

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: March 31, 2015

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 000-49901

**NATURALNANO, INC.**

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of incorporation or organization)

87-0646435

(I.R.S. Employer Identification No.)

763 Linden Ave Rochester NY

(Address of principal executive offices)

14625

(Zip Code)

585-267-4848

(Registrant's telephone number, including area code)

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  No

Indicate by checkmark if the registrant has submitted electronically and posted on its Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

2,093,502 as of May 15, 2015

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**PART I—FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**NATURALNANO, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS**

	March 31, 2015 (Unaudited)	December 31, 2014
	<u>                    </u>	<u>                    </u>
<b>Assets</b>		
Current assets:		
Cash	\$          66	\$          -
Accounts Receivable	4,347	5,036
Inventory	196,731	231,764
Prepaid expenses and other current assets	24,292	73,140
Total current assets	<u>         225,436</u>	<u>         309,940</u>
 Total Assets	 <u><u>\$         225,436</u></u>	 <u><u>\$         309,940</u></u>
 <b>Liabilities and Stockholders' Deficiency</b>		
<b>Liabilities</b>		
Current Liabilities		
Notes payable (Note 2)	\$     1,595,941	\$     1,534,946
Accounts payable	471,019	572,128
Accrued expenses	119,233	97,095
Accrued interest	305,037	239,937
Accrued payroll	1,099,948	1,068,448
Registration rights liability	12,324	12,324
Derivative liabilities	241,444	387,721
Total current liabilities	<u>         3,844,946</u>	<u>         3,912,599</u>
 Total Liabilities	 <u>         3,844,946</u>	 <u>         3,912,599</u>
 Rights to reserved common shares (Note 2)	 343,350	 559,289
Preferred Stock - \$.001 par value, 10 million shares authorized		
Series B - 5,000 shares issued and outstanding with an aggregate liquidation preference of \$10	1,715	2,131
Commitments and contingencies	-	-
 <b>Stockholders' Deficiency</b>		
Common Stock - \$.001 par value 800,000,000 authorized with 2,093,502 shares issued and outstanding	2,094	2,094
Series D - issued and outstanding 100 shares	-	-
Additional paid in capital	21,731,892	21,454,431
Accumulated deficit	<u>     (25,698,561)</u>	<u>     (25,620,604)</u>
Total stockholders' deficiency	<u>         (3,964,575)</u>	<u>         (4,164,079)</u>
Total liabilities and stockholders' deficiency	<u><u>\$         225,436</u></u>	<u><u>\$         309,940</u></u>

See notes to condensed consolidated financial statements

**NATURALNANO, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)

	<b>For the three months ended March 31,</b>	
	<b>2015</b>	<b>2014</b>
<b>Income:</b>		
Revenue	\$ 115,085	\$ 3,640
Cost of goods sold	27,408	485
Gross profit	<u>87,677</u>	<u>3,155</u>
<b>Operating expenses:</b>		
Research and development	3,284	10,735
Selling, general and administrative excluding stock based compensation	190,326	94,145
Stock based compensation attributed to warrant grants	61,106	-
Total operating expenses	<u>254,716</u>	<u>104,880</u>
<b>Loss from Operations</b>	(167,039)	(101,725)
Other income (expense):		
Interest expense, net	(65,095)	(95,547)
Gain (loss) on change in derivative liability	146,277	(26,308)
Gain (loss) on forgiveness and modifications of debt	7,900	(40,000)
Total other income (expense)	<u>89,082</u>	<u>(161,855)</u>
Loss before income taxes	(77,957)	(263,580)
Income taxes	-	-
<b>Net loss</b>	<u>(77,957)</u>	<u>(263,580)</u>
<b>Loss per common share- basic and diluted</b>	<u>\$ (0.04)</u>	<u>\$ (0.14)</u>
<b>Weighted average shares outstanding</b>	<u>2,093,502</u>	<u>1,937,262</u>

See notes to condensed consolidated financial statements

**NATURALNANO, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIENCY**  
**(Unaudited)**

	Common Stock		Series D Preferred Stock		Additional Paid in Capital	Accumulated Deficit	Stockholders' Deficiency
	Shares	Amount	Shares	Amount			
Balance at December 31, 2014	2,093,502	\$ 2,094	100	\$ -	\$ 21,454,431	\$ (25,620,604)	\$ (4,164,079)
Series B preferred shares change in value	-	-	-	-	416	-	416
Warrants issued for services	-	-	-	-	61,106	-	61,106
Change in value to rights to common shares	-	-	-	-	215,939		215,939
Net loss for the three months ended March 31, 2015	-	-	-	-	-	(77,957)	(77,957)
Balance at March 31, 2015	<u>2,093,502</u>	<u>\$ 2,094</u>	<u>100</u>	<u>\$ -</u>	<u>\$ 21,731,892</u>	<u>\$ (25,698,561)</u>	<u>\$ (3,964,575)</u>

See notes to condensed consolidated financial statements

**NATURALNANO, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited)**

	For the three months ended March 31,	
	2015	2014
<b>Cash flows from operating activities:</b>		
Consolidated net (loss)	\$ (77,957)	\$ (263,580)
<u>Adjustments to reconcile net (loss) to net cash used in operating activities:</u>		
Net (gain) loss on extinguishment/modification of debt	(7,900)	40,000
Change in fair value of derivative liabilities	(146,277)	26,308
Issuance of warrants for services	61,106	-
<u>Changes in operating assets and liabilities:</u>		
Decrease in accounts receivable	689	10,956
Decrease (increase) in inventory	35,033	(5,479)
Decrease in prepaid expenses and other current assets	48,848	-
Increase in accounts payable and accrued expenses	25,524	78,803
Increase in deferred revenue	-	40,745
<b>Net cash used in operating activities</b>	<b>(60,934)</b>	<b>(72,247)</b>
<b>Cash flows from investing activities</b>		
Receivable from MJ Enterprises	-	(200,000)
<b>Net cash used in investing activities</b>	<b>-</b>	<b>(200,000)</b>
<b>Cash flows from financing activities</b>		
Proceeds from senior secured promissory notes	61,000	280,000
<b>Net cash provided by financing activities</b>	<b>61,000</b>	<b>280,000</b>
Increase in cash	66	7,753
<b>Cash at beginning of period</b>	<b>-</b>	<b>-</b>
<b>Cash at end of period</b>	<b>\$ 66</b>	<b>\$ 7,753</b>

See notes to condensed consolidated financial statements

**NaturalNano, Inc .**  
**For the three months ended March 31, 2015**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**1. PRINCIPAL BUSINESS ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES**

**Interim Financial Statements**

The condensed consolidated financial statements as of March 31, 2015 and for the three months ended March 31, 2015 and 2014 are unaudited. However, in the opinion of management of the Company, these condensed consolidated financial statements reflect all material adjustments, consisting solely of normal recurring adjustments, necessary to present fairly the consolidated financial position and results of operations for such interim periods. The results of operations for the interim periods presented are not necessarily indicative of the results to be obtained for a full year. The accompanying condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 8-03 of Regulation S-X for smaller reporting companies. Accordingly, these condensed consolidated financial statements do not include all of the information required by U.S. generally accepted accounting principles for complete financial statements. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

**Liquidity and Going Concern**

Going Concern – The accompanying condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company generated a net loss for the three months ended March 31, 2015 of approximately \$78,000, had negative working capital of approximately \$3,620,000 and a stockholders' deficiency of approximately \$3,965,000 at March 31, 2015. Since inception the Company's growth has been funded through a combination of convertible and non-convertible debt from private investors and from cash advances from its former parent Technology Innovations, LLC. These factors, among others, may indicate that the Company will be unable to continue as a going concern for a reasonable period of time. The Company's continuation as a going concern is dependent upon its ability to generate sufficient cash flow to meet its obligations, to obtain additional financing, renegotiate the terms of existing financing obligations and ultimately to attain successful operations. The ability to successfully achieve those items is uncertain. The financial statements do not include any adjustments that might result from the uncertainty.

As of March 31, 2015, the Company continued to require waivers for debt covenant violations and extensions of maturity dates. Refer to Note 2 for lenders waivers and maturity extensions received from the lenders.

**Basis of Consolidation**

The condensed consolidated financial statements include the accounts of NaturalNano, Inc. ("NaturalNano" or the "Company"), a Nevada corporation, and its wholly owned subsidiaries NaturalNano Research, Inc. ("NN Research") a Delaware corporation. All significant inter-company accounts and transactions have been eliminated in consolidation.

**Description of the Business**

**Nanotechnology**

The Company, located in Rochester, New York, is engaged in the development and commercialization of material science technologies with an emphasis on additives to polymers and other industrial and consumer products by taking advantage of technology advances developed in-house. The Company's current activities are directed toward research, development, production and marketing of its proprietary technologies relating to the treatment and separation of nanotubes from halloysite clay and the development of related commercial applications for cosmetics, health and beauty products and polymers, plastics and composites.

**ViralProtec**

In the fourth quarter of 2014, the Company announced the new business line, ViralProtec, ([www.viralprotec.com](http://www.viralprotec.com)) a division of NaturalNano. ViralProtec, is a reseller for healthcare personal protective equipment (PPE) and ancillary supplies. Our mission is to provide personal protective equipment for caregivers for infectious patient care that meet or exceed CDC and WHO guidelines. ViralProtec was created in response of the public concern and publicity surrounding the risk to caregivers and other responders created by the Ebola virus. The Company will maintain inventory on hand for customers to order complete protection kits from a single source instead multiple sources.

**Estimates**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and assumptions that affect the amounts reported and disclosed in the financial statements and the accompanying notes. Actual results could differ materially from these estimates. On an ongoing basis, we evaluate such estimates. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities.





### **Fair Value of Financial Instruments**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Fair Value Measurement Topic of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) establishes a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). These tiers include:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument.
- Level 3 inputs are unobservable inputs based on the Company’s own assumptions used to measure assets and liabilities at fair value.

A financial asset or liability’s classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. The carrying amounts reported in the balance sheet of cash, accounts receivable, prepaids, accounts payable and accrued expenses approximate fair value because of the immediate or short-term maturity of these financial instruments. The fair value of notes payable approximates their carrying value as the terms of this debt reflects market conditions. The Company’s derivative liability was determined utilizing Level 3 inputs.

### **Derivative Financial Instruments**

The Company does not use derivative instruments to hedge exposures to cash flow, market or foreign currency risks. The Company evaluates all of its financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and then is revalued at each reporting date, with changes in fair value reported in the consolidated statement of operations. For stock based derivative financial instruments, the Company estimated the total enterprise value based upon trending the firm value from December 2006 to March 2015 considering company specific factors including the changes in forward estimated revenues and market factors, market multiples for comparable companies, and the Company’s market share price, all equally weighted. Once the enterprise value was determined an option pricing model was used to allocate the enterprise value to the individual derivative securities in the Company’s capital structure. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or equity, is evaluated at the end of each reporting period. Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether or not net-cash settlement of the derivative instrument could be required within twelve months of the balance sheet date.

### **Reclassifications**

Certain prior year amounts have been reclassified to conform to the current year presentation.

### **Income Taxes**

The Company accounts for income taxes in accordance with FASB ASC 740 which requires recognition of estimated income taxes payable or refundable on income tax returns for the current year and for the estimated future tax effect attributable to temporary differences and carry-forwards. Measurement of deferred income items is based on enacted tax laws including tax rates, with the measurement of deferred income tax assets being reduced by available tax benefits not expected to be realized. The Company recognizes penalties and accrued interest related to unrecognized tax benefits in income tax expense. Income tax expense was \$0 for the three month periods ending March 31, 2015 and 2014.

### **Loss Per Share**

Loss per common share is computed by dividing net income or loss by the weighted-average number of shares of common stock outstanding during the period. Diluted income or loss per common share gives effect to dilutive convertible preferred stock, convertible debt, options and warrants outstanding during the period. Shares to be issued upon the exercise of these instruments have not been included in the computation of diluted loss per share as their effect is anti-dilutive based on the net loss incurred.

As of March 31, 2015 and 2014 there were 9,130,044 and 6,720,340 shares, respectively, underlying preferred stock, convertible debt, outstanding options and warrants that could potentially dilute future earnings. In addition to these potentially dilutive shares as of March 31, 2015 were an additional 6,666,667 reserved shares underlying the July 23, 2014 Exchange and Right to Shares Agreement with Cape One Master Fund II LLP further described in Note 2 below.

These potentially dilutive shares have been limited by certain debt and equity agreements with lenders. These agreements provide limitations on the conversion of the dilutive instruments such that the number of shares of Common Stock that may be acquired by the holder upon conversion of such instruments shall be limited to ensure that following such conversion the total number of shares of Common Stock then beneficially owned by the holder does not exceed 4.99% of the total number of issued and outstanding shares of Common Stock. The Company does not have sufficient authorized shares to satisfy conversion of all the potentially dilutive instruments.



## Recent Accounting Pronouncements

FASB ASU 2015-3, Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs ASU 2015-3 is effective for the annual period ending after December 15, 2015. Early adoption is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption.

FASB ASU 2015-1, Income Statement—Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items This ASU eliminates from GAAP the concept of extraordinary items. ASU 2015-1 is effective for the annual period ending after December 15, 2015. Early adoption is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption.

FASB ASU 2014-12, Compensation—Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period (a consensus of the FASB Emerging Issues Task Force) . ASU 2014-12 requires a performance target that affects vesting and that could be achieved after the requisite service period to be treated as a performance condition. To account for such awards, a reporting entity should apply existing guidance in FASB Accounting Standards Codification Topic 718, Compensation – Stock Compensation, as it relates to awards with performance conditions that affect vesting. ASU 2014-12 is effective for annual periods and interim periods within those annual periods beginning after December 15, 2015.

## 2. NOTES PAYABLE

Notes payable consisted of the following:

Notes Payable	March 31, 2015	December 31, 2014
Senior Secured Convertible Notes	\$ 441,988	\$ 441,988
Senior Secured Promissory Notes	398,938	398,938
2014-2015 Convertible Promissory Notes	755,015	694,020
	<u>\$ 1,595,941</u>	<u>\$ 1,534,946</u>

### Senior Secured Convertible Notes and Senior Secured Promissory Notes

As of March 31, 2015 and December 31, 2014 Notes payable on the balance sheets includes \$840,926 for senior secured convertible and non-convertible senior secured promissory notes. The conversion rate for principal and accrued interest on Senior Secured Convertible Notes is 75% of the lowest volume weighted average price (VWAP) of the Company's common stock for the 1, 5 or 10 days immediately prior to the conversion. As further described below, the Company has defaulted on certain provisions of the notes. The Company has obtained a waiver of default on the outstanding principal through June 30, 2015. As a condition of this forbearance the interest rate on certain of these notes has been increased to 18%.

### 2014-2015 Senior Secured Promissory Notes

During the first quarter of 2015, the Company entered into two Senior Secured Convertible Promissory Notes aggregating \$61,000. The 2014-2015 Senior Secured Promissory Notes are secured by, among other things, (i) the continuing security interest in certain assets of the Company pursuant to the terms of the Initial Notes dated March 7, 2007, (ii) the Pledge Agreement, as defined in the Initial Notes, and (iii) the Patent Security Agreement, dated as of March 6, 2007. The proceeds from the 2014-2015 Senior Secured Promissory Notes are available for general working capital purposes and cannot be used to redeem or make any payment on account of any securities due to the Lenders. The Company has obtained a waiver of default on the outstanding principal through June 30, 2015. As a condition of this forbearance the interest rate on certain of these notes has been increased to 18%.

### Subordinated Secured Convertible Note and Exchange and Right to Shares Agreement – Cape One Master Fund II LP

On July 23, 2014, the Company and Cape One Master Fund II LLP agreed to exchange the Subordinated Secured Convertible Note and related accrued and unpaid interest totaling a combined \$379,624 in exchange for 6,666,667 reserved shares of the Company's common stock. The Company and Cape One agreed that a beneficial ownership limitation of 4.99% shall be maintained at all times as to the number of the shares of the common stock outstanding immediately after giving effect to the issuance of the common stock issuable under this agreement. Cape One also agreed to a Lockup provision in the agreement that specifies that Cape One will not sell, transfer or hypothecate any of the reserved shares until Alpha Capital Anstalt has received \$3,500,000 from the proceeds of sales of shares obtained upon conversion of notes issued by the Company and held by Alpha as of the date of this agreement. Upon expiration of the Lockup period, Cape One shall be allowed to sell the lesser of (i) 5% of the daily trading volume of the Company's common stock or, (ii) 10% of the reserved shares in any calendar month.

The Company estimated the total enterprise value based upon a combination of the trending of the firm value from December 2006 to March 2015, market comparables and the market value of the Company's stock considering company specific factors including the changes in forward estimated revenues and market factors. Once the enterprise value was determined an option pricing model was used to allocate the enterprise value to these 6,666,667 share rights and other securities in the Company's capital structure. The fair value of these 6,666,667 share rights was estimated at \$343,350 as of March 31, 2015 based on the excess of the value of the instruments settled over the estimated fair market value of the share rights granted. The change in fair market value of this rights liability of \$215,939 has been reflected in Additional Paid In Capital. As a result of the Company not having sufficient authorized shares to satisfy the issuance of these 6,666,667 share rights, conversion of all outstanding convertible debt, convertible preferred stock, warrants and options, the value of these share rights has been presented in temporary equity classification on the balance sheets.

During the three month period ended March 31, 2014, the Company entered into forbearance agreements with Cape One which extended the due dates of certain outstanding notes and accrued interest. As consideration for this forbearance, the lender increased its principal balance outstanding by \$40,000. This amount was added to the principal balance of the Initial Notes and the Company recognized a loss on modification of debt of \$40,000 in the three month period ended March 31, 2014.

### 3. SEGMENT INFORMATION

The Company's reportable segments are strategic business units that offer different products and services. The Company's reportable segments are organized, managed and internally reported separately because each business requires different technology and marketing strategies. The Company currently has two operating segments, Nanotechnology and ViralProtec. A summary of the two segments is as follows:

**Nanotechnology** Research, development, production and marketing of its proprietary technologies relating to the treatment and separation of nanotubes from halloysite clay and the development of related commercial applications for cosmetics, health and beauty products and polymers, plastics and composites.

**ViralProtec** Distributor and reseller of personal protective equipment and supplies to protect medical workers from infection and contagious incidents.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies of the Company. The Company accounts for intersegment sales and transfers as if the sales or transfers were to third parties, that is, at current market prices. The Company relies on intersegment cooperation and management does not represent that these segments, if operated independently, would report the results contained herein. For purposes of determining segment loss, corporate overhead is primarily included in Nanotechnology, other than direct expense of ViralProtec. Approximate information concerning the Company's operations by reportable segment for the three months ended March 31, 2015 and March 31, 2014 is as follows:

	Nanotechnology For the three months ended		ViralProtec For the three months ended		Consolidated For the three months ended	
	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
Revenue	\$ 67,827	\$ 3,640	\$ 47,258	-	\$ 115,085	\$ 3,640
Loss from operations	\$ (180,260)	\$ (101,725)	\$ 13,221	-	\$ (167,039)	\$ (101,725)
Interest expense	(65,095)	(95,547)	-	-	(65,095)	(95,547)
Net gain (loss) on derivative liabilities	146,277	(26,308)	-	-	146,277	(26,308)
Gain (loss) on forgiveness /modification of debt	7,900	(40,000)	-	-	7,900	(40,000)
Income (loss)	<u>\$ (91,178)</u>	<u>\$ (263,580)</u>	<u>\$ 13,221</u>	<u>-</u>	<u>\$ (77,957)</u>	<u>\$ (263,580)</u>
Assets	<u>\$ 40,738</u>	<u>\$ 309,940</u>	<u>\$ 184,698</u>	<u>-</u>	<u>\$ 225,436</u>	<u>\$ 309,940</u>

**Geographic Areas** – The Company had no long-lived assets in any country other than the United States for any period presented. The Company had \$9,600 in sales outside of the United States in the first quarter of 2015.

**Major Customers** – During the three months ended March 31, 2015, the Company derived 58% of total revenue from one Nanotechnology customer and 15% from one ViralProtec customer. During the three months ended March 31, 2014, the Company derived 100% of total revenue from one Nanotechnology customer.



#### 4. DERIVATIVE LIABILITY

For stock based derivative financial instruments, the Company estimated the total enterprise value based upon a combination of the trending of the firm value from December 2006 to March 2015, market comparables, and the market value of the Company's stock, considering company specific factors including the changes in forward estimated revenues and market factors. Once the enterprise value was determined an option pricing model was used to allocate the enterprise value to the individual derivative and other securities in the Company's capital structure. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or equity, is evaluated at the end of each reporting period. Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether or not net-cash settlement of the derivative instrument could be required within twelve months of the balance sheet date.

The Company's derivative liabilities as of March 31, 2015 and December 31, 2014 are as follows:

- The debt conversion feature embedded in the various Convertible Promissory Notes which contain anti-dilution provisions that would be triggered if the Company issued instruments with rights to the Company's common stock at prices below this exercise price (described in Note 2.)
- Derivative liabilities related to outstanding warrants and options due to the Company having insufficient authorized shares to satisfy the exercise or conversion of all outstanding instruments as of March 31, 2015 and December 31, 2014.

The fair value of the derivative liabilities as of March 31, 2015 and December 31, 2014 are as follows:

	March 31, 2015	December 31, 2014
Note conversion feature liabilities	\$ 236,690	\$ 375,949
Warrant liability	4,754	11,772
Total	<u>\$ 241,444</u>	<u>\$ 387,721</u>

The change in the fair value of the derivative liability of \$146,277 was recognized as a gain on change in derivative liability in the statement of operations for the three months ended March 31, 2015. A change in fair value of the derivative liability of \$26,308 was recognized as a loss for the three months ended March 31, 2014. Significant fluctuations in the variables used in calculating the value of the Company's derivative liabilities could have significant impact on the fair market valuation.

#### 5. STOCKHOLDERS EQUITY

As of March 31, 2015 the Company was authorized to issue up to 800,000,000 shares of common stock and 10,000,000 shares of preferred stock.

**Authorized Common Stock:** In 2013 the Company received a unanimous written consent in lieu of a meeting from the members of the Board of Directors and a written consent from the Series D stockholder to amend its articles of incorporation to increase the Company's authorized common shares to 800,000,000 common shares. As of March 31, 2015 there were 9,130,044 shares underlying preferred stock, convertible debt, outstanding options and warrants that could potentially dilute future earnings. In addition to these potentially dilutive shares were an additional 6,666,667 reserved shares underlying the July 23, 2014 Exchange and Right to Shares Agreement with Cape One Master Fund II LLP further described in Note 2. The Company does not have sufficient authorized shares to satisfy conversion of all the potentially dilutive instruments.

##### Preferred Stock Issuances

The Series B Convertible Preferred Stock is convertible into 160 shares of the Company's common stock and votes on an as-converted basis (with each share having 160 votes). The Series B designation limits the holders' rights to convert its Convertible Preferred Stock, and the aggregate voting powers, to no more than 4.99% of the votes attributable to the total outstanding common shares. As a result of the Company not having sufficient authorized shares to satisfy the conversion of all outstanding convertible debt, share rights, convertible preferred stock, warrants and options, the Series B preferred shares have been moved into temporary equity classification on the balance sheet.

##### Warrants Grants

The Company has issued warrants to purchase shares of its common stock to certain consultants and debt holders. As of March 31, 2015 and December 31, 2014 there were common stock warrants outstanding to purchase an aggregate of 845,294 and 545,294 shares of common stock, respectively, pursuant to the warrant grant agreements.

On February 15, 2015, the Company granted a total of 300,000 warrants to the Company's board members. These warrants, included in the summary below, grant the right to purchase one share of common stock at an exercise price of \$0.10 per share. The warrants were fully vested as of the grant date and contain a cashless exercise provision. The fair value of the warrants on the date of grant was determined using the Black-Scholes model and was measured on the date of grant at \$61,106. An expected volatility assumption of 140% was used based on the

volatility of the Company's stock price utilizing a look-back basis and the risk-free interest rate of 1.62% which was derived from the U.S. treasury yields on the date of grant. The market price of the Company's common stock on the grant date was \$0.22 per share. The expiration date used in the valuation model aligns with the warrant life of five years as indicated in the agreements. The dividend yield was assumed to be zero.

A summary of the outstanding warrants is presented below:

	2015		
	Shares	Weighted Average Exercise Price	Weighted Average Remaining Life-years
Outstanding at January 1, 2015	545,294	\$ 4.26	2.24
Granted	<u>300,000</u>	0.10	
Warrants outstanding at March 31, 2015	<u>845,294</u>	\$ 0.77	4.75
Warrants exercisable at March 31, 2015	<u>845,294</u>	\$ 0.77	4.75

## 6. INCENTIVE STOCK PLANS

A summary of the status of the outstanding incentive stock plans is presented below:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Life-years
Options outstanding at January 1, 2015	2,363	\$ 921.00	3.53
Options expired unexercised	<u>907</u>		
Options outstanding at March 31, 2015	<u>1,456</u>	\$ 1,578.00	1.44
Options exercisable at March 31, 2015	<u>1,456</u>	\$ 1,578.00	

All compensation costs for the above options have been previously recognized in operations. As of March 31, 2015, the aggregate intrinsic value of the stock options outstanding and exercisable was \$0. There were no option grants made in the three month periods ended March 31, 2015 and 2014.

## 7. REVERSE STOCK SPLIT

On December 19, 2014, the Company filed a Certificate of Amendment to its Restated Certificate of Incorporation, as amended, with the Secretary of State of the State of Nevada, to effect a 1-for-300 reverse stock split of its common stock, or the Reverse Stock Split. This action had previously been approved by the Company's Board of Directors on November 4, 2014. As a result of the Reverse Stock Split, every three hundred shares of the Company's pre-reverse split common stock were combined and reclassified into one share of its common stock. No fractional shares were issued in connections with the Reverse Stock Split. Stockholders who would have been entitled to receive a fractional share in connection with the Reverse Stock Split received one whole share. The par value and other terms of the common stock were not affected by the Reverse Stock Split.

The Company's common stock began trading at its post-Reverse Stock Split price at the beginning of trading on December 23, 2014.



## **Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations**

### **FORWARD-LOOKING STATEMENTS**

This quarterly report on Form 10-Q and other reports that we file with the SEC contain statements that are considered forward-looking statements that involve risks and uncertainties. These include statements about our expectations, plans, objectives, assumptions or future events. In some cases, you can identify forward-looking statements by terminology such as “anticipate,” “estimate,” “plans,” “potential,” “projects,” “continuing,” “ongoing,” “expects,” “management believes,” “we believe,” “we intend” and similar expressions. Such forward looking statements include statements addressing operating performance, events or developments that the Company expects or anticipates will occur in the future, including statements relating to revenue realization, revenue growth, earnings, earnings per share, or similar projections. These statements involve estimates, assumptions and uncertainties that could cause actual results to differ materially from those expressed for the reasons described in this report. You should not place undue reliance on these forward-looking statements.

You should be aware that our actual results could differ materially from those contained in the forward-looking statements due to a number of factors such as:

- the ability to raise capital to fund our operations until we generate adequate cash flow internally;
- the terms and timing of product sales and licensing agreements;
- our ability to enter into strategic partnering and joint development agreements;
- our ability to competitively market our controlled release and filled tube products;
- the successful implementation of research and development programs;
- our ability to attract and retain key personnel;
- general market conditions.

Our actual results may differ materially from management’s expectations. The following discussion and analysis should be read in conjunction with our financial statements included herewith. This discussion should not be construed to imply that the results discussed herein will necessarily continue in the future, or that any conclusion reached herein will necessarily be indicative of actual operating performance in the future. Such discussion represents only the best present assessment of our management.

The forward-looking statements speak only as of the date on which they are made, and except to the extent required by federal securities laws, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

### **The Company**

NaturalNano (the “Company”), located in Rochester, New York, operates in two business segments, the Nanotechnology and ViralProtec as described below.

#### **Nanotechnology**

The Company, located in Rochester, New York, is engaged in the development and commercialization of material science technologies with an emphasis on additives to polymers and other industrial and consumer products by taking advantage of technology advances developed in-house. The Company’s current activities are directed toward research, development, production and marketing of its proprietary technologies relating to the treatment and separation of nanotubes from halloysite clay and the development of related commercial applications for cosmetics, health and beauty products and polymers, plastics and composites.

#### **ViralProtec**

On November 5, 2014 the Company announced the new business line, ViralProtec, ([www.viralprotec.com](http://www.viralprotec.com)) a division of NaturalNano. ViralProtec, is a reseller for Ebola personal protective equipment (PPE) and ancillary supplies. Our mission is to provide personal protective equipment for caregivers for infectious patient care that meet or exceed CDC and WHO guidelines. ViralProtec was created in response of the public concern and publicity surrounding the risk to caregivers and other responders created by the Ebola virus. The Company will maintain inventory on hand for customers to order complete protection kits from a single source instead multiple sources.

NaturalNano is domiciled in the state of Nevada as a result of the merger with Cementitious Materials, Inc., (“CMI”), which was completed on November 29, 2005.

## **Liquidity**

Going Concern – The accompanying condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company generated a net loss for the three months ended March 31, 2015 of approximately \$78,000, had negative working capital of approximately \$3,620,000 and a stockholders' deficiency of approximately \$3,965,000 at March 31, 2015. Since inception the Company's growth has been funded through a combination of convertible and non-convertible debt from private investors and from cash advances from its former parent Technology Innovations, LLC. These factors, among others, may indicate that the Company will be unable to continue as a going concern for a reasonable period of time. The Company's continuation as a going concern is dependent upon its ability to generate sufficient cash flow to meet its obligations, to obtain additional financing, renegotiate the terms of existing financing obligations and ultimately to attain successful operations. The ability to successfully achieve those items is uncertain. The financial statements do not include any adjustments that might result from the uncertainty.

As of March 31, 2015 the Company owed \$1,900,978 to lenders in the form of notes payable and accrued interest. Much of this debt is convertible into the Company's common stock at terms beneficial to the lenders compared to the market price of the Company's common stock. The Company continues to rely on these lenders to provide additional loans to cover Company expenses and to provide forbearance agreements extending the due dates of the various notes. As of March 31, 2015, the Company continued to require waivers for debt covenant violations and extensions of maturity dates. The lenders have provided waivers that increase the interest rate on the debt to 18% during the forbearance period and have extended the scheduled maturity date to June 30, 2015.

## **Operating activities**

Net cash used in operating activities in the three months ended March 31, 2015 and 2014 was \$60,934 and \$72,247, respectively. The net loss generated in the three month period of 2015 was \$77,957 compared to a net loss of \$263,580 in the prior year period. The Company continues to actively monitor spending and cash outflows in an effort to reduce costs until continuing revenue sources are developed. The Company also evaluates opportunities to reduce expenses and improve its liquidity position. We expect that total consolidated spending in 2015 to be comparable to the prior year spending levels, although we will continue to invest in product and commercialization efforts as our cash position and liquidity allow.

Total non-cash adjustments to reconcile the net loss to the cash used in operations aggregated a net reduction of \$93,071 in the three months ended March 31, 2015 compared to net addition of \$66,308 in the three months ended March 31, 2014. The change in these non-cash items reflect the change in the fair market value of warrant and derivative liabilities.

## **Investing activities**

There were no investing activities during the three months ended March 31, 2015.

During the three months ended March 31, 2014, the Company entered into a purchase agreement to acquire all the issued and outstanding membership interest in MJ Enterprises ("MJE"). In connection with this purchase agreement, the Company advanced \$200,000 to MJE. The Company decided during the first quarter of 2014 not to pursue this acquisition. The \$200,000 advance was due and payable from MJE on June 30, 2014. The Company does not believe this amount will be collected from MJE. During 2014, the Company provided a reserve of \$200,000 on the potential non-recovery of the full amount due from MJE.

## **Financing Activities**

Net cash provided from financing activities in the three months ended March 31, 2015 and 2014 was \$61,000 and \$280,000, respectively. The cash flows from financing activities in 2015 include the receipt of an aggregate of \$61,000 in new borrowing in connection with the 2015 Convertible promissory notes. The cash flows from financing activities in 2014 reflect a receipt of \$68,000 in proceeds from Platinum Long Term Growth IV LLC and \$212,000 in proceeds from Alpha.

## **Critical Accounting Policies and Estimates**

Refer to the Company's December 31, 2014 report on Form 10K for a complete discussion of the critical accounting policies which have not changed during the three months ended March 31, 2015.

## **Comparison of Statement of Operations for the three months ended March 31, 2015 and 2014**

### ***Revenue and Gross Profit***

During the three months ended March 31, 2015 and 2014, the Company recorded \$115,085 and \$3,640, respectively in revenue for from its two operating segments. Gross profit of \$87,677 and \$3,155 resulted in a profit margin of 76% and 87% of sales for these periods, respectively. During the three month period ended March 31, 2015, the Nanotechnology segment generated a gross profit of 84% and the ViralProtec segment generated a gross profit of 65%. The Company expects that it will continue to experience notable variations in gross margins with its business as it continues to introduce and develop new products and related applications. The Company expects that competitive pricing will be

a continuing challenge as new products are developed and introduced and product acceptance and the Company's production reputation develops.

Revenue, Cost of Goods, and Gross Profit	For the three months ended March 31,		Variance Increase
	2015	2014	
<u>Revenue:</u>			
Nanotechnology	\$ 67,827	\$ 3,640	\$ 64,187
ViralProtec	47,258	-	47,258
<u>Cost of goods:</u>			
Nanotechnology	10,820	485	10,335
ViralProtec	16,588	-	16,588
Consolidated Gross Margin	<u>\$ 87,677</u>	<u>\$ 3,155</u>	<u>\$ 84,522</u>
Gross Margin %	76%	87%	

### Operating Expenses

Management continues to assess the Company's operating structure to control expenses across all categories of the business. Such evaluations will continue with the intent to invest in research and development programs and product development in 2015 as our cash position and liquidity allows. No assurance can be given that future investment or debt financing will develop thereby resulting in improved cash inflow or liquidity for the Company.

Total research and development expenses incurred in 2015 and 2014, respectively were \$3,284 to \$10,735. The Company did not spend on Nanotechnology research programs during the three months ended March 31, 2015. Since the introduction of the ViralProtect business in the fourth quarter of 2014, the Company has directed its efforts and spending in the development of this segment's customer base and product offering. The Company intends to invest in product research for the Nanotechnology segment in future periods as cash flow opportunities allow.

Research and Development	For the three months ended March 31,		Variance Increase (decrease)
	2015	2014	
Salaries and benefits	\$ 3,284	\$ -	\$ 3,284
Rents & Utilities	-	7,046	(7,046)
Supplies and other	-	3,689	(3,689)
	<u>\$ 3,284</u>	<u>\$ 10,735</u>	<u>\$ (7,451)</u>

Total general and administrative expense, excluding stock compensation cost resulting from the grants of warrants, for the three months ended March 31, 2015 was \$190,326 as compared to \$94,145 for the three months ended March 31, 2014.

Salaries and benefits increased in 2015 over costs incurred in 2014 reflecting part time staff hired in connection with the ViralProtect business in the fourth quarter of 2014. Legal and professional services increased by \$30,935 over 2014 reflecting additional complexities to the Company's legal structure, debt extinguishments and advances and expansion of business categories. In the fourth quarter of 2014, the Company executed an agreement with ZA Capital LLC to provide \$100,000 in strategic consulting services and public relations for the six months period from October 2014 through April 2015.

During the first quarter of 2015, the Company granted a total of 300,000 warrants to the Company's board members. These warrants grant the right to purchase one share of common stock at an exercise price of \$0.10 per share. The warrants were fully vested as of the grant date and contain a cashless exercise provision. The fair value of the warrants on the date of grant was determined using the Black-Scholes model and was measured on the various dates of grant at \$61,106. An expected volatility assumption of 140% has been used based on the volatility of the Company's stock price utilizing a look-back basis and the risk-free interest rate of 1.62% and was derived from the U.S. treasury yields on the dates of grant. The market price of the Company's common stock on the grant was \$0.22 per share. The expiration date used in the valuation model aligns with the warrant life of five and ten years as indicated in the agreements. The dividend yield was assumed to be zero.

General and Administrative	For the three months ended March 31,		Variance increase (decrease)
	2015	2014	
Salary & Benefits	\$ 64,886	\$ 47,513	\$ 17,373
Legal and Professional Fees	48,533	17,598	30,935
Investor Relations	51,768	-	51,768
Consulting Services	-	9,123	(9,123)
Rent and utilities	9,496	3,300	6,196

Insurance	1,894	1,695	199
Shareholder and Board	3,281	9,067	(5,786)
Travel and Entertainment	5,738	5,450	288
Supplies and other	4,730	399	4,331
<b>General and administrative excluding stock based compensation</b>	<u>\$ 190,326</u>	<u>\$ 94,145</u>	<u>\$ 96,181</u>
<b>Stock based compensation related to warrants</b>	\$ 61,106	\$ -	\$ 61,106
<b>Total general and administrative</b>	<u><u>\$ 251,432</u></u>	<u><u>\$ 94,145</u></u>	<u><u>\$ 157,287</u></u>

Management continues to actively monitor the Company's operating structure for the purpose of controlling expenses across all categories of the business. We expect that spending for 2015 general and administrative expenses will be comparable to the 2014 actual expenses incurred, although investments in marketing and sales will be a priority if the Company's cash and liquidity position improves. No assurance can be given that future investment or debt financing will develop thereby resulting in improved cash inflow or liquidity for the Company.

#### ***Interest and Other Income (expense), net***

Other income (expense) net for the three months ended March 31, 2015 was net income of \$89,082 compared a net expense of \$161,855 for the three months ended March 31, 2014.

Interest expense includes the interest on the senior and subordinated convertible and non-convertible promissory notes. The Company incurred \$65,095 in interest expense in 2015 and \$95,547 in interest expense in 2014. The reduction in 2015 expense reflects new borrowings and the settlement of certain debt instruments in connection with the extinguishment of debt during the second quarter of 2014.

During the three months ended March 31, 2015, the Company entered into various agreements with certain vendors to settle accounts payable that were outstanding. As a result of these agreements, liabilities of \$8,000 were relieved resulting in a gain of \$7,900 on forgiveness of debt. These vendor concessions have been treated as gains in the period that the underlying agreement was reached.

In 2014, the Company recorded an expense of \$40,000 in connection with debt modifications related to forbearance agreements. The Company entered into various agreements with certain vendors to settle accounts payable that were outstanding for amounts less than the liability that was recorded in the accompanying balance sheets. These vendor concessions have been treated as gains in the period that the underlying agreements were reached.

#### **Item 4. - Controls and Procedures**

##### **Evaluation of Disclosure Controls and Procedures**

The Company's management is responsible for establishing and maintaining effective disclosure controls and procedures. Our Chief Executive Officer has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to management, including the CEO as appropriate, to allow timely decisions regarding required disclosure.

Based on this evaluation, and in light of the material weaknesses in our internal control over financial reporting that are discussed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014 our Chief Executive Officer has concluded that our disclosure controls and procedures were not effective. The material weaknesses consist of an insufficient complement of qualified accounting personnel and controls associated with segregation of duties and ineffective controls associated with identifying and accounting for complex and non-routine transactions in accordance with U.S. generally accepted accounting principles.

The Company did not maintain a sufficient complement of qualified accounting personnel and controls associated with the segregation of duties were ineffective. Notwithstanding these material weaknesses, management believes that the financial statements included in this Quarterly Report on Form 10-Q fairly present, in all material respects, our financial condition, result of operations and cash flows for the periods presented.

There can be no assurance, however, that our disclosure controls and procedures will detect or uncover all failures of persons within the Company and its consolidated subsidiaries to disclose material information otherwise required to be set forth in our periodic reports. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable, not absolute, assurance of achieving their control objectives.

##### **Changes in Internal Control over Financial Reporting**

There were no changes in our internal control over financial reporting that occurred during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II—OTHER INFORMATION

### Item 1. Legal Proceedings

There have been no material developments to the legal proceeding disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

#### Recent Sales of Unregistered Securities

None

### Item 3. Defaults Upon Senior Securities

The Company entered into Forbearance Agreements with Alpha Capital Anstalt, Marlin Capital Investments and Bull Hunter LLC effective on January 1, 2015 and March 5, 2015, relating to the Company's default on various terms and conditions with borrowing agreements. The lenders agreed to not take any action or exercise or move to enforce any rights or remedies provided for in the various loan documents or otherwise available to it, under law or equity, due to the events of default under the existing Senior Secured Convertible and Promissory Notes until June 30, 2015. The lenders increased the interest rate on the debt to 18% during the forbearance period.

### Item 4. Mine Safety Disclosures

Not applicable.

### Item 5. Other Information

None.

## Item 6. Exhibits

Exhibit No.	Description	
31.1	Certification of principal executive officer and principal accounting officer pursuant to section 302(a) of the Sarbanes-Oxley Act of 2002	*
32.1	Certification of principal executive officer and principal accounting officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002	*
101	Interactive data files formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statement of Stockholders' Deficiency, (iv) the Consolidated Statements of Cash Flows, and (v) the Notes to the Consolidated Financial Statements	*
101.INS	XBRL Instance Document	*
101.SCH	XBRL Taxonomy Extension Schema Document	*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	*
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	*

\* Filed herewith



## SIGNATURES

Pursuant to the requirements 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.

Date: May 20, 2015

**NaturalNano, Inc.**

/s/ James Wemett  
James Wemett  
President and Director  
(Principal Executive, Financial and Accounting Officer)

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
PURSUANT TO SECTION 302(a) OF THE SARBANES-OXLEY ACT OF 2002**

I, James Wemett, certify that:

1. I have reviewed this annual report on Form 10Q of NaturalNano, Inc. (the "registrant") for the three months ended March 31, 2015;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: Dated: May 20, 2015

/s/ James Wemett

James Wemett

President

(Principal Executive Officer, Financial and Accounting Officer)

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned, James Wemett, Acting President, and Chief Executive Officer, of NaturalNano, Inc. (the “Company”) certifies, under the standards set forth and solely for the purposes of 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of our knowledge, the Annual Report on Form 10-Q of the Company for the three months ended March 31, 2015 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in that Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 20, 2015

/s/ James Wemett

James Wemett

President

(Principal Executive, financial and Accounting Officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.