulations governing manufacturing processes, stability testing, record-keeping and quality standards and similar regulations are in effect in other countries. In addition, our manufacturing operations are subject to routine inspections by regulatory agencies.

Our collaborative relationships with third parties could cause us to expend significant resources and incur substantial business risk with no assurance of financial return.

We anticipate substantial reliance upon strategic collaborations for marketing and the commercialization of our drug candidates and we may rely even more on strategic collaborations for R&D of our other drug candidates. Our business depends on our ability to sell drugs to both government agencies and to the general pharmaceutical market. Offering our drug candidates for non-medical applications to government agencies does not require us to develop new sales, marketing or distribution capabilities beyond those already existing in the company. Selling antiviral drugs, however, does require such development. We plan to sell antiviral drugs through strategic partnerships with pharmaceutical companies. If we are unable to establish or manage such strategic collaborations on terms favorable to us in the future, our revenue and drug development may be limited. To date, we have not entered into any strategic collaborations with third parties capable of providing these services. In addition, we have not yet marketed or sold any of our drug candidates or entered into successful collaborations for these services in order to ultimately commercialize our drug candidates.

If we determine to enter into R&D collaborations during the early phases of drug development, our success will in part depend on the performance of our research collaborators. We will not directly control the amount or timing of

resources devoted by our research collaborators to activities related to our drug candidates. Our research collaborators may not commit sufficient resources to our programs. If any research collaborator fails to commit sufficient resources, our preclinical or clinical development programs related to this collaboration could be delayed or terminated. Also, our collaborators may pursue existing or other development-stage products or alternative technologies in preference to those being developed in collaboration with us. Finally, if we fail to make required milestone or royalty payments to our collaborators or to observe other obligations in our agreements with them, our collaborators may have the right to terminate those agreements.

Manufacturers producing our drug candidates must follow current GMP regulations enforced by the FDA and foreign equivalents. If a manufacturer of our drug candidates does not conform to the current GMP regulations and cannot be brought up to such a standard, we will be required to find alternative manufacturers that do conform. This may be a long and difficult process, and may delay our ability to receive FDA or foreign regulatory approval of our drug candidates and cause us to fall behind on our business objectives.

Establishing strategic collaborations is difficult and time-consuming. Our discussion with potential collaborators may not lead to the establishment of collaborations on favorable terms, if at all. Potential collaborators may reject collaborations based upon their assessment of our financial, regulatory or intellectual property position. Even if we successfully establish new collaborations, these relationships may never result in the successful development or commercialization of our drug candidates or the generation of sales revenue. To the extent that we enter into collaborative arrangements, our drug revenues are likely to be lower than if we directly marketed and sold any drugs that we may develop.

Management of our relationships with our collaborators will require:

- significant time and effort from our management team;
- coordination of our marketing and R&D programs with the marketing and R&D priorities of our collaborators; and
- effective allocation of our resources to multiple projects.

We employ the use of certain chemical and biological agents and compounds that may be deemed hazardous and we are therefore subject to various environmental laws and regulations. Compliance with these laws and regulations may result in significant costs, which could materially reduce our ability to become profitable.

We use hazardous materials, including chemicals and biological agents and compounds that could be dangerous to human health and safety or the environment. As appropriate, we safely store these materials and wastes resulting from their use at our laboratory facility pending their ultimate use or disposal. We contract with a third party to properly dispose of these materials and wastes. We are subject to a variety of federal, state and local laws and regulations governing the use, generation, manufacture, storage, handling and disposal of these materials and wastes. We may incur significant costs complying with environmental laws and regulations adopted in the future.

If we use biological and hazardous materials in a manner that causes injury, we may be liable for damages.

Our R&D and manufacturing activities will involve the use of biological and hazardous materials. Although we believe our safety procedures for handling and disposing of these materials comply with federal, state and local laws and regulations, we cannot entirely eliminate the risk of accidental injury or contamination from the use, storage, handling or disposal of these materials. We carry $8,000,000 casualty and general liability insurance policies. Accordingly, in the event of contamination or injury, we could be held liable for damages or penalized with fines in an amount exceeding our resources and insurance coverage, and our clinical trials or regulatory approvals could be suspended.

We may not be able to attract and retain highly skilled personnel.

Our ability to attract and retain highly skilled personnel is critical to our operations and expansion. We face competition for these types of personnel from other pharmaceutical companies and more established organizations, many of which have significantly larger operations and greater financial, technical, human and other resources than us. We may not be successful in attracting and retaining qualified personnel on a timely basis, on competitive terms, or at all. If we are not successful in attracting and retaining these personnel, our business, prospects, financial condition and results of operations will be materially and adversely affected.

We depend upon our senior management and their loss or unavailability could put us at a competitive disadvantage.

We currently depend upon the efforts and abilities of our management team. The loss or unavailability of the services of any of these individuals for any significant period of time could have a material adverse effect on our business, prospects, financial condition and results of operations. We have not obtained, do not own, nor are we the beneficiary of key-person life insurance for all of our key personnel.

The Company believes that its two executive officers, Eugene Seymour, Chief Executive Officer and Chief Financial Officer and Anil Diwan, President and Chairman of Board, are critical to the success of the Company. The Company is a limited beneficiary of a certain amount of key man insurance for these two executive officers that the Company maintains. However there can be no assurances that the amount of the key man insurance coverage would be sufficient to provide replacement of these key officers for continuing the Company's operations in a timely manner, should such an event arise.

The Company also maintains a limited amount of Directors and Officers Liability insurance coverage to protect all of its directors and executive officers taken together. There can be no assurance that this D&O coverage will be sufficient to cover the costs of the events that may lead to its invocation, in which case, there could be a substantial impact on the Company's ability to continue operations, should such an unforeseen event occur.

There are conflicts of interest among our officers, directors and stockholders.

The Company has a majority independent Board of Directors, a fully independent Compensation Committee, and a fully independent Audit Committee.

Certain of our executive officers and directors and their affiliates are engaged in other activities and have interests in other entities on their own behalf or on behalf of other persons. Neither we nor our stockholders will have any rights in these ventures or their income or profits. Specifically, Anil Diwan owns approximately 70% of the capital stock of TheraCour Pharma, Inc. which owns 16.5% of our Common Stock, and 2,000,000 shares of the Company's Series A Preferred stock, provides the Company the nanomaterials with which it intends to develop its products and is the holder of the intellectual property rights the Company uses to conduct its operations. While the Company is not aware of any conflict that has arisen or any transaction that has not been conducted on an arm's length basis to date, Dr. Diwan may have conflicting fiduciary duties between the Company and TheraCour.

In addition, one of our independent directors, Dr. Milton Boniuk has dispositive power over 2,692,162 shares of common stock, and 187,000 shares of Series A preferred shares. In addition, Dr. Boniuk is the holder, or has dispositive power over $4,000,000 of the Company's Series B Convertible Debentures and $5,000,000 of the Company's Series C Convertible Debentures. The Company believes that as a significant investor himself, he represents the interests of the shareholders at large.

Currently, the Company does not allow a conflicting Shareholder, Director, or Executive Officer to vote on matters wherein a conflict may be perceived. The conflicting entity is not allowed to nominate an alternate person to vote for them either. Other than this safeguard, the Company currently does not have any policy in place to deal with such should such a conflict arise

In particular:

- Our executive officers or directors or their affiliates may have an economic interest in, or other business relationship with, partner companies that invest in us.
- Our executive officers or directors or their affiliates have interests in entities that provide products or services to us.

In any of these cases:

- Our executive officers or directors may have a conflict between our current interests and their personal financial and other interests in another business venture.
- Our executive officers or directors may have conflicting fiduciary duties to us and the other entity.
- The terms of transactions with the other entity may not be subject to arm's length negotiations and therefore may be on terms less favorable to us than those that could be procured through arm's length negotiations.

We anticipate entering into contracts with various U.S. government agencies. In contracting with government agencies, we will be subject to various federal contract requirements. Future sales to U.S. government agencies will depend, in part, on our ability to meet these requirements, certain of which we may not be able to satisfy.

We may enter into contracts with various U.S. government agencies which have special contracting requirements that give the government agency various rights or impose on the other party various obligations that can make the contracts less favorable to the non- government party. Consequently, if a large portion of our revenue is attributable to these contracts, our business may be adversely affected should the governmental parties exercise any of these additional rights or impose any of these additional obligations.

U.S. government contracts typically contain unfavorable termination provisions and are subject to audit and modification by the government at its sole discretion, which subjects us to additional risks. These risks include the ability of the U.S. government to unilaterally:

- suspend or prevent us for a set period of time from receiving new contracts or extending existing contracts based on violations or suspected violations of laws or regulations;
- terminate our existing contracts;
- reduce the scope and value of our existing contracts;
- audit and object to our contract-related costs and fees, including allocated indirect costs;
- control and potentially prohibit the export of our drug candidates; and
- change certain terms and conditions in our contracts.

The U.S. government may terminate any of its contracts with us either for its convenience or if we default by failing to perform in accordance with the contract schedule and terms. Termination for convenience provisions generally enable us to recover only our costs incurred or committed, and settlement expenses and profit on the work completed prior to termination. Termination for default provisions do not permit these recoveries and make us liable for excess costs incurred by the U.S. government in procuring undelivered items from another source.

As a U.S. government contractor, we may become subject to periodic audits and reviews. Based on the results of these audits, the U.S. government may adjust our contract-related costs and fees, including allocated indirect costs. As part of any such audit or review, the U.S. government may review the adequacy of, and our compliance with, our internal control systems and policies, including those relating to our purchasing, property, compensation and/or management information systems. In addition, if an audit or review uncovers any improper or illegal activity, we may be subject to civil and criminal penalties and administrative sanctions, including termination of our contracts, forfeiture of profits, suspension of payments, fines and suspension or prohibition from doing business with the U.S. government. We could also suffer serious harm to our reputation if allegations of impropriety were made against us. In addition, under U.S. government purchasing regulations, some of our costs, including most financing costs, amortization of intangible assets, portions of our R&D costs and some marketing expenses, may not be reimbursable or allowed under our contracts. Further, as a U.S. government contractor, we may become subject to an increased risk of investigations, criminal prosecution, civil fraud, whistleblower lawsuits and other legal actions and liabilities to which purely private sector companies are not.

We may fail to obtain contracts to supply the U.S. government, and we may be unable to commercialize our drug candidates.

The U.S. government has undertaken commitments to help secure improved countermeasures against bio-terrorism. The process of obtaining government contracts is lengthy and uncertain, and we would compete for each contract. Moreover, the award of one government contract would not necessarily secure the award of future contracts covering the same drug. If the U.S. government makes significant future contract awards for the supply of its emergency stockpile to our competitors, our business will be harmed and it is unlikely that we will be able to ultimately commercialize our competitive drug candidate.

In addition, the determination of when and whether a drug is ready for large scale purchase and potential use will be made by the government through consultation with a number of government agencies, including the FDA, the NIH, the CDC and the Department of Homeland Security. Congress has approved measures to accelerate the development of bio-defense drugs through NIH funding, the review process by the FDA and the final government procurement contracting authority. While this may help speed the approval of our drug candidates, it may also encourage competitors to develop their own drug candidates.

The market for government stockpiling of H5N1 medicines and other antiviral drugs in the Strategic National Stockpile is fairly new and uncertain.

At the present many governments have already stockpiled influenza medicines for H5N1. We cannot predict with certainty the size of the market, if any for all of the antiviral drugs that the governments may want to stockpile. Consequently, we cannot predict whether sales, if any, to governments will be sufficient to fund our business plan and commence revenue-generating operations.

If the U.S. government fails to continue funding bio-defense drug candidate development efforts or fails to purchase sufficient quantities of any future bio-defense drug candidate, we may be unable to generate sufficient revenues to continue operations.

We hope to receive funding from the U.S. government for the development of our bio-defense drug candidates. Changes in government budgets and agendas, however, may result in future funding being decreased and de-prioritized, and government contracts typically contain provisions that permit cancellation in the event that funds are unavailable to the government agency. Furthermore, we cannot be certain of the timing of any future funding, and substantial delays or cancellations of funding could result from protests or challenges from third parties. If the U.S. government fails to continue to adequately fund R&D programs, we may be unable to generate sufficient revenues to continue operations. Similarly, if we develop a drug candidate that is approved by the FDA, but the U.S. government does not place sufficient orders for this drug, our future business may be harmed.

Risks Related to the Biotechnology/Biopharmaceutical Industry

The biotechnology and biopharmaceutical industries are characterized by rapid technological developments and a high degree of competition. We may be unable to compete with enterprises equipped with more substantial resources than us.

The biotechnology and biopharmaceutical industries are characterized by rapid technological developments and a high degree of competition based primarily on scientific and technological factors. These factors include the availability of patent and other protection for technology and products, the ability to commercialize technological developments and the ability to obtain government approval for testing, manufacturing and marketing.

Our shingles drug candidate would compete with Valtrex®, an approved drug (valacyclovir), and other acyclovir-related nucleoside analogs, and new drugs in the pipeline such as FV-100. These approved drugs are known to have very limited benefit. In addition, FV-100, a VZV-specific nucleoside analog is currently in Phase III clinical trials.

Our HSV-1 and HSV-2 skin cream drug candidates would compete with branded and unbranded available skin creams, such as Abreva™, as well as with branded and unbranded oral drug candidates against herpes, such as those based on acyclovir, valacyclovir, gancyclovir, among others. All of these drugs are known to have limited benefits. It is not known until after human clinical trials whether our drug candidates provide patient benefits beyond those of these drugs. Other drugs against herpes that are in the pipeline, if approved prior to our drug approval, would also be competition. Their patient benefit profiles are not known at present.

Our anti-influenza drug in development, Flucide, would compete with neuraminidase inhibitors Tamiflu and Relenza, anti-influenza drugs that are sold by Roche and Glaxo SmithKline (GSK), respectively. Generic competitors include amantadine and rimantadine, both oral tablets that only inhibit the replication of the influenza A virus. BioCryst Pharmaceuticals, Inc. has achieved US FDA approval for IV Infusions formulations of peramivir, an influenza neuraminidase inhibitor, for the treatment of uncomplicated influenza. Peramivir is approved in Japan and had obtained emergency use authorization in the US. Its effectiveness during multiple clinical trials was found to be very limited. Several H5N1 bird flu, and influenza novelH1N1/2009 vaccines are also in development worldwide. Several companies are developing anti-influenza drugs and vaccines.

We have recently completed preliminary animal studies against HIV that have resulted in the finding that certain of our drug candidates were superior to the oral HAART cocktail in SCID-hu Thy/Liv humanized mice lethally infected with HIV-I. We thus believe that we have a very strong lead drug identified against HIV. There are several companies with anti-HIV drugs in the market. A new drug, Maraviroc from Pfizer has recently been approved, which falls in a new class called CCR5-blockers. Prior to this, two new drugs in a new class called Integrase Inhibitors have been approved. A drug in the class called Entry & Fusion Inhibitors, enfuvirtide, (Fuzeon™, Roche) has also been available. Additionally, the classical drugs, NRTI's, NNRTI's and PI's (protease inhibitors) are used in various combinations. A three drug combo has been approved. A four-drug combo is expected to be approved soon. The HIVCide-I nanoviricide is expected to act by a very different kind of mechanism, defining a new class of drugs, that is complementary to the existing classes of anti-HIV drugs.

Our nanoviricide eye drops for viral diseases of the eye are currently under development. We have shown significant clinical efficacy in an animal model of EKC (adenoviral epidemic kerato-conjunctivitis). We have also shown very strong in vitro efficacy in HSV-1 reduction in cell cultures. We believe that this drug has a very good efficacy and safety profile, based on current data. There are no approved drugs against all viral diseases of the eye, or adenoviral EKC in particular. Several drugs are available for the treatment of herpes keratitis. Idoxuridine, vidarabine, acyclovir and its derivatives, are among the leading ones. Aganocide is under development, but did not meet its desired end points in a clinical trial recently. We believe that the nanoviricide eye drops should have a significant advantage in terms of reduced frequency of application needed and simple application procedure.

We compete with specialized biopharmaceutical firms in the United States, Europe and elsewhere, as well as a growing number of large pharmaceutical companies that are applying biotechnology to their operations. Many biopharmaceutical companies have focused their development efforts in the human therapeutics area, including cancer. Many major pharmaceutical companies have developed or acquired internal biotechnology capabilities or made commercial arrangements with other biopharmaceutical companies. These companies, as well as academic institutions, government agencies and private research organizations, also compete with us in recruiting and retaining highly qualified scientific personnel and consultants. Our ability to compete successfully with other companies in the pharmaceutical field will also depend to a considerable degree on the continuing availability of capital to us.

We are aware of numerous products under development or manufactured by competitors that are used for the prevention or treatment of certain diseases we have targeted for drug development. Various companies are developing biopharmaceutical products that potentially directly compete with our drug candidates even though their approach to such treatment is different.

We expect that our drug candidates under development and in clinical trials will address major markets within the anti-viral sector. Our competition will be determined in part by the potential indications for which drugs are developed and ultimately approved by regulatory authorities. Additionally, the timing of the market introduction of some of our potential drugs or of competitors' products may be an important competitive factor. Accordingly, the relative speed with which we can develop drugs, complete pre-clinical testing, clinical trials, approval processes and supply commercial quantities to market are important competitive factors. We expect that competition among drugs approved for sale will be based on various factors, including product efficacy, safety, reliability, availability, price and patent protection.

The successful development of biopharmaceuticals is highly uncertain. A variety of factors including, pre-clinical study results or regulatory approvals, could cause us to abandon development of our drug candidates.

Successful development of biopharmaceuticals is highly uncertain and is dependent on numerous factors, many of which are beyond our control. Products that appear promising in the early phases of development may fail to reach the market for several reasons including:

- pre-clinical study results that may show the product to be less effective than desired (e.g., the study failed to meet its primary objectives) or to have harmful or problematic side effects;
- failure to receive the necessary regulatory approvals or a delay in receiving such approvals. Among other things, such delays may be caused by slow enrollment in clinical studies, length of time to achieve study endpoints, additional time requirements for data analysis or a IND and later NDA, preparation, discussions with the FDA, an FDA request for additional pre-clinical or clinical data or unexpected safety or manufacturing issues;
- manufacturing costs, pricing or reimbursement issues, or other factors that make the product not economical; and
- the proprietary rights of others and their competing products and technologies that may prevent the product from being commercialized.

Success in pre-clinical and early clinical studies does not ensure that large-scale clinical studies will be successful. Clinical results are frequently susceptible to varying interpretations that may delay, limit or prevent regulatory approvals. The length of time necessary to complete clinical studies and to submit an application for marketing approval for a final decision by a regulatory authority varies significantly from one product to the next, and may be difficult to predict.

Risks Related to the Securities Markets and Investments in Our Common Stock

If we do not meet the continued listing standards of the NYSE MKT our common stock could be delisted from trading, which could limit investors' ability to make transactions in our common stock and subject us to additional trading restrictions.

As of September 25, 2013, our common stock was listed on the NYSE MKT, a national securities exchange, which imposes continued listing requirements with respect to listed shares. If, however, we fail to satisfy the continued listing standards, such as, for example, the requirement that our shares not trade "for a substantial period of time at a low price per share" or that we not dispose of our principal operating assets or discontinue a substantial portion of our operations, among other requirements, the NYSE MKT may issue anon-compliance letter or initiate delisting proceedings. If our securities are delisted from trading on the NYSE MKT and we are not able to list our securities on another exchange or to have them quoted on NASDAQ, our securities could be quoted on the OTC Bulletin Board or on the "pink sheets." As a result, we could face significant adverse consequences including:

- a limited availability of market quotations for our securities;
- a determination that our common stock is a “penny stock” which will require brokers trading in our common stock to adhere to more stringent rules and possibly result in a reduced level of trading activity in the secondary trading market for our securities;
- a limited amount of news and analyst coverage for us; and
- a decreased ability to issue additional securities (including pursuant to short-form registration statements on Form S-3 or obtain additional financing in the future).

Our Company is subject to the periodic reporting requirements of the Securities Exchange Act of 1934 (the “Exchange Act”), which will require us to incur audit fees and legal fees in connection with the preparation of such reports. These additional costs will reduce or might eliminate our profitability.

Our Company is required to file periodic reports with the Commission pursuant to the Exchange Act and the rules and regulations promulgated thereunder. To comply with these requirements, our independent registered auditors will have to review our quarterly financial statements and audit our annual financial statements. Moreover, our legal counsel will have to review and assist in the preparation of such reports. The costs charged by these professionals for such services cannot be accurately predicted at this time, because factors such as the number and type of transactions that we engage in and the complexity of our reports cannot be determined at this time and will have a major effect on the amount of time to be spent by our auditors and attorneys. However, the incurrence of such costs will obviously be an expense to our operations and thus have a negative effect on our ability to meet our overhead requirements and earn a profit. We may be exposed to potential risks resulting from new requirements under Section 404 of the Sarbanes-Oxley Act of 2002. If we cannot provide reliable financial reports or prevent fraud, our business and operating results could be harmed, investors could lose confidence in our reported financial information, the trading price of our Common Stock, if a market ever develops, could drop significantly, or we could become subject to Commission enforcement proceedings.

Our Common Stock may be considered a "penny stock" and may be difficult to sell.

The Commission has adopted regulations which generally define "penny stock" to be an equity security that has a market price of less than $5.00 per share or an exercise price of less than $5.00 per share, subject to specific exemptions. Historically, the price of our Common Stock has fluctuated greatly. If, the market price of the Common Stock is less than $5.00 per share it therefore may be designated as a "penny stock" according to Commission rules. The "penny stock" rules impose additional sales practice requirements on broker-dealers who sell securities to persons other than established customers and accredited investors (generally those with assets in excess of $1,000,000 or annual income exceeding $200,000 or $300,000 together with their spouse). For transactions covered by these rules, the broker-dealer must make a special suitability determination for the purchase of securities and have received the purchaser's written consent to the transaction before the purchase. Additionally, for any transaction involving a penny stock, unless exempt, the broker-dealer must deliver, before the transaction, a disclosure schedule prescribed by the Commission relating to the penny stock market. The broker-dealer also must disclose the commissions payable to both the broker-dealer and the registered representative and current quotations for the securities. Finally, monthly statements must be sent disclosing recent price information on the limited market in penny stocks. These additional burdens imposed on broker-dealers may restrict the ability or decrease the willingness of broker-dealers to sell our common shares, and may result in decreased liquidity for our common shares and increased transaction costs for sales and purchases of our common shares as compared to other securities.

Our stock price may be volatile and your investment in our common stock could suffer a decline in value.

The price of our common stock, as quoted on the NYSE MKT may fluctuate significantly in response to a number of factors, many of which are beyond our control. These factors include:

- progress of our products through the regulatory process;

- results of preclinical studies and clinical trials;
- announcements of technological innovations or new products by us or our competitors;
- government regulatory action affecting our products or our competitors' products in both the United States and foreign countries;
- developments or disputes concerning patent or proprietary rights;
- general market conditions for emerging growth and pharmaceutical companies;
- economic conditions in the United States or abroad;
- actual or anticipated fluctuations in our operating results;
- broad market fluctuations; and
- changes in financial estimates by securities analysts.

There is a risk of market fraud.

Shareholders should be aware that, according to SEC Release No. 34-29093, the market for penny stocks has suffered in recent years from patterns of fraud and abuse. Such patterns include (1) control of the market for the security by one or a few broker-dealers that are often related to the promoter or issuer; (2) manipulation of prices through prearranged matching of purchases and sales and false and misleading press releases; (3) boiler room practices involving high-pressure sales tactics and unrealistic price projections by inexperienced sales persons; (4) excessive and undisclosed bid-ask differential and markups by selling broker-dealers; and (5) the wholesale dumping of the same securities by promoters and broker-dealers after prices have been manipulated to a desired level, along with the resulting inevitable collapse of those prices and with consequent investor losses. We are aware of the abuses that have occurred historically in the penny stock market. Although we do not expect to be in a position to dictate the behavior of the market or of broker-dealers who participate in the market, management will strive within the confines of practical limitations to prevent the described patterns from being established with respect to our securities. The occurrence of these patterns or practices could increase the volatility of our share price.

As of September 25, 2013, our common stock was listed on the NYSE MKT national exchange. However, shareholders should be aware that the occurrence of the above-mentioned patterns and practices cannot be entirely precluded and that the occurrence of these patterns or practices could increase the volatility of our share price.

A registration of a significant amount of our outstanding restricted stock may have a negative effect on the trading price of our stock.

At June 30, 2016, shareholders of the Company had 16,189,395 shares (as adjusted) of restricted stock, or approximately 28% of the outstanding common stock. If we were to file a registration statement including all of these shares, and the registration is allowed by the SEC, these shares would be freely tradable upon the effectiveness of the planned registration statement. If investors holding a significant number of freely tradable shares decide to sell them in a short period of time following the effectiveness of a registration statement, such sales could contribute to significant downward pressure on the price of our stock.

We do not intend to pay any cash dividends in the foreseeable future and, therefore, any return on your investment in our capital stock must come from increases in the fair market value and trading price of the capital stock.

We have not paid any cash dividends on our common stock and do not intend to pay cash dividends on our common stock in the foreseeable future. We intend to retain future earnings, if any, for reinvestment in the development and expansion of our business. Any credit agreements, which we may enter into with institutional lenders, may restrict our ability to pay dividends. Whether we pay cash dividends in the future will be at the discretion of our board of directors and will be dependent upon our financial condition, results of operations, capital requirements and any other factors that the board of directors decides is relevant. Therefore, any return on your investment in our capital stock must come from increases in the fair market value and trading price of the capital stock.

We may issue additional equity shares to fund the Company's operational requirements, which would dilute share ownership.

The Company's continued viability depends on its ability to raise capital. Changes in economic, regulatory or competitive conditions may lead to cost increases. Management may also determine that it is in the best interest of the Company to develop new services or products. In any such case additional financing is required for the Company to meet its operational requirements. There can be no assurances that the Company will be able to obtain such financing on terms acceptable to the Company and at times required by the Company, if at all. In such event, the Company may be required to materially alter its business plan or curtail all or a part of its operational plans as detailed further in Management's Discussion and Analysis in this Form 10-K. While the Company currently has no offers to sell its securities to obtain financing, sale or the proposed sale of substantial amounts of our common stock in the public markets may adversely affect the market price of our common stock and our stock price may decline substantially. In the event that the Company is unable to raise or borrow additional funds, the Company may be required to curtail significantly its operational plans as further detailed in Requirements for Additional Capital in the Management Discussion and Analysis of this Form 10-K.

The Company is authorized to issue up to 150,000,000 total shares of Common Stock on a post-split basis without additional approval by shareholders. As of June 30, 2016, we had 58,179,699 shares of common stock outstanding, warrants convertible to 6,616,700 shares of common stock and 4,091,094 shares of Series A Preferred Stock convertible into 14,318,829 shares of Common Stock only in the event of a change in control.

As of September 25, 2013, our common stock is listed on the NYSE MKT national exchange.

Large amounts of our common stock will be eligible for resale under Rule 144.

As of June 30, 2016, 16,189,395 of 58,179,699 issued and outstanding shares (as adjusted) of the Company's common stock were restricted securities as defined under Rule 144 of the Securities Act of 1933, as amended (the "Act") and under certain circumstances may be resold without registration pursuant to Rule 144. In addition the 4,091,094 shares of Series A Preferred Stock are restricted and convertible into 14,318,829 shares of Common Stock only in the event of a Change of Control of the Company.

Approximately 3,424,866 shares of our restricted shares of common stock (as adjusted) are held by non-affiliates who may avail themselves of the public information requirements and sell their shares in accordance with Rule 144. As a result, some or all of these shares may be sold in accordance with Rule 144 potentially causing the price of the Company's shares to decline.

In general, under Rule 144, a person (or persons whose shares are aggregated) who has satisfied a six month holding period may, under certain circumstances, sell within any three-month period a number of securities which does not exceed the greater of 1% of the then outstanding shares of common stock or the average weekly trading volume of the class during the four calendar weeks prior to such sale. Rule 144 also permits, under certain circumstances, the sale of securities, without any limitation, by a person who is not an Affiliate, as such term is defined in Rule 144(a)(1), of the Company and who has satisfied a one-year holding period. Any substantial sale of the Company's common stock pursuant to Rule 144 may have an adverse effect on the market price of the Company's shares. This filing will satisfy certain public information requirements necessary for such shares to be sold under Rule 144.

The requirements of complying with the Sarbanes-Oxley act may strain our resources and distract management.

We are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the Sarbanes-Oxley Act of 2002. The costs associated with these requirements may place a strain on our systems and resources. The Exchange Act requires that we file annual, quarterly and current reports with respect to our business and financial condition. The Sarbanes-Oxley Act requires that we maintain effective disclosure controls and procedures and internal controls over financial reporting. Historically, as a private company we have maintained a small accounting staff, but in order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, significant additional resources and management oversight will be required. This includes, among other things, retaining independent public accountants. This effort may divert management's attention from other business concerns, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. In addition, we may need to hire additional accounting and financial persons with appropriate public company experience and technical accounting knowledge, and we cannot assure you that we will be able to do so in a timely fashion.

Sales of additional equity securities may adversely affect the market price of our common stock and your rights in the Company may be reduced.

We expect to continue to incur drug development and selling, general and administrative costs, and in order to satisfy our funding requirements, we may need to sell additional equity securities. Our stockholders may experience substantial dilution and a reduction in the price that they are able to obtain upon sale of their shares. Also, any new securities issued may have greater rights, preferences or privileges than our existing common stock that may adversely affect the market price of our common stock and our stock price may decline substantially.

ITEM 1B: UNRESOLVED STAFF COMMENTS.

None.

ITEM 2: PROPERTIES

Description of Property

The Company's principal executive offices are located at 1 Controls Drive, Shelton, CT, and include approximately 18,000 square feet of office, laboratory, and cGMP-capable drug manufacturing space. These facilities are fully owned by the Company. There is no mortgage on these facilities.

We subcontract the laboratory research and development work to TheraCour Pharma, Inc., under the License Agreement with TheraCour. Management believes that the space is sufficient for the Company to monitor the developmental progress at its subcontractors.

ITEM 3: LEGAL PROCEEDINGS.

From time to time, we are a party to legal proceedings arising in the ordinary course of business. We are not currently a party to any other legal proceedings that we believe could have a material adverse effect on financial condition or results of operations.

ITEM 4: MINE SAFETY DISCLOSURES.

Not applicable.

PART II

ITEM 5: MARKET FOR REGISTRANT'S COMMON EQUITY RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Our Common Stock commenced trading on the NYSE MKT on September 25, 2013 under the symbol "NNVC". The Company's Common Stock, after the Company became a publicly traded company in May 2005, was initially traded on the Pink Sheets under the symbol NNVC and from June 29, 2007, through September 24, 2013, the Company's Common Stock has been quoted on the Over The Counter Bulletin Board. The table below sets forth the high and low prices for the Company's Common Stock for the quarters included within the past two fiscal years. Quotations reflect inter-dealer prices, without retail mark-up, mark-down commission, and may not represent actual transactions. No assurance can be given that an active market will exist for the Company's common stock and the Company does not expect to declare dividends in the foreseeable future since the Company intends to utilize its earnings, if any, to finance its future growth, including possible acquisitions.

Quarter ended	Low price	High price
June 30, 2016	$ 1.49	$ 2.54
March 31, 2016	$ 1.03	$ 3.27
December 31,2015	$ 1.01	$ 1.40
September 30, 2015	$ 1.00	1.75
June 30, 2015	$ 1.44	$ 2.37
March 31, 2015	$ 2.13	$ 3.15
December 31,2014	$ 2.58	$ 3.99
September 30, 2014	$ 3.06	$ 4.73

Number of Shareholders.

As of June 30, 2016, a total of 58,179,699 shares of the Company's common stock are outstanding and held by approximately 171 shareholders of record of our common stock. This number of shareholders does not reflect the persons or entities that hold their stock in nominee or street name through various brokerage firms. Of this amount, 41,990,304 shares are unrestricted, of which, 2,045,229 shares are held by affiliates. Approximately 1,843,416 shares are restricted securities held by non-affiliates, and the remaining 14,345,979 shares are restricted securities held by affiliates. These shares may only be sold in accordance with Rule 144. As of June 30, 2016, there were 6,616,700 warrants to purchase the Company's Common Stock outstanding.

Dividends.

The Company has not paid any cash dividends since its inception. The Company currently intends to retain any earnings for use in its business, and therefore does not anticipate paying dividends in the foreseeable future.

Long-Term Incentive Plans Awards in Last Fiscal Year

None.

Fiscal Year Ending June 30, 2014 Transactions

On September 9, 2013, the Company entered into a Securities Purchase Agreement (the "Agreement") with certain purchasers (the "Purchasers"), relating to the offering and sale (the "Offering") of units ("Units") at the aggregate purchase price of $3.50 ("Purchase Price") per Unit, consisting of one share of the Company's common stock, par value $0.001 per share (the "Common Stock") and a warrant to purchase one share of Common Stock ("Warrant"), issuable upon exercise of the Warrant at the exercise price of $5.25 per share (the "Warrant Shares", collectively with the Units, Common Stock and Warrant, the "Securities") The Warrants are exercisable immediately and expire five years after issuance.

On September 12, 2013, post reverse split the Company and the Purchasers consummated the purchase and sale of the Securities (the "Closing"), and the Company raised gross proceeds of $10,308,996 before expenses of the Offering of $618,540, which includes placement agent and attorneys' fees. The Company issued 2,945,428 Units. On September 25, 2013 certain of these Unit Holders exercised 35,357 Warrants to purchase 35,357 shares of the Company's common stock, par value $0.001 per share, for gross proceeds of $185,624. On January 21, 2014 and February 6, 2014 certain of these Unit Holders exercised 75,000 and 25,000 Warrants respectively to purchase 75,000 and 25,000 shares of the Company's common stock, par value $0.001 per share, for gross proceeds of $393,750 and $131,250 respectively.

The Offering was made pursuant to the Company's shelf registration statement on Form S-3 (File No. 333-184626), which was declared effective by the Securities and Exchange Commission on December 21, 2012. 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 dated September 9, 2013 among Midtown Partners & Co., LLC and Chardan Capital Markets, LLC (collectively, the "Placement Agents"), the Company paid the Placement Agents an aggregate cash fee representing 6% (3% each) of the gross Purchase Price paid by the Purchasers and warrants to purchase an aggregate of 2% (1% each) of the number of shares of Common Stock sold in the Offering (the "Compensation Warrants") and substantially similar to the Warrants, at an exercise price equal to $5.25 per share. The Compensation Warrants will otherwise comply with FINRA Rule 5110(g)(1) in that for a period of nine months after the issuance date of the Compensation Warrants, neither the Compensation Warrants nor any warrant shares issued upon exercise of the compensation warrants shall be sold, transferred, assigned, pledged, or hypothecated, or be the subject of any hedging, short sale, derivative, put, or call transaction that would result in the effective economic disposition of the securities by any person for a period of 180 days immediately following the Closing. Upon issuance of the 58,910 Compensation Warrants, the Company recognized costs associated with the sale of securities (a capital item) of $113,696 and a corresponding increase in additional paid in capital of $113,696.

On September 25, 2013, the Company's Common Stock began trading on the NYSE MKT exchange under the symbol NNVC.

On January 21, 2014, the Company entered into a Securities Purchase Agreement (the "Agreement") with certain purchasers (the "Purchasers"), relating to the offering and sale (the "Offering") of units ("Units") at the aggregate purchase price of $5.25 ("Purchase Price") per Unit. The price per Unit was equal to a four percent (4%) discount to the 20-day VWAP of the Company's stock price on Friday, January 17, 2014. The exercise price of the Warrant was equal to the closing price of the Company's stock on Friday, January 17, 2014. Each Unit consisted of one share of the Company's common stock, par value $0.001 per share (the "Common Stock") and Sixty-Five Hundredths (65/100) of a warrant to purchase one share of Common Stock ("Warrant"), issuable upon exercise of the Warrant at the exercise price of $6.05 per share (the "Warrant Shares", collectively with the Units, Common Stock and Warrant, the "Securities"). The Warrants are exercisable immediately and expire five years after issuance.

On January 24, 2014, the Company and the Purchasers consummated the purchase and sale of the Securities (the "Closing") of 3,815,285 shares of Common Stock and 2,479,935 Warrants, and the Company raised gross proceeds of $20,030,207 before expenses of the Offering of approximately $1,200,000, which includes placement agent fees. The Company intends to use the proceeds for general business purposes and expects that it will be able to accelerate the development of its drug candidate pipeline with this additional funding.

The Offering was made pursuant to the Company's shelf registration statement on Form S-3 (File No. 333-184626), which was declared effective by the Securities and Exchange Commission on December 21, 2012 and Form S-3MEF (File No. 333-193439).

In connection with the Offering, pursuant to a Placement Agency Agreement dated January 20, 2014 among Midtown Partners & Co., LLC and Chardan Capital Markets, LLC (collectively, the "Placement Agents"), the Company paid the Placement Agents an aggregate cash fee representing 6% of the gross Purchase Price paid by the Purchasers and

warrants to purchase an aggregate of 2% of the number of shares of Common Stock sold in the Offering (the "Compensation Warrants") representing two percent of the Shares and substantially similar to the Warrants, at an exercise price equal to $6.05 per share. The Compensation Warrants will otherwise comply with FINRA Rule 5110(g)(1) in that for a period of six months after the issuance date of the Compensation Warrants, neither the Compensation Warrants nor any warrant shares issued upon exercise of the compensation warrants shall be sold, transferred, assigned, pledged, or hypothecated, or be the subject of any hedging, short sale, derivative, put, or call transaction that would result in the effective economic disposition of the securities by any person for a period of 180 days immediately following the Closing.

Unregistered Securities

In December, 2013, the Company issued 7,143 shares of common stock with a restrictive legend at $3.50 per share upon the exercise of warrants.

On February 1, 2014, the Company's Board of Directors authorized the issuance of 29,662 fully vested shares of its common stock with a restrictive legend for consulting services. The Company recorded an expense of $102,001 which is the fair value at the date of issuance using the fair market value of the Company's common stock on the date issued.

For the year ended June 30, 2014, the Board of Directors authorized the issuance of 571,429 fully vested shares of its $.001 par value common stock with a restrictive legend for the payment of additional interest payable to the holders of the Company's Series B Convertible Debentures. The Company recorded an interest expense of $2,605,716 for the year ended June 30, 2014 using the fair market value of the Company's common stock on the date issued.

For the year ended June 30, 2014, the Company's Board of Directors authorized the issuance of 13,146 fully vested shares of its common stock with a restrictive legend for Director services. The Company recorded an expense of $45,000 which is the fair value at the date of issuance using the fair market value of the Company's common stock on the date issued.

For the year ended June 30, 2014 the Board of Directors authorized the issuance of 203,079 fully vested shares of its Series A Preferred stock $.001 par value with a restrictive legend pursuant to existing employment agreements and recorded an expense of $2,123,014 which is the fair value at the date of issuance.

For the year ended June 30, 2014, the Company authorized the issuance of 71,430 fully vested shares of its $.001 par value common stock with a restrictive legend pursuant to existing employment agreements and recorded an expense of $287,860 which is the fair value at the date of issuance using the fair market value of the Company's common stock on the date issued.

For the year ended June 30, 2014 the Scientific Advisory Board (SAB) was granted fully vested warrants to purchase 72,439 shares of common stock. The warrants expire during the fiscal year ending June 30, 2018. The Company recorded a consulting expense of $199,849.

The estimated fair value of the preferred shares issued to Company employees as a whole for the fiscal year ended June 30, 2014 was calculated to be $2,123,014. There are no assurances that such estimated fair value represents a market value between a willing buyer and seller.

Fiscal Year Ending June 30, 2015 Transactions

On July 17, 2014 the Company filed a registration statement on Form S-3 (the "Form S-3") registering an aggregate of 3,071,986 shares of common stock underlying warrants previously issued by the Company in various private placement offerings between 2005 and September 2009, ("Old Warrants") as described more fully in the Form S-3 (the "Registered Warrants"). The Form S-3 was declared effective by the Securities and Exchange Commission on August 1, 2014. Holders of the Old Warrants were required to submit Notice of Exercise by August 15, 2014, or their warrants would expire. The Company received Notices to Exercise Warrants and the exercise price to purchase an aggregate of 1,926,656 shares of the Company's common stock at the exercise price of $3.50 per share for an aggregate purchase price of $6,743,297.

On February 1, 2015 the Company's Board of Directors authorized the issuance of 571,429 shares of the Company's $0.001 par value common stock as annual interest payable to holders of the Company's Series B Debentures. The Company recorded interest expense of $1,502,870 for the year ended June 30, 2015 calculated using the fair market value of the Company's common stock on the date issued.

Unregistered Securities

On July 2, 2014, in conjunction with the issuance of the Company's Series C Convertible Debentures, the Company issued 187,000 shares of its Series A Convertible Preferred stock to Dr. Milton Boniuk, pursuant to the terms of the Debenture. The Company allocated the proceeds received between the Debenture and the Preferred Stock on a relative fair value basis. The amount allocated to the Preferred stock was $1,152,297.

For the year ended June 30, 2015, the Scientific Advisory Board was granted fully vested warrants to purchase 68,592 shares of common stock at exercise prices between $2.00- $5.02 per share expiring in the fiscal year ending June 30, 2019. These warrants were valued at $59,675 and recorded as consulting expense.

For the year ended June 30, 2015, the Company's Board of Directors authorized the issuance of 200,508 fully vested shares of its Series A Convertible Preferred stock for employee compensation. The Company recorded an expense of $852,760.

For the year ended June 30, 2015, the Company's Board of Directors authorized the issuance of 2,858 shares of its Series A Convertible Preferred Stock which are fully vested for consulting services. The Company recorded an expense of $24,474.

For the year ended June 30, 2015, the Company's Board of Directors authorized the issuance of 35,154 shares of its common stock which are fully vested with a restrictive legend for consulting services. The Company recorded an expense of $109,360 which is the fair value at date of issuance.

For the year ended June 30, 2015, the Company's Board of Directors authorized the issuance of 16,408 shares of its common stock which are fully vested with a restrictive legend for Director services. The Company recorded an expense of $45,000 which is the fair value at date of issuance.

For the year ended June 30, 2015, the Company's Board of Directors authorized the issuance of 71,430 shares of its common stock which are fully vested, with a restricted legend, for employee compensation. The Company recorded an expense of $125,003 which is the fair value at the date of issuance.

Fiscal Year Ending June 30, 2016 Transactions

On January 23, 2016, the Company's Board of Directors and a majority of the holders of the Company's Series A Convertible Preferred Shares (the "Series A Shares") approved an amendment to the Certificate of Designation of the Series A Shares to increase the number of authorized Series A Shares from 4,000,000 to 8,500,000.

On February 1, 2016, 571,433 warrants were issued for interest in accordance with the terms of the Series B debenture. The warrants are exercisable at $3.50 per warrant and will be valid for 3 years after issuance. The Company recorded an expense of $56,115 for the fair value of the warrants. The Company estimated the fair value of the warrants issued to the Holders of the Company's Series B Debentures on the date of issuance using the Black-Scholes Option-Pricing Model.

For the year ended June 30, 2016, the Scientific Advisory Board was granted fully vested warrants to purchase 68,592 shares of common stock at exercise prices between $1.44- $2.18 per share expiring in the fiscal year ending June 30, 2020. These warrants were valued at $42,886 and recorded as consulting expense.

For the year ended June 30, 2016, the Company's Board of Directors authorized the issuance of 57,649 shares of its Series A Convertible Preferred Stock which are fully vested with a restrictive legend for employee compensation. The Company recorded an expense of $263,698 which is the fair value at date of issuance.

On July 21, 2015, the Board of Directors approved a new employment agreement with Dr. Anil Diwan, the Company's president. Pursuant to the terms of the employment agreement, the Company's Board of Directors authorized the issuance of 225,000 of the Company's Series A preferred shares to Dr. Diwan. 75,000 shares vested on June 30, 2016 and the remainder of the shares will vest over the remaining two years of the employment agreement and are subject to forfeiture. The Company recognized a noncash compensation expense related to the issuance of the Series A Preferred Shares of $309,344 for the year ended June 30, 2016. The balance of $564,410 will be recognized as the remaining shares are vested.

On July 21, 2015, the Board of Directors approved a new employment agreement with Dr. Eugene Seymour, the Company's Chief Executive Officer. Pursuant to the terms of the employment agreement, the Company's Board of Directors authorized the issuance of 225,000 Series A preferred shares to Dr. Seymour. 75,000 shares vested on June 30, 2016 and the remainder of the shares will vest over the remaining two years of the employment agreement and are subject to forfeiture. The Company recognized a noncash compensation expense related to the issuance of the Series A Preferred Shares of $309,344 for the year ended June 30, 2016. The balance of $564,410 will be recognized as the remaining shares are vested.

For the year ended June 30, 2016, the Company's Board of Directors authorized the issuance of 106,554 shares of its common stock which are fully vested with a restrictive legend for consulting services. The Company recorded an expense of $158,000 which is the fair value at date of issuance.

For the year ended June 30, 2016, the Company’s Board of Directors authorized the issuance of 29,852 shares of its common stock which are fully vested with a restrictive legend for Director services. The Company recorded an expense of $45,000 which is the fair value at date of issuance.

For the year ended June 30, 2016, the Company's Board of Directors authorized the issuance of 72,725 shares of its common stock which are fully vested with a restricted legend for employee compensation. The Company recorded an expense of $142,589 which is the fair value at date of issuance.

For the year ended June 30, 2016, the Company’s Board of Directors authorized the issuance of 313,155 shares of its common stock for the exercise of 428,573 stock options on a cashless exercise basis.

For the year ended June 30, 2016, the Company's Board of Directors authorized the issuance of 101,558 shares of its common stock to holders of the Company’s Series B Debentures. Two Holders of the Company’s Series B Debentures elected to receive a total of $160,000 of the quarterly interest payments in restricted common stock of the Company. The Holders are entities controlled by Dr. Milton Boniuk, a director of the Company.

For the year ended June 30, 2016, the Company's Board of Directors authorized the issuance of 313,785 shares of its common stock to the Holder of the Company’s Series C Debentures. The Holder of the Company’s Series C Debentures elected to receive $375,000 of the quarterly interest payments and $125,000 of the deferred interest in restricted common stock of the Company. The Holder is an entity controlled by Dr. Milton Boniuk, a director of the Company.

USE OF PROCEEDS FROM SALES OF REGISTERED SECURITIES

Thus far, the Company has used a portion of the net proceeds of the past offering, and intends to use the balance, for research and development and working capital

ITEM 6: SELECTED FINANCIAL DATA

The selected financial data presented below are for each fiscal year in the five-year period ended June 30, 2015. This data is derived from, and qualified by reference to, our audited financial statements and notes thereto appearing elsewhere in this Form 10-K.

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Statements of Operations Data:

	Years Ended June 30,				
	2016	2015	2014	2013	2012
(in thousands, except per share amounts)					
Operating expenses:					
Research and development	$5,028,970	$3,660,322	$5,131,523	$4,292,909	$4,265,933
General and administrative	3,830,531	3,402,778	3,535,849	2,297,470	1,815,816
Total operating expenses	8,859,501	7,063,100	8,667,372	6,590,379	6,081,749
Loss from operations	(8,859,501)	(7,063,100)	(8,667,372)	(6,590,379)	(6,081,749)
Other income (expense):					
Interest income	62,638	160,859	171,001	55,587	46,787
Interest expense	(1,042,470)	(2,649,592)	(3,092.550)	(962,535)	
Discount on convertible debentures	(1,427,218)	(1,175,344)	(569,495)	(129,006)	
Change in fair value of derivatives	541,922	8,529,005	(1,443,200)	(1,249,335)	(172,245)
Total other income (expense), net	(1,865,128)	4,864,928	(4,934,244)	(2,285,289)	(125,458)
Loss before income taxes	(10,724,629)	(2,198,172)	(13,601,616)	(8,875,668)	(6,207,207)
Income tax provision	-	-	-	-	-
Net loss	$(10,724,629)	$(2,198,172)	$(13,601,616)	$(8,875,668)	$(6,207,207)
NET LOSS PER COMMON SHARE					
- Basic	$(0.19)	$(0.04)	$(0.27)	$(0.19)	$(0.15)
- Diluted	$(0.19)	$(0.09)	$(0.27)	$(0.19)	$(0.15)
Weighted average common shares outstanding					
- Basic	57,669,472	56,553,848	51,225,622	45,892,549	42,763,481
- Diluted	57,699,472	59,220,515	51,225,622	47,606,835	42,763,481

Balance Sheets Data:

	As of June 30, 2016	2015	2014	2013	2012
Cash and cash equivalents	$24,162,185	$31,467,748	$36,696,892	$13,923,245	$14,274,985
Working capital	17,637,629	31,081,278	36,437,242	13,343,441	12,809,544
Total assets	36,633,418	44,187,089	43,859,995	16,407,554	15,629,808
Long term liabilities	6,841,190	11,800,327	19,972,953	7,219,718	-
Accumulated deficit	(64,824,201)	(54,099,572)	(51,901,400)	(38,299,784)	(29,424,116)
Stockholders' equity	23,048,214	31,785,867	23,369,303	8,009,652	13,850,193

ITEM 7: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the information contained in the financial statements of the Company and the notes thereto appearing elsewhere herein and in conjunction with the Company's Annual Report on Form 10-K for the year ended June 30, 2016. 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 Annual 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" an 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.

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 plans to develop several drugs through the preclinical studies and clinical trial phases with the goal of eventually obtaining approval from the United States Food and Drug Administration ("FDA") and International regulatory agencies for these drugs. The Company plans, when appropriate, to seek regulatory approvals in several international markets, including developed markets such as Europe, Japan, Canada, Australia, and Emerging Regions such as Southeast Asia, India, China, Central and South America, as well as the African subcontinent. The seeking of these regulatory approvals would only come when and if one or more of our drugs, now in early stage of pre-clinical development, has significantly advanced through the US FDA and international regulatory process. If and as these advances occur, the Company may attempt to partner with more established pharmaceutical companies to advance the various drugs through the approval process.

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. The Company has received significant interest from certain pharmaceutical companies for potential licensing or co-development of some of our drug candidates. However, none of these distributor or co-development agreements is in place at the current time.

There can be no assurance that the Company will be able to develop effective nanoviricides, or if developed, that we will have sufficient resources to be able to successfully manufacture and market these products to commence revenue-generating operations.

There can be no assurance that other developments in the field would not impact our business plan adversely. For example, successful creation and availability of an effective vaccine may reduce the potential market size for a particular viral disease.

Our goal, which we can give no assurance that we will achieve, is for NanoViricides, Inc. to become the premier company developing highly safe and effective drugs that employ an integrated multiplicity of actions as enabled by our nanomedicine approach for anti-viral therapy.

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 the sales of securities under our shelf registration and the private placement

of common stock (*See,* Item 5). The Company does not currently have any long term debt, other than Series B Convertible Debentures of $6M and the Series C Convertible Debentures of $5M presented in the Financial Statements and more fully described herein. 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.

Our Collaborations and Service Contract Agreements

Our development model is to employ collaborations and service contract relationships with renowned academic labs, government labs, as well as service contracts with external service providers in order to minimize our capital requirements.

All of our agreements provide for the evaluation of Nanoviricides® substances created and provided by the Company to the Laboratory (or Collaborator). In general, the Laboratory is compensated for certain material and personnel costs for these evaluations. The evaluations involve in vitro and in vivo scientific studies at the Laboratory using their established protocols. In some cases, the Company provides scientific input regarding certain modifications to their protocols as may be needed. The Laboratory returns the results and data to the Company. The Laboratory is allowed to publish the results after allowing time for the Company to protect intellectual property (IP) as needed. The Company sends nanoviricides as well as positive control (i.e. known therapeutics) and negative control (i.e. known not to work) compounds as needed in a fully formulated, ready to use form, to the Laboratory. All IP related to the nanoviricide materials, their formulations and reformulations, and their usage, rests with the Company. Any IP developed by the Laboratory regarding their own know-how, such as laboratory tests, their modifications, etc. rests with the Laboratory. Joint inventions are treated as per applicable US Laws.

The Company tries to choose the scientific laboratories with the most appropriate facilities and know-how relating to a particular field for the evaluation of an antiviral agent developed by the Company. The Company also tries to work with more than one laboratory for the evaluation of an antiviral agent developed by the Company. The Company also tries to work with more than one laboratory for a given group of viruses whenever possible. We seek to improve confidence by obtaining independent datasets for corroboration of the efficacy and safety of the nanoviricides we develop. In addition, the Company is not dependent on a particular Laboratory for the development of any specific drug candidate in our product pipeline.

To date, the Company has engaged in non-GLP Efficacy and Safety evaluations in both in vitro (cell culture models) and in vivo (animal models) of our different Nanoviricides® at different laboratories.

Our current relationships include:

For Herpes Virus Infections, and for Viral Diseases of the Eye (Adenoviruses, Herpesviruses - Epidemic Kerato-conjunctivitis (EKC), Herpes Keratitis):

1. The CORL at the University of Wisconsin, Madison, WI
2. The Campbell Lab at the University of Pittsburgh, PA
3. Department of Ophthalmology, Baylor University College of Medicine, Houston, TX

4. TransPharm Preclinical Solutions, MI, a CRO

For Influenza Viruses:

1. The Webster Lab at St Jude Children's Hospital, TN
2. Integrated Biotherapeutics, Inc., MD.
3. Public Health England, UK
4. Southern Research Institute, AL.

For Dengue Hemorrhagic Fever Viruses:

1. University of California at Berkeley, Prof. Eva Harris Lab.

For HIV:

1. Southern Research Institute, Frederick, MD.
2. Other collaborations in development.

For Ebola/Marburg Viruses:

1. United States Army Medical Institute of Infectious Diseases (USAMRIID), Dr. Pamela Glass Lab.
2. Public Health England, UK.

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In addition, we have signed an agreement with the Biologics Consulting Group (BCG), Alexandria, Virginia, to help us with the US FDA applications processes, and with the development of applications as well as drug development programs, as needed. We have also signed an agreement with Australian Biologics Pty, Ltd. to help us with the regulatory processes in Australia.

We have also signed a Master Services Agreement with BASi to perform cGLP and GLP-like safety and toxicological studies that are necessary for filing an IND for each of our drugs.

In April 2014, we finalized a Master Services Agreement (MSA) with Public Health England (PHE), UK, the British government's equivalent of the U.S. Centers for Disease Control, This agreement allows for animal efficacy evaluation of various nanoviricides drug candidates against viruses of mutual interest at the BSL2, BSL3 or BSL4 facilities at PHE-UK as the case may be.

We have also recently signed a Master Services Agreement with Integrated Biotherapeutics, Inc. ("IBT"), Gaithersburg, MD, a provider of pre-clinical anti-viral evaluation services. We intend to perform certain influenza drug candidate studies at IBT.

We have additional collaborations in the process of formalization. We have also signed a Non-Disclosure Agreement with the Lovelace Respiratory Research Institute, Albuquerque, NM.

We typically employ more than one external laboratory to perform testing for a particular disease agent in order to limit possible laboratory level bias. We previously had a collaborative research agreement with the Walter Reed Army Institute of Research (WRAIR), Dr. Putnak Lab, for work on dengue viruses. This agreement has since lapsed, but we believe it can be reactivated at an opportune time.

To date, we have entered into the following collaborations.

HSV-1 and HSV-2 Nanoviricides Efficacy Evaluation Agreement with the Collaborative Ophthalmic Research Laboratories (CORL) at the University of Wisconsin, Madison, WI.

In January 2016, we signed an agreement with CORL. Under this agreement, CORL will perform evaluation of efficacy of our nanoviricides drug candidates in cell culture assays as well as in small animal studies towards the goal of filing an IND application for ocular Herpes Keratitis, and possibly for recurrent Herpes Labialis (RHL, "cold sores"). The studies will be performed in the laboratory of Dr. Curtis Brandt, an expert in herpes simplex virus infections and in evaluating anti-viral agents.

Evaluation of Nanoviricides Efficacy Against Ocular Viral Infections; Agreement with the Campbell Lab at the University of Pittsburgh, PA

In January 2016, we signed an agreement with the Campbell Lab. Under this Agreement, the Campbell Lab will perform evaluation of efficacy of our nanoviricides drug candidates in cell culture assays against various strains of HSV-1, HSV-2, and Adenoviruses. Successful candidates will be further evaluated for efficacy in industry standard ocular animal models for Herpes Keratitis as well as Adenoviral Epidemic KeratoConjunctivitis (EKC), towards the goal of filing IND application(s) for ocular Herpes Keratitis, and for EKC. The research will be performed in the Charles T. Campbell Ophthalmic Microbiology Laboratory by Dr. Eric Romanowski, Research Director. Dr. Romanowski has extensive experience in ocular virus infections and anti-viral agents discovery.

Agreement with the Department of Ophthalmology, Baylor University College of Medicine, Houston, TX

In February 2016, we signed an agreement with the Pflugfelder Lab at Baylor. Under this Agreement, the Lab will perform confirmatory testing of certain nanoviricides for efficacy in a small animal model of Herpes Keratitis. The research will be supervised by Dr. Stephen Pflugfelder, Professor of Ophthalmology and the James and Margaret Elkins Chair in Ophthalmology at Baylor. Dr. Pflugfelder has extensive experience in ophthalmological research as well as in ocular drug development, including conducting clinical trials. The research will be performed in the laboratories of the Department of Ophthalmology. This program is currently on hold until appropriate personnel are hired at the Lab.

Research and Development Agreement with Professor Ken Rosenthal's laboratory at the Northeastern Ohio Medical University (NEOMED, formerly called NEOUCOM)

On May 13, 2010, the Company announced that it had signed a research and development agreement with Professor Ken Rosenthal's laboratory at the Northeastern Ohio Medical University (NEOMED). Pursuant to the terms of this Agreement, Professor Rosenthal and NEOMED will evaluate the effectiveness of nanoviricides drug candidates against Herpes Simplex Viruses, HSV-1 and HSV-2, in both cell culture and animal models. The focus of this evaluation will be the development of drug candidates against herpes skin infections (oral and genital herpes). Dr. Ken Rosenthal is a professor of microbiology, immunology and biochemistry at NEOMED. He is a leading researcher in the field of herpes viruses. 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 which, the Company believes, can be expected to lead to a broad-spectrum anti-HSV antiviral treatment capable of attacking both HSV-1 and HSV-2.

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 NEOMED. 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. Since then the Company was optimizing formulations for use in the dermal HSV-1 H129c infection animal model in the Rosenthal lab. The Company also continued to further optimize the anti-herpes nanoviricides. Our herpes program was run at a lower priority than other programs until recently. In April 2015, after only 4 cycles of SAR (Structure-Activity-Relationship based improvements), our anti-herpes nanoviricides demonstrated strong effectiveness in the lethal HSV-1 H129c dermal infection model in the Rosenthal Lab at NEOMED. Treatment with certain nanoviricides caused significant improvements in the clinical observations, and led to >85% survival of the infected animals, wherein 100% of the untreated animals died within 10 days. In August 2015, the Company reported that these results were reproduced in dermal animal model at Transpharm, with 100% of the nanoviricides treated animals surviving.

The HerpeCide program has thus advanced to the lead identification stage now. We are now working on this program with a high priority, in parallel with our Injectable FluCide program.

Professor Rosenthal retired in December 2014, continued his laboratory and our R&D through April 2015, and has closed the lab thereafter. He is now Professor at Roseman University of Health Sciences College of Medicine, NV. He continues as Professor Emeritus at Northeast Ohio Medical University (NEOMED).

Pre-Clinical Services Agreement with TransPharm

In January 2015, we commenced a master pre-clinical studies agreement with Transpharm Preclinical Solutions ("TransPharm"), a pre-clinical research services organization (CRO) in Jackson, MI. TransPharm has and will perform the topical dermal efficacy studies for our anti-HSV drug candidates. The agreement can also be extended to other indications for which TransPharm may already have an animal model or may be able to establish an animal model.

Regulatory Consulting and Advisory Agreement with Biologics Consulting Group, VA (BCG).

In July 2011 we signed an agreement with Biologics Consulting Group to help us with our regulatory strategy and filings. Several of the members of the BCG faculty had experience working as part of the US FDA.

BCG has helped us with the pre-IND filing for our anti-Influenza drug candidate, and for developing the herpesvirus treatment strategy.

In July 2012 we signed an agreement with Australian Biologics Pty Ltd to help us with our regulatory strategy and filings in Australia, and to help us with potentially developing clinical trials programs in Australia.

Technical Testing Agreement, dated December 15, 2007, between The Feinstein Institute for Medical Research ("Feinstein") and NanoViricides, Inc.

The term of this agreement ran from December 17, 2007 through December 31, 2010. Feinstein performed animal studies testing services on epidemic kerato-conjunctivitis and related viral diseases of the cornea and conjunctiva. All test results and inventions resulting from the tests remained property of the Company. Inventions resulting from the testing services would be determined by an independent patent counsel with the Company retaining a commercial license on such inventions. The Company paid Feinstein an amount equal to $40,090.19 for the costs associated with the research.

The first study of nanoviricide effectiveness against adenoviral EKC was completed at Feinstein in June, 2008. 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.

Anti-Influenza Drug Development Agreement with the Webster Lab at St Jude Children's Hospital, Memphis, TN

In May 2016, we signed an agreement with the Webster Lab at St. Jude Children's Hospital. Under this Agreement, the Webster Lab will evaluate nanoviricide drug candidates in cell culture studies against a large number of Influenza viruses to optimize the efficacy and broad-spectrum for a clinical development candidate. Variations on the previously selected ligand in NV-INF-1 and NV-INF-2 will be performed if necessary.

The testing of these candidates for anti-influenza activity will be performed in the laboratory of Dr. Elena Govorkova in collaboration with Dr. Robert G. Webster and will include both *in vitro* and *in vivo* studies. They have extensive experience in influenza virus infections with a large number of different influenza strains, and in anti-viral agents discovery. The overall objective of these studies will be to help select clinical drug development candidates for the treatment of influenza virus in humans, using both the injectable and oral administration routes. Injectable administration is preferable for hospitalized patients that are extremely sick, while oral administration is preferred for out-patients.

The most optimal candidate will then be evaluated against a wide variety of Influenza viruses in small animal efficacy studies with a goal of obtaining data for an IND submission for Injectable FluCide drug candidate for severely ill hospitalized patients, and also for Oral FluCide drug candidate for out-patients with Influenza.

Safety/Toxicology Studies Agreement with BASi

In September 2014, we signed an agreement with BASi. BASi is a pre-clinical contract services organization that specializes in cGLP and GLP-like safety and toxicological testing of drug candidates and preparation of the "Tox Package" section of an IND application. BASi performed a GLP-like preliminary safety and toxicology study in which there were no significant compound related adverse events found. Our safety and toxicology studies for FluCide are

being conducted by BASi for submission with an IND application. BASi will also perform the safety toxicology studies for the anti-herpes nanoviricide drug candidates in our HerpeCide program.

Research and Development Agreement with the University of California, Berkeley (UC Berkeley)

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). This agreement was extended in 2014.

Master Services Agreement, dated August 31, 2009, by and between Southern Research Institute ("Southern") and NanoViricides, Inc.

The term of this agreement was three years from its execution. The Company agrees to supply necessary quantities of its products in order for Southern to complete specific studies as to the efficacy and safety of the Company's compounds. The Company shall pay charges associated with each task order and provide payment in the amount and as indicated therein. Under this agreement, Southern will estimate the work load and invoices for additional task orders, subject to the Company's agreement on costs.

The Company's anti-HIV drug testing in cell cultures is performed at the Southern Research Institute in Frederick, MD.

Cooperative Research and Development Agreement for Material Transfer, dated October 15, 2007, between NanoViricides, Inc. and United States Army Medical Research Institute of Infectious Disease ("Laboratory").

The term of the agreement was for one year initially and extended for an additional year. It has been extended again, based on positive results. The Company shall invent, develop, and provide to the laboratory, Nanoviricides® that are expected to be capable of attacking a multiplicity of different Ebola and Marburg viruses. The Laboratory shall assess in vitro and in vivo activity of the anti-Ebola Nanoviricides® provided against the virus.

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.

Cooperative Research and Development Agreement for Material Transfer, dated October, 2014, between NanoViricides, Inc. and United States Army Medical Research Institute of Infectious Disease ("Laboratory").

The term of the agreement is for one year. The Company shall invent, develop, and provide to the laboratory, nanoviricides® that are expected to be capable of attacking a multiplicity of different Ebola and Marburg viruses. The Laboratory shall assess in vitro and in vivo activity of the anti-Ebola Nanoviricides® provided against the virus.

There is no payment by the Company to the Laboratory, nor from the Laboratory to the Company. USAMRIID has federal funding to support their part of the work.

The Company has lowered the priority of this program during the recent economic crisis in order to use our resources most effectively.

Clinical Study Agreement, dated May 6, 2009, between NanoViricides, Inc. and TheVac, LLC. ("Laboratory").

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. TheVac performed biological testing of certain anti-herpes nanoviricides. TheVac conducted studies on the effect of anti-herpes nanoviricide drug candidates against certain herpes simplex viruses in cell culture models. The studies indicated a >99.9% reduction in HSV-1 in cell culture assays by certain of our nanoviricide drug candidates. The Company paid the Laboratory the amount of $55,000 for the studies.

Materials Cooperative Research and Development Agreement between NanoViricides, Inc. and Centers for Disease Control and Prevention.

The CRADA provided that the CDC would test the efficacy of the Company's drug candidates against rabies. The nanoviricides provided by the Company remained its proprietary information. The CDC retains rights to certain inventions that may be conceived during testing. The Company paid the CDC an amount equal to approximately $10,000 for the costs associated with the research.

Other Agreements and Contracts

The Company continues to receive or obtain and evaluate various research and drug development collaborations with a number of parties that include government institutions, academic labs, contract service organizations, pharmaceutical companies, and other potential business collaborators or partners in the normal course of business. We have also received requests for material for testing under Material Testing Agreements (MTAs) from certain agencies. However, there can be no assurance that a final agreement may be forthcoming.

Further, the Company has had preliminary negotiations and discussions with other pharma and non-pharma commercial enterprises regarding commercial projects based on the Company's technologies.

We have developed lead drug candidates against a number of viral diseases. Proof-of-principle efficacy studies in animals have been conducted successfully in many of these.

KARD Scientific, LLC, Beverly, MA has performed several of the animal studies for evaluation of efficacy and of preliminary safety of our nanoviricides drug candidates against Influenza and HIV to date. KARD's contract services operations were closed down by its owner, Dr. Krishna Menon, due to personal reasons in 2014.

Previously, in December, 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 our anti-Influenza drug candidates in the FluCide™ program 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 of RabiCide-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.

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 finalized a CRADA with Walter Reed Army Institutes of Research (WRAIR) to develop collaboratively antiviral agents against all four types of dengue viruses in April, 2007. Preliminary work has commenced under this CRADA. This CRADA will need to be renegotiated due to changes in funding requirements at WRAIR. The Company has not renewed this agreement.

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. Most recently, the Company’s anti-HIV injectables animal testing was performed by KARD Scientific.

The above collaborations, subcontract, or service contract agreements, and our on-going animal studies at KARD scientific were sufficient to perform preliminary evaluations of effectiveness and safety of our drug candidates against a number of diseases.

In May 2013, we retained Coté Orphan Consulting (COC), headed by Dr. Tim Coté, to help us with identifying orphan drug indications in our portfolio and to perform the regulatory agency submissions needed for obtaining orphan drug designations for those drugs.

In April 2014, we finalized a Master Services Agreement (MSA) with Public Health England (PHE), UK the British government's equivalent of the U.S. Centers for Disease Control. This agreement allows for animal efficacy evaluation of various nanoviricides drug candidates against viruses of mutual interest at the BSL2, BSL3 or BSL4 facilities at PHE-UK as the case may be. Previously, we had signed a Non-Disclosure Agreement with PHE in July 2013. The MSA allows the scientists at Public Health England to develop a specific proposal for the testing of different nanoviricides, such as FluCide™, against viruses of "mutual interest" to both organizations.

In May 2014, we executed a Master Services Agreement with Integrated Biotherapeutics, Inc. ("IBT"), Gaithersburg, MD, a provider of pre-clinical anti-viral evaluation services. We intend to perform certain influenza drug candidate studies at IBT.

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: Human Immunodeficiency Virus (HIV/AIDS), Influenza including Asian Bird Flu Virus, Herpes Simplex Virus (HSV), Hepatitis C Virus (HCV), Hepatitis B Virus (HBV), and Rabies. 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.

In consideration for obtaining these exclusive licenses, we agreed: (1) that TheraCour can charge its costs (direct and indirect) plus no more than 30% of certain direct costs as a Development Fee and such development fees shall be due and payable in periodic installments as billed; (2) to 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 monthly, 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.; (5) TheraCour Pharma, Inc. retains the exclusive right to develop and manufacture the licensed drugs. TheraCour Pharma, Inc. 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; and (6) TheraCour may request and NanoViricides, Inc. will pay an advance payment (refundable) equal to twice the amount of the previous months invoice to be applied as a prepayment towards expenses. TheraCour may terminate the license upon a material breach by us as specified in the agreement. However, we may avoid such termination if within 90 days of receipt of such termination notice we cure the breach.

Development costs charged by TheraCour Pharma, Inc. for the year ended June 30, 2016, 2015 and 2014 were $3,731,498, $2,403,126 and $2,611,754 respectively. At June 30, 2016, open accounts payable of $767,454 is due TheraCour.

No royalties are due TheraCour from the Company’s inception through June 30, 2016.

TheraCourPharma, Inc., 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 capital stock of TheraCourPharma, Inc., which itself owns approximately 15.7 % of the Common Stock of the Company.

TheraCourPharma, Inc. owns 9,619,170 shares of the Company’s outstanding Common Stock and 2,000,000 shares of the Company’s Series A Preferred Stock at June 30, 2016.

The Company’s Drug Pipeline

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Management has significantly reprioritized its drug development programs with a view to bring its first drug candidate into human clinical trials as soon as possible. Table 2 lists the current drug development programs, targeted viruses, specific indications, current development stage, and priority levels.

The Company currently has drug candidates for eight different indications in various stages of development towards IND-filings. Of these, we believe that the Skin Cream against VZV and the Skin Cream against Herpes Labialis (or Recurrent Herpes Labialis, RHL) present the most rapid opportunities for maturing into clinical trials. We believe that the FluCide drug candidates will follow later because of the significant development work that needs to be performed in pre-clinical studies against a number of different influenza virus strains and subtypes.

Management's beliefs are based on results of pre-clinical cell culture studies and in vivo animal studies using small animals such as various types of specially engineered mice and rabbits, as appropriate.

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.

HerpeCide - We are currently optimizing the anti-HSV ligands in animal studies for different disease indications. We believe we will be able to successfully advance the optimized drug candidates into an IND and human clinical trials. We are developing anti-herpesvirus drugs against four different indications at present, namely, (1) skin cream for topical treatment of shingles (VZV), (2) skin cream for herpes labialis and recurrent herpes labialis (RHL) (HSV-1), (3) Eye drops for Herpes Keratitis treatment, and (4) skin cream for genital herpes (HSV-2) treatment.

Nanoviricide Eye Drops - We previously undertook a new project and have already designed a ligand, made a nanoviricide drug, and completed successful animal studies that indicate significant preliminary efficacy and safety of a drug candidate against the severe pink eye disease caused by adenoviruses called epidemic kerato-conjunctivitis. We have expanded the indication to include HSV, another cause of viral eye diseases. We designed new broad-spectrum ligands expected to be active against all HSV types and strains, as well as retaining the previously observed activity features against adenoviruses and created new nanoviricide drug candidates. We have already tested these against HSV in cell cultures. Animal model studies against Herpes Keratitis are anticipated after we improve the anti-HSV activity of the drug candidates.

FluCide. Injectable and Oral forms of the broad-spectrum anti-influenza drug candidate are currently in preclinical studies against all common influenzas as well as avian influenza H5N1. It is based on ligands that we have developed through rational drug design. These ligands are based on a well-known mechanism by which influenza viruses bind to cells. One mechanism involves the hemagglutinin coat protein of influenza virus binding to sialic acids on cell surfaces. Our broad-spectrum ligand used in FluCide is based on the sialic acid expressed by cells. Therefore, it is

expected to work well against all of the influenza viruses. Since all influenza viruses, no matter what type (A, B, C), which subtype (e.g. HxNy of Influenza A), or clades, or strains, must bind to one of two varieties of sialic acid, we have designed the ligand such that all of the influenza viruses may bind to our ligand. If an influenza virus escapes FluCide, this mutant virus would be unable to bind to both types of sialic acids, and would be thus unable to infect most animal species, including birds and mammals. We are currently developing an Injectable FluCide drug for hospitalized patients, and an Oral FluCide drug for the rest of the patients.

DengueCide - We obtained an orphan drug designation from the US FDA for our lead drug candidate in this program. We now plan on engaging into full pre-clinical development program for this drug candidate.

HIVCide is our first announced drug project against HIV-I. Our first HIV drug to be developed is a targeted nanoviricide against HIV and is engineered with specific recognition ligands that allow multiple-point binding to inactivate HIV virus in the bloodstream.

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. In particular, we are working on long term research projects for the purpose of eliminating persistent viruses thus providing true cures for many intractable diseases such as HIV/AIDS, Herpes, Shingles, Epstein-Barr Virus, among others.

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.

Drug Development Plan

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. ("TheraCour"), the exclusive source for these nanomaterials. With sourcing of materials from TheraCour, the Company prefers to manufacture these drugs in our own facility. However, the Company may manufacture these drugs 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. The Company has received significant interest from certain pharmaceutical companies for potential licensing or co-development of some of our drug candidates. However, none of these distributor or co-development agreements is in place at the current time.

Manufacturing

Manufacturing of Research Materials

Nanomaterials that form the basis of our nanoviricide drugs are produced for research by TheraCour Pharma, Inc. at our facilities in Shelton, Connecticut, under our licensing agreement with TheraCour.

Manufacturing of Drugs

The Company intends to manufacture Injectable and Oral FluCide, HIVCide, Nanoviricide Eye Drops, HerpeCide, DengueCide, RabiCide as well as other drugs for pre-clinical animal studies and human clinical studies, in facilities owned by the Company. Our cGMP-capable manufacturing facility in Shelton, CT has sufficient capacity for supply

of the pre-clinical and clinical batches needed for all of our drug candidates as and when they are anticipated to be needed. The Company may go to a cGMP third party provider for the final fill-and-finish of the clinical drug products.

For our future commercial products, we will need to develop additional manufacturing capabilities and establish additional third party suppliers to manufacture sufficient quantities of our product candidates to undertake clinical trials and to manufacture sufficient quantities of any products that are approved for commercial sale. If we are unable to develop manufacturing capabilities internally or contract for large scale manufacturing with third parties on acceptable terms for our future antiviral products, our ability to conduct large-scale clinical trials and meet customer demand for commercial products would be adversely affected.

We believe that the technology we use to manufacture our products and compounds is proprietary. For our products, we may have to disclose all necessary aspects of this technology to contract manufacturers to enable them to manufacture the products and compounds for us. We plan to have discussions with manufacturers under non-disclosure and non-compete agreements that are intended to restrict them from using or revealing this technology, but we cannot be certain that these manufacturers will comply with these restrictions. In addition, these manufacturers could develop their own technology related to the work they perform for us that we may need to manufacture our products or compounds. We could be required to enter into an agreement with that manufacturer if we wanted to use that technology ourselves or allow another manufacturer to use that technology. The manufacturer could refuse to allow us to use their technology or could demand terms to use their technology that are not acceptable.

We believe that we are in compliance with all material environmental regulations related to the manufacture of our products.

Competition

Our products in development target a number of diseases and conditions that include several different kinds of viral infections. There are many commercially available products for these diseases and a large number of companies and institutions are spending considerable amounts of money and other resources to develop additional products to treat these diseases. Most of these companies have substantially greater financial and other resources, larger research and development staffs, and extensive marketing and manufacturing organizations. If we are able to successfully develop products, they would compete with existing products based primarily on:

- efficacy;
- safety;
- tolerability;
- acceptance by doctors;
- patient compliance;
- patent protection;
- ease of use;
- price;
- insurance and other reimbursement coverage;
- distribution;
- marketing; and
- adaptability to various modes of dosing.

The current approved drugs for influenza include the neuraminidase inhibitors Tamiflu, Relenza, and Peramivir, anti-influenza drugs that are sold by Roche, Glaxo SmithKline (GSK), and BioCryst partners, respectively. In addition, M2 channel inhibitors, generic drugs include amantadine and rimantadine, both oral tablets that only inhibit the replication of the influenza A virus. There is significant viral resistance to the approved M2 channel inhibitors especially in the US. Several companies are developing anti-influenza drugs at present. Small chemical classes include neuraminidase inhibitors, M2-channel inhibitors, and RDRP inhibitors, among others. There are also monoclonal, polyclonal, and mixed antibodies, as well as enzymes as drugs in development.

There are a growing number of anti-HIV drugs being sold or in advanced stages of clinical development. Companies with HCV and HIV products include Gilead, Bristol-Myers Squibb Company (BMS), Roche, Boehringer Ingelheim, Merck & Co., Inc. (Merck), in addition to several other pharmaceutical and biotechnology firms.

There are currently no approved drugs for the treatment of viral diseases of the external eye. A drug in development, called CTC-96, was shown to have little clinical benefit in published animal studies. Another drug in development, an Aganocide(tm) compound from NovaBay Pharma in collaboration with Alcon went through Phase II clinical studies. Alcon (a division of Novartis) discontinued further development of this drug following mixed results in a Phase II clinical trial. NovaBay regained the rights to it and continued further development. Aganocides, by virtue of their chemical structure, are generally not expected to be useful for any applications other than topical.

There are several drugs in the market that effectively control HSV cold sores and genital herpes lesions in most patients. These include the nucleoside analogues idoxuridine, vidarabine, acyclovir, famciclovir, and derivatives. However, their efficacy is limited or toxicities are high. Brincidofovir, based on the toxic drug cidofovir, is in development by Chimerix, but certain clinical trials involving brincidofovir have failed to meet the desired end points.

Currently there are two accepted methods of rabies prophylaxis: rabies vaccines and rabies immune globulin, manufactured by many foreign and multinational manufacturers including Aventis Pasteur and Chiron (acquired by Novartis). These accepted methods will be the standard against which our new anti-rabies drug in development will be judged.

In order to compete successfully, we must develop proprietary positions in patented drugs for therapeutic markets. Our products, even if successfully tested and developed, may not be adopted by physicians over other products and may not offer economically feasible alternatives to other therapies.

Government Regulation

Our operations and activities are subject to extensive regulation by numerous government authorities in the United States and other countries. In the United States, drugs are subject to rigorous regulation by the United States Food and Drug Administration ("FDA"). The Federal Food, Drug and Cosmetic Act and other federal and state statutes and regulations govern the testing, manufacture, safety, effectiveness, labeling, storage, record keeping, approval, advertising and promotion of our products. As a result of these regulations, product development and the product approval process is very expensive and time consuming.

The FDA must "license" a drug before it can be sold in the United States. As of the date of this filing, the FDA has approved other nano-particulate drugs including Emend® by Merck and Rapamune® by Wyeth, as well as others. The general process for FDA approval is as follows:

Preclinical Testing

Before we can test a drug candidate in humans, we must study the drug in laboratory experiments and in animals to generate data to support the drug's potential safety and benefits. We submit this data to the FDA in an investigational new drug application IND seeking their approval to test the compound in humans.

Clinical Trials

If the FDA accepts the investigational new drug application, we study the drug in human clinical trials to determine if the drug is safe and effective. These clinical trials involve three separate phases that often overlap, can take many years to compile and are very expensive. These three phases, which are themselves subject to considerable regulation,

are as follows:

- Phase I. The drug is given to a small number of healthy human subjects or patients to test for safety, dose tolerance, pharmacokinetics, metabolism, distribution and excretion.

- Phase II. The drug is given to a limited patient population to determine the effect of the drug in treating the disease, the best dose of the drug, and the possible side effects and safety risks of the drug.

- Phase III. If a compound appears to be effective and safe in Phase II clinical trials, Phase III clinical trials are commenced to confirm those results. Phase III clinical trials are long-term, involve a significantly larger population, are conducted at numerous sites in different geographic regions and are carefully designed to provide reliable and conclusive data regarding the safety and benefits of a drug. It is not uncommon for a drug that appears promising in Phase II clinical trials to fail in the more rigorous and reliable Phase III clinical trials.

FDA Approval Process

If we believe that the data from the Phase 3 clinical trials show an adequate level of safety and effectiveness, we will file a new drug application (NDA) with the FDA seeking approval to sell the drug for a particular use. The FDA will review the NDA and often will hold a public hearing where an independent advisory committee of expert advisors asks additional questions regarding the drug. This committee makes a recommendation to the FDA that is not binding on the FDA but is generally followed. If the FDA agrees that the compound has met the required level of safety and effectiveness for a particular use, it will allow us to sell the drug in the United States for that use. It is not unusual, however, for the FDA to reject an application because it believes that the drug is not safe enough or effective enough or because it does not believe that the data submitted is reliable or conclusive.

At any point in this process, the development of a drug could be stopped for a number of reasons including safety concerns and lack of treatment benefit. We cannot be certain that any clinical trials that we are currently conducting or any that we conduct in the future, will be completed successfully or within any specified time period. We may choose, or the FDA may require us, to delay or suspend our clinical trials at any time if it appears that the patients are being exposed to an unacceptable health risk or if the drug candidate does not appear to have sufficient treatment benefit.

The FDA may also require us to complete additional testing, provide additional data or information, improve our manufacturing processes, procedures or facilities or may require extensive post-marketing testing and surveillance to monitor the safety or benefits of our product candidates if it determines that our new drug application does not contain adequate evidence of the safety and benefits of the drug. In addition, even if the FDA approves a drug, it could limit the uses of the drug. The FDA can withdraw approvals if it does not believe that we are complying with regulatory standards or if problems are uncovered or occur after approval.

In addition to obtaining FDA approval for each drug, we obtain FDA approval of the manufacturing facilities for any drug we sell, including those of companies who manufacture our drugs for us as well as our own and these facilities are subject to periodic inspections by the FDA. The FDA must also approve foreign establishments that manufacture products to be sold in the United States and these facilities are subject to periodic regulatory inspection.

We are also subject to other federal, state and local regulations regarding workplace safety and protection of the environment. We use hazardous materials, chemicals, viruses and various radioactive compounds in our research and development activities and cannot eliminate the risk of accidental contamination or injury from these materials. Any misuse or accidents involving these materials could lead to significant litigation, fines and penalties.

Drugs are also subject to extensive regulation outside of the United States. In the European Union, there is a centralized approval procedure that authorizes marketing of a product in all countries in the European Union (which includes most major countries in Europe). If this procedure is not used, under a decentralized system, an approval in one country of the European Union can be used to obtain approval in another country of the European Union under a simplified application process at present. After approval under the centralized procedure, pricing and reimbursement approvals are also required in most countries. These procedures are undergoing revision and modification at present. We have never received approval for a product in the European Union to date.

Time Schedules, Milestones and Development Costs

In the event that funding can be achieved, we shall endeavor to achieve completion of the following events within the next twelve months:

The status of each of our major research and development projects is as follows:

Table 4: Drug Development Status

Project 1	**Injectable FluCide™ against All Influenzas for Hospitalized Patients**
Current status	We have declared a clinical candidate for influenza, NV-INF-1. This single drug is expected to be effective against most if not all influenza viruses. It is expected to be highly effective against all Influenza A viruses including bird flu H5N1 all clades, Highly Pathogenic Avian Influenzas of all types, subtypes and strains, seasonal Influenzas, H7N9, H3N2, as well as 2009/H1N1 epidemic virus. We are now engaging into advanced pre-clinical drug development, or IND-enabling studies. We are currently performing synthesis scale up studies and the studies required for the Chemistry, Manufacture and Controls section of an IND application. We have performed initial safety/toxicology studies in small animals- mice and rats - intended at helping with the design of the full Safety and Toxicology studies ("Tox Package"). We have prepared and used a first batch of materials for initial tox package studies. We intend to perform full Tox Package Studies when sufficient quantities become available. We also plan to perform additional animal studies as well as cell culture studies for efficacy of this drug candidate against a limited, unrelated influenza virus subtypes and strains. These studies are required for developing an Investigational New Drug (IND) application to the US FDA.
Nature, timing and estimated costs	The Company had budgeted approximately $1,500,000 for the material development, production and testing of this drug in 2012 and 2013, an additional $2M in 2014, and spent approximately $1.6M in 2015 on this project. These costs were paid from our available cash balances. Management has determined the results to be satisfactory. We now need to perform material characterization, pharmaco-kinetic, pharmaco-dynamic and toxicology studies, as well as extensive pre-clinical efficacy studies in both cell cultures and in animal models against a large number of different subtypes of Influenza viruses. We have presently budgeted this work plan at $2,500,000. If we are successful with the IND, we could begin Phase I and Phase II human clinical trials. We have estimated costs of approximately $5,000,000 for the initial human clinical trials and associated expenses of this drug candidate. The Company has sufficient cash in hand to cover the costs associated with the aforesaid studies and the initial human clinical trials.
Anticipated completion date	Preclinical stage workload remaining is approximately 12-18 months. However, because of the complexities of FluCide development including number of Influenza virus strains, etc., the project speed is limited by our available third party collaborations. We have now signed a collaborative

	agreement with the Webster Lab at the St. Jude Children's Hospital in Memphis, TN for this purpose. The Company anticipates filing an IND application after completion of the preclinical IND-enabling studies. Phase I drug testing to begin after the IND filing, and requires availability of cGMP-like manufactured product. The cGMP production capability is expected to be achieved in 9 to 12 months after we begin scale up production in the new facility. This project has priority level C, behind the Topical HerpeCide projects.
Timing of commencement of expected material net cash inflows	If we complete our preclinical studies in the next 12~18 months, and also are able to produce clinical batches at the end of this period, we can expect Phase I and Phase II human clinical trials to be completed at the earliest by 2018-2019. However, we have assigned a lower priority to this project, and this may cause reduced personnel, time, and budget allocation that could cause delays. Revenues may occur as a result of licensing the drug to another pharmaceutical partner at this stage. After Phase III clinical trials completion, revenues are expected to occur after FDA approval and marketing of the drug. Revenues may occur earlier if Flucide is approved for use in other countries or if the BARDA authority determines that FluCide should be stockpiled in the USG CDC stockpile of drugs for defense against pandemic influenza. If we are successful in partnering the drug with another pharmaceutical Company, we may see revenues much earlier than FDA approval.

The potential market for Injectable FluCide may be in the range of $300M to $3B, depending upon market penetration and other conditions. Our current manufacturing capability at the Shelton plant may be estimated to be capable of supplying approximately $50M-$200M of the demand at full-scale operation, depending upon the cost of the drug and the dose required. This production scale is believed to be sufficient for initial market entry and is expected to be able to produce revenues that can fuel a larger manufacturing capacity needed for this drug product. However, the Company intends to license commercial manufacture of this drug to a commercial partner.

Project 2 **Oral FluCide™ against All Influenzas for Out-Patients**

Current status	We have developed a highly effective anti-influenza drug candidate that is active when given orally. We believe that we will be able to optimize this drug candidate and declare a clinical candidate with a limited amount of structure-activity-relationship (SAR) efficacy studies. This single drug is expected to be effective against most if not all influenza viruses. It is expected to be highly effective against all Influenza A viruses including bird flu H5N1 all clades, Highly Pathogenic Avian Influenzas of all types, subtypes and strains, seasonal Influenzas, H7N9, H3N2, as well as 2009/H1N1 epidemic virus. We are now engaging into advanced pre-clinical drug development, or IND-enabling studies. After completing the SAR studies, we will need to perform synthesis scale up studies and the studies required for the Chemistry, Manufacture and Controls section of an IND application. We believe that these studies will benefit from the studies already performed for the injectable FluCide version, as both the oral and injectable drug candidates employ the same virus-binding ligand. We intend to perform Safety and Toxicology studies (“Tox Package”) when sufficient quantities become available. We also plan to perform additional animal studies as well as cell culture studies for efficacy of this drug candidate against a limited, unrelated influenza virus subtypes and strains. These studies are required for developing an Investigational New Drug (IND) application to the US FDA.
Nature, timing and estimated costs	The Company had budgeted approximately $500,000 for the material development, production and testing of this drug in 2012 and 2013. These costs were paid from our available cash balances. Management has determined the results to be satisfactory. We now need to perform SAR, followed by material characterization, pharmaco-kinetic, pharmaco-dynamic and toxicology studies, which we have presently budgeted at $2,500,000. The Company intends to undertake these oral influenza drug studies after advancing Topical HerpeCide (4) and Injectable Influenza and drug candidates into clinical stage. If we are successful with the IND, we could begin Phase I and Phase II human clinical trials. We have estimated costs of approximately $10,000,000 for the initial human clinical trials of this drug candidate.
Anticipated completion date	Preclinical stage is expected to be completed in 9-24 months after filing an IND application for our Injectable FluCide drug candidate, based on our current prioritization, and is dependent on external contractor dependencies. The Company anticipates filing an IND application after completion of the preclinical IND-enabling studies. Phase I drug testing to begin after the IND filing, and requires availability of cGMP-like manufactured product. The cGMP production capability is expected to be achieved in 9 to 12 months following cGMP production of the injectable FluCide drug candidate.

Risks and uncertainties associated with completing development on schedule, and the consequences to operations, financial position and liquidity if not completed timely	The outcome of clinical testing cannot be known at this time, and this poses substantial risk and uncertainty as to whether or when if ever, this drug will become marketable. The volume of demand at market introduction would be too large to be manufactured in our current facilities. However, we believe as we advance the Injectable FluCide into human clinical trials, we will be able to resolve the large scale manufacturing issues. We intend to license large-scale manufacture to a commercialization partner.
Timing of commencement of expected material net cash inflows	Due to several uncertainties and external dependencies in this project, initial revenues commencement date cannot be projected reliably at present. The potential market for oral FluCide may be in the range of $1B to $10B, depending upon market penetration. However, the large market will also require a larger manufacturing facility. We believe that a successful Phase IIa human clinical study should enable the capital formation required for building a larger scale manufacturing facility.
Project 3	**Nanoviricide Eye Drops for all Viral Infections of the External Eye**
Current status	We have developed new, broad-spectrum. ligands that should be capable of enabling nanoviricide binding to herpes simplex viruses, while retaining the features that were previously successful against adenoviral EKC in clinical studies. The resulting nanoviricides have been tested against HSV-1 in cell cultures against two different strains of HSV-1, and a lead drug candidate has been identified. We are developing nanoviricide eye drop solution that should be capable of resolving the broad range of viruses that can cause infections of the external eye resulting in conjunctivitis or keratitis. The majority of these viruses are adenoviruses or HSV. We have recently found excellent effectiveness of our anti-herpes nanoviricide drug candidates against HSV-1. We believe that the same drug candidate should work well in the external eye application when formulated appropriately.
Nature, timing and estimated costs	The Company has budgeted approximately $300,000 for the material development, production and testing of this drug. These costs will be paid from our available cash balances. Should management determine the results to be satisfactory, we will need to obtain additional financing to perform material characterization, pharmaco-kinetic, pharmaco-dynamic and toxicology studies, which we have presently budgeted at $1,500,000. The Company has sufficient cash in hand to cover the costs associated with the aforesaid studies. The priority level for this project is B, following the Topical Shingles Skin Cream and the HerpeCide for Cold Sores.
Anticipated completion date	Pre-clinical stage workload is estimated at 18-24 months. We have established collaborations with CORL at U Wisconsin, the Campbell Lab at U Pittsburgh, and Baylor to enable different animal models with different viruses for ocular nanoviricide efficacy and safety evaluations.
Risks and uncertainties associated with completing development on schedule, and the consequences to operations, financial position and liquidity if not	We believe that our current cGMP-like manufacturing facility has the capacity for the production of clinical quantities as well as for initial market entry for ocular nanoviricide. We may need to engage with a commercialization partner for manufacturing of the marketed drug, when ready.

completed timely

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Timing of commencement of expected material net cash inflows	Much of the drug candidate optimization for this project may be performed in the context of our Topical HerpeCide project, although some special issues related to infection and treatment of the eye and the treatment of adenoviruses will remain and will need to be worked out as part of this project. As an alternative, the Company may advance a separate drug candidate against ocular herpes infections (herpes keratitis, HK), as an outgrowth of the dermal herpecide program. Such a HK-only drug candidate may be expected to go into IND filing stage about 9-12 months after the IND filing of a dermal herpecide.
	The potential market size for an HK-only drug may be in the $1B range. A single broad-spectrum drug that works against adenoviruses as well herpesvirus infections of the eye is much more desirable from a clinical standpoint. There is no treatment for adenoviral infections of the eye at present, although they are self-limiting.
Project 4	**HIVCide™, nanoviricide against HIV/AIDS viruses**
Current status	HIV-Cide is currently in preclinical studies. It is designed to mimic the site at which all HIV gp120 bind to the CD4 receptor. It is therefore expected to work against all HIV-1 subtypes and strains. HIV-Cide has been successfully tested in SCID-huThy/Liv mouse model and was found to have very high efficacy, equal to that of >25X (2,500%) dosage level of the triple drug HAART combination therapy. In vitro studies against two different HIV-1 strains were very successful. The Company is planning additional in-vivo and in-vitro studies at various institutions and subcontractors to further optimize the drug candidate.
Nature, timing and estimated costs	The Company has budgeted approximately $2,000,000 for the material development, production and testing of this drug. These costs will be paid from our available cash balances. Should management determine the results to be satisfactory, we will need to obtain additional financing to perform material characterization, pharmaco-kinetic, pharmaco-dynamic and toxicology studies, which we have presently budgeted at $7,000,000. We conduct HIVCide development at a slow pace because of the inherent long nature of these studies, and also because we do not have sufficient funds to dedicate to this project.
Anticipated completion date	Not known. This is a low priority level D project.
Risks and uncertainties associated with completing development on schedule, and the consequences to operations, financial position and liquidity if not completed timely	The outcome of clinical testing cannot be known at this time, and this poses substantial risk and uncertainty as to whether or when if ever, this drug will become marketable.
Timing of commencement of expected material net cash inflows	It is not known or estimable when net cash inflows from this project will commence if ever, due to the uncertainties associated with the completion of the product, regulatory submissions, approvals and market purchases of this product.

Project 5	**HerpeCide™ for (i) Oral Cold Sores, "Fever Blisters" and (ii) Genital Herpes or Herpetic Ulcers, (iii) Skin Cream for Shingles and PHN (3 Indications)**
Current status	HerpeCide is currently in preclinical studies against oral and genital herpes virus infections. It is being developed as a skin cream or gel formulation. We have recently found excellent effectiveness of our anti-herpes nanoviricide drug candidates against HSV-1 in animal studies using a highly aggressive, neurotropic, strain, namely H129c. We have accelerated the Topical HerpeCide program with the goal of developing IND candidates for several herpes virus disease indications.
Nature, timing and estimated costs	This program is at the top priority level of "A". The Company has budgeted approximately $2,000,000 for the material development, production and testing of this drug. These costs will be paid from our available cash balances. The Company has sufficient cash in hand to cover the costs associated with the aforesaid studies.
Anticipated completion date	The IND-enabling studies workload is expected to be about 9-18 months, depending upon potential risks in achieving cGMP-like production, assuming we continue to achieve reproducible successes in efficacy and safety evaluations. We have engaged with TransPharm preclinical services to perform animal efficacy studies using the animal model of Professor Ken Rosenthal, as well as with the CORL at U Wisconsin, for similar dermal (and ocular) small animal model evaluations. We plan on entering additional collaborations with appropriate parties for shingles-related studies. The outcome of clinical testing cannot be known at this time, and this poses substantial risk and uncertainty as to whether or when if ever, this drug will become marketable.
Risks and uncertainties associated with completing development on schedule, and the consequences to operations, financial position and liquidity if not completed timely	Clinical studies for a topical drug for (i) shingles breakout, or (ii) herpes labialis ("cold sores") dermal herpes breakouts are expected to be somewhat complex. While Phase I clinical studies are rather simple due to the topical nature, Phase II studies would require recruitment of patients when breakout occurs, and would also require a current approved treatment arm such as Valtrex™. We are working on developing relationships with clinical hospitals for this purpose. We believe that our current cGMP-like manufacturing facility has the capacity for the production of clinical quantities as well as for initial market entry. We may need to engage with a commercialization partner for manufacturing of the marketed drug, when ready.
Timing of commencement of expected material net cash inflows	The market size for an effective topical shingles cream could be about $1B, and for topical herpecide cream or gel is estimated to be around $1-10B. The timing of revenues cannot be predicted at this time.
Project 6	**DengueCide™, a nanoviricide against all Dengue viruses**
Current status	Anti-dengue nanoviricide drug candidates are currently in preclinical studies. These candidates are being designed to mimic the human cell binding sites common to all types of dengue viruses. The best nanoviricide resulted in a 50% survival of mice in a uniformly lethal animal protocol simulating the ADE effect. This drug candidate has

	been designated an Orphan Drug for Dengue by the US FDA. This orphan drug designation carries with it several economic benefits that accrue mostly upon drug approval.
Nature, timing and estimated costs	The Company has budgeted approximately $1,000,000 for the material development, production and testing of this drug. These costs will be paid from our available cash balances. Should management determine the results to be satisfactory, we will need to obtain additional financing to perform material characterization, pharmaco-kinetic, pharmaco-dynamic and toxicology studies, which we have presently budgeted at $2,000,000. This is low priority project, level “D”. The Company has sufficient cash in hand to cover the costs associated with the aforesaid studies.
Anticipated completion date	Not known

Risks and uncertainties associated with completing development on schedule, and the consequences to operations, financial position and liquidity if not completed timely	The outcome of clinical testing cannot be known at this time, and this poses substantial risk and uncertainty as to whether or when if ever, this drug will become marketable.
Timing of commencement of expected material net cash inflows	It is not known or estimable when net cash inflows from this project will commence if ever, due to the uncertainties associated with the completion of the product, regulatory submissions, approvals and market purchases of this product.

Project 7	**EbolaCide™: Anti-Ebola nanoviricide**
Current status	We have suspended this program. We had restarted it due to the worldwide emergency and severe threat posed by the ebola pandemic of 2014 that appeared to be expanding out of control. This program can be restarted if non-dilutive funding becomes available. All of the previously funded projects that had developed viable drug candidates with pre-clinical successes have failed in the field in the ebola epidemic. This is primarily because of the highly specific nature of the drugs such as antibodies (zMAPP), siRNA (Tekmira), and oligonucleotides (Sarepta). Favipravir (Takeda), as well as brincidofovir (Chimerix) had very limited efficacy in pre-clinical studies. In addition, Sarepta and BioCryst did not advance their anti-Ebola drug candidates into efficacy clinical trials. Thus, anti-ebola drug is still an unmet medical need.
Nature, timing and estimated costs	The Company has budgeted and spent approximately $300,000 for the internal material development, production and testing of this drug in FY2015. These costs are being paid from our available cash balances.
Anticipated completion date	We do not have a completion date. This is now a background project.
Timing of commencement of expected material net cash inflows	We cannot project the timing of revenues, if any, from this project. We will continue to seek funding from non-dilutive sources for this project.

Other drug candidates:

Nanoviricides against Rabies, Hepatitis C Virus (HCV), Middle East Respiratory Syndrome human Coronavirus (MERS-CoV), 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.

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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 work-plan we have developed for the next twelve months is expected to enable us to file an investigational new drug application late in calendar year 2017 at best, and we believe we have the funding needed for the same. Our work-plan is extremely dependent on external factors, collaborations, and unanticipated delays can occur. We have experienced unanticipated delays in construction, post-construction modifications, and equipment set-up at our new Shelton facility that cumulatively effectively delayed our work-plan towards IND filing of our first drug candidate by more than 24months. However, we believe that most of those issues are now overcome.

Enabling the cGMP facility has been the major issue for us in the past in our progress towards regulatory filings. We believe that this issue should be resolved in the ensuing fiscal year, with a kg-scale pilot “cGMP-like” facility coming on line. A non-GMP 200g scale production setup is being worked on at present. This scale is sufficient for all of our anti-herpes drug candidates, and the eye nanoviricide drug candidate. Thus we anticipate that our anti-herpes drug development can be accelerated as this production capacity develops. cGMP-like production for the 200g scale should be enabled in 3-6 months after the 200g scale optimizations are completed.

During the scale up and optimization of our production level operations, we continue to work on a number of different polymer backbones (“nanomicelles”) and several antiviral ligands in order to make sure that different formulation and pharmacokinetic-pharmacodynamic (PK-PD) needs can be met during the PK-PD programs for our various drug candidates. While this loads up our initial activities, it is expected to de-risk the further drug development towards IND or regulatory filings by making available backup drug candidates with different PK-PD profiles.

This work-plan is expected to reduce certain risks 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.

We believe that because we are working in the infectious agents area, our studies will have objective response end points, and further, studies on acute viral infectious diseases are expected to 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 needs.

We believe that we have sufficient funding for taking at least one of our drug candidates into initial clinical trials, and at least one or more additional candidates into the regulatory filing stage. We do not anticipate raising additional funds in the near future. When needed, management intends to use equity-based and debt financing, as required, to fund the Company's operations. Management also intends to pursue non-diluting funding sources such as government grants and contracts as well as licensing agreements with other pharmaceutical companies. There can be no assurance that the Company will be able to obtain the additional financial resources necessary to fund its anticipated obligations beyond the next twenty-four months.

The Company is considered to be a development stage company and will continue in the development stage until generating revenues from the sales of its products or services.

Results of Operations

The Company is a biopharmaceutical company and does not have any revenue for the years ended June 30, 2016, 2015 and 2014.

Comparison of the Year End June 30, 2016 to the Year Ended June 30, 2015

Revenues - The Company is a non-revenue producing entity.

Operating Expenses - General and administrative expenses increased $ 427,753 to $ 3,830,531 for the year ended June 30, 2016, from $3,402,778 for the year ended June 30, 2015. The increase in general and administrative expenses is generally attributable to an increase in stock compensation paid to employees and an increase in employment.

Research and development expenses for the year ended June 30, 2016 increased $1,368,648 to $5,028,970 from $3,660,322 for the year ended June 30, 2015. This year to year increase is generally attributable to the increase in the number of employees and salaries, an increase in lab supplies and chemicals and an increase in stock compensation to research scientists.

Other Income (Expenses)- Interest income was $62,638 and $160,859 for the years ended June 30, 2016, and 2015, respectively. Interest income included interest on cash or cash equivalent deposits in interest-bearing account. Interest income decreased due to decrease in interest rates. The Company has incurred interest expense of $1,042,470 and $2,649,592 for the years ended June 30, 2016 and June 30, 2015 respectively. The Company amortizes the discount on its Series B and Series C Debentures which were calculated at issuance. The Company recognized an amortization of bond discount expense of $1,427,218 and $1,175,344 for the years ended June 30, 2016 and 2015, respectively.

Income Taxes - There is no provision for income taxes due to ongoing operating losses. As of June 30, 2016, we had estimated cumulative tax benefits and development tax credits and other deferred tax credits resulting in a deferred tax asset of approximately $27,800,000. This amount has been offset by a full valuation allowance.

Net Loss - For the year ended June 30, 2016, the Company had a net loss of $10,724,629, or a basic loss per share of $0.19 and fully diluted loss per share of $0.19 compared to a net loss of $2,198,172, or a basic loss per share of $0.04 and a fully diluted loss per share of $0.09 for the year ended June 30, 2015. The increase in the Company’s net loss from the year ended June 30, 2015 to the year ended June 30, 2016 of $8,526,457 is generally attributable to the

smaller gain resulting from the change in fair value of derivatives, and offsetting decreases in noncash expenses and interest expenses and compensation paid in the Company's stock or other securities.

Liquidity and Capital Reserves

The Company had cash and cash equivalents of $24,162,185 and $31,467,748 at June 30, 2016 and 2015 respectively. On the same dates, current liabilities outstanding totaled $6,744,014 and $600,895, respectively.

Since inception, the Company has expended substantial resources on research and development. Consequently, we have sustained substantial losses. The Company has an accumulated deficit of $64,824,201 and $54,099,572 at June 30, 2016 and 2015, respectively.

The Company estimates that it can support current budgeted operations through June 30, 2018.

While our cash and cash equivalent balance is sufficient for us to continue our operations through June 30, 2018, it is insufficient to fully execute the Company's business plan. If the Company is unable to obtain debt or equity financing to meet its cash needs it may have to severely limit its business plan by reducing the funds it hopes to expend on pre-clinical studies and trials, and/or research and development projects.

Comparison of the Year End June 30, 2015 to the Year Ended June 30, 2014

Revenues - The Company is a non-revenue producing entity.

Operating Expenses - General and administrative expenses decreased $ 133,071 to $ 3,402,778 for the year ended June 30, 2015, from $3,535,849 for the year ended June 30, 2014. The decrease in general and administrative expenses is generally attributable to a decrease in the valuation of stock compensation paid to employees. The recent decrease in the Company's share price resulted in a decrease in the compensation costs recognized. These decreases were offset by a reimbursement of litigation costs paid of $150,000.

Research and development expenses for the year ended June 30, 2015 decreased $1,471,201 to $ 3,660,322 from $5,131,523 for the year ended June 30, 2014. The cost of research and development increased, however, this year to year decrease is generally attributable to a decrease in the valuation of stock compensation paid to research scientists which is calculated based upon the Company's stock price at the date of issuance or, in regards to the Company's Series A Preferred Shares, the estimated fair value as calculated based upon certain assumptions including the Company's share price (See Note 8 to the Financial Statements), and to certain chemical inventories, supplies and other costs paid in the prior fiscal year.

Other Income (Expenses) – Interest income was $160,859 and $171,001 for the years ended June 30, 2015, and 2014, respectively. Interest income included interest on cash or cash equivalent deposits in interest-bearing account. The Company has incurred interest expense of $2,649,592 and $3,092,550 for the years ended June 30, 2015 and June 30, 2014 respectively. The Company amortizes the discount on its Series B and Series C Debentures which were calculated at issuance. The Company recognized an amortization of bond discount expense of $1,175,344 and $569,495 for the years ended June 30, 2015 and 2014, respectively. The increase in bond discount expense arises from the Series C Debenture issued on July 2, 2014.

Income Taxes – There is no provision for income taxes due to ongoing operating losses. As of June 30, 2015, we had estimated cumulative tax benefits and development tax credits and other deferred tax credits resulting in a deferred tax asset of approximately $34,327,000. This amount has been offset by a full valuation allowance.

Net Loss - For the year ended June 30, 2015, the Company had a net loss of $2,198,172, or a basic loss per share of $0.04 and fully diluted loss per share of $0.09 compared to a net loss of $13,601,616, or a basic loss per share of $0.27 and a fully diluted loss per share of $0.27 for the year ended June 30, 2014. The reduction in the Company's net loss from the year ended June 30, 2014 to the year ended June 30, 2015 of $11,403,444 is generally attributable to decreases in noncash expenses and the gain resulting from the change in fair value of derivatives, and interest expenses and compensation paid in the Company's stock or other securities.

Liquidity and Capital Reserves

The Company had cash and cash equivalents of $31,467,748 at June 30, 2015. On the same date, current liabilities outstanding totaled $600,895.

Since inception, the Company has expended substantial resources on research and development. Consequently, we have sustained substantial losses. The Company has an accumulated deficit of $54,099,572 at June 30, 2015.

Current Financial Status

NanoViricides technology is now maturing rapidly toward clinical drug trials, with the new facility, expanded staff, and the financial strength that we have attained since uplisting to NYSE-MKT in September 2013.

As of June 30, 2016, the end of the reporting period, we have $24,162,185 in cash and cash equivalents, pre-paid expenses of $219,458 and $11,760,767 of Property and equipment net of accumulated depreciation. Our short-term liabilities were at $6,744,015 and long term liabilities were $6,841,190. Stockholders' equity stood at $23,048,214. In comparison, as of June 30, 2015, we had $31,467,748 in cash and cash equivalents, and additional assets of $214,425 in the form of prepaid expenses. Property and equipment was $11,962,648 (net of accumulated depreciation), and Long term Liabilities were $11,800,327 with Stockholders' Equity at $31,785,867.

During the reporting period we spent approximately$6.8M in cash toward operating activities and approximately $447K in capital investment. In contrast, we spent approximately $6.2M in cash toward operating activities and approximately $5.76M in capital investment in the year ended June 30, 2015. We do not anticipate any major capital costs going forward in the near future.

Based on the current rate of expenditures (excluding capital costs), we believe that we have sufficient funds in hand to last more than two years. In addition, in order to conserve cash expenditures, we also pay compensation in stock and stock instruments to various parties.

The Company has incurred significant operating losses since its inception resulting in an accumulated deficit of $64,824,201 at June 30, 2016. For the year ended June 30, 2016, the Company had a net loss of $10,724,629. 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.

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.

The following table 3 summarizes the primary components of our research and development expenses as allocated, during the periods presented in this Annual Report on Form 10-K.

Table 3: R&D Cost Allocations

	Year Ended June 30, 2016	Year Ended June 30, 2015	Year Ended June 30, 2014
All Influenzas: FluCide™	$,670,000	$ 1,629,000	$ 2,000,000
EKC-Cide™, other Eye Viral Infections	1,670,000	100,000	100,000
HIV-Cide™	100,000	100,000	414,000
Herpes infections	1,600,000	670,000	570,000
Dengue	100,000	100,000	600,000
Other (Ebola, and other projects)	300,000	300,000	99,730
Unallocated stock compensation	588,970	761,322	1,347,793
Total Research and development	$ 5,028,970	$ 3,660,322	$ 5,131,523

The Company currently has no long-term debt other than the Series B Convertible Debentures and the Series C Convertible Debentures.

Thus, the Company has ended the year on a strong financial footing. We have not engaged in any additional financings. We believe that we will not need to raise additional capital until after initial human clinical trials of our first drug candidate. We project, based on various estimates that we have obtained, that our current available financing is sufficient for accomplishing the goal of filing one or possibly two IND or equivalent regulatory applications, and initial human clinical trials in at least one of our drug programs. Two of our drug programs, namely our Shingles Skin Cream, and our HerpeCide skin cream for herpes labialis, are expected to enter IND-enabling studies soon. We anticipate that these drug candidates will move forward into IND or equivalent regulatory filings, and ensuing human clinical trials. As these drug candidates are advancing into the clinic, we believe that our additional drug candidates, including two more drug candidates in the HerpeCide program, and the two drug candidates in the FluCide program, will also move forward into IND-enabling studies. We are thus poised for strong growth with a number of drug candidates in a number of disease indications.

Anticipated Budgets and Expenditures in the Near Future

Financings

The Company has performed no equity based raises or debentures or loans in the reported time period. The Company had no revenues in the reported time period. Thus the Company's operating expenditures were supported from cash in hand and using stock-based compensation where appropriate.

Requirement for Additional Capital

As of June 30, 2016, we have a cash and cash equivalent balance of $24,162,185 that is expected to be sufficient to fund our currently budgeted operations for more than the next twenty four months.

The Company believes that given its rate of expenditures, and based on its budget projections, the current cash in hand is sufficient to last for at least the next 24 months, and the Company estimates that it should be able to advance at least one or possibly two of its drug candidates into initial human clinical trials with the available cash. The Company estimates that it will need additional funding to continue further development of its drug candidates through human clinical trials if it does not form a collaborative licensing or partnership agreement with a party that would provide such funding, such as Big pharma.

We believe we currently have sufficient funds on hand to take at least one drug candidate into initial human clinical trials, and at least one or two additional candidates into regulatory submissions stage. We believe we will be pursuing (i) Skin Cream for Shingles and (ii) Skin Cream for Herpes Labialis (or Recurrent Herpes Labialis) as our early candidates for an IND or equivalent regulatory submission and for initiating human clinical trials.

Based on our current rate of expenditures and anticipated changes, we have estimated a total cash expenditure budget of approximately $8M for the next 12 months, of which approximately $6M is expected to go towards research and development for our drug candidates, including IND-enabling studies of two of our lead drug candidates, namely Skin Cream for Topical Treatment of Shingles, and HerpeCide Skin Cream for Topical Treatment of Herpes Labialis ("cold sores, HSV-1), and approximately $2M is budgeted for general and administrative expenses.

Thereafter, we estimate that we may need approximately an additional $10M to $15M for human clinical development of the nanoviricide antiviral eye drops, Injectable FluCide, oral FluCide and DengueCide drug candidates towards

IND filing over the next 36-48 months. 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 the corresponding IND applications.

Further, we anticipate incurring additional capital costs in the upcoming eighteen months for further improvements at our 1 Controls Drive, Shelton, Ct. facility, to support an initial new drug application filing with the FDA in accordance with our business plans.

We anticipate that we will incur the following additional cash-based expenses over the next 24 months.

1. Planned Research and Development Costs of $4,000,000: Planned costs for in-vivo and in-vitro studies for the four indications in HerpeCide program, two indications in FluCide program, Eye Nanoviricide, DengueCide, and HIVCide, and Other programs (see Table 2).

Includes staffing costs of approximately $3,500,000, for the 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 with the United States Food and Drug Administration.

2. Corporate overhead of $4,000,000: 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 $1,000,000: This is the estimated cost for additional equipment and laboratory improvements.

4. Clinical Trials Costs budgeted at $5,000,000 for the Skin Cream for Shingles and an additional $5,000,000 costs for clinical trials that may extend beyond the 24 month timeframe, as follows:

4a. If and when we initiate human clinical trials for a Topical HerpeCide, we anticipate approximately $1 million total costs for the Phase I clinical trials, and approximately $2 million for the Phase II (study in recruited patients presenting with disease) clinical trials. In a subsequent year, if Phase I and Phase II are successful, we anticipate approximately $10 million for Phase III human clinical trials. These estimates are based on rough quotes from potential investigators, and assumptions relative to additional costs. These estimates assume that Topical HerpeCide is highly effective and therefore would require relatively few patients in each arm of the each trial in order to establish statistically significant results.

4b. If and when we initiate human clinical trials for Injectable FluCide, we anticipate approximately $2 million total costs for the Phase I clinical trials, and approximately $5 million for the Phase IIa (virus challenge human efficacy study) clinical trials. In a subsequent year, if Phase I and Phase IIa are successful, we anticipate approximately $10 million for Phase IIb human clinical trials. These estimates are based on rough quotes from potential investigators, and assumptions relative to additional costs. These estimates assume that FluCide is highly effective and therefore would require relatively few patients in each arm of the each trial in order to establish statistically significant results.

We therefore believe that we have sufficient funds in hand to take two of the four Topical HerpeCide drug candidates and possibly Injectable FluCide through the initial human clinical trials.

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 application, towards the goal of obtaining FDA approval for testing the drugs in human patients.

Our strategy is to minimize capital expenditure. We therefore rely on third party collaborations for the testing of our drug candidates. We continue to engage with our previous collaborators.

Our animal efficacy studies as well as safety/toxicology studies are performed by third parties. We opt into drug developments against specific disease indications for which we have appropriate partners that can perform the necessary cell culture and animal efficacy studies.

The Company reports summaries of its studies as the data becomes available to the Company, after analyzing and verifying same, in its press releases. The studies of biological testing of materials provide information that is relatively easy to understand and therefore readily reported. In addition, we continue to engage in substantial work that is needed for the optimization of synthesis routes and for the chemical characterization of the nanoviricide drug candidates. We also continue to work on improving the drug candidates and the virus binding ligands where necessary. We continue to work on creating the information needed for the development of controlled chemical synthesis procedures that is vital for developing c-GMP manufacturing processes.

We cannot accurately project the timeline of when we would be able to take a drug candidate into clinical studies, nor can we predict when we may be able to achieve our first drug approval, if any. As such we do not provide any guidance on expected timelines. We have no experience in having taken a single drug through the US FDA or any international drug approval process as of now. As such, we may not be able to estimate the time or cost of these studies accurately. However, we try to do our best by using expert consultants and preparing reasonable estimates based on quotations from various contract research organizations.

Our timelines depend upon several assumptions, many of which are outside the control of the Company, and thus are subject to delays.

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 for the next twelve months.

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.

Off Balance Sheet Arrangements

We have not entered into any off-balance sheet arrangements during the year ended June 30, 2016.

Public Auditors and Corporate Governance

Our independent registered public accounting firm is EisnerAmper, LLP. Our previous auditor firm, namely Li & Company was deregistered by the PCAOB this year. As a result, our FY2014 accounts have been re-audited this year by EisnerAmper, LLP as required by the SEC and PCAOB rules.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Research and Development – Research and development expenses consist primarily of costs associated with the preclinical and or clinical trials of drug candidates, compensation and other expenses for research and development, personnel, supplies and development materials, costs for consultants and related contract research and facility costs. Expenditures relating to research and development are expensed as incurred.

Accounting for Stock Based Compensation – The Company follows the provisions of *ASC 718 – Stock Compensation*, which requires the measurement of compensation expense for all shared-based payment awards made to employees and non-employee directors, including employee stock options. Shared-based compensation expense is based on the grant date fair value estimated in accordance with the provisions of ASC 718 and is generally recognized as an

expense over the requisite service period, net of forfeitures.

Accounting for Non-Employee Stock Based Compensation – The Company accounts for equity instruments issued to parties other than employees for acquiring goods or services under guidance of section 505-50-30 of the FASB Accounting Standards Codification ("FASB ASC Section 505-50-30"). Pursuant to FASB ASC Section 505-50-30, all transactions in which goods or services are the consideration received for the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable. The measurement date used to determine the fair value of the equity instrument issued is the earlier of the date on which the performance is complete or the date on which it is probable that performance will occur.

RECENT ACCOUNTING PRONOUNCEMENTS

Recently Issued Accounting Pronouncements

In March 2016, the FASB issued ASU No. 2016-09, Stock Compensation (Topic 718), which includes provisions intended to simplify various aspects related to how share-based payments are accounted for and presented in the financial statements. The standard is effective for annual periods beginning after December 15, 2016, with early adoption permitted. The Company is currently in the process of assessing the impact of this ASU on its financial statements.

In August 2014, the FASB issued ASU No. 2014-15, "Presentation of Financial Statements - Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern" ("ASU 2014-15"). ASU 2014-15 is intended to define management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. Specifically, ASU 2014-15 provides a definition of the term substantial doubt and requires an assessment for a period of one year after the date that the financial statements are issued (or available to be issued). It also requires certain disclosures when substantial doubt is alleviated as a result of consideration of management's plans and requires an express statement and other disclosures when substantial doubt is not alleviated. The new standard will be effective for reporting periods beginning after December 15, 2016, with early adoption permitted. Management is currently evaluating the impact of the adoption of ASU 2014-15 on the Company's financial statements and disclosures.

In April 2015, the FASB issued ASU 2015-03, Interest - Imputation of Interest (Subtopic 835-30), “Simplifying the Presentation of Debt Issuance Costs,” which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. This ASU requires retrospective adoption and will be effective for fiscal years beginning after December 15, 2015 and for interim periods within those fiscal years. We expect the adoption of this guidance will not have a material impact on our financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is not exposed to market risk related to interest rates on foreign currencies.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by Item 8 appears after the signature page to this report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

(a) Dismissal of Independent Registered Public Accounting Firm

On December 1, 2014, Li and Company, PC (“Li”) was dismissed as the independent registered public accounting firm of NanoViricides, Inc. (the “Company”). The Company’s Board of Directors and audit committee approved the dismissal of Li.

Li’s reports on the Company’s financial statements for the years ended June 30, 2014 and 2013, respectively, did not contain any adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles.

During the years ended June 30, 2014 and 2013, and through December 1, 2014, there were no disagreements with Li on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Li, would have caused it to make reference thereto in

connection with its reports on the financial statements for such years. During the years ended June 30, 2014 and 2013, and through December 1, 2014, there were no matters that were either the subject of a disagreement as defined in Item 304(a)(1)(iv) of Regulation S-K or a reportable event as described in Item 304(a)(1)(v) of Regulation S-K..

(b) New Independent Registered Public Accounting Firm

On December 2, 2014, the Company's Board of Directors, acting in the capacity of an audit committee, engaged EisnerAmper LLP ("Eisner") as the Company's new independent registered public accounting firm to act as the principal accountant to audit the Company's financial statements. During the Company's fiscal years ended June 30, 2014 and 2013, and through December 2, 2014, neither the Company, nor anyone acting on its behalf, consulted with Eisner regarding the application of accounting principles to a specific completed or proposed transaction or the type of audit opinion that might be rendered on the Company's financial statements, and no written report or oral advice was provided that Eisner concluded was an important factor considered by the Company in reaching a decision as to any such accounting, auditing or financial reporting issue.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

An evaluation was carried out under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the year covered by this report. Based on their evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by our Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and such information is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosures.

Changes in Internal Control over Financial Reporting

The following changes in our internal control over financial reporting during the year ended June 30, 2016 have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management previously reported a material weakness in our internal control over financial reporting in our 2015 Form 10-K, filed on September 14, 2015, related to the reporting process due to the insufficient complement of personnel with the appropriate level of knowledge to identify and account for non-routine transactions such as derivative instruments. To address the previous material weakness related to the reporting process, we undertook the following actions:

1. Management has made additions to personnel and have improved corresponding internal control procedures. In particular, in May 2015, the Company added an Accounting Manager, reporting to the Controller, with U.S. GAAP and financial derivative knowledge to supplement the staff charged with compiling and filing its U.S. GAAP results.

2. Where needed, the Company may seek assistance from third parties to supplement current resources.

3. In addition, the Company has established a financial reporting controls committee comprised of members of senior management. The committee was established to provide oversight to the Company's efforts for ensuring appropriate

internal control over financial reporting including, but not limited to, remediation of the aforesaid material weakness and identifying and testing for potential internal control weakness in the financial reporting process to assure reliability and accuracy.

We believe that the previously reported material weakness related to the reporting process has been remediated as of June 30, 2016.

There were no other changes in our internal control over financial reporting during the quarter ended June 30, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in conformity with U.S. generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of assets that could have a material effect on the financial statements.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the controls system are met. Because of the inherent limitations in all controls systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Under the supervision and with the participation of management, we assessed the effectiveness of our internal control over financial reporting based on the criteria in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the criteria in *Internal Control — Integrated Framework (2013)*, we concluded that our internal control over financial reporting was effective as of June 30, 2016.

ITEM 9B. Other Information

None.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CORPORATE GOVERNANCE

The following table sets forth the names and ages of our current directors and executive officers, their principal offices and positions and the date each such person became a director or executive officer. Executive officers are elected biannually by our Board of Directors. Each executive officer holds the office until he/she resigns, is removed by the Board or his/her successor is elected and qualified. Directors are elected annually by our stockholders at the annual meeting. Each director holds his/her office until the successor is elected and qualified or his/her earlier resignation or removal.

The following persons are the directors and executive officers of our company:

Name	Age	Title
Anil Diwan, PhD.	57	President; Chairman of the Board
Eugene Seymour, MD, MPH	75	Chief Executive Officer; Director
Stanley Glick, CPA	79	Director, Independent
Mukund S. Kulkarni, MD	68	Director, Independent
Milton Boniuk, MD	83	Director, Independent
Meeta Vyas	57	Chief Financial Officer

The Company’s executive officers and directors are elected biannually and serve until their term expires.

Eugene Seymour, MD, MPH, age 75, has been Chief Executive Officer (CEO) and a director of the Company since consummation of the merger on June 1, 2005. From 1996 until May 2005 he has been a private investor and has held no corporate positions. During this period he formed a non-profit foundation that funded both testing and training programs for health workers in Asia and Africa. He was a consultant to the UN Global Program on AIDS and was sent to several countries, (Lithuania, Latvia, Estonia and Russia) to interact with local physicians and assist them in setting up testing programs. Dr. Seymour obtained a Master’s degree in the Epidemiology of Infectious Diseases at UCLA in addition to his medical degree. He began clinical practice in Internal Medicine and joined the UCLA Medical School faculty. He left UCLA after two years and joined the USC faculty as Associate Professor. Dr.

Seymour served in the Medical Corps of US Army Reserve during the Vietnam era and attained the rank of Major. In 1986, he was requested by the US government to establish a testing laboratory and run a large-scale surveillance program for HIV prevalence in the Hispanic population in Los Angeles. His laboratory ended up testing over 50,000 people. In 1989, he founded StatSure Diagnostic Systems, Inc. (SDS) (formerly Saliva Diagnostic Systems, Inc.), raised capital and developed the rapid HIV antibody blood test (Hema-Strip). He took the company public in 1993 as CEO and President. He left SDS in 1996. Dr. Seymour holds 8 issued patents, and is married with three children, two of whom are physicians. The Company concluded Dr. Seymour’s extensive experience in treating infectious disease and viruses, plus his public company experience, make him an ideal candidate to serve in these capacities.

Anil Diwan, PhD, age 57, has been President and the Chairman of the Board of Directors of the Company since consummation of the merger on June 1, 2005. Dr. Diwan simultaneously therewith and since its formation, has also served as the Chief Executive Officer and Director of AllExcel, Inc. (from 1995 to the present) and TheraCour Pharma, Inc. (from 2004 to the present) and is the original inventor of the technologies licensed to NanoViricides Inc., as well as the TheraCour polymeric micelle technologies and products based on them. Since 1992, he has researched and developed TheraCour nanomaterials. Dr. Diwan was the first to propose the development of novel pendant polymers for drug delivery that led to an explosion of research in pharmacological applications of polymeric micelles. Anil has won over 12 NIH SBIR grants. Dr. Diwan holds several issued patents, and three PCT international patent applications in various stages of prosecution in a number of countries, and, and has made intellectual property depositions of several additional patentable discoveries with the patent attorney. Dr. Diwan has held several scholastic distinctions, including an All-India 9th rank on the Joint Entrance Examination of all IIT's. He holds a Ph.D. in Biochemical Engineering from Rice University (1986) and B.S. in Chemical Engineering from Indian Institute of Technology (IIT) Bombay (1980). We concluded Dr. Diwan's experience plus his status as creator of the Company's technologies render him uniquely qualified to serve in these capacities.

Stanley Glick, CPA, age 79, was appointed as an independent Director and as chair of the Audit Committee of the Company on June 22, 2012. Mr. Glick has over forty years of experience in his long career of providing auditing, accounting, tax, and management advisory services, to clients in various industries. Mr. Glick has been a member of several Boards of Directors for not-for-profit organizations in the Westport, CT area. In particular, he has served as a Director and member of Audit Committee of "A Better Chance" of Westport, CT, from 2000 to 2005. From 1977 until present, Mr. Glick has managed an independent practice as a Certified Public Accountant in Connecticut and New York States. Prior to forming his own CPA firm, Mr. Glick was employed by local and regional CPA firms where he performed and supervised audits and financial reporting. Mr. Glick is a member of the American Institute of Certified Public Accountants, The Connecticut Society of Certified Public Accountants, and the New York State Society of Certified Public Accountants. He holds a Bachelor of Business Administration degree in Accounting from Baruch College of Business (now Baruch College of the City University of New York). Mr. Glick is married and lives in Trumbull, CT. We concluded that Mr. Glick's broad business, accounting and auditing experience meets the criteria of an independent director and an "audit committee Financial Expert. The Company has expanded and enhanced its Board of Directors by the appointment of Stanley Glick CPA, as an independent director. Mr. Glick's appointment as an independent director and audit committee chairman, significantly improves the Company's financial oversight and management.

Mukund S. Kulkarni, MBA, PhD, age 68, has been a Chancellor of Penn State Harrisburg since 2010 where Dr. Kulkarni joined in 1985 as a Professor of Finance in the School of Business Administration. Prior to becoming chancellor, he was senior associate dean for academic affairs from 2006-2010. Prior thereto and from 1996, he served as the director of the School of Business Administration. In addition to his administrative appointment, Dr. Kulkarni holds the rank of professor of finance. Dr. Kulkarni earned his bachelor's degree from Shivaji University located in Kolhapur, India and master's degrees from University of Pune located in Pune, India, and an M.B.A. from Marshall University. He also earned a Doctorate in Economics from the University of Kentucky. Dr. Kulkarni is widely published in academic journals and has presented papers at several scholarly conferences. Dr. Kulkarni is an invited lecturer and consultant to several academic institutions in the U.S. and abroad, in addition to state government and nonprofit organizations. Dr. Kulkarni is widely engaged in social and civic activities in and around the Harrisburg region. He is member of several boards of civic and nonprofit organizations including the Harrisburg Regional Chamber of Commerce, United Way of the Capital Region, Modern Transit Partnership, and Asian Indian Americans of Central Pennsylvania, among others. He has delivered lectures and provided consultations to other business

schools, government agencies, and non-profit organizations, and he has valuable corporate experience in the commercial banking industry. As a result of his valuable experience in the commercial banking industry and his vast academic background in economics and finance, the Company concluded Dr. Kulkarni was qualified to serve as a member of its Board of Directors.

Milton Boniuk, MD, age 83, is an astute and highly successful businessman and entrepreneur, in addition to being an accomplished eye surgeon, educator, and administrator. Dr. Boniuk is a renowned eye surgeon in private practice who specializes in Ocular Oncology and Oculoplastics. He is also the Caroline F. Elles Chair of Ophthalmology at the Alkek Eye Center at the Baylor College of Medicine. Dr. Boniuk has been a long term investor and strong supporter of NanoViricides, Inc. Dr. Boniuk is also well known for his philanthropic endeavors. Most recently, he gave $28.5M to Rice University to establish The Boniuk Institute for the Study and Advancement of Religious Tolerance, following up on a previous $5M gift for this cause. Dr. Boniuk earned his MD at the Dalhousie University, Halifax, Nova Scotia, Canada, followed by an internship at the Victoria General Hospital, Halifax, Nova Scotia, Canada, and Residency at the Center for Ophthalmology, Jefferson Medical College - Wills Eye Hospital, Philadelphia, PA. In addition, he served a Fellowship in Ophthalmic Pathology at the world-renowned Armed Forces Institute of Pathology, Washington, D.C. Dr. Boniuk has made significant contributions in cataract surgery, glaucoma, corneal dystrophies, retinal diseases and surgery. He is a nationally and internationally recognized expert in the pathology and surgical management of orbital and intra-ocular tumors. His description of the ocular pathology of the congenital rubella syndrome in 1967 was a landmark publication. Of note, Dr. Boniuk has made substantial medical contributions in areas that are of great significance to the Company, such as ocular adenoviral infections, that cause epidemic kerato-conjunctivitis (EKC). The Company has developed a drug candidate for EKC infection that was successfully tested in rabbits. These animals serve as a surrogate for the viral disease in human eyes. We concluded Dr. Boniuk’s experience plus business acumen render him qualified to serve as a member of its Board of Directors.

Meeta Vyas, SB, MBA, age 57, is known as a strong leader with board level experience and successful achievements as a Senior Executive in a broad range of entities including publicly listed corporations, non-revenue generating entities, and medium to large size companies. Ms. Vyas has over twenty-five years of experience in performance and process improvement of both publicly listed companies and non-revenue producing entities, in areas ranging from Finance and Operations to Strategy and Management. Meeta holds the distinction of being the first Indian woman to be named CEO of a publicly listed U.S. corporation, Signature Brands, Inc., best known for “Mr. Coffee” and “Health-O-Meter” brand products. As CEO, acting COO and Vice Chairman of the Board of Signature Brands, Inc., she was responsible for the development and implementation of a turnaround plan, resulting in Signature’s return to profitability and growth. Later, as the CEO of the World-Wide Fund for Nature - India (WWF-India) and then as a Vice President of the National Audubon Society (USA), both non-revenue generating entities, Meeta successfully raised unrestricted funding that significantly exceeded annual requirements and also instituted financial processes to measure a variety of performance metrics. Earlier in her career, she was responsible for designing the strategy and initiating the implementation plan for the highly successful information technology outsourcing program at General Electric (“GE”). Also at GE, Ms. Vyas ran GE Appliances’ Range Products business unit having revenues exceeding $1 Billion where her team doubled operating income in less than two years. Prior to that, as a management consultant with McKinsey and Company, she served publicly listed companies in chemicals, industrial, and technology markets, primarily focusing on growth strategies, valuations, post-merger integrations, and logistics operations. Ms. Vyas is married to Anil Diwan, the Company’s President and Chairman and principal shareholder of TheraCour Pharma, Inc. Ms. Vyas holds a MBA in Finance from Columbia University’s Graduate School of Business, and a SB in Chemical Engineering from the Massachusetts Institute of Technology.

AUDIT COMMITTEE

In June 2012, Stanley Glick, CPA was elected, as an independent member, to the Company's Board of Directors and the Chair of the Company's Audit Committee. Due to his education and extensive experience as a Certified Public Accountant, Mr. Glick meets the criteria of an independent director and an "Audit Committee Financial Expert" as provided in Release 33-8173 and 34-47235. In addition, in June, 2013, Milton Boniuk and Mukund S. Kulkarni were appointed as independent directors and members of the Audit Committee.

CODE OF ETHICS

We have adopted a code of ethics meeting the requirements of Section 406 of the Sarbanes-Oxley Act of 2002. We believe our code of ethics is reasonably designed to deter wrongdoing and promote honest and ethical conduct; provide full, fair, accurate, timely and understandable disclosure in public reports; comply with applicable laws; ensure prompt internal reporting of violations; and provide accountability for adherence to the provisions of the code of ethic. Our code of ethics is filed as an exhibit to this Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

The following table reflects all forms of compensation for the years ended June 30, 2016, 2015 and 2014:

Name and Principal Position	Year	Salary	Bonus ($)	Stock Award(s) ($)	Option Awards(#)	All Other Compensation ($)	Total ($)
Eugene Seymour,	2016	$345,833	$75,000	$309,344	—	$ —	$655,177
CEO, Director	2015	$300,000	$—	$267,859	—	$ —	$567,859
	2014	$291,667		$770,861		$ —	$1,062,528
Anil Diwan	2016	$345,833	$75,000	$309,344		$ —	$655,177
President, Director	2015	$300,000	$—	$267,859		$ —	$567,859
	2014	$291,667		$770,861		$ —	$1,062,528
Meeta Vyas	2016	$129,600	$—	$123,656	—	$ —	$253,256
CFO	2015	$118,800	$—	$222,980	—	$ —	$341,780
Appointed May 13, 2013	2014	108,000	—	338,697	—	—	446,697

The following table sets forth for each named executive officer certain information concerning the outstanding equity awards as of June 30, 2016.

Name and Principal Position	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock that Have Not Vested	Market Value of Shares or Units of Stock that Have Not Vested	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights that Have Not Vested	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights that Have Not Vested

Eugene Seymour, CEO and Director	142,857	-	$ 0.35	September 26, 2015	—	—	—	—
Anil Diwan, President and Director	285,714	-	$ 0.35	September 26, 2015	—	—	—	—
Milton Boniuk, MD	-	-	$ -	-	—	—	—	—
Mukund Kulkarni	-	-	$ -	-	—	—	—	—
Stanley Glick	-	-	$ -	-	—	—	—	—
Meeta Vyas	-	-	$ -	-	—	—	—	—

COMPENSATION OBJECTIVES

We believe that the compensation programs for the Company's executive officers should reflect the Company's performance and the value created for the Company's stockholders. In addition, the compensation programs should support the short-term and long-term strategic goals and values of the Company, and should reward individual contributions to the Company's success. Our compensation plans are consequently designed to link individual rewards with Company's performance by applying objective, quantitative factors including the Company's own business performance and general economic factors. We also rely upon subjective, qualitative factors such as technical expertise, leadership and management skills, when structuring executive compensation in a manner consistent with our compensation philosophy.

ELEMENTS OF COMPENSATION

BASE SALARY. All full time executives are paid a base salary. Base salaries for our executives are established based on the scope of their responsibilities, professional qualifications, academic background, and the other elements of the executive's compensation, including stock-based compensation. However, at this time current total annual compensation is not in line with comparable companies, because our philosophy was to pay modest salaries with no bonus to conserve capital resources for future company growth. Our intent is to set executives' base salaries near the median of the range of salaries for executives in similar positions with similar responsibilities at comparable companies, in line with our compensation philosophy. Base salaries are reviewed annually, and may be increased to align salaries with market levels after taking into account the subjective evaluation described previously.

EQUITY INCENTIVE COMPENSATION. We believe that long-term performance is achieved through an ownership culture participated in by our executive officers through the use of stock-based awards. Currently, we do not maintain any incentive compensation plans based on pre-defined performance criteria. The Board of Directors has the general authority, however, to award equity incentive compensation, i.e. stock options, to our executive officers in such amounts and on such terms as the committee determines in its sole discretion. The Board of Directors does not have a determined formula for determining the number of options available to be granted. The Board of Directors will review each executive's individual performance and his or her contribution to our strategic goals periodically. With the exception of stock options automatically granted in accordance with the terms of the employment agreement with our executive officers, our Board of Directors grants equity incentive compensation at times when we do not have material non-public information to avoid timing issues and the appearance that such awards are made based on any such information. As additional compensation for the year ended June 30, 2016, under the Company's employment agreements, the Company issued 200,508 shares of the Company's Series A Preferred Stock and 71,430 of the Company's restricted Common Stock. The convertible preferred series A shares are subject to restriction on sale. The valuation applied to the shares was based upon an appraisal derived from the application of statistical calculations and based upon assumptions at the time of the appraisal that may not be realized.

DETERMINATION OF COMPENSATION

The Company’s executive compensation program for the named executive officers (NEOs) is administered by the Board of Directors. The Board of Directors makes independent decisions about all aspects of NEO compensation, and takes into account compensation data and benchmarks for comparable positions and companies in different applicable geographical areas. The Compensation Committee of the Board assists the Board in achieving these objectives.

The Company’s current executives’ compensation program as of the date of this report has been at the same level since 2005. The program is simplistic and is less structured than a more mature corporation. Two of our officers are founders or co-founders of the Company and their ownership in the Company has driven their philosophy to provide modest salaries. The compensation structure was set to retain capital resources in the Company to further growth.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS, MANAGEMENT, AND RELATED STOCKHOLDERS MATTERS.

The following table sets forth information relating to the beneficial ownership of the Company's common stock by those persons beneficially holding more than 5% of the Company's common stock, by the Company's directors and executive officers, and by all of the Company's directors and executive officers as a group as of June 30, 2016, on a post-reverse-split adjusted basis.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Owner (1)	Percent of Class	
TheraCour Pharma, Inc.(2) 135 Wood Street West Haven, CT 06516	9,619,170	16.53	%
Anil Diwan (2) (3) 135 Wood Street West Haven, CT 06516	2,005,367	3.45	%
Eugene Seymour (4) 135 Wood Street West Haven, Connecticut 06516	1,248,813	2.15	%
Milton Boniuk (5) 135 Wood Street West Haven, CT 06516	1,549,907	2.66	%
Mukund Kulkarni 135 Wood Street West Haven, CT 06516	126,184	0.22	%
Stanley Glick 135 Wood Street West Haven, CT 06516	9,805	0.02	%
Meeta Vyas (6) 135 Wood Street West Haven, CT 06516	147,021	0.25	%
All Directors and Executive Officers as a Group (7 persons)	14,706,267	25.28	%

(1) For each shareholder, the calculation of percentage of beneficial ownership is based upon approximately 58,179,699 shares of Common Stock outstanding as of September 15, 2016, and shares of Common Stock subject to options, warrants and/or conversion rights held by the shareholder that are currently exercisable or exercisable within 60 days, which are deemed to be outstanding and to be beneficially owned by the shareholder holding such options, warrants, or conversion rights. The percentage ownership of any shareholder is determined by assuming that the shareholder has exercised all options, warrants and conversion rights to obtain additional securities and that no other shareholder has exercised such rights.

(2) Anil Diwan, the Company's President and Chairman, also serves as the CEO and Director of TheraCour Pharma Inc. and owns approximately 70% of the outstanding capital stock of TheraCour. Anil Diwan has both investment and dispositive power over the NanoViricides shares held by TheraCour Pharma, Inc. Does not include 2,000,000 shares of the Company's Series A Preferred Stock (the "Series A"), held by TheraCour Pharma, Inc. which votes at the rate of nine shares of Common Stock per each share of Series A and is convertible into three and one half shares of Common Stock upon a change in control of the Company or upon achieving certain trading prices of the Common Stock.

(3) Anil Diwan, President and Chairman of the Board of Directors. Does not include 16,531,429 shares owned by TheraCour Pharma, Inc. (after calculating the Series A Convertible Preferred Stock (the "Series A Preferred Stock"), over which Dr. Diwan holds voting and dispositive power. Does not include 796,429 shares of Series A Preferred Stock which votes at the rate of nine shares of Common Stock per each share of Series A and is convertible into three and one half shares of Common Stock upon a change in control of the Company or upon achieving certain trading prices of the Common Stock.

(4) Eugene Seymour, Chief Executive Officer and Director. Includes 1,044,429 shares of NanoViricides common stock held by Dr. Seymour. Does not include 653,571 shares of the Company's Series A Preferred Stock (the "Series A") which votes at the rate of nine shares of Common Stock per each share of Series A and is convertible into three and one half shares of Common Stock upon a change in control of the Company or upon achieving certain trading prices of the Common Stock.

(5) Milton Boniuk, Independent Member of the Board of Directors. Includes 1,240,063 shares of common stock. Does not include warrants to purchase an additional 542,856 shares of common stock, held by Milton Boniuk and his wife Laurie. Does include 309,844 shares of common stock held by Milton Boniuk IRA. Does not include 605,474 shares of common stock held by the Boniuk Charitable Foundation, and 976,902 shares of common stock and warrants to purchase 285,714 shares of common stock currently exercisable held by Boniuk Interests Ltd. Does not include 952,381 shares of common stock issuable upon conversion of a 10% Coupon Series C Convertible Debenture or 187,000 shares of Series A Preferred Stock held by Milton Boniuk IRA. Does not include an indeterminate number of shares of common stock issuable upon conversion of debentures held by Boniuk Charitable Foundation and Boniuk Interests Ltd. Dr. Boniuk holds voting and dispositive power over the Boniuk Charitable Foundation and Boniuk Interests Ltd.

(6) Includes 26,001 shares held by Connect Capital LLC, over which Ms. Vyas holds voting and dispositive power. Does not include 95,163 shares of Series A Preferred Stock.

EMPLOYMENT AGREEMENTS

On July 21, 2015 the Company entered into employment agreements with Anil Diwan, PhD, the Company's founder, President and Chairman, and Eugene Seymour, MD, MPH, the Company's Chief Executive Officer and Director effective July 1, 2015.

The Company and Dr. Diwan agreed Dr. Diwan would continue to serve as the Company's President and Chairman of the Board of Directors for a term of three years. Dr. Diwan's compensation would be $350,000 for the first year of employment, $375,000 for the second year and $400,000 for the final year. Additionally, Dr. Diwan was awarded a grant of 225,000 shares of the Company's Series A Preferred Stock that vest equally over the term of the employment

agreement. Any unvested shares of Series A Preferred Stock are subject to forfeiture upon termination for cause or resignation of Dr. Diwan. The employment agreement also provides incentive bonuses of $75,000 per year payable on or before July 31, 2015, 2016 and 2017.

The Company and Dr. Seymour agreed that Dr. Seymour would continue to serve as the Company's Chief Executive Officer and Director for a term of three years. Dr. Seymour's compensation would be $350,000 for the first year of employment, $375,000 for the second year and $400,000 for the final year. Additionally, Dr. Seymour was awarded a grant of 225,000 shares of the Company's Series A Preferred Stock that vest equally over the term of employment agreement. Any unvested shares of Series A Preferred Stock are subject to forfeiture upon termination for cause or resignation of Dr. Seymour. The employment agreement also provides incentive bonuses of $75,000 per year payable on or before July 31, 2015, 2016 and 2017.

On March 3, 2010, the Company entered into an employment agreement with Dr. Jayant Tatake to serve as Vice President of Research and Development. The employment agreement provides for a term of four years with a base salary of $150,000. In addition, the Company issued 26,786 shares of Series A Preferred Stock and 35,715 shares of common stock upon entering into the agreement, and issued an additional 26,786 shares of Series A Preferred Stock and 35,715 shares of common stock on each anniversary date of the agreement. The Compensation Committee of the Board of Directors extended the current provisions of the Employment Agreement pending its review of current industry compensation arrangements and Employment agreements.

On March 3, 2010, the Company entered into an employment agreement with Dr. Randall Barton to serve as Chief Scientific Officer. The employment agreement provided for a term of four years with a base salary of $150,000. In addition, the Company issued 35,715 shares of common stock upon entering into the agreement, and issued an additional 35,715 shares of common stock on each anniversary date of the agreement. The Compensation Committee of the Board of Directors extended the current provisions of the Employment Agreement pending its review of current industry compensation arrangements and Employment agreements.

On May 30, 2013, the Company entered into an Employment Agreement with Meeta Vyas to serve as its Chief Financial Officer. The employment agreement provides for a base salary of $9,000 per month and 2,572 shares of Series A Preferred Stock, also on a monthly basis. On January 1, 2015 her compensation was increased to $10,800 per month.

COMPENSATION OF DIRECTORS

At this time, directors, who are officers of the Company, receive no remuneration for their services as directors of the Company. The Company reimburses directors for expenses incurred in their service to the Board of Directors. The Company paid accrued fees to its independent directors of $30,000 to each Director, of which half is to be paid in the Company’s common stock.

COMPENSATION OF SCIENTIFIC ADVISORY BOARD

The Company anticipates holding four Scientific Advisory Board meetings per annum. As compensation, each member of the Scientific Advisory Board (SAB) will be granted 2,858 warrants each quarter to purchase the Company’s common stock at 120% of the Company’s closing stock quote on the day following the meeting. Should the Company not call a quarterly meeting, quarterly warrants will be granted on May 15, August 15, November 15, and February 15. The warrants have a four year expiration date. In addition the Company will reimburse each SAB member for travel and other out-of-pocket expenses incurred in the course of performing their services. For the years ended June 30, 2016, 2015 and 2014 the SAB was granted a total of 68,592 stock warrants each year for the years ended June 30, 2016 and 2015 and 72,439 warrants for the year ended June 30, 2014. The warrants are exercisable

into common shares at prices from $1.44 to $2.18 per share, $2.00 to $5.02 per share and $3.16 to $5.47 per share respectively.

EMPLOYEES AND SERVICE PROVIDERS

The Company had seven full time employees. In addition, most of the business activities of the Company including accounting and legal work and business development are provided by subcontractors and consultants. Further, the Company has subcontracted nanomaterials research and development (“R&D”) to TheraCour under the license agreement with TheraCour. TheraCour currently has a staff of about twenty-five, most of who are scientists with PhD or advanced degrees and experience. The Company has subcontracted its animal studies to various contract research organizations, government institutes, academic labs, and private institutions. Some of the Company’s R&D work was performed by agencies in Vietnam. In the future, the Company anticipates having additional service providers. We believe that we have good relations with our employees and subcontractors.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

On June 2, 2012, Stanley Glick, CPA was appointed as an independent member of our Board of Directors. Up until that time we did not have any independent directors on our Board of Directors, and therefore had no formal procedures in effect for reviewing and pre-approving any transactions between us, our directors, officers and other affiliates. We have used and will continue to use our best efforts to insure that all transactions are on terms at least as favorable to the Company as we would negotiate with unrelated third parties.

On February 1, 2013, Dr. Boniuk and entities over which Dr. Boniuk has voting and dispositive power subscribed for $4,000,000 of the Company's Unsecured 8% Coupon Series B Convertible Debentures. On September 10, 2013, Dr. Boniuk and entities affiliated to him subscribed to $3,000,000 of the Company's units issued in a registered direct offering. On July 2, 2014 the Company accepted a subscription from Dr. Boniuk to invest $5,000,000 in the Company's Series C Convertible Debenture.

On May 13, 2013, Meeta Vyas was appointed as the Company's Chief Financial Officer. During the term of Ms. Vyas' service, she will be compensated on the basis of $9,000 per month and 2,572 shares of Series A Preferred Stock, also on a monthly basis. Ms. Vyas is married to Anil Diwan, the President and Chairman of the Company. On January 1, 2015 her compensation was increased to $10,800 per month.

TheraCour Pharma, Inc.

On May 12, 2005, the Company entered into a Material License Agreement, amended as of January 8, 2007 (the "License") with TheraCour Pharma, Inc., ("TheraCour"), our largest shareholder. As of the present, TheraCour granted the Company an exclusive license in perpetuity for technologies developed by TheraCour for six virus types: HIV, HCV, Herpes, Rabies, Asian (bird) flu and Influenza. 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) to pay $25,000 per month for usage of lab supplies and chemicals from existing stock held by TheraCour; (3) to pay the greater of $2,000 or actual costs monthly, for other general and administrative expenses incurred by TheraCour on our behalf; (4) to make royalty payments of 15% (calculated as a percentage of net sales of the licensed drugs) to TheraCour; (5) that TheraCour Pharma, Inc. shall retain the exclusive right to develop and synthesize nanomicelle(s), a small (approximately twenty nanometers in size) long chain polymer based chemical structure, as component elements of the Licensed Products. TheraCour agreed that it will develop and synthesize such nanomicelles, to be used for the Licensed Products, exclusively for NanoViricides, and unless such license is terminated, will not develop or synthesize the nanomicelles to be used for the Licensed product for its own sake or for others; and (6) to pay an advance payment equal to twice the amount of the previous months invoice to be applied as a prepayment towards expenses. TheraCour may terminate the License upon a material breach by us as specified in the agreement. However, the Company has the opportunity to cure the breach within 90 days of receipt of notice to terminate the License. On February 15, 2010, the Company approved an Additional License Agreement with TheraCour Pharma, Inc. ("TheraCour"). Pursuant to the exclusive Additional License Agreement, in consideration for the issuance of 2,000,000 shares of the Company's Series A Preferred Stock, (the "Series A Preferred"), 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.

Development costs charged by and paid to TheraCour Pharma, Inc. were $3,731,498, $2,403,126 and $2,611,754, for the fiscal years ended June 30, 2016, 2015, and 2014, respectively. No royalties are due or have been paid from inception through June 30, 2016.

As of June 30, 2016, TheraCour owns 9,619,170 shares of the Company's outstanding common stock and 2,000,000 shares of Series A Preferred. Anil Diwan, the Company's President and Chairman, also serves as the CEO and Director of TheraCour and owns approximately 70% of the outstanding capital stock of TheraCour.

KARD Scientific, Inc.

In June 2005, the Company engaged KARD Scientific to conduct preclinical human influenza animal (mouse) studies and provide the Company with a full history of the study and final report with the data collected. This project is on-going. NanoViricides has a fee for service arrangement with KARD. We do not have an exclusive arrangement with KARD; we do not have a contract with KARD; all work performed by KARD must have prior approval of the executive officers of NanoViricides; and we retain all intellectual property resulting from the services by KARD. Dr. Krishna Menon, the Company's previous Chief Regulatory Officer-Consulting, a non-executive officer position, is also an officer and principal owner of KARD Scientific. The Lab fees charged by KARD Scientific for services were $0, $0 and $314,156, for the fiscal years ended June 30, 2016, 2015 and 2014 respectively, Dr. Menon resigned as our Chief Regulatory Officer-Consulting, a non-executive officer position, in 2014 due to personal health reasons. Dr. Randall W. Barton, our Chief Scientific Officer, has taken over the duties of Acting Regulatory Officer.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Audit Fees

The aggregate fees for each of the last two years for professional services rendered by the principal accountant for our audits of our annual financial statements and interim reviews of our financial statements included in our fillings with Securities and Exchange Commission on Form 10-K and 10-Qs or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for those years were approximately:

June 30, 2016	$ 159,000	EisnerAmper LLP
June 30, 2015	$ 175,000	EisnerAmper LLP
June 30, 2015	$ 7,500	Li and Company P.C.

Audit Related Fees

The aggregate fees in each of the last two years for the assurance and related services provided by the principal accountant that are not reasonably related to the performance of the audit or review of the Company's financial statements and are not reported in paragraph (1) were approximately:

June 30, 2016	$ 0	EisnerAmper LLP
June 30, 2015	$ 2,000	Li and Company, P.C.

The aggregate fees in each of the last two years for the professional services rendered by the principal accountant for tax compliance, tax advice and tax planning were approximately:

June 30, 2016	$ 0	EisnerAmper LLP
June 30, 2015	$ 0	EisnerAmper LLP
June 30, 2015	$ 0	Li and Company, P.C.

All Other Fees

The aggregate fees in each of the last two years for the products and services provided by the principal accountant, other than the services reported in paragraph (1) were approximately:

June 30, 2016	$ 0	EisnerAmper LLP
June 30, 2015	$ 0	EisnerAmper LLP
June 30, 2015	$ 0	Li and Company, P.C.

Pre-Approval Policies

The Board of Directors, and the Audit Committee appointed by the Board, currently do not have any pre-approval policies or procedures concerning services performed by EisnerAmper LLP. All the services performed by EisnerAmper LLP and Li and Company, P.C. as described above were pre-approved by the Audit Committee.

ITEM 15. EXHIBITS

Exhibit No.	Description
3.1*	Articles of Incorporation, as amended, of the Registrant
3.2*	By-laws of the Registrant
4.1*	Specimen Stock Certificate of the Registrant
4.2*	Series A Convertible Debenture
4.3*	Form of Warrant
10.1*	Share Exchange Agreement between NanoViricide, Inc. and the Registrant
10.2*	Employment Agreement Eugene Seymour
10.3*	Employment agreement Anil Diwan
10.4*	Employment agreement Leo Ehrlich
10.5*	Form of Scientific Advisory Board Agreement
10.6*	Amended License Agreement with TheraCour Pharma, Inc.
10.7*	Lease with landlord
10.8*	Form of First Subscription Agreement
10.9*	Form of Second Subscription Agreement
10.10*	Code of Ethics
10.11*	Amended Agreement #2 with TheraCour Pharma, Inc.
10.12*	Memorandum of Understanding with Vietnam's National Institute of Hygiene and Epidemiology (NIHE) dated December 23, 2005
31.1	Certification of Chief Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934, as amended
31.2	Certification of 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 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.
32.2	Certification of 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.
101.INS	XBRL Instance Document.
101.SCH	XBRL Schema Document.
101.CAL	XBRL Calculation Linkbase Document.
101.DEF	XBRL Definition Linkbase Document.

101.LAB XBRL Label Linkbase Document.

101.PRE XBRL Presentation Linkbase Document.

* Incorporated by reference to the Company's registration statement on Form 10-SB, filed with the Securities Commission on November 14, 2006, as amended.

SIGNATURES

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

Dated: September 16, 2016

NANOVIRICIDES, INC.

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

/s/ Meeta Vyas
Name: Meeta Vyas
Title: Chief Financial Officer
(Principal Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

September 16, 2016 */s/ Eugene Seymour, MD*
Name: Eugene Seymour, MD
Title: Chief Executive Officer and Director
(Principal Executive Officer)

September 16, 2016 */s/ Anil Diwan*
Name: Anil Diwan
Title: President and Chairman of the Board
of Directors

September 16, 2016 */s/ Meeta Vyas*
Name: Meeta Vyas
Title: Chief Financial Officer

(Principal Accounting Officer)

September 16, 2016 */s/ Milton Boniuk*

Name: Milton Boniuk
Title: Director

September 16, 2016 */s/ Mukund Kulkarni*
Name: Mukund Kulkarni
Title: Director

September 16, 2016 */s/ Stanley Glick*
Name: Stanley Glick
Title: Director

NanoViricides, Inc.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of

NanoViricides, Inc.

We have audited the accompanying balance sheets of NanoViricides, Inc. as of June 30, 2016 and 2015 and the related statements of operations, changes in stockholders' equity and cash flows for each of the years in the three-year period ended June 30, 2016. The financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NanoViricides, Inc. as of June 30, 2016 and 2015, and the results of its operations and its cash flows for each of the years in the three-year period ended June 30, 2016, in conformity with accounting principles generally accepted in the United States of America.

/s/ EisnerAmper LLP

Iselin, New Jersey

September 16, 2016

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NanoViricides, Inc.

Balance Sheets

	June 30, 2016	June 30, 2015
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$24,162,185	$31,467,748
Prepaid expenses	219,458	214,425
Total Current Assets	24,381,643	31,682,173
PROPERTY AND EQUIPMENT		
Property and equipment	13,611,583	13,496,851
Accumulated depreciation	(1,850,816)	(1,534,203)
Property and equipment, net	11,760,767	11,962,648
TRADEMARK AND PATENTS		
Trademark and patents	458,954	458,954
Accumulated amortization	(67,487)	(59,217)
Trademark and patents, net	391,467	399,737
OTHER ASSETS		
Security deposits	3,515	-
Service agreements	96,026	142,531
Other Assets	99,541	142,531
Total Assets	$36,633,418	$44,187,089
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$96,524	$89,517
Accounts payable – related parties	767,454	316,196
Debentures payable - Series B, net of discount	5,474,737	-
Derivative liability - Series B debentures	203,030	-
Accrued expenses	35,602	28,515
Deferred interest payable - current portion	166,667	166,667
Total Current Liabilities	6,744,014	600,895
LONG TERM LIABILITIES:		
Debentures payable - Series B, net of discount	-	4,700,582
Debentures payable - Series C, net of discount	3,133,668	2,480,605
Derivative liability - Series B, debentures	-	366,764

Derivative liability - Series C, debentures	343,673	476,289
Derivative liability - warrants	3,197,182	3,442,754
Deferred interest payable - long term portion	166,667	333,333
Total Long Term Liabilities	6,841,190	11,800,327
Total Liabilities	13,585,204	12,401,222
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Series A Convertible Preferred stock, $0.001 par value, 8,500,000 and 4,000,000 shares designated, 4,091,094 and 3,583,445 shares issued and outstanding, at June 30, 2016 and 2015, respectively	4,091	3,583
Common stock, $0.001 par value; 150,000,000 shares authorized, 58,179,699, and 57,242,070 shares issued and outstanding at June 30, 2016 and 2015, respectively	58,179	57,242
Additional paid-in capital	87,810,145	85,824,614
Accumulated deficit	(64,824,201)	(54,099,572)
Total Stockholders' Equity	23,048,214	31,785,867
Total Liabilities and Stockholders' Equity	$ 36,633,418	$ 44,187,089

See accompanying notes to the financial statements

NanoViricides, Inc.

Statements of Operations

	Year Ended June 30,		
	2016	2015	2014
OPERATING EXPENSES			
Research and development	$5,028,970	$3,660,322	$5,131,523
General and administrative	3,830,531	3,402,778	3,535,849
Total operating expenses	8,859,501	7,063,100	8,667,372
LOSS FROM OPERATIONS	(8,859,501)	(7,063,100)	(8,667,372)
OTHER INCOME (EXPENSE):			
Interest income	62,638	160,859	171,001
Interest expense	(1,042,470)	(2,649,592)	(3,092,550)
Discount on convertible debentures	(1,427,218)	(1,175,344)	(569,495)
Change in fair value of derivatives	541,922	8,529,005	(1,443,200)
Other (expense) income, net	(1,865,128)	4,864,928	(4,934,244)
LOSS BEFORE INCOME TAXES	(10,724,629)	(2,198,172)	(13,601,616)
INCOME TAX PROVISION	-	-	-
NET LOSS	$(10,724,629)	$(2,198,172)	$(13,601,616)
NET LOSS PER COMMON SHARE			
- Basic	$(0.19)	$(0.04)	$(0.27)
- Diluted	$(0.19)	$(0.09)	$(0.27)
Weighted average common shares outstanding			
- Basic	57,669,472	56,553,848	51,225,622
- Diluted	57,669,472	59,220,515	51,225,622

See accompanying notes to the financial statements.

NanoViricides, Inc.

Statement of Changes in Stockholders' Equity

For the Period from July 1, 2014 through June 30, 2016

	Series A Preferred Stock: Par $0.001		Common Stock: Par $0.001		Additional		Total
	Number of Shares	Amount	Number of Shares	Amount	Paid-in Capital	Accumulated Deficit	Stockholders' Equity
Balance, June 30, 2013	2,990,000	$2,990	47,026,173	$47,026	$46,259,420	$(38,299,784)	$8,009,652
Series A Preferred stock issued for employee compensation	203,079	203			2,122,811		2,123,014
Common stock issued for consulting and legal services rendered			29,662	31	101,970		102,001
Warrants issued to Scientific Advisory Board					199,849		199,849
Common stock issued for employee compensation			71,430	72	287,788		287,860
Common stock issued in connection with warrant conversion			142,500	142	735,482		735,624
Common stock issued for Series B debenture interest			571,429	571	2,605,145		2,605,716
Common stock issued for Directors fees			13,146	13	44,987		45,000
Common stock and warrants issued in connection with private placement of common stock			6,760,713	6,760	30,332,443		30,339,203
Common stock issues to round up financial shares arising from private placement			5,940	6	(6)		-
Placement agents fees related to sale of common stock and warrants					(1,820,360)		(1,820,360)

Rule 16B payment to Additional Paid in Capital					83,900		83,900
Allocation of proceeds from private placement to derivative liability warrants					(5,740,540)		(5,740,540)
Net loss				-		(13,601,616)	(13,601,616)
Balance, June 30, 2014	3,193,079	$3,193	54,620,993	$54,621	$75,212,889	$(51,901,400)	$23,369,303
Series A Preferred stock issued with Debenture Series C	187,000	187	-	-	1,152,110		1,152,297
Series A Preferred stock issued for employee compensation	200,508	200	-	-	852,560		852,760
Common stock issued for consulting and legal services rendered			35,154	35	109,325		109,360
Warrants issued to Scientific Advisory Board			-	-	59,675		59,675
Common stock issued for employee compensation			71,430	71	124,932		125,003
Common stock issued in connection with warrant exercises			1,926,656	1,927	6,741,370		6,743,297
Common stock issued for Series B debenture interest			571,429	572	1,502,298		1,502,870
Series A Preferred stock issued for consulting and legal services rendered	2,858	3	-	-	24,471		24,474
Shares issued for Directors fees			16,408	16	44,984		45,000
Net loss				-		(2,198,172)	(2,198,172)
Balance, June 30, 2015	3,583,445	$3,583	57,242,070	$57,242	$85,824,614	$(54,099,572)	$31,785,867
Warrants issued for Series B debenture interest	-	-	-	-	56,115		56,115
Series A Preferred stock issued for employee stock compensation	507,649	508	-	-	881,878		882,386
Common stock issued for consulting and legal services rendered			106,554	106	157,894		158,000
Warrants issued to Scientific Advisory			-	-	42,886		42,886

Board							
Common stock issued for employee compensation			72,725	72	142,517		142,589
Common stock issued upon stock option exercise			313,155	313	(313)		-
Common stock issued for debenture interest			415,343	416	659,584		660,000
Common stock issued for Directors fees			29,852	30	44,970		45,000
Net loss						(10,724,629)	(10,724,629)
Balance, June 30, 2016	4,091,094	$4,091	58,179,699	$58,179	$87,810,145	$(64,824,201)	$23,048,214

See accompanying notes to the financial statements

NanoViricides, Inc.

Statements of Cash Flows

	Year Ended June 30,		
	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$(10,724,629)	$(2,198,172)	$(13,601,616)
Adjustments to reconcile net loss to net cash used in operating activities			
Preferred shares issued as compensation and for services	882,386	877,234	2,123,014
Common shares issued as compensation and for services	345,589	279,363	434,861
Common shares issued for interest	660,000	1,502,870	2,605,716
Warrants issued for Series B Interest	56,115	-	-
Warrants granted to Scientific Advisory Board	42,886	59,675	199,849
Depreciation	651,275	294,217	203,234
Amortization	8,270	8,521	8,775
Software disposal	26,974	-	-
Change in fair value of derivative liability	(541,922)	(8,529,005)	1,443,200
Amortization of debt discount convertible debentures	1,427,218	1,175,344	569,495
Changes in operating assets and liabilities:			
Prepaid expenses	(5,033)	(106,336)	(56,492)
Security deposit	(3,515)	150,000	(150,000)
Other long term assets	46,505	(142,531)	-
Accounts payable	7,007	(286,930)	113,188
Accounts payable - related parties	451,258	266,741	(114,329)
Accrued expenses	7,087	(63,323)	(112,521)
Deferred interest payable	(166,666)	500,000	-
NET CASH USED IN OPERATING ACTIVITIES	(6,829,195)	(6,212,332)	(6,333,626)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Collateral advance for affiliate	-	1,000,000	-
Purchase of property and equipment	(476,368)	(6,760,109)	(5,231,094)
NET CASH USED IN INVESTING ACTIVITIES	(476,368)	(5,760,109)	(5,231,094)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of convertible debentures	-	-	5,000,000
Proceeds from issuance of common stock and warrants in connection with private placements of common stock, net of issuance costs	-	-	28,602,743
Proceeds from exercise of warrants	-	6,743,297	735,624
NET CASH PROVIDED BY FINANCING ACTIVITIES	-	6,743,297	34,338,367

NET CHANGE IN CASH AND CASH EQUIVALENTS	(7,305,563)	(5,229,144)	22,773,647
Cash and cash equivalents at beginning of period	31,467,748	36,696,892	13,923,245
Cash and cash equivalents at end of period	$24,162,185	$31,467,748	$36,696,892
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:			
Interest paid	$1,036,115	$980,000	$480,000
Income tax paid	$-	$-	$-
NON CASH FINANCING AND INVESTING ACTIVITIES:			
Common Stock issued upon cashless exercise of stock options	$313	$-	$-
Reduction in leasehold improvements and fixtures and accumulated depreciation due to decommissioning of West Haven, CT facilities	332,476	-	-
Series A Preferred stock issued as discount on debentures	-	1,152,297	-
Bifurcation of embedded derivative	-	1,879,428	-
Issuance of Series C Debenture for deposit received	-	5,000,000	-
Allocation of proceeds from private placement to derivative liability warrants	-	-	5,740,540

See accompanying notes to the financial statements

NanoViricides, Inc.

June 30, 2016, 2015 and 2014

Notes to the Financial Statements

Note 1 – Organization and Nature of Business

NanoViricides, Inc. (the "Company") was incorporated under the laws of the State of Colorado on July 25, 2000 as Edot-com.com, Inc**.** which 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 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 million 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 ECCM 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.

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. NanoViricides is unique in the bio-pharma field in that it possesses its own state of the art facilities for the design, synthesis, analysis and characterization of the nanomedicines that we develop, as well as for production scale-up, and e-GMP-like production in quantities needed for human clinical trials. The biological studies such as the effectiveness, safety, bio-distribution and Pharmacokinetics/Pharmacodynamics on our drug candidates are performed by external collaborators and contract organizations.

We are a 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 exclusive licenses in perpetuity. The first agreement we executed with TheraCour on September 1, 2005, gave us an exclusive, worldwide license 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 executed an Additional License Agreement with TheraCour. Pursuant to the 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 one-time licensing fee equal to 2,000,000 shares (adjusted for the 3.5 to 1 reverse split) 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 3.5 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 nine votes per share. The Series A Preferred Stock do not contain any rights to dividends, have no liquidation preference, and are not to be amended without the Holder's approval. The 2,000,000 shares were valued at the par value of $2,000.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Company's financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") and include all adjustments necessary for the fair presentation of the Company's financial position for the periods presented.

Reclassifications

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results or operations.

Net Loss per Common Share

Basic net loss per common share is computed by dividing net loss by the weighted average number of shares of common stock outstanding during the period. Diluted net loss per common share is computed by dividing net loss by the weighted average number of shares of common stock and potentially outstanding shares of common stock during the period to reflect the potential dilution that could occur from common shares issuable through stock options, warrants, convertible preferred stock, and convertible debentures.

The following table shows the number of potentially outstanding dilutive common shares excluded from the diluted net loss per common share calculation as they were anti-dilutive:

	Potentially Outstanding Dilutive Common Shares For the Years Ended	
	June 30, 2016	June 30, 2015
Stock options	-	535,715
Warrants	6,616,700	5,976,675
Total potentially outstanding dilutive common shares	6,616,700	6,512,390

In addition, the Company has issued Convertible Debentures, to investors. A portion of the interest required to be paid on the debentures had been paid in shares of the Company's $0.001 par value common stock ("Interest Shares") according to the terms of such Debenture. No additional Interest Shares are required to be issued under the terms of the debenture. The Company issued 571,433 warrants on February 1, 2016 relating to the additional interest to be paid on the Series B debentures under the terms of the debenture. Coupon interest payable quarterly related to the Series B Debentures is payable in cash or shares of common stock at the average of the open and close value on the date such interest payment is due at the option of the Holder. For the year ended June 30, 2016, the Holders of the Series B Debenture controlled by Dr. Milton Boniuk, a director of the Company elected to receive the December 31, 2015 and March 31, 2016 quarterly interest in restricted common stock of the Company.

At June 30, 2016, the number of potentially dilutive shares of the Company's common stock into which the Series B debentures can be converted based upon the conversion price of $3.50 is 1,714,286.

Pursuant to the redemption provisions of the Series C Debentures, the Company, at its sole option, shall have the right, but not the obligation, to repurchase the Debenture at any time prior to the Maturity Date (the "Redemption"). If the Company intends to repurchase the Debenture, and if the closing bid price of the common Stock is greater than $5.25 on the Redemption Date, unless the Holder, on or prior to the Redemption Date, elects to receive the "Redemption Payment", as that term is defined herein, the Company shall pay to the Holder: (i) 952,381 shares of common Stock in consideration of the exchange of the principal amount of the Debenture; and (ii) any and all accrued coupon interest. If on or prior to the Redemption Date, the Holder elects to receive the Redemption Payment, or the closing bid price of the common stock is less than $5.25, the Company shall issue to the Holder: (i) the principal amount of the Debenture; (ii) any accrued coupon interest; (iii) additional interest of 7% per annum for the period from the date of issuance of the Debenture to the Redemption Date; and (iv) warrants to purchase 619,048 shares of common Stock which shall expire in three years from the date of issuance at an exercise price of $6.05 per share of common Stock (the "Redemption Warrants", and collectively with (i) – (iv), the "Redemption Payment"). The Company shall use its best efforts to register the shares underlying the Redemption Warrants under a "shelf" registration statement, provided same is available to the Company, in accordance with the provisions of the Securities Act. Coupon interest payable quarterly related to the Series C debenture is payable in cash or shares of common stock at the average of the open and close price. Such interest payment is due at the option of the Holder. The Holder of the Series C Debenture elected to receive the December 31, 2015, March 31, 2016 and June 30, 2016 quarterly interest in restricted common stock of the Company. The Holder is an entity controlled by Dr. Milton Boniuk, a director of the Company.

At June 30, 2016 the number of potentially dilutive shares of the Company's common stock into which the Series C debentures can be converted based upon the conversion provisions contained in the debenture is 952,381.

The Company has also issued 4,091,094 shares of Series A Convertible Preferred Stock to investors and others as of June 30, 2016. Only in the event of a "Change of Control" of the Company, each Series A preferred share is convertible to 3.5 shares of its new common stock. A "Change of Control" is defined as an event in which the Company's shareholders become 60% or less owners of a new entity as a result of a change of ownership, merger or acquisition.

In the absence of a Change of Control event, the Series A Convertible Preferred Stock is not convertible into common stock, and does not carry any dividend rights or any other financial effects. At June 30, 2016, the number of potentially dilutive shares of the Company's common stock into which these Series A Preferred shares can be converted into is 14,318,829 and is not included in diluted earnings per share since the shares are contingently convertible only upon a Change of Control.

The following represents a reconciliation of the numerators and denominators of the basic and diluted per share calculations for loss from continuing operations:

	For the Year Ended		
	June 30, 2016	June 30, 2015	June 30, 2014
Calculation of basic loss per share of common stock:			
Net loss attributable to common stockholders	$(10,724,629)	$(2,198,172)	$(13,601,616)
Denominator for basic weighted average shares of common stock	57,669,472	56,553,848	51,225,622
Basic loss per share of common stock	$(0.19)	$(0.04)	$(0.27)
Calculation of diluted loss per share of common stock:			
Net loss attributable to common stockholders	$(10,724,629)	$(2,198,172)	$(13,601,616)
Add: Loss impact of assumed conversion of Debentures	-	(3,077,864)	-
Net loss attributable to common stockholders plus assumed conversions	$(10,724,629)	$(5,276,036)	$(13,601,616)
Denominator for basic weighted average shares of common stock	57,669,472	56,553,848	51,225,622
Incremental shares from assumed conversions of Debentures payable	-	2,666,667	-
Denominator for diluted weighted average shares of common stock	57,669,472	59,220,515	51,225,622
Diluted loss per share of common stock	$(0.19)	$(0.09)	$(0.27)

Series B and Series C debentures were excluded from the loss per share calculation for the year ended June 30, 2016 because the impact is anti-dilutive. Series B debentures were excluded from the loss per share calculation for the year ended June 30, 2014 because the impact is anti-dilutive.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The Company bases its estimates on historical experience and on various assumptions that are believed to be reasonable under the circumstances. The amounts of assets and liabilities reported in the Company’s balance sheet and the amounts of

expenses reported for each of the periods presented are affected by estimates and assumptions, which are used for, but not limited to, accounting for share-based compensation, accounting for derivatives and accounting for income taxes. Actual results could differ from those estimates.

Fair Value of Financial Instruments

Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value for applicable assets and liabilities, we consider the principal or most advantageous market in which we would transact and we consider assumptions market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of nonperformance. This guidance also establishes a fair value hierarchy to prioritize inputs used in measuring fair value as follows:

Level 1: Observable inputs such as quoted prices in active markets;

Level 2: Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and

Level 3: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to the future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets and would be charged to earnings. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary. The Company has not recorded an impairment charge for the years ended June 30, 2016, 2015 and 2014.

Cash and Cash Equivalents

The Company considers all highly liquid instruments with original maturities of three months or less to be cash equivalents.

Property and Equipment

Property and equipment is stated at cost and depreciated over the estimated useful lives of the assets, using the straight-line method. The Company generally assigns useful lives of thirty years for assets classified as GMP facility, fifteen years for assets classified as furniture and fixtures, ten years for assets classified as lab equipment, and five years for assets classified as office equipment. Expenditures for major additions and betterments are capitalized. Maintenance and repairs are charged to operations as incurred. Upon sale or retirement of property and equipment, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in the statements of operations.

Trademarks and Patents

The Company amortizes the costs of trademarks and patents on a straight-line basis over their estimated useful lives, the terms of the exclusive licenses and/or agreements, or the terms of legal lives of the patents, whichever is shorter. Upon becoming fully amortized, the related cost and accumulated amortization are removed from the accounts.

Research and Development

Research and development expenses consist primarily of costs associated with the preclinical and/ or clinical trials of drug candidates, compensation and other expenses for research and development, personnel, supplies and development materials, costs for consultants and related contract research and facility costs. Expenditures relating to research and development are expensed as incurred.

Stock-Based Compensation

The Company follows the provisions of *ASC 718 – Stock Compensation*, which requires the measurement of compensation expense for all shared-based payment awards made to employees and non-employee directors, including employee stock options. Stock-based compensation expense is based on the grant date fair value estimated in accordance with the provisions of ASC 718 and is generally recognized as an expense over the requisite service period, net of forfeitures.

The fair value of common stock issued as employee compensation is the average of the open and close share price on the date the common shares are issued.

The Series A preferred shares are not traded in any market. The assumptions used to determine the fair value of the Series A preferred shares issued as employee compensation are presented in Note 8 to the financial statements.

The fair value of each option award is estimated on the date of grant using a Black-Scholes option-pricing valuation model. The ranges of assumptions for inputs are as follows:

- Expected term of share options and similar instruments: The expected life of options and similar instruments represents the period of time the option and/or warrant are expected to be outstanding. The expected term of share options and similar instruments represents the period of time the options and similar instruments are expected to be outstanding taking into consideration the contractual term of the instruments and employees' expected exercise and post-vesting employment termination behavior into the fair value of the instruments. It may be appropriate to use the *simplified method*, if (i) A company does not have sufficient historical exercise data to provide a reasonable basis upon which to estimate expected term due to the limited period of time its equity shares have been publicly traded; (ii) A company significantly changes the terms of its share option grants or the types of employees that receive share option grants such that its historical exercise data may no longer provide a reasonable basis upon which to estimate expected term; or (iii) A company has or expects to have significant structural changes in its business such that its historical exercise data may no longer provide a reasonable basis upon which to estimate expected term. The Company uses the simplified method to calculate expected term of share options and similar instruments as the Company does not have sufficient historical exercise data to provide a reasonable basis upon which to estimate the expected term.

- Expected volatility of the Company's shares and the method used to estimate it: Expected volatility is based on the average historical volatility of the Company's common stock over the expected term of the option.

- Expected annual rate of quarterly dividends: The expected dividend yield is based on the Company's current dividend yield as the best estimate of projected dividend yield for periods within the expected term of the option and similar instruments.

Risk-free rate(s): The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant for periods within the expected term of the option and similar instruments.

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The Company's policy is to recognize compensation cost for awards with only service conditions and a graded vesting schedule on a straight-line basis over the requisite service period for the entire award.

Equity Instruments Issued to Parties other than Employees for Acquiring Goods or Services

The Company follows the provisions of ASC 505 - Equity, which accounts for equity instruments issued to parties other than employees for acquiring goods or services. Pursuant to ASC 505, all transactions in which goods or services are the consideration received for the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable. The measurement date used to determine the fair value of the equity instrument issued is the earlier of the date on which the performance is complete or the date at which a commitment for performance is reached. The assumptions used in determining the fair value of the Series A Preferred shares are presented in Note 8 to the financial statements.

The Company uses the average of the open and close share price of the Company's common stock at each measurement date to determine the fair value of the restricted common stock issued as compensation for goods and services.

The Company has issued securities to acquire goods or services at or after the delivery of the goods or services for which it contracted. The securities when issued are fully vested and the Company has recognized such issuances as an immediate expense.

The fair value of share options and similar instruments is estimated on the date of grant using a Black-Scholes option-pricing valuation model. The ranges of assumptions for inputs are as follows:

- Expected term of share options and similar instruments: The expected term of share options and similar instruments represents the contractual term of the instruments.

- Expected volatility of the Company's shares and the method used to estimate it. Expected volatility is based on the average historical volatility of the Company's common stock over the contractual term of the option and similar instruments.

- Expected annual rate of quarterly dividends. The expected dividend yield is based on the Company's current dividend yield as the best estimate of projected dividend yield for periods within the contractual term of the option and similar instruments.

- Risk-free rate(s). The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant for periods within the contractual term of the option and similar instruments.

Income Tax Provision

The Company uses the asset and liability method of accounting for deferred income taxes. Deferred income taxes are measured by applying enacted statutory rates to net operating loss carryforwards and to the differences between the financial reporting and tax bases of assets and liabilities. Deferred tax assets are reduced, if necessary, by a valuation allowance if it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company recognizes uncertainty in income taxes in the financial statements using a recognition threshold and measurement attribute of a tax position taken or expected to be taken in a tax return. The Company applies the "more-likely-than-not" recognition threshold to all tax positions, commencing at the adoption date of the applicable accounting guidance, which resulted in no unrecognized tax benefits as of such date. Additionally, there have been no unrecognized tax benefits subsequent to adoption. The Company has opted to classify interest and penalties that would accrue, if any, according to the provisions of relevant tax law as selling, general, and administrative expenses, in the statements of operations. For the years ended June 30, 2016, 2015 and 2014 there was no such interest or penalty.

Concentrations of Risk

Financial instruments that potentially subject us to a significant concentration of credit risk consist primarily of cash and cash equivalents. The Company maintains deposits in federally insured institutions in excess of federally insured limits. The Company does not believe it is exposed to significant credit risk due to the financial position of the depository institutions in which those deposits are held.

Recently Issued Accounting Pronouncements

In March 2016, the FASB issued ASU No. 2016-09, Stock Compensation (Topic 718), which includes provisions intended to simplify various aspects related to how share-based payments are accounted for and presented in the financial statements. The standard is effective for annual periods beginning after December 15, 2016, with early adoption permitted. The Company is currently in the process of assessing the impact of this ASU on its financial statements.

In August 2014, the FASB issued ASU No. 2014-15, “Presentation of Financial Statements - Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern” (“ASU 2014-15”). ASU 2014-15 is intended to define management’s responsibility to evaluate whether there is substantial doubt about an entity’s ability to continue as a going concern and to provide related footnote disclosures. Specifically, ASU 2014-15 provides a definition of the term substantial doubt and requires an assessment for a period of one year after the date that the financial statements are issued (or available to be issued). It also requires certain disclosures when substantial doubt is alleviated as a result of consideration of management’s plans and requires an express statement and other disclosures when substantial doubt is not alleviated. The new standard will be effective for reporting periods beginning after December 15, 2016, with early adoption permitted. Management is currently evaluating the impact of ASU 2014-15 on the Company’s financial statements and disclosures.

In November 2014, the FASB issued ASU 2014-16, “Derivatives and Hedging (Topic 815).” ASU 2014-16 addresses whether the host contract in a hybrid financial instrument issued in the form of a share should be accounted for as debt or equity. ASU 2014-16 is effective for annual periods beginning after December 15, 2015 and interim periods within those fiscal years. ASU 2014-16 did not have a material impact on the Company’s financial statements and disclosures.

In April 2015, the FASB issued ASU 2015-03, Interest - Imputation of Interest (Subtopic 835-30), “Simplifying the Presentation of Debt Issuance Costs,” which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. This ASU requires retrospective adoption and will be effective for fiscal years beginning after December 15, 2015 and for interim periods within those fiscal years. This guidance does not have a material impact on our financial statements.

Note 3 – Financial Condition

The Company’s financial statements 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 has an accumulated deficit at June 30, 2016 of ($64,824,201) and had a net loss and net cash used in operating activities for the fiscal year then ended. In addition, the Company has not generated any revenues and no revenues are anticipated in the foreseeable future. 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 June 30, 2016, the Company had cash and cash equivalents of $24,162,185. The Company’s Series B Convertible Debenture, in the amount of $6 million, matures on February 1, 2017. The holder(s) at their option, may convert some or all of the principal balance

and accrued interest if any, into a number of restricted shares of common stock of the Company equal to the outstanding balance being converted divided by 3.5. Any principal balance not being converted will be paid in cash on February 1, 2017. The Company has sufficient capital to continue its business, at least through June 30, 2018, at the current rate of expenditure.

While the Company continues to incur significant operating losses with significant capital requirements, the Company has been able to finance its business through sale of its securities. The Company may require additional capital to finance planned and currently unplanned capital costs and additional staffing requirements during the next 24 months. The Company has in the past adjusted its priorities and goals in line with the cash on hand and capital availability. The Company believes it can adjust its priorities of drug development and its plan of operations as necessary, if it is unable to raise additional funds.

Note 4 – Related Party Transactions

Related Parties

Related parties with whom the Company had transactions are:

Related Parties	Relationship
Anil R. Diwan	Chairman, President, significant stockholder and director
Eugene Seymour	CEO, significant stockholder, director
TheraCour Pharma, Inc.	An entity owned and controlled by a significant stockholder
Inno-Haven, LLC	An entity owned and controlled by a significant stockholder
Milton Boniuk, MD	Director and significant stockholder

Property and Equipment

	For the Year Ended June 30, 2016	June 30, 2015	June 30, 2014
The Company acquired 1 Controls Drive, Shelton, Connecticut from InnoHaven, LLC	$-	$4,222,549	$-
During the reporting period, TheraCour Pharma, Inc. acquired property and equipment on behalf of the Company from third party vendors and sold such property and equipment at cost, to the Company	$39,938	$255,019	$528,720
Inno-Haven, LLC, acquired property and equipment on behalf of the Company from third party vendors and sold such property and equipment at cost, to the Company	$-	$-	$4,500,000

Accounts Payable Related Party

	As of June 30, 2016	June 30, 2015
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 each month, whichever is higher for other general and administrative expenses incurred by TheraCour on our behalf. Accounts payable due TheraCour Pharma Inc. on the reporting date was	$767,454	$316,196

Research and Development Costs Paid to Related Parties

	For the Year Ended June 30, 2016	June 30, 2015	**June 30, 2014**
Development fees and other costs charged by and paid to TheraCour Pharma, Inc. pursuant to exclusive License Agreements between TheraCour and the	$3,731,498	$2,403,126	$2,611,754

Company for the development of the Company's drug pipeline. No royalties are due TheraCour from the Company at June 30, 2016, 2015 and 2014

Long Term Debentures Payable to a Director

	As of June 30, 2016	June 30, 2015
Series B Convertible Debentures - Milton Boniuk	$4,000,000	$4,000,000
Series C Convertible Debentures - Milton Boniuk	5,000,000	5,000,000
Total Long Term Debentures Payable to a Director	$9,000,000	$9,000,000

Debenture Interest Payable to a Director	As of June 30, 2016	June 30, 2015
Coupon interest payable on $5,000,000 Series C Convertible Debentures and deferred. The deferred interest is paid out quarterly over the remaining term of the debenture commencing September 30, 2015:		
Deferred interest payable - short-term	$166,667	$166,667
Deferred interest payable - long-term	166,667	333,333
	$333,334	$500,000

Stock and warrant interest paid in kind on Series B Convertible Debentures to Dr. Milton Boniuk and recognized at fair value was $37,410, $1,001,532 and $1,730,763 for the years ended June 30, 2016, 2015, and 2014, respectively.

Coupon interest expense on the Series B Debentures to two holders controlled by Dr. Milton Boniuk for the years ending June 30, 2016, 2015 and 2014 was $320,000, $320,000 and $320,000, respectively. For the year ending June 30, 2016, two holders controlled by Dr. Boniuk elected to receive $160,000 of such interest in common stock of the Company calculated at the average of the open and close market value of the Company’s stock on the due date of such interest resulting in the issuance of 101,558 shares of the Company’s $0.001 par value common stock.

Coupon interest expense on the Series C Debenture to Dr. Milton Boniuk for the years ended June 30, 2016 and 2015 was $500,000 and $500,000 respectively. For the year ending June 30, 2016, Dr. Boniuk elected to receive $375,000 of such interest in restricted common shares of the Company calculated at the average of the open and close market value of the Company’s stock on the due date of such interest resulting in the issuance of 235,310 shares of the Company’s $0.001 par value common stock. Dr. Boniuk also elected to receive $125,000 of the deferred interest due under the debenture in common stock of the Company calculated at the average of the open and close market value of the Company’s stock on the due date of such deferred interest resulting in the issuance of 78,475 shares of the Company’s $0.001 par value common stock.

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Note 5 – Property and Equipment

Property and equipment, stated at cost, less accumulated depreciation consisted of the following:

	June 30, 2016	June 30, 2015
GMP Facility	$7,996,402	$7,905,938
Land	260,000	260,000
Office Equipment	46,897	65,241
Furniture and Fixtures	5,607	1,400
Lab Equipment	5,302,677	5,264,272
Total Property and Equipment	13,611,583	13,496,851
Less Accumulated Depreciation	(1,850,816)	(1,534,203)
Property and Equipment, Net	$11,760,767	$11,962,648

Depreciation expense for the years ended June 30, 2016, 2015 and 2014 was $651,275, $294,217 and $203,234, respectively.

On December 31, 2014, the Company entered into and consummated an Agreement for the Purchase and Sale of a cGMP-compliant pilot manufacturing and lab facility at 1 Controls Drive, Shelton, Connecticut. The purchase price of the facility was comprised solely of the repayment of the direct costs of the seller, Inno-Haven, LLC ("Inno-Haven"), an entity owned and controlled by a significant stockholder, incurred in acquiring and renovating the property and the facility plus Inno-Haven's closing costs in connection with the sale. The purchase price consisted of the repayment of Inno-Haven's acquisition and renovation expenses of $4,222,549 and closing costs of $81,230.

During the year ended June 30, 2016, the Company completed the transfer of laboratories and personnel from its previous laboratory facilities at 135 Wood Street, West Haven, CT to 1 Controls Drive, Shelton, CT. The Company recorded the abandonment of fully depreciated non-removable laboratory fixtures and leasehold improvements associated with the 135 Wood Street rented facility of $332,476 as a reduction to Property and Equipment with a corresponding reduction to Accumulated Depreciation.

Note 6 – Trademark and Patents

Trademark and patents, stated at cost, less accumulated amortization consisted of the following:

	June 30, 2016	June 30, 2015
Trademarks and Patents	$458,954	$458,954
Less Accumulated Amortization	(67,487)	(59,217)
Trademarks and Patents, Net	$391,467	$399,737

Amortization expense amounted to $8,270, $8,521, and $8,775 for the years ended June 30, 2016, 2015 and 2014, respectively.

The Company amortizes our trademarks and patents over their expected original useful lives of 17 years.

Amortization expense in future years is as follows:

2017	$8,270

2018	8,270
2019	8,270
2020	8,270
2021	8,270
Thereafter	350,117
Total amortization	$391,467

Note 7 – Convertible Debentures and Derivatives

On February 1, 2013, the Company raised gross proceeds of $6,000,000 which includes $4,000,000 from a family investment office and a charitable foundation controlled by Dr. Milton Boniuk, a member of the Company's board of directors, through the issuance of our Series B Debentures. The investors purchased unsecured convertible debentures with a 4-year term. The debentures bear an interest rate of 8% p.a. payable quarterly in cash or the Holder at its option may elect to receive such coupon interest payment in shares of common stock and calculated on the date of issuance, using the average of the open and close prices of the Company's common stock on the date such interest payment is due. For the year ended June 30, 2016, the Company paid cash interest of $320,000. Two holders of the Company's Series B Convertible Debentures elected to receive coupon interest of $160,000 in restricted common shares of the Company. For the year ended June 30, 2016, the Board of Directors authorized the issuance of 101,558 shares of the Company's restricted $0.001 par value common shares in payment of such coupon interest to such holders. Additional interest was payable in restricted common stock of 571,429 shares at issuance, and on February 1, 2014 and 2015, and additional interest payable in 571,433 warrants on February 1, 2016 and recognized an interest expense of $56,115 which was their fair value on the date of issuance. On February 1, 2014 and 2015 the Company issued 571,433 and 571,433 restricted shares of the Company's $0.001 par value common stock, respectively and recorded interest expense of $2,605,716 and $1,502,870, respectively. The warrants are exercisable at $3.50 per warrant and will be valid for 3 years after issuance. The investors can convert the principal of the debentures and any accrued interest into common stock at a fixed price of $3.50 per share. The Company can prepay the debentures, in which case the base interest rate shall increase by a 7% prepayment penalty. The Company agreed to use its best efforts to register the interest shares and the shares issuable from the interest warrants under a "shelf" registration statement provided same is available, in accordance with the provisions of the Securities Act.

The Company estimated the fair value of the warrants granted to the holders of the Series B Debentures for additional interest on the date of grant using the Black-Scholes Option-Pricing Model with the following weighted-average assumptions:

Expected life (year)	3
Expected volatility	44.18%
Expected annual rate of quarterly dividends	0.00 %
Risk-free rate(s)	1.01 %

The following table presents the balance of the Series B Debenture payable, net of discount at June 30, 2016 and 2015. The debt discount is being accreted to interest expense over the term of the debenture:

	June 30, 2016	June 30, 2015
Proceeds	$6,000,000	$6,000,000
Debt discount for bifurcated derivative	(2,735,310)	(2,735,310)
	3,264,690	3,264,690
Accumulated amortization of debt discount	2,210,047	1,435,892
Debenture payable - Series B, net	$5,474,737	$4,700,582

The debenture contains embedded derivatives which are not clearly and closely related to the host instrument. The embedded derivatives are bifurcated from the host debt instrument and treated as a liability.

The single compound embedded derivative features valued include the:

1. Principal conversion feature at maturity based on fixed conversion price subject to standard adjustments.

2. Redemption additional interest and Redemption Warrants offering.

3. Additional Interest Shares and Interest Warrants.

The Company recognized amortization of this discount as an additional interest charge to “Discount on convertible debentures” for the years ended June 30, 2016, 2015 and 2014, in the amounts of $774,155, $663,014 and $569,495 respectively.

The Company uses a lattice model that values the compound embedded derivatives bifurcated from the Series B Convertible Debenture based on a probability weighted discounted cash flow model at June 30, 2016 and 2015.

The following assumptions were used for the valuation of the compound embedded derivative at June 30, 2016 and June 30, 2015:

· The balance of the Series B Convertible Debenture as of June 30, 2016 and June 30, 2015 is $6,000,000;

· The underlying stock price was used as the fair value of the common stock. The stock price decreased to **$1.60** at June 30, 2016 which decreased the warrant value with the $3.50 exercise price. The stock price decreased to $1.75 at

June 30, 2015 which decreased the warrant value with the $3.50 exercise price;

· The projected annual volatility was based on the Company historical volatility:

1 year

6/30/2016 83%

6/30/15 62%

- An event of default would occur 0% of the time, increasing 1.00% per month to a maximum of **10%**;

- The Company would redeem the debentures projected initially at 0% of the time and increase monthly by 1.0% to a maximum of **20.0%** (from alternative financing being available for a Redemption event to occur);

- The Holder would automatically convert the interest if the Company was not in default and its shares value would be equivalent to the cash value;

- The Holder would automatically convert the debenture at maturity if the registration was effective and the Company was not in default.

- The weighted cost of capital discount rate (based on the market value of the transaction at issuance) adjusted for changes in the risk free rate is **21.74%.**

- Even though the shares are restricted, the underlying assumption is that any restriction on resale will be removed either through registration or the passage of time at the time of issuance.

The fair value of the compound embedded derivatives of the Series B Convertible Debenture at June 30, 2016 and 2015 was $203,030 and $366,764, respectively.

On July 2, 2014 (the “Closing Date”), the Company accepted a subscription in the amount of $5,000,000 for a 10% Coupon Series C Convertible Debenture (the “Debenture”) from Dr. Milton Boniuk, a member of the Company’s Board of Directors (the “Holder”). The Debenture is due on June 30, 2018 (the “Maturity Date”) and is convertible, at the sole option of the Holder, into restricted shares of the Company’s common stock, par value $0.001 per share (the “Common Stock”) at the conversion price of $5.25 per share of Common Stock. The Debenture bears interest at the coupon rate of ten percent (10%) per annum, computed on an annual basis of a 365 day year, payable in quarterly installments on March 31, June 30, September 30 and December 31 of each calendar year until the Maturity Date. In accordance with the debenture agreement, the interest for the initial year of the debenture for a total of $500,000 shall be deferred and paid over the remainder of the term at $166,667 per year. The Holder at its option may choose to receive such coupon interest payment in shares of common stock calculated using the average of the open and close prices of the Company’s common stock on the date such interest payment is due. For the year ended June 30, 2016, the Holder of the Company’s C Convertible Debenture elected to receive quarterly coupon interest of $375,000 and $125,000 of the deferred interest in restricted common shares of the Company. The Board of Directors authorized the issuance of 313,785 shares of the Company’s restricted $.001 par value common shares in payment of such coupon interest. For the year ended June 30, 2016, the Company paid cash interest of $166,667 on the Series C Debentures. The Company has the right, but not the obligation, to repay the Debenture prior to the Maturity Date (the “Redemption Payment”). If the closing bid price of the common Stock is in excess of $5.25 when the Company notifies the Holder it has elected to prepay the Debenture (the “Redemption Date”), the Company must redeem the Debenture by delivering to the Holder 952,381 shares of Common Stock and any unpaid coupon interest in lieu of a cash Redemption Payment. If the Holder elects to receive the Redemption Payment in cash, or if the closing bid price of the Common Stock is less than $5.25, the Company shall pay to the Holder a Redemption Payment in cash equal to the principal amount of the Debenture,

plus any accrued coupon interest, plus additional interest of 7% per annum for the period from the Closing Date to the Redemption Date and warrants to purchase 619,048 shares of Common Stock which shall expire in three years from the date of issuance at the exercise price of $6.05 per share of Common Stock. The Company cannot conclude that it has sufficient authorized and unissued shares to settle the contract after considering all other commitments that may require the issuance of stock during the maximum period the derivative instrument could remain outstanding. This is due to the fact that the interest payments are payable in stock of the Company, at the option of the Holder, based on the current market price of the common stock on the date such payments are due. Therefore, the number of shares due as interest payments is essentially indeterminate and the Company cannot conclude that it has sufficient authorized and unissued shares to settle the conversion feature. Accordingly, the Company bifurcated the embedded features from the host contract and recorded them as a derivative liability at fair value. A debt discount was recognized in the same amount as the derivative liability associated with embedded features bifurcated from the Series C Convertible Debenture.

On July 2, 2014, in conjunction with the issuance of the Company's Series C Convertible Debentures, the Company issued 187,000 shares of its Series A Convertible Preferred stock (the "Series A") to Dr. Milton Boniuk, pursuant to the terms of the Debenture. Proceeds received in a financing transaction are allocated to the instruments issued prior to evaluating hybrid contracts for bifurcation of embedded derivatives. Since the Series A Convertible Preferred Stock is classified as equity, the proceeds allocated to the Preferred Stock are recorded at relative fair value. The fair value of the Series A was $1,645,606 at issuance and the relative fair value was calculated as $1,152,297. The remaining amount of the proceeds was allocated to the Debenture and a debt discount of $1,152,297 was recorded to offset the amount of the proceeds allocated to the Series A. Then, the embedded derivative was bifurcated at its fair value of $1,879,428 with the remaining balance allocated to the host instrument (Debenture). The total debt discount will be amortized over the term of the Debenture using the effective interest method. The Company recognized amortization of this discount as an additional interest charge to "Discount on convertible debentures" in the amount of $653,063 and $512,330 for the years ended June 30, 2016 and 2015 respectively.

The following represents the balance of the Debenture payable – Series C, net of discount at June 30, 2016 and June 30, 2015:

	June 30, 2016	June 30, 2015
Proceeds	$5,000,000	$5,000,000
Debt Discount:		
Series A Preferred	(1,152,297)	(1,152,297)
Embedded derivative	(1,879,428)	(1,879,428)
	1,968,275	1,968,275
Accumulated amortization of debt discount	1,165,393	512,330
Debenture payable - Series C, net	$3,133,668	$2,480,605

The Company uses a lattice model that values the compound embedded derivatives of the Series C Convertible Debenture based on a probability weighted discounted cash flow model at June 30, 2016 and June 30, 2015.

The following assumptions were used for the valuation of the compound embedded derivative at June 30, 2016 and June 30, 2015:

- The balance of the Series C Convertible Debenture as of June 30, 2016 and 2015 is $5,000,000;

- The underlying stock price was used as the fair value of the common stock; The stock price decreased to **$1.60** at June 30, 2016 and higher projected annual volatility decreased the warrant value with the $6.05 exercise price. The

stock price decreased to $1.75 at June 30, 2015 which decreased the warrant value with the $6.05 exercise price;

· The projected annual volatility was based on the Company historical volatility:

1 year

6/30/16 83%

6/30/15 62%

· An event of default would occur 0% of the time, increasing 1.00% per month to a maximum of **10%**;

· The Company would redeem the debentures projected initially at 0% of the time and increase monthly by 1.0% to a maximum of **5.0%** (from alternative financing being available for a Redemption event to occur);

- The Holder would automatically convert the interest if the Company was not in default and its share value was equivalent to the cash value;

- The Holder would automatically convert the debenture at maturity if the registration was effective and the Company was not in default.

- The weighted cost of capital discount rate (based on the market value of the transaction at issuance) adjusted for changes in the risk free rate is 21.74%.

- Even though the shares are restricted the underlying assumption is that any restriction on resale will be removed either through registration or the passage of time at the time of issuance.

The fair value of the compound embedded derivatives of the Series C Convertible Debenture at June 30, 2016 and 2015 was $343,673 and $476,289, respectively.

Note 8 – Equity Transactions

Fiscal Year Ending June 30, 2014 Transactions

On September 9, 2013, the Company entered into a Securities Purchase Agreement (the "Agreement") with certain purchasers (the "Purchasers"), relating to the offering and sale (the "Offering") of units ("Units") at the aggregate purchase price of $3.50 ("Purchase Price") per Unit, consisting of one share of the Company's common stock, par value $0.001 per share (the "Common Stock") and a warrant to purchase one share of Common Stock ("Warrant"), issuable upon exercise of the Warrant at the exercise price of $5.25 per share (the "Warrant Shares", collectively with the Units, Common Stock and Warrant, the "Securities") The Warrants are exercisable immediately and expire five years after issuance.

On September 12, 2013, post reverse split the Company and the Purchasers consummated the purchase and sale of the Securities (the "Closing"), and the Company raised gross proceeds of $10,308,996 before expenses of the Offering of $618,540, which includes placement agent and attorneys' fees. The Company issued 2,945,428 Units. On September 25, 2013 certain of these Unit Holders exercised 35,357 Warrants to purchase 35,357 shares of the Company's common stock, par value $0.001 per share, for gross proceeds of $185,624. On January 21, 2014 and February 6, 2014 certain of these Unit Holders exercised 75,000 and 25,000 Warrants, respectively, to purchase 75,000 and 25,000 shares of the Company's common stock, par value $0.001 per share, for gross proceeds of $393,750 and $131,250 respectively.

The Offering was made pursuant to the Company's shelf registration statement on Form S-3 (File No. 333-184626), which was declared effective by the Securities and Exchange Commission on December 21, 2012. 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 dated September 9, 2013 among Midtown Partners & Co., LLC and Chardan Capital Markets, LLC (collectively, the "Placement Agents"), the Company paid the Placement Agents an aggregate cash fee representing 6% (3% each) of the gross Purchase Price paid by the Purchasers and warrants to purchase an aggregate of 2% (1% each) of the number of shares of Common Stock sold in the Offering (the "Compensation Warrants") and substantially similar to the Warrants, at an exercise price equal to $5.25 per share. The Compensation Warrants will otherwise comply with FINRA Rule 5110(g)(1) in that for a period of nine months after the issuance date of the Compensation Warrants, neither the Compensation Warrants nor any warrant shares issued upon exercise of the compensation warrants shall be sold, transferred, assigned, pledged, or hypothecated, or be the subject of any hedging, short sale, derivative, put, or call transaction that would result in the effective economic disposition of the securities by any person for a period of 180 days immediately following the Closing. Upon issuance of the 58,910 compensation warrants, the Company recognized costs associated with the sale of securities (a capital item) of $113,696 and a corresponding increase in additional paid in capital of $113,696.

On September 25, 2013, the Company's Common Stock began trading on the NYSE MKT exchange under the symbol NNVC.

On January 21, 2014, the Company entered into a Securities Purchase Agreement (the "Agreement") with certain purchasers (the "Purchasers"), relating to the offering and sale (the "Offering") of units ("Units") at the aggregate purchase price of $5.25 ("Purchase Price") per Unit. The price per Unit was equal to a four percent (4%) discount to the 20-day VWAP of the Company's stock price on Friday, January 17, 2014. The exercise price of the Warrant was equal to the closing price of the Company's stock on Friday, January 17, 2014. Each Unit consisted of one share of the Company's common stock, par value $0.001 per share (the "Common Stock") and Sixty-Five Hundredths (65/100) of a warrant to purchase one share of Common Stock ("Warrant"), issuable upon exercise of the Warrant at the exercise price of $6.05 per share (the "Warrant Shares", collectively with the Units, Common Stock and Warrant, the "Securities"). The Warrants are exercisable immediately and expire five years after issuance.

On January 24, 2014, the Company and the Purchasers consummated the purchase and sale of the Securities (the "Closing") of 3,815,285 shares of Common Stock and 2,479,935 Warrants, and the Company raised gross proceeds of $20,030,207 before expenses of the Offering of approximately $1,200,000, which includes placement agent fees. The Company intends to use the proceeds for general business purposes and expects that it will be able to accelerate the development of its drug candidate pipeline with this additional funding.

The Offering was made pursuant to the Company's shelf registration statement on Form S-3 (File No. 333-184626), which was declared effective by the Securities and Exchange Commission on December 21, 2012 and Form S-3MEF (File No. 333-193439).

In connection with the Offering, pursuant to a Placement Agency Agreement dated January 20, 2014 among Midtown Partners & Co., LLC and Chardan Capital Markets, LLC (collectively, the "Placement Agents"), the Company paid the Placement Agents an aggregate cash fee representing 6% of the gross Purchase Price paid by the Purchasers and

warrants to purchase an aggregate of 2% of the number of shares of Common Stock sold in the Offering (the "Compensation Warrants") representing two percent of the Shares and substantially similar to the Warrants, at an exercise price equal to $6.05 per share. The Compensation Warrants will otherwise comply with FINRA Rule 5110(g)(1) in that for a period of six months after the issuance date of the Compensation Warrants, neither the Compensation Warrants nor any warrant shares issued upon exercise of the compensation warrants shall be sold, transferred, assigned, pledged, or hypothecated, or be the subject of any hedging, short sale, derivative, put, or call transaction that would result in the effective economic disposition of the securities by any person for a period of 180 days immediately following the Closing. The Company issued 76,306 Compensation Warrants and recognized costs associated with the sale of securities (a capital item) of $135,062 and a corresponding increase in additional paid in capital.

The above warrants contain a full reset feature. As a result of a 2014 reset event, the $6.05 exercise price of the January 21, 2014 warrants were adjusted to $5.25.

In conjunction with the Company's registered direct offering of Units, consisting of the Company's common stock and warrants, on January 24, 2014 the Company issued 2,479,935 warrants which are outstanding at June 30, 2016. Additionally, the Company issued 76,306 warrants to the placement agents which are also outstanding at June 30, 2016, for a total number of 2,556,241 warrants outstanding pursuant to the aforesaid registered direct offering.

The Company accounts for stock purchase warrants as either equity instruments or derivative liabilities depending on the specific terms of the warrant agreements. Under applicable accounting guidance, stock warrants must be accounted for as derivative financial instruments if the warrants contain full-ratchet anti-dilution provisions, which preclude the warrants from being considered indexed to its own stock. The warrants described above contained a full-ratchet anti-dilution feature and are thus classified as a derivative liability.

The Company used a lattice model to calculate the fair value of the derivative warrants based on a probability weighted discounted cash flow model. This model is based on future projections of the various potential outcomes. The features that were analyzed and incorporated into the model included the exercise and full reset features.

The Warrants were valued as of issuance, exercise, and the annual periods.

The primary factors driving the economic value of warrants are stock price; stock volatility; reset events and exercise behavior. Projections of these variables over the remaining term of the warrant are either derived or based on industry averages. Based on the above, a probability was assigned to each scenario for each future period, and the appropriate derivative value was determined for each scenario. The warrant value was then probability weighted and discounted to the present. Based upon the above, the Company, at issuance of the warrants allocated $5,740,540 of the proceeds of the offering to the Derivative liability of the Investor Warrants.

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Unregistered Securities

In December, 2013, the Company issued 7,143 shares of common stock with a restrictive legend at $3.50 per share upon the exercise of warrants.

For the year ended June 30, 2014, the Company's Board of Directors authorized the issuance of 29,662 fully vested shares of its common stock with a restrictive legend for consulting services. The Company recorded an expense of $102,001 which is the fair value at the date of issuance using the fair market value of the Company's common stock on the date issued.

On February 1, 2014, the Board of Directors authorized the issuance of 571,429 fully vested shares of its $.001 par value common stock with a restrictive legend for the payment of additional interest payable to the holders of the Company's Series B Convertible Debentures. The Company recorded an interest expense of $2,605,716 for the year ended June 30, 2014 using the fair market value of the Company's common stock on the date issued.

For the year ended June 30, 2014, the Company's Board of Directors authorized the issuance of 13,146 fully vested shares of its common stock with a restrictive legend for Director services. The Company recorded an expense of $45,000 which is the fair value at the date of issuance using the fair market value of the Company's common stock on the date issued.

For the year ended June 30, 2014 the Board of Directors authorized the issuance of 203,079 fully vested shares of its Series A Preferred stock $.001 par value with a restrictive legend pursuant to existing employment agreements and recorded an expense of $2,123,014 which is the fair value at the date of issuance.

For the year ended June 30, 2014, the Company authorized the issuance of 71,430 fully vested shares of its $.001 par value common stock with a restrictive legend pursuant to existing employment agreements and recorded an expense of $287,860 which is the fair value at the date of issuance using the fair market value of the Company's common stock on the date issued.

For the year ended June 30, 2014 the Scientific Advisory Board (SAB) was granted fully vested warrants to purchase 72,439 shares of common stock. The warrants expire during the fiscal year ending June 30, 2018. The Company recorded a consulting expense of $199,849.

The Company estimated the fair value of the warrants granted quarterly to the Scientific Advisory Board on the date of grant using the Black-Scholes Option-Pricing Model with the following weighted-average assumptions:

	June 30, 2014
Expected life (year)	4
Expected volatility	78.39%-98.09%
Expected annual rate of quarterly dividends	0.00 %
Risk-free rate(s)	.37-1.12 %

There is currently no market for the shares of Series A Preferred Stock and they can only be converted into shares of common stock upon a change of control of the Company. The Company, therefore, estimated the fair value of the Series A Preferred stock granted to various employees on the date of grant. The Preferred stock fair value is based on the greater of i) the converted value to common at a ratio of 1:3.5; or ii) the value of the voting rights since the holder would lose the voting rights upon conversion. The conversion of the shares is triggered either by the Company or a Change of Control. The valuation of the Series A Preferred Stock as of 6/30/14 used the following inputs:

a. The common stock price (post-reverse split) was in the range $2.45 to $3.90;

b. 47,026,173 to 54,614,930 shares outstanding and Series A Preferred shares with 2,572 (post–split 9/10/13) issued monthly; and 169,644 issued annually to employees;

c. A 5.36% premium over the common shares for the voting preferences;

d. 54,506,459 to 62,208,499 total voting shares and the monthly shares representing voting rights of 0.042% to 0.484% of the total; and the annual shares representing 1.02% to 2.389% of the total;

e. The conversion value is based on an assumption for calculation purposes only of a Change of Control in 4 years from 3/1/13 and a restricted term of 3.67 to 2.67 years;

f. 42.87% to 27.11% restricted stock discount (based on a restricted stock analysis and call-put analysis curve: 121.97% to 265.70% volatility, 0.37% to 1.62% risk-free rate) applied to the converted common.

Based upon the above assumptions the estimated fair value of the preferred shares issued to Company employees as a whole for the fiscal year ended June 30, 2014 was calculated to be $2,123,014. There are no assurances that such estimated fair value represents a market value between a willing buyer and seller.

The fair value of the Series A Preferred Stock at each date of issuance was as follows:

Date	Shares	Value
7/31/2013	5,144	$25,456
8/31/2013	2,572	$16,950
9/30/2013	2,572	$22,197
10/31/2013	2,572	$27,572
11/30/2013	2,572	$28,972
12/31/2013	2,572	$27,337
1/31/2014	2,572	$27,711
2/28/2014	2,572	$27,329
3/31/2014	2,572	$24,521
4/30/2014	2,572	$20,897
5/31/2014	2,572	$20,379
6/30/2014	172,215	$1,853,693
	203,079	$2,123,014

Fiscal Year Ending June 30, 2015 Transactions

On July 17, 2014, the Company filed a registration statement on Form S-3 (the “Form S-3”) registering an aggregate of 3,071,986 shares of common stock underlying warrants previously issued by the Company in various private placement offerings between 2005 and September 2009, (“Old Warrants”) as described more fully in the Form S-3 (the “Registered Warrants”). The Form S-3 was declared effective by the Securities and Exchange Commission on August 1, 2014. Holders of the Old Warrants were required to submit Notice of Exercise by August 15, 2014, or their warrants

would expire. The Company received Notices to Exercise Warrants and the exercise price to purchase an aggregate of 1,926,656 shares of the Company's common stock at the exercise price of $3.50 per share for an aggregate purchase price of $6,743,297.

On February 1, 2015 the Company's Board of Directors authorized the issuance of 571,429 shares of the Company's $0.001 par value common stock as annual interest payable to holders of the Company's Series B Debentures. The Company recorded interest expense of $1,502,870 for the year ended June 30, 2015 calculated using the fair market value of the Company's common stock on the date issued.

Unregistered Securities

As discussed in Note 7, on July 2, 2014, in conjunction with the issuance of the Company's Series C Convertible Debentures, the Company issued 187,000 shares of its Series A Convertible Preferred stock to Dr. Milton Boniuk, pursuant to the terms of the Debenture. The Company allocated the proceeds received between the Debenture and the Preferred Stock on a relative fair value basis. The amount allocated to the Preferred stock was $1,152,297.

For the year ended June 30, 2015, the Scientific Advisory Board was granted fully vested warrants to purchase 68,592 shares of common stock at exercise prices between $2.00- $5.02 per share expiring in the fiscal year ending June 30, 2019. These warrants were valued at $59,675 and recorded as consulting expense.

For the year ended June 30, 2015, the Company estimated the fair value of the warrants granted quarterly to the Scientific Advisory Board on the date of grant using the Black-Scholes Option-Pricing Model with the following weighted-average assumptions:

Expected life (year)	4
Expected volatility	37.44% -45.84 %
Expected annual rate of quarterly dividends	0.00 %
Risk-free rate(s)	1.20 - 1.67 %

For the year ended June 30, 2015, the Company’s Board of Directors authorized the issuance of 35,154 shares of its common stock which are fully vested with a restrictive legend for consulting services. The Company recorded an expense of $109,360 which is the fair value at date of issuance.

For the year ended June 30, 2015, the Company’s Board of Directors authorized the issuance of 16,408 shares of its common stock which are fully vested with a restrictive legend for Director services. The Company recorded an expense of $45,000 which is the fair value at date of issuance.

For the year ended June 30, 2015, the Company’s Board of Directors authorized the issuance of 2,858 shares of its Series A Convertible Preferred Stock which are fully vested for consulting services. The Company recorded an expense of $24,474.

For the year ended June 30, 2015, the Company's Board of Directors authorized the issuance of 71,430 shares of its common stock which are fully vested with a restricted legend for employee compensation. The Company recorded an expense of $125,003 which is the fair value at date of issuance.

For the year ended June 30, 2015, the Company’s Board of Directors authorized the issuance of 200,508 shares of its Series A Convertible Preferred Stock which are fully vested with a restrictive legend for employee compensation. The Company recorded an expense of $852,760 which is the fair value at date of issuance.

The fair value of the Series A Preferred stock at each date of issuance was as follows:

Date	Shares	Value
7/31/2014	2,572	$25,821
8/31/2014	2,572	27,560
9/30/2014	2,572	19,602
10/31/2014	2,572	18,765
11/30/2014	2,572	22,025
12/31/2014	2,572	18,849
1/31/2015	2,572	16,501
2/28/2015	2,572	15,943
3/31/2015	2,572	16,299
4/30/2015	2,572	14,124
5/31/2015	2,572	11,460
6/30/2015	172,216	645,811
	200,508	$852,760

There is no market for the shares of Series A Preferred Stock and they can only be converted into shares of common stock upon a Change of Control of the Company as more fully described in the Certificate of Designation. The Company, therefore, estimated the fair value of the Series A Preferred stock granted to various employees and others on the date of grant. The Series A Preferred stock fair value is based on the greater of i) the converted value to common at a ratio of 1:3.5; or ii) the value of the voting rights since the holder would lose the voting rights upon conversion. The conversion of the shares is triggered by a Change of Control. The valuations of the Series A Preferred Stock at each issuance used the following inputs:

a. The common stock price was in the range $2.29 to $1.55;

b. The calculated weighted average number of shares of common stock in the period;

c. A 5.36% premium over the common shares for the voting preferences;

d. The calculated weighted average number of total voting shares and the monthly shares representing voting rights of 4.896% to 5.046% of the total;

e. The conversion value is based on an assumption for calculation purposes only of a Change of Control in 4 years from March 1, 2013 and a remaining restricted term of 1.92 to 1.67 years;

f. 30.86% to 31.42% restricted stock discount (based on a restricted stock analysis and call-put analysis curve: 63.52% to 69.38% volatility, 0. 22% to 0.26% risk free rate) applied to the converted common.

Fiscal Year Ending June 30, 2016 Transactions

On January 23, 2016, the Company's Board of Directors and a majority of the holders of the Company's Series A Convertible Preferred Shares (the "Series A Shares") approved an amendment to the Certificate of Designation of the Series A Shares to increase the number of authorized Series A Shares from 4,000,000 to 8,500,000.

Unregistered Securities

On February 1, 2016, 571,433 warrants were issued for interest in accordance with the terms of the Series B debenture. The warrants are exercisable at $3.50 per warrant and will be valid for 3 years after issuance. The Company recorded an expense of $56,115 for the fair value of the warrants. The Company estimated the fair value of the warrants issued to the Holders of the Company's Series B Debentures on the date of issuance using the Black-Scholes Option-Pricing Model.

Expected life (year)	3
Expected volatility	44.18%
Expected annual rate of quarterly dividends	0.00 %
Risk-free rate(s)	1.01 %

For the year ended June 30, 2016, the Scientific Advisory Board was granted fully vested warrants to purchase 68,592 shares of common stock at exercise prices between $1.44- $2.18 per share expiring in the fiscal year ending June 30, 2020. These warrants were valued at $42,886 and recorded as consulting expense.

For the year ended June 30, 2016, the Company estimated the fair value of the warrants granted quarterly to the Scientific Advisory Board on the date of grant using the Black-Scholes Option-Pricing Model with the following weighted-average assumptions:

Expected life (year)	4
Expected volatility	57.81% -73.40 %
Expected annual rate of quarterly dividends	0.00 %
Risk-free rate(s)	1.07 - 1.63 %

For the year ended June 30, 2016, the Company's Board of Directors authorized the issuance of 57,649 shares of its Series A Convertible Preferred Stock which are fully vested with a restrictive legend for employee compensation. The Company recorded an expense of $263,698 which is the fair value at date of issuance.

On July 21, 2015, the Board of Directors approved a new employment agreement with Dr. Anil Diwan, the Company's president. Pursuant to the terms of the employment agreement, the Company's Board of Directors authorized the issuance of 225,000 Series A preferred shares to Dr. Diwan. 75,000 shares will vest on June 30, 2016 and the remainder of the shares will vest over the three years of the employment agreement and are subject to forfeiture. The Company recognized a noncash compensation expense related to the issuance of the Series A Preferred Shares of $309,344 for the year ended June 30, 2016. The balance of $564,410 will be recognized as the remaining shares are vested.

On July 21, 2015, the Board of Directors approved a new employment agreement with Dr. Eugene Seymour, the Company's Chief Executive Officer. Pursuant to the terms of the employment agreement, the Company's Board of Directors authorized the issuance of 225,000 of the Company's Series A preferred shares to Dr. Seymour. 75,000 shares will vest on June 30, 2016 and the remainder of the shares will vest over the three years of the employment agreement and are subject to forfeiture. The Company recognized a noncash compensation expense related to the issuance of the Series A Preferred Shares of $309,344 for the year ended June 30, 2016. The balance of $564,410 will be recognized as the remaining shares are vested.

The fair value of the Series A Preferred stock at each date of issuance was as follows:

Date	Shares	Value
7/21/2015	408,839	$1,587,669
7/31/2015	2,572	10,998
8/31/2015	2,572	9,631
9/30/2015	2,572	7,220
10/31/2015	2,572	7,440
11/30/2015	2,572	7,837
12/31/2015	2,572	8,068
1/31/2016	43,732	167,677
2/29/2016	2,572	9,332
3/31/2016	2,572	15,565
4/30/2016	2,572	14,948
5/31/2016	2,572	11,332
6/30/2016	29,358	153,490
	507,649	$2,011,207

There is currently no market for the shares of Series A Preferred Stock and they can only be converted into shares of common stock upon a Change of Control of the Company as more fully described in the Certificate of Designation. The Company, therefore, estimated the fair value of the Series A Preferred stock granted to various employees and others on the date of grant. The Series A Preferred stock fair value is based on the greater of i) the converted value to common at a ratio of 1:3.5; or ii) the value of the voting rights since the holder would lose the voting rights upon conversion. The conversion of the shares is triggered by a Change of Control. The valuations of the Series A Preferred Stock at each issuance used the following inputs:

a. The common stock price was in the range $1.82 to $1.20;

b. The calculated weighted average number of shares of common stock in the period;

c. A 5.36% premium over the common shares for the voting preferences;

d. The calculated weighted average number of total voting shares and the monthly shares representing voting rights of 4.896% to 5.046% of the total;

e. The conversion value is based on an assumption for calculation purposes only of a Change of Control in 4 years from March 1, 2013 and a remaining restricted term of 1.92 to 1.67 years;

f. 30.86% to 31.42% restricted stock discount (based on a restricted stock analysis and call-put analysis curve: 63.52% to 69.38% volatility, 0.22% to 0.26% risk free rate) applied to the converted common.

For the year ended June 30, 2016, the Company’s Board of Directors authorized the issuance of 106,554 shares of its common stock which are fully vested with a restrictive legend for consulting services. The Company recorded an expense of $158,000 which is the fair value at date of issuance.

For the year ended June 30, 2016, the Company’s Board of Directors authorized the issuance of 29,852 shares of its common stock which are fully vested with a restrictive legend for Director services. The Company recorded an expense of $45,000 which is the fair value at date of issuance.

For the year ended June 30, 2016, the Company's Board of Directors authorized the issuance of 72,725 shares of its common stock which are fully vested with a restricted legend for employee compensation. The Company recorded an expense of $142,589 which is the fair value at date of issuance.

For the year ended June 30, 2016, the Company’s Board of Directors authorized the issuance of 313,155 shares of its common stock for the exercise of 428,573 stock options on a cashless basis.

For the year ended June 30, 2016, the Company's Board of Directors authorized the issuance of 101,558 shares of its common stock to holders of the Company’s Series B Debentures. Two Holders of the Company’s Series B Debentures elected to receive a total of $160,000 of the quarterly interest payments in restricted common stock of the Company. The Holders are entities controlled by Dr. Milton Boniuk, a director of the Company.

For the year ended June 30, 2016, the Company's Board of Directors authorized the issuance of 313,785 shares of its common stock to the Holder of the Company’s Series C Debentures. The Holder of the Company’s Series C Debentures elected to receive $375,000 of the quarterly interest payments and $125,000 of the deferred interest in restricted common stock of the Company. The Holder is an entity controlled by Dr. Milton Boniuk, a director of the Company.

Note 9 – Stock Options and Warrants

The following table presents the activity of stock options issued for the period ended June 30, 2016 as follows:

Stock Options	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual	Aggregate Intrinsic Value ($)

		per share ($)	Term (years)	
Outstanding and exercisable at June 30, 2013	535,715	$ 0.35	2.23	$1,521,429
Granted	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Canceled	-	-	-	-
Outstanding at June 30, 2014	535,715	$ 0.35	1.23	$2,094,643
Granted				
Exercised	-	-	-	-
Expired	-	-	-	-
Canceled	-	-	-	-
Outstanding at June 30, 2015	535,715	$ 0.35	0.23	$749,997
Granted	-	-	-	-
Exercised	428,573	-	-	364,287
Expired	107,142	-	-	-
Canceled	-	-	-	-
Outstanding at June 30, 2016	-	-	-	-

For the years ended June 30, 2016, 2015 and 2014 there was no compensation expense recorded. As of June 30, 2016 there was no unrecognized compensation cost.

Stock Warrants	Number of Shares	Weighted Average Exercise Price per share ($)	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value ($)
Outstanding at June 30, 2013	3,400,559	$ 4.025	0.86	$134,559
Granted	5,629,152	5.63	4.37	-
Exercised	142,500	3.50	-	-
Expired	-	-	-	-
Canceled	-	-	-	-
Outstanding and exercisable at June 30, 2014	8,887,211	$ 5.01	2.78	$2,278,458
Granted	68,592	3.63	-	-
Exercised	1,926,656	3.50	-	-
Expired	1,052,472	3.50	-	-
Canceled	-	-	-	-
Outstanding and exercisable at June 30, 2015	5,976,675	$ 5.14	3.20	$19,000
Granted	640,025	3.31	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Canceled	-	-	-	-
Outstanding and exercisable at June 30, 2016	6,616,700	$ 4.96	2.55	$4,459

Of the above warrants; 414,284 expire in fiscal year ending June 30, 2017; 68,577 in fiscal year ending June 30, 2018; 6,065,247 in fiscal year ending June 30, 2019 and 68,592 expire in fiscal year ending June 30, 2020.

Note 10 – Fair Value Measurement

Fair value measurements

At June 30, 2016 and 2015, the fair value of derivative liabilities is estimated using a lattice model that is based on the individual characteristics of our warrants, preferred and common stock, the derivative liability on the valuation date as well as assumptions for volatility, remaining expected life, risk-free interest rate and, in some cases, credit spread. The derivative liabilities are the only Level 3 fair value measures.

At June 30, 2016 and 2015, the estimated fair values of the liabilities measured on a recurring basis are as follows:

	Fair Value Measurements at June 30, 2016:		
	(Level 1)	(Level 2)	(Level 3)
Derivative liability – Series B debentures	$ -	-	$ 203,030
Derivative liability – Series C debentures	-	-	343,673
Derivative liability – Warrants	-	-	3,197,182
Total derivatives	$ -	$ -	$ 3,743,885

	Fair Value Measurements at June 30, 2015:		
	(Level 1)	(Level 2)	(Level 3)
Derivative liability – Series B debentures	$ -	-	$ 366,764
Derivative liability – Series C debentures	-	-	476,289
Derivative liability – Warrants	-	-	3,442,754
Total derivatives	$ -	$ -	$ 4,285,807

In conjunction with the Company's registered direct offerings of Units, consisting of the Company's common stock and warrants, on September 12, 2013 and January 24, 2014 the Company issued 2,945,428, and 2,479,935 warrants respectively, and, of which, 2,810,071 and 2,479,935 respectively are outstanding at June 30, 2016. Additionally, the Company issued 58,910 and 76,306 warrants, respectively, to the placement agents which are also outstanding at June 30, 2016, for a total number of 5,425,222 warrants outstanding pursuant to the aforesaid registered direct offerings.

The Company accounts for stock purchase warrants as either equity instruments or derivative liabilities depending on the specific terms of the warrant agreements. Under applicable accounting guidance, stock warrants must be accounted for as derivative financial instruments if the warrants contain full-ratchet anti-dilution provisions, which preclude the warrants from being considered indexed to its own stock. The warrants described above contained a full-ratchet anti-dilution feature and are thus classified as a derivative liability.

The Company used a lattice model to calculate the fair value of the derivative warrants based on a probability weighted discounted cash flow model. This model is based on future projections of the various potential outcomes. The features that were analyzed and incorporated into the model included the exercise and full reset features.

The Warrants were valued as of issuance, exercise, and the annual periods with the following assumptions:

- The 5 year warrants issued on 9/12/13 and 1/24/14 included Investor and Placement Agent Warrants with an exercise price of $5.25 and $6.05 (subject to adjustments-full ratchet reset).

- A reset event occurred during the quarter ended September 30, 2014 adjusting the $6.05 exercise price to $5.25

- The stock price would fluctuate with the Company projected volatility.

- The Holder would exercise the warrant as they become exercisable (effective registration at issuance) at target prices of the higher of **2 times** the projected exercise/reset price or **2 times** the stock price.

- The next capital raise would fluctuate with an annual volatility. The projected volatility curve was based on historical volatilities of the Company for the valuation periods. The projected annual volatility for the valuation dates are:

	1 Year
9/12/13	87%
1/24/14	93%
6/30/14	92%
6/30/15	62%
6/30/16	83%

The primary factors driving the economic value of options are stock price; stock volatility; reset events and exercise behavior. Projections of these variables over the remaining term of the warrant are either derived or based on industry averages. Based on the above, a probability was assigned to each scenario for each future period, and the appropriate derivative value was determined for each scenario. The option value was then probability weighted and discounted to the present.

The following table presents the activity for liabilities measured at estimated fair value using unobservable inputs for the years ended June 30, 2014, 2015 and 2016:

	Fair Value Measurement Using Significant Unobservable Inputs		
	Derivative liability – Series B	Derivative liability – Series C	Derivative liability - warrant
Balance at July 1, 2013	$3,751,645	$-	$-
Additions during the year	-	-	5,740,540
Change in fair value	1,948,057	-	(504,858)
Transfer in and/or out of Level 3	-	-	-
Balance at July 1, 2014	$5,699,702	$-	$5,235,682
Additions during the year	-	1,879,428	-
Change in fair value	(5,332,938)	(1,403,139)	(1,792,928)
Transfer in and/or out of Level 3	-	-	-
Balance at July 1, 2015	$366,764	$476,289	$3,442,754
Additions during the year	-	-	-
Change in fair value	(163,735)	(132,616)	(245,572)
Transfer in and/or out of Level 3	-	-	-
Balance at June 30, 2016	$203,030	$343,673	$3,197,182

Note 11 – Income Tax Provision

Deferred Tax Assets/(Liabilities)

The Company has no current tax expense due to its losses.

The income tax expense for the years ended June 30, 2016, 2015, and 2014 differed from the amounts computed by applying the U.S. federal income tax rate of 34% as follows:

	For the Year Ended		
	June 30, 2016	June 30, 2015	June 30, 2014
Federal Statuary Rate	-34.00%	-34.00%	-34.00%
Permanent Differences	-	-37.00%	-37.00%

Research and Development Credit	-6.10 %	-	-
State Tax Rate	-6.18 %	-	-
Valuation Allowance	46.28 %	71.00 %	71.00 %
Effective Tax Rate	-	-	-

The significant components of the Company's deferred tax assets and liabilities at June 30, 2016 and 2015 are as follows:

	June 30, 2016	June 30, 2015
Net Operating losses	$20,782,598	$16,394,801
Research and Development Credit	5,105,024	4,800,186
Other	8,349,142	5,214,064
Total gross deferred tax assets	34,326,764	26,409,051
Less Valuation Allowance	(34,326,764)	(26,409,051)
Net deferred tax assets	$-	$-

At June 30, 2016 and 2015, the Company has recorded a full valuation allowance against its net deferred tax assets of $34,326,764 and $26,409,051, respectively. The change in the valuation allowance during the year ended 2016 was $7,917,713 and a full valuation allowance has been recorded since, in the judgment of management, these assets are not more likely than not to be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during periods in which those temporary differences and carry forwards become deductible or are utilized.

As of June 30, 2016, the Company has approximately $52,000,000 of gross net operating loss carryforwards. As of June 30, 2016, credit carryforwards for federal and state purposes are $4,830,536 and $274,491 respectively. The net operating loss and credit carryforwards begin to expire in 2025.

Due to the change in ownership provisions of the Internal Revenue Code, the availability of the Company's net operating loss carry forwards could be subject to annual limitations against taxable income in future periods, which could substantially limit the eventual utilization of such carry forwards. The Company has not analyzed the historical or potential impact of its equity financings on beneficial ownership and therefore no determination has been made whether the net operating loss carry forward is subject to any Internal Revenue Code Section 382 limitation. To the extent there is a limitation, there could be a reduction in the deferred tax asset with an offsetting reduction in the valuation allowance.

The Company applies the elements of FASB ASC 740-10 "Income Taxes - Overall" regarding accounting for uncertainty in income taxes. This clarifies the accounting for uncertainty in income taxes recognized in financial statements and required impact of a tax position to be recognized in the financial statements if that position is more likely than not of being sustained by the taxing authority. As of June 30, 2016 the Company did not have any unrecognized tax benefits and has not accrued any interest or penalties through 2016. The Company does not expect to have any unrecognized tax benefits within the next twelve months. The Company's policy is to recognize interest and

penalties related to tax matters within the income tax provision.

Note 12 – Commitments and Contingencies

Legal Proceedings

There are no pending legal proceedings against the Company to the best of the Company's knowledge as of the date hereof and to the Company's knowledge, no action, suit or proceeding has been threatened against the Company.

Employment Agreements

The Company and Dr. Diwan, President and Chairman of the Board of Directors, entered into an employment agreement effective July 1, 2015 for a term of three years. Dr. Diwan's compensation would be $350,000 for the first year of employment, $375,000 for the second year and $400,000 for the final year. Additionally, Dr. Diwan was awarded a grant of 225,000 shares of the Company's Series A Preferred Stock. 75,000 shares will vest on June 30, 2016 and the remainder of the shares will vest equally over the three years of the term of the employment agreement. Any unvested shares of Series A Preferred Stock are subject to forfeiture upon termination for cause or resignation of Dr. Diwan. The employment agreement also provides incentive bonuses of $75,000 per year payable on or before July 31, 2015, 2016 and 2017. For the years ended June 30, 2016 and 2015, the Company paid bonuses of $75,000 and $75,000, respectively.

The Company and Dr. Seymour, the Company's Chief Executive Officer and Director, entered into an employment agreement effective July 1, 2015, for a term of three years. Dr. Seymour's compensation would be $350,000 for the first year of employment, $375,000 for the second year and $400,000 for the final year. Additionally, Dr. Seymour was awarded a grant of 225,000 shares of the Company's Series A Preferred Stock. 75,000 shares will vest on June 30, 2016 and the remainder of the shares will vest equally over the three years of the term of the employment agreement. Any unvested shares of Series A Preferred Stock are subject to forfeiture upon termination for cause or resignation of Dr. Seymour. The employment agreement also provides incentive bonuses of $75,000 per year payable on or before July 31, 2015, 2016 and 2017. For the years ended June 30, 2016 and 2015, the Company paid bonuses of $75,000 and $75,000, respectively.

On March 3, 2010, the Company entered into an employment agreement with Dr. Jayant Tatake to serve as Vice President of Research and Development. The employment agreement provides for a term of four years with a base salary of $150,000. In addition, the Company issued 26,786 shares of Series A Preferred Stock and 35,715 shares of common stock upon entering into the agreement, and issued an additional 26,786 shares of Series A Preferred Stock and 35,715 shares of common stock on each anniversary date of the agreement. The shares of Series A Preferred Stock were issued in recognition of Dr. Tatake's work towards the achievement of several patents by the Company. The Compensation Committee of the Board of Directors has extended the current provisions of the Employment Agreement pending its review of current industry compensation arrangements and Employment agreements. For the years ending June 30, 2016, 2015 and 2014 compensation under the agreement was $168,300, $168,300 and $167,625, respectively.

On March 3, 2010, the Company entered into an employment agreement with Dr. Randall Barton to serve as Chief Scientific Officer. The employment agreement provided for a term of four years with a base salary of $150,000. In addition, the Company issued 35,715 shares of common stock upon entering into the agreement, and issued an additional 35,715 shares of common stock on each anniversary date of the agreement. Dr. Tatake receives 26,736 shares of the Company's Series A Preferred Stock annually. The Compensation Committee of the Board of Directors has extended the current provisions of the Employment Agreement pending its review of current industry compensation arrangements and Employment agreements. For the years ending June 30, 2016, 2015 and 2014 compensation under the agreement was $168,300, $168,300 and $167,625, respectively.

On May 30, 2013, the Company entered into an Employment Agreement with Meeta Vyas to serve as its Chief Financial Officer. The employment agreement provided for a term of three years with a base salary of $9,000 per month and 2,572 shares of Series A Preferred Stock, also on a monthly basis. On January 1, 2015, her compensation was increased to $10,800 per month. The Agreement is renewable on an annual basis. On May 31, 2016, the Agreement was renewed for one year. For the years ending June 30, 2016, 2015 and 2014 compensation under the agreement was $129,600, $118,800 and $108,000, respectively.

License Agreements

The Company is dependent upon its license agreement with TheraCour Pharma, Inc. (See Note 4). If the Company lost the right to utilize any of the proprietary information that is the subject of the TheraCour Pharma license agreement on which it depends, the Company will incur substantial delays and costs in development of its drug candidates.