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

Form 10-K

☒ Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2015
or
☐ Transitional Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

NATURALNANO, INC
Commission File No. 000-49901

Nevada	**87-0646435**
(State of incorporation)	(IRS Employer Identification Number)

763 Linden Ave.
Rochester, New York 14625
(Address of principal executive office)

(585) 267-4848
(Registrant's telephone number)

Securities registered pursuant to Section 12(b) of the Act:
Title of each class
Common Stock (Par Value - $0.001)

Name of each exchange on which Registered
None

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, defined in Rule 405 of the Securities Act
YES ☐ NO ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act.
YES ☐ NO ☒

Note- Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Act from their obligations under those Sections.

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 Date 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this Chapter) 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. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company.
Large Accelerated Filer ☐ Accelerated Filer ☐ Non-Accelerated Filer ☐ Smaller Reporting Company ☒

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Act).Yes ☐ No ☒

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter:

2,093,502 shares at a market valued by reference to the closing price of such stock ($0.1599), as of June 30, 2015 was $334,751.

As of June 6, 2016, there were 2,911,658 shares of Common Stock of NaturalNano, Inc. issued and outstanding.

NaturalNano, Inc.
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PART I

Item 1. Business

Basis of Consolidation

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

Description of Business

NaturalNano (the "Company"), located in Rochester, New York, is engaged in two business segments:

- The Nanotechnology segment includes the development and commercialization of material additives based on a technology utilizing halloysite nanotubes (HNTs). The Company provides additives designed to improve the processing characteristics and mechanical properties of engineering thermoplastics and additives designed to optimize release of active agent such as vitamins and fragrance in cosmetics products. NaturalNano holds patents relating to the commercial use of HNTs in composite materials as well as specialized techniques used in the refinement and processing of HNTs and intermediaries that it ships to customers. HNT materials used as a surface treatment have also shown promise in medical research in stem cell collection and in trapping circulating cancer cells. The Company is also exploring surface treatments related to improved adhesion of protective coatings for polymer components used in several commercial applications.
- On November 5, 2014 the Company announced the new business line, ViralProtec, (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.

Liquidity and Going Concern

Going Concern – The accompanying 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 year ended December 31, 2015 of approximately $1,091,000, had negative working capital of approximately $4,755,000 and a stockholders' deficiency of approximately $4,756,000 at December 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 December 31, 2015, the Company continued to require waivers for debt covenant violations and extensions of maturity dates. Refer to Note 2 in the consolidated financial statements for lender waivers and maturity extensions received from the lenders.

The Company’s management and Board of Directors continue to actively assess the Company's operating structure with an objective to reduce ongoing expenses, increase sources of recurring revenue as well as seeking additional debt or equity financing. The Company will continually evaluate funding options including additional offerings of its securities to private and institutional investors and other credit facilities as they become available. There can be no assurance as to the availability or terms upon which such financing alternatives might be available.

The Company has experienced recurring losses from operations since its inception and continues to have a working capital deficiency and limited opportunities for additional capital infusion. The Company has experienced recurring defaults relating to the various provisions under its current debt obligations and is expected to require future forbearance and waivers relating to such provisions in the future. These negative financial conditions combined with delays experienced in product introduction and customer acceptance raises substantial doubt of the Company’s ability to continue as a going concern.

Terminology

A summary of the terms used to describe our technologies is presented below.

- **Nanotechnology** is research and technology development at the molecular or macromolecular levels, in the length scale of approximately 1 - 100 nanometer (nm) range, to provide a fundamental understanding of phenomena and materials at the nanoscale and to create and use structures, devices and systems that have novel properties and functions because of their small and/or intermediate size. The novel and differentiating properties and functions are developed at a critical length scale of matter typically under 100 nm.
- **Extraction of halloysite nanotubes** is comprised of separating the nanotube components out of a mixture of various mineral materials which are impurities from the mining of halloysite clay.
- **Halloysite clay** is a clay-like mineral occurring in soft, smooth, amorphous masses of a whitish color. Halloysite frequently has a unique tubular quality and is mined throughout the world for various commercial purposes.
- **Halloysite natural tubes (“HNT”)** is a term that defines the materials found in halloysite clay that are tube shaped and can be measured in one-billionth of a meter units tubular quality and is mined throughout the world, for various commercial purposes also called Halloysite Natural Tubes.
- **Nanoclay** is used to define a clay material that can be dimensionally measured in one-billionth of a meter unit.
- **Nanotubular material** is used to define a material that has a tubular geometric shape that can be dimensionally measured in a one-billionth of a meter unit.
- **Polymer extruder** is a machine used to mix plastic materials including colorants and fillers (additives) such as halloysite in a hot melt state.
- **Tubular content material** is used to define a material that has been processed and has a high percentage of, or is completely comprised of, particles with tubular geometric shape.

Halloysite is a nanotubule mineral that occurs in nature in many kaolin clay deposits. This material is actively mined today, both in the USA and internationally and is used by the paper, cement and ceramics industries, among others. We intend to utilize these deposits, and other original sources, to economically obtain and refine nanotubes.

Research and Development

Our research and development plans have historically focused on material characterization, formulation testing and product accreditation for nanoscale materials and nanoclays, our Pleximer™ products and filled-tube products. These efforts have included process and product evaluations and development in the areas of:

- The use of halloysite as an additive in composites and polymers
- Enhancing the extended release properties resident halloysite clay.

For the years ending December 31, 2015 and 2014 we invested $4,584 and $40,076, respectively, in support of our research and development programs.

Nanocomposites

Today, most nanocomposites used in the plastics industry are made with “platy nanoclays” materials or nano-sized versions of traditional fillers that are challenging and expensive to process. Platy nanoclays, such as montmorillonite, contain layered two-dimensional sheets held together by an intermediary layer. These clay sheets must be exfoliated (chemically separated) to produce a nanoparticulate filler with uniform dispersion characteristics within a polymer matrix. Today’s platy nanoclay composite production processes require multiple processing steps including: surface treatments, incorporation of nanoclay into the polymer synthesis process, and additional extrusion steps before the final polymer extruder or molding, in order to achieve the uniform dispersion required for most polymer composite products. These multiple manufacturing processes lead to complexity, increased cost and dispersion quality challenges. Even with the manufacturing processes described above, today’s platy nanoclays are only viable in a limited number of polymer families due to specialized chemistry and manufacturing requirements.

NaturalNano's Pleximer™ concentrates have been designed to respond to certain industrial and commercial needs. These include strength increases without compromising ductility, aesthetic enhancements, flame retardant properties and other proprietary needs.

Filled Tube Products

NaturalNano's halloysite natural tube ("HNT") products involve filling HNTs with active agents for use in the polymer composites, health and beauty, household product, and agrichemical industries. Halloysite natural tubes are unique nanomaterials, since the tube can be filled with active agents of interest to add a feature or property to a material. The filled tube product contains a material of interest within the tubes such as an antimicrobial compound to provide antimicrobial properties to the resulting polymer composite material. This would be valuable, for example, in the fabric industry for athletic wear.

The processes for filling the tubes, for applications of interest such as cosmetics and agricultural, are covered by pending patent applications. The underlying technology for these products and processes are covered by patent applications pending issuance and certain issued patents with 2026 expiration dates.

Market Opportunities

The Company believes its halloysite technologies can provide benefits across a variety of industry segments. Specific industries where management believes halloysite nanotubes may enhance products through controlled and extended release of active ingredients or through other treatments provided on the surfaces of the tubes include:

- Cosmetics, health and beauty products
- Household products
- Polymers, plastics and composites.

Raw Materials and Processing
Halloysite and the closely related kaolonite are naturally occurring clays which are actively mined on a commercial scale in the United States and throughout the world for use in the paper, porcelain and concrete industries, among others. The halloysite nanotubes can be separated from kaolonite using standard processing equipment and techniques which are currently in use. We believe that halloysite clay does not require any special handling, storage, or disposal and can be treated like any other clay product.

Our process begins with raw or minimally processed halloysite material from the mine. The halloysite would then be separated and treated utilizing our proprietary technologies and would be surface treated and optimized for the polymer of interest. This refined and treated material may be shipped to a partner company or a designated “toll manufacturing” facility in the form of a dry powder or slurry mixture. The use of tolling arrangements would allow the Company to limit our capital investment requirements and direct manufacturing hiring. Pleximer™ would be manufactured from the HNTs either at a partner company, toll manufacturer, or in-house and would typically be shipped to the customer in pellet or flake form, although the customer’s specific requirements will determine the final form of delivery. NaturalNano can add further value to the refined and classified nanotubes by either adding material to the surface of the nanotubes or loading the nanotubes with active materials. Typically, these materials would be incorporated with other ingredients to produce the finished product that our customer would sell, for instance providing a strengthening agent or extended release agent to be added to the partner’s existing materials or products. The resulting materials can then be shipped to customers for use in their individual manufacturing processes.

The Company has identified various sources of halloysite that are considered suitable as suppliers.

Sales and Business Development
For the halloysite business products division, the Company’s President is currently responsible for developing relationships with prospective customers and joint research and development partners. The Company does not maintain an in-house sales and business development team but has utilized consultants with chemical, manufacturing and engineering experience to assist with the design and commercialization of product and licensing revenues. Employees for such positions could be filled as in house positions in the future, as cash flow and liquidity improvements allow.

The Company generates operating revenues from the sale of: filled-tubes, Pleximer™ products and from unique sample formulations developed from business development opportunities. Our CEO continues to receive sample requests from various industry manufacturers and works with these businesses to develop tailored product formulations. Management believes this sample formulation and design program may result in future revenue opportunities.

The Company continues to note interest for the use of halloysite nanotubes in the following areas:

(a) “controlled release” products using filled tube applications for medical diagnosis and treatment,
(b) commercial and household products using anti-bacterial controlled release products, and
(c) a growing trend in the use of natural ingredients in health and beauty products.

The Company’s major commercial customer for the Nanotechnology segment, Fiabila S.A., a world leader in the manufacture of private label nail polish products, utilizes the Company’s Halloysite Natural Tubes (“HNT”). The Company’s HNT are environmentally friendly components that are incorporated into a range of the Fiabila produced nail polish products. In 2015 and 2014 the Company’s sales of HNT to Fiabila represented approximately 99% and 95%, respectively of total Nanotechnology sales. Fiabila products using our technology are currently being sold at the largest retailers, including Target, Wal-Mart, CVS and Walgreen’s. The Company’s relationship with Fiabila continues to represent a revenue opportunity for us that utilize our HNT to provide nail polishes with increased durability and performance. NaturalNano has renewed its supply agreement and license with Fiabila for the use of HNT as a component in nail polish and nail-care products through 2017.

ViralProtec is a supplier of PPE (Personal Protective Equipment) for Ebola and other virus emergency needs. ViralProtec supplies Major US Hospitals, Not-for Profits supplying Africa, Government Facilities, and State's Public Health Emergency preparedness facilities. In 2015, the Company derived 63% of the total ViralProtec revenue from three customers. In 2014, the Company derived 77% of the total Viral Protec revenue from one customer.

Competition

Competitors in the Nanotechnology segment include large public firms where nanotechnology may be a business unit and private firms that may focus solely on nanomaterials and nanotechnologies. Many of our current and prospective competitors are larger and have greater financial resources, which could create significant competitive advantages for those companies. Our future success depends on our ability to compete effectively with other manufacturers of material additives that may have internal development programs. As a result, we may have difficulty competing with larger, established competitor companies. Generally, these competitors have:

- substantially greater financial, technical and marketing resources;
- larger customer bases;
- better name recognition; and
- potentially more expansive product offerings.

Many of these potential competitors have greater financial resources and are likely to command a larger market share, which may enable them to establish a stronger competitive position than we may have, in part through greater marketing opportunities. If we fail to address competitive developments quickly and effectively, we may not be able to remain a viable entity.

Competitors in the ViralProtec segment include larger private and public product distribution firms where personal protective equipment is one of many medical supplies in their catalogue of products offered for sale. Most of these competitors have greater financial resources which could create a competitive pricing to the Company's disadvantage.

Employees

As of December 31, 2015, the Company had 1 full time employee and 3 part time employees. These employees are located in Rochester, New York. The full time employee focuses his energies solely on the business development and production of the Nanotechnology business. Due to the Company's liquidity position, spending and staffing levels remain minimum until the business can sustain margin contributions. The Company will continue to meet staffing needs through part time staffing and through independent contractors.

If our liquidity and cash positions improve, the Company will hire business development and sales staff in connection with the product development and commercialization of our products. There are no assurances that the Company's liquidity and cash position will improve and allow hiring to be initiated in the near future. Our human resource needs have been filled through the use of experienced part-time consultants in various functional areas in lieu of hiring of full-time employees. All of our employees and consultants are required to signed confidentiality agreements and non-competition agreements, as appropriate.

Intellectual Property

Issued patent applications developed internally cover the following processes and applications:

- Issued #7,888,419 *and 8,217,108 Polymeric Composite including Nanoparticle Filler* , issued on 02/15/2011 and expires on 08/31/2026
- Issued #8,124,678 *Nanocomposite Master Batch Composition and Method of Manufacture* , issued on 02/28/2012 and expires on 11/27/2026

Government Regulation and Environmental Laws

Our operations subject us to government regulations relating to air emissions, waste water disposal and solid waste disposal, building codes with respect to the storage of flammable gases and liquids and workplace safety requirements of the Occupational Health and Safety Act.

Our Nanotechnology business involves the use of a broad range of chemicals and potentially hazardous materials. We may be required to obtain various permits pursuant to environmental law related to hazardous chemicals and materials, and will likely be required to obtain others as our operations continue to evolve. Any violation of environmental laws or regulations, material change in environmental laws or regulations or their enforcement or failure to properly use, handle, store, release or dispose of hazardous chemicals and materials could result in restrictions on our ability to operate our business and could cause us to incur potentially significant costs for personal injuries, property damage and environmental cleanup and remediation. We have assessed our compliance with environmental laws and regulations and management of environmental matters utilizing a combination of internal staff and external consultants. We believe we are currently substantially in compliance with environmental laws, and we have not incurred any material restrictions in our business operations. It is likely that we will be required to obtain a combination of federal, state and local permits relating to air emissions and waste water disposal. We do not believe the cost of obtaining such permits will be material. All of our operations are subject to the plant and laboratory safety requirements of various occupational safety and health laws and regulations.

Sales of some of the products and services we have developed or intend to develop, may be subject to the policies and approval of the U.S. Department of State, Department of Commerce or Department of Defense. Any international sales may also be subject to U.S. and foreign government regulations and procurement policies, including regulations relating to import-export control, investments, exchange controls and repatriation of earnings.

Note regarding December 23, 2014 Reverse Stock Split

On December 23, 2014 we effected a one-for-three hundred reverse stock split. All references in this report to the number of shares of our common stock and to related per-share prices (including references to periods prior to the effective date of the reverse stock split) reflect this reverse stock split.

Item 2. Properties

The business office for the Company is currently conducted from 800 square feet of office space located at 763 Linden Ave. in Rochester, New York. There is no signed lease agreement and the cost of rent for calendar year 2015 and 2014 was $2,500 in each year. Our laboratory and research facilities are located in leased space in Rochester, New York, as described below.

The Company leases approximately 9,200 square feet at 832 Emerson Street in Rochester, New York for laboratory space. The lease is a month-to-month agreement at $2,000 per month. Total rent expense for the years ended December 31, 2015 and 2014 was $24,000 per year. The Company and the Landlord have a mutual agreement that the lease will continue on a month to month basis at $2,000 per month with no specified end date. We believe our current office and laboratory facilities will be adequate for our anticipated needs for the next twelve months. We believe that appropriate insurance coverage is in place and effective for these facilities and related business needs.

Item 3. Legal Proceedings

On March 24, 2009 the Company received a demand notice from an attorney representing a group of certain former employees of the Company, including but not limited to the Company's former President and Chief Financial Officer, demanding immediate payment of $331,265 for certain deferred compensation, severance and vacation benefits. Each of the former employees cited in the demand notice, as well as other former employees, had executed written agreements during 2008 that allowed the Company to defer certain of these compensation payments. The Company has retained counsel in connection with this demand and continues to evaluate this demand notice and responded to this demand on May 8, 2009. No actions or probable settlement discussions between the parties have developed since the filing of this demand. Due to the Company's current cash and liquidity position discussed above and the current evaluation of the items in the demand notice, the timing of future payment of these outstanding amounts in uncertain. No further communication has been had regarding this notice. The Company has accrued for earned and unused vacation benefits and deferred payroll costs for amounts electively deferred by these and other former employees as of December 31, 2015. During the third quarter of 2010, two former employees, one involved in the March 24, 2009 demand, agreed to forgive the Company's liability to them of $54,691 related to deferred compensation in exchange for shares of common stock.

Except as described above, the Company is not a party to any material legal proceedings and there are no material legal proceedings pending with respect to us or our property. We are not aware of any legal proceedings contemplated by any governmental authorities involving either us or our property. None of our directors, officers, or affiliates is an adverse party in any legal proceedings involving us or our subsidiaries.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Common Equity and Related Stockholder Matters

The Company's common stock is listed on the OTC Bulletin Board under the symbol NNAN.

The high and low share prices for the Company's common stock as reported on the exchange identified above, for each quarterly period since January 1, 2014 presented below have been adjusted to reflect the 300 to 1 reverse stock split effective December 23, 2014. These quotations reflect inter-dealer prices, without mark-up, mark-down or commission, and may not represent actual transactions.

	Sales Prices High	Sales Prices Low
For the year ended December 31, 2014		
First quarter	$ 7.51	$ 1.02
Second quarter	$ 1.08	$ 0.33
Third quarter	$ 0.78	$ 0.15
Fourth quarter	$ 1.11	$ 0.001
For the year ended December 31, 2015		
First quarter	$ .40	$ .03
Second quarter	$ .26	$ .06
Third quarter	$ .20	$ .02
Fourth quarter	$ .16	$ .06

The closing price of the Company's common stock on May 20, 2016, as reported on the OTC Bulletin Board, was $0.04 per share. As of June 6, 2016 there were outstanding 2,911,658 shares of our common stock, which were held by approximately 200 shareholders of record. The Company has never declared or paid a cash dividend since inception (December 22, 2004) nor is there any intention to do so in the near term.

Equity Compensation Plan Information

The following chart sets forth information regarding our equity compensation plans as of December 31, 2015:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Securities available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	1,099	$ 2,008	-*
Equity compensation plans not approved by security holders	1,217,941	$ 0.32	-
Total	1,219,040		

* These shares are issuable under the Company's 2008, 2007 and 2005 incentive stock plans. Such shares may be issued upon the exercise of stock options or pursuant to restricted stock units which vest based upon Board designation at the time of grant.

Equity Compensation Plans Approved by Security Holders include the Company's 2005 Incentive Stock Plan (the "2005 Plan"), the Amended and Restated 2007 Incentive Stock Plan (the "2007 Plan"), the 2008 Incentive Stock Plan (the "2008 Plan"). Officers, employees, directors and consultants may be granted options under these plans to purchase the Company's common stock at fair market value as of the date of grant. Options become exercisable over varying vesting periods commencing from the date of grant and have terms of five to ten years. These plans also provide for the granting of performance-based and restricted stock awards.

Equity Compensation Plans approved by the Company's shareholders and authorized to grant awards are as follows:

- 2005 Plan is authorized to grant up to 823,529 share unit awards,
- 2007 Plan is authorized to grant up to 1,000,000 share unit awards and
- 2008 Plan is authorized to grant up to 47,058,824 share units awards.

Equity Compensation Plans Not Approved by Security Holders as of December 31, 2015 are as follows:

- 2009 Plan is authorized to grant up to 1,176,471 unit share awards,
- 2011 Plan is authorized to grant up to 1,470,588 unit share awards,
- 2012 Plan is authorized to grant up to 1,764,706 unit share awards,
- 2,353 warrants granted in connection with services provided for the year ended December 31, 2010,
- 2,941 warrants granted in connection with services provided for the year ended December 31, 2011,
- 380,000 warrants granted in connection with services provided for the year ended December 31, 2013
- 160,000 warrants granted in connection with services provided for the year ended December 31, 2014 and
- 675,000 warrants granted in connection with services provided for the year ended December 31, 2015.

Recent Sales of Unregistered Securities

During the fourth quarter of 2015, the Company issued 200,000 shares of common stock in a transaction exempt from the registration requirements of the Securities Act of 1933 pursuant to Section 4 (2) of such Act. We issued these shares in connection with a Notice of Conversion received from Marlin Capital Investments LLC as specified under the terms and conditions of the 8% convertible promissory notes. These shares were converted at $0.05 per share price reflecting satisfaction in principal payments on the outstanding notes.

During the first quarter of 2016, the Company issued 110,000 shares of common stock in a transaction exempt from the registration requirements of the Securities Act of 1933 pursuant to Section 4 (2) of such Act. We issued these shares in connection with a Notice of Conversion received from Marlin Capital Investments LLC as specified under the terms and conditions of the 8% convertible promissory notes. These shares were converted at $0.05 per share price reflecting satisfaction in principal payments on the outstanding notes.

On January 7 and April 13, 2016, the Company issued a total of 508,156 shares of common stock in connection with four cashless exercise transaction from warrant holders. On January 7, 2016 and April 13, 2016, the Company issued 37,500 and 36,776 respectively, restricted common shares to a consultant based on a request for the exercise of certain warrants agreement with the consultant. Also on January 7, 2016 and April 13, 2016 the Company issued 250,000 and 183,880 respectively, restricted common shares to the Company's CEO based on a request for the exercise of certain warrants agreement with the CEO.

Limitation on Liability and Indemnification of Directors and Officers

Our articles of incorporation provide that no director or officer shall have any liability to the Company if such director or officer acted in good faith and with the same degree of care and skill as a prudent person in similar circumstances.

Our articles of incorporation and bylaws provide that we will indemnify our directors and officers and may indemnify our employees or agents to the fullest extent permitted by law against liabilities and expenses incurred in connection with litigation in which they may be involved because of their offices. However, nothing in our articles of incorporation or bylaws protects or indemnifies a director, officer, employee or agent against any liability to which he would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his or her office. To the extent that a director has been successful in defense of any proceeding, the Nevada Revised Business Corporations Act provides that he or she shall be indemnified against reasonable expenses incurred in connection with the proceeding.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Note Regarding Forward-Looking Statements

This annual report on Form 10-K 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 estimates 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.

General

NaturalNano (the "Company"), located in Rochester, New York, operates in two business segments, the Nanotechnology segment and the ViralProtec reseller of personal protective equipment.

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) 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 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 year ended December 31, 2015 of approximately $1,091,000, had negative working capital of approximately $4,755,000 and a stockholders' deficiency of approximately $4,756,000 at December 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 December 31, 2015, the Company continued to require waivers for debt covenant violations and extensions of maturity dates. Refer to Note 2 for lender waivers and maturity extensions received from the lenders.

The Company’s management and Board of Directors continue to actively assess the Company's operating structure with an objective to reduce ongoing expenses, increase sources of recurring revenue as well as seeking additional debt or equity financing. The Company will continually evaluate funding options including additional offerings of its securities to private and institutional investors and other credit facilities as they become available. There can be no assurance as to the availability or terms upon which such financing alternatives might be available.

The Company has experienced recurring losses from operations since its inception and continues to have a working capital deficiency and limited opportunities for additional capital infusion. The Company has experienced recurring defaults relating to the various provisions under its current debt obligations and is expected to require future forbearance and waivers relating to such provisions in the future. These negative financial conditions combined with delays experienced in product introduction and customer acceptance raises substantial doubt of the Company’s ability to continue as a going concern.

Comparison of Liquidity and Capital Resources for the years ended December 31, 2015 and 2014

Operating activities

Net cash used in operating activities in the years ended December 31, 2015 and 2014 was $106,257 and $474,010, respectively. A net loss of $1,091,050 was incurred in 2015 compared to net income of $2,681,747 in 2014. Included in net income for the year ended December 31, 2014 are non-cash gains of $4,032,609 from the extinguishment and modification of certain debt instruments.

Total non-cash adjustments to reconcile the net loss (income) to the cash used in operations aggregated $595,289 in 2015 and $3,446,843 in 2014. The change in these non-cash items reflects the net gains on debt extinguishment, fair value adjustments for derivative liabilities, a provision for the receivables due from MJ Enterprises and a gain on the forgiveness of certain vendor payables. During 2015 and 2014, the Company reduced outstanding liabilities through negotiations with certain vendors resulting in a net gain on the forgiveness of debt of $9,800 and $75,037 in 2015 and 2014, respectively.

Investing activities

Net cash provided from (used in) investing activities in the years ended December 31, 2015 and 2014 was $50,000 and ($200,000), respectively.

During 2015, the Company realized a cash gain on the sale of certain fully depreciated machinery. During 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 due on June 30, 2014.The Company believes this amount will be collected from MJE and is actively pursuing all collection efforts. 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 years ended December 31, 2015 and 2014 was $61,000 and $674,010, respectively.

During 2015, the Company entered into two Senior Secured Convertible Promissory Notes aggregating $61,000. During the fourth quarter of 2015, the Company issued 200,000 common shares in satisfaction of $10,000 of outstanding principal. The issuance of these shares reflects a debt conversion price of $0.05 per share.

The cash flows from financing activities in 2014 include the receipt of an aggregate of $300,000 in new borrowing in connection with the Payoff Agreement with Platinum Long Term Growth IV LLC and Merit Advisors LLC. Other convertible and non-convertible promissory notes aggregating $674,010 were received for operating uses in

2014. The Payoff Agreement included $300,000 in cash disbursed to settle the remaining liabilities with PLTG and Merit.

Results of Statement of Operations for the years ended December 31, 2015 and 2014

Revenue and Gross Profit

During the years ended December 31, 2015 and 2014, the Company recorded $368,066 and $193,606, respectively in revenue from the sale of nanotechnology and ViralProtec products. Gross margin was generated in years ended December 31, 2015 and 2014 of $210,932 and $130,684, respectively. The gross margins for 2015 and 2014 was 57% and 67% for these periods, respectively.

The Nanotechnology segment generated a gross profit of 91% in 2015 and the ViralProtec segment generated a loss on sales of 46%. The ViralProtec loss is attributed to a provision for potential excess inventory of $83,100 recorded during the twelve months ended December 31, 2015. Excluding the impact of this charge, the ViralProtec would have generated a gross margin of approximately 44%. Management continues to actively monitor and assess inventory units on hand compared with projected customer sales. The Company continues to experience notable variations in gross margins with its business as it introduces and develops new products and applications.

Revenue, Cost of Goods, and Gross Profit	**For the year ended December 31,** **2015**	**2014**	**Variance Increase (decrease)**
Revenue:	$ 276,097	$ 137,159	$ 138,938
Nanotechnology			
ViralProtec	91,969	56,447	35,522
Cost of goods:	22,530	25,952	(3,422)
Nanotechnology			
ViralProtec	134,604	36,970	97,634
Consolidated Gross Margin	$ 210,932	$ 130,684	$ 80,249
Gross Margin %	57%	67%	

Operating Expenses

Management continues to actively monitor the operating structure for the purpose of controlling expenses across all categories of the business. Such evaluations continue with the intent to invest nominally in research and development programs and product development in future years. 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 $4,584 to $40,076.

Research and Development	**For the year ended December 31,** **2015**	**2014**	**Variance Increase (decrease)**
Salaries and benefits	$ 4,584	$ 15,966	$ (11,383)
Rents & Utilities	-	18,800	(18,800)
Supplies and other	-	5,310	(5,310)
	$ 4,584	$ 40,076	$ (35,493)

Total general and administrative expense for the year ended December 31, 2015 was $518,548 as compared to $554,090 for the year ended December 31, 2014.

Salaries and benefits increased in 2015 over costs incurred in 2014 reflecting part time staff hired in connection with the ViralProtec business in the fourth quarter of 2014. Legal and professional services increased by $76,658 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.

On February 15, 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 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.

On May 30, 2015, the Company granted a total of 375,000 warrants to the Company's board members and one consultant. These warrants grant the right to purchase one share of common stock at an exercise price of $0.05 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 $41,676. 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 1.49% 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 $0.12 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.

During the second quarter of 2014, the Company granted a total of 160,000 warrants to certain consultants, the Company's CEO and the Company's board member. These warrants grant the right to purchase one share of common stock at an exercise price of $0.42 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 $105,501. An expected volatility assumption of 289% 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 1.63% 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 $0.661 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 year ended December 31, 2015	2014	Variance increase (decrease)
Salary & Benefits	$ 212,456	$ 222,523	$ (10,067)
Legal and Professional Fees	89,045	150,645	(61,600)
Investor Relations	68,496	44,421	24,075
Consulting Services	33,084	35,819	(2,735)
Rent and utilities	35,663	20,377	15,286
Insurance	6,216	5,399	817
Shareholder and Board	38,594	38,982	(388)
Travel and Entertainment	16,383	12,261	4,122
Supplies and other	18,611	23,663	(5,052)
General and administrative excluding stock based compensation	$ 518,548	$ 554,090	$ (35,542)
Stock based compensation related to warrants	$ 102,782	$ 105,501	$ (2,719)
Total general and administrative	$ 621,330	$ 659,591	$ (38,261)

Management continues to monitor the Company's operating structure for the purpose of controlling expenses across all categories of the business. We expect that spending for 2016 general and administrative expenses will be comparable to the 2015 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)

Other (expense) income for the year ended December 31, 2015 reflected net expenses of $676,068 compared to net income of $3,250,730 for the year ended December 31, 2014. During the year ended December 31, 2014 the Company recognized certain vendor concessions as well as a non-recurring gain on extinguishment/modification of debt of $3,747,273 as further described below.

Interest expense includes the interest on the senior and subordinated convertible and non-convertible promissory notes. The Company incurred $266,661 in interest expense in 2015 and $301,614 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 as further described below.

In June 2008, the FASB finalized ASC 815, formerly Emerging Issues Task Force 07-05, *"Determining Whether an Instrument (or Embedded Feature) is indexed to an Entity's Own Stock,"* which was adopted by the Company effective January 1, 2009. During the year ended December 31, 2015 and 2014, the Company recognized a loss of $164,480 and $355,302 respectively relating to the changes in fair market value for these derivative liabilities.

On December 15, 2015, the Company's board of directors determined that it was in the best interest of the corporation to exchange 6,666,667 reserved shares of the Company's common stock, held by Cape One Master Fund II LLP (as described in footnote 2), for four convertible promissory notes totaling $344,000 with an interest rate of 8% per annum due June 30, 2017. These promissory notes are convertible to common stock at the rate of $0.05 per share. In the event that the Company shall, at any time, issue any additional shares of common stock or equivalents at a price per share less than the $0.05 conversion price then the conversion price for these convertible promissory notes shall be reduced. The Company recognized a loss on the exchange of the rights to reserved commons shares upon the issuance of these convertible promissory notes of $304,727 during the fourth quarter of 2015.

During 2015, the Company settled liabilities of $10,000 for $200, resulting in a $9,800 gain on forgiveness of debt. Also in 2015, the Company sold fully depreciated equipment for proceeds of $50,000.

In 2014, the Company entered into a Payoff Agreement with two of its lenders (collectively referred to as “the holders”) where the holders agreed to surrender their outstanding promissory notes and debentures in the aggregate principal amount of $3,256,399 plus all accrued and unpaid interest amounting to $592,414 in consideration for an aggregate payment of $300,000. As further consideration, one of the lenders agreed to return its 2,587,674 shares of Series C Preferred Stock for cancellation. The Company reversed $70,165 in registration rights liabilities in connection with this Payoff Agreement. Effective upon the consummation of this Payoff Agreement, the Company had no further obligation to the holders pursuant to the terms of the preferred stock and the notes as defined in the Payoff Agreement. As a result of this Payoff Agreement, the Company recognized a gain on extinguishment of debt during 2014 in the amount of $3,747,273.

Also in 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 6.667 million 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 December 2014, 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 6.667 million share rights and other securities in the Company's capital structure. The fair value of these 6.667 million share rights was estimated at $54,289 on the date of the agreement and the Company recognized a gain on extinguishment of debt of $325,335 during the quarter September 30, 2014 based on the excess of the value of the instruments settled over the estimated fair market value of the 6.667 million share rights. These Rights to reserved common stock were valued based on the total enterprise value of the Company at December 31, 2014 at $559,289. The change in fair market value of this rights liability of $505,000 was re-measured as of December 31, 2014 and has been reflected in Additional Paid In Capital.

In 2014, the Company recorded an expense of $40,000 in connection with debt modifications related to forbearance agreements signed during the year. These losses from debt modification were netted against gains on forgiveness of debt in 2014 of $75,038. No fees for modification of debt were incurred in 2015. The Company also 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 sheet. These vendor concessions have been treated as gains in the period that the underlying agreements were reached.

Inflation

Although our operations are influenced by general economic conditions, we do not believe that inflation had a material effect on our results of operations during 2015 or 2014.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have, or are reasonably likely to have, an effect on our financial condition, financial statements, revenues or expenses.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these consolidated financial statements requires us to make assumptions that affect the reported amounts of assets, liabilities, revenue, costs and expenses, and related disclosures. Our actual results may differ from these estimates. We believe, that of the significant accounting policies described in the notes to our consolidated financial statements, the following policies involve a greater degree of judgment and complexity and accordingly; these policies are the most critical to aid in fully understanding and evaluating our consolidated financial condition and results of operations.

Revenue Recognition

Revenue is generated upon the delivery of Pleximer™ and Viral Protec products. The Company earns and recognizes such revenue when the shipment of the products has occurred, title transfers, no further performance obligation exists, and when collection is reasonably assured.

Deferred Taxes
Deferred tax assets and liabilities are determined based on temporary differences between income and expenses reported for financial reporting and tax reporting. FASB ASC 740 requires that a valuation allowance be established when management determines that it is more likely than not that all or a portion of a deferred tax asset will not be realized. The Company evaluates the probability of realization of its net deferred tax assets on an annual basis and any additional valuation allowances are provided or released, as necessary. Since the Company has had cumulative losses in recent years, the accounting guidance suggests that it should not look to future earnings to support the realization of the net deferred tax asset.

As of the years ended December 31, 2015 and 2014, the Company has recorded a valuation allowance to reduce its gross deferred tax assets to zero in accordance with ASC 740.

The Company believes that the accounting estimates related to deferred tax valuation allowances are "critical accounting estimates" because: (1) the need for valuation allowance is highly susceptible to change from period to period due to changes in deferred tax asset and deferred tax liability balances, (2) the need for valuation allowance is susceptible to actual operating results and (3) changes in the tax valuation allowance can have a material impact on the tax provisions/benefit in the consolidated statements of operations and on deferred income taxes in the consolidated balance sheets.

Share-based compensation
Compensation expense related to stock-based payments is recorded over the requisite service period based on the grant date fair value of the awards. The Company uses the Black-Scholes option pricing model for determining the estimated fair value for stock-based awards. The Black-Scholes model requires the use of assumptions which determines the fair value of stock-based awards, including the option's expected term and the price volatility of the underlying stock.

The Company's policy for equity instruments issued to consultants and vendors in exchange for goods and services as follows: The measurement date for the fair value of the equity instruments issued is determined at the earlier of (i) the date at which the commitment for performance by the consultant or vendor is reached or (ii) the date at which the consultant or vendor's performance is complete. In the case of equity instruments issued to consultants, the fair value of the equity instrument is based on the fair value of the services or the award, whichever is more readily determinable and is recognized over the term of the consulting agreement.

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 market 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 December 2015 and considering industry and 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 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.

Recent Accounting Pronouncements

In November 2015, the FASB issued ASU-2015-17 Balance Sheet Classification of Deferred Taxes (Income Taxes topic 740). The Board issued this update as part of its Simplification Initiative. The objective of the Simplification Initiative is to identify, evaluate, and improve areas of generally accepted accounting principles (GAAP) for which cost and complexity can be reduced while maintaining or improving the usefulness of the information provided to users of financial statements. To simplify the presentation of deferred income taxes, this guidance requires that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. The guidance applies to all entities that present a classified statement of financial position. The current requirement that deferred tax liabilities and assets of a tax-paying component of an entity be offset and presented as a single amount is not affected by the amendments in this Update. This update will be effective for public business entities for annual periods, including interim periods within those annual periods, beginning after December 15, 2016. We are currently evaluating the impact of the adoption of ASU 2015-17 on our consolidated financial statements.

In May 2014 the FASB issued ASU 2014-09 Revenue from Contracts with Customers (Topic 606): The standard is effective for annual periods beginning after December 15, 2017, and interim periods therein, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect recognized at the date of adoption (which includes additional footnote disclosures). This update supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP. We are currently evaluating the impact of the adoption of this new guidance.

In July 2015, the FASB issued ASU-2015-11 Simplifying the Measurement of Inventory (Inventory topic 330) The Board issued this update as part of its Simplification Initiative. Under this guidance an entity should measure inventory at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. This update will be effective for public business entities for annual periods, including interim periods within those annual periods, beginning after December 15, 2016. We are currently evaluating the impact of the adoption of this new guidance.

In January 2015 the FASB issued 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. We are currently evaluating the impact of the adoption of this new guidance.

In August 2014, the FASB issued ASU-2014-15 – Going Concern (subtopic 205-40) Disclosure of Uncertainty about an Entity's Ability to Continue as a Going Concern. Under generally accepted accounting principles (GAAP), this guidance requires an entity's management to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued when applicable). Management's evaluation should be based on relevant conditions and events that are known and reasonably knowable at the date that the financial statements are issued (or at the date that the financial statements are available to be issued when applicable). This guidance is effective for public business entities for annual periods, including interim periods within those annual periods, beginning after December 15, 2016. We will evaluate the impact of the adoption of ASU 2014-15 on our consolidated financial statements based upon the financial condition of the Company at the time of adoption.

On February 25, 2016, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2016-02, "Leases," a comprehensive new lease standard which will supersede previous lease guidance. The standard requires a lessee to recognize in its balance sheet assets and liabilities related to long-term leases that were classified as operating leases under previous guidance. An asset will be recognized related to the right to use the underlying asset and a liability will be recognized related to the obligation to make lease payments over the term of the lease. The standard also requires expanded disclosures surrounding leases. The standard is effective for fiscal periods beginning after December 15, 2018, and requires modified retrospective adoption, with early adoption permitted. The Company is evaluating the impact of the adoption of this standard on our consolidated financial statements and related disclosures.

On March 30, 2016, the FASB issued ASU No. 2016-09, "Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting," which amends the current stock compensation guidance. The amendments simplify the accounting for the taxes related to stock based compensation, including adjustments to how excess tax benefits and a company's payments for tax withholdings should be classified. The standard is effective for fiscal periods beginning after December 15, 2016, with early adoption permitted. The Company is evaluating the impact of the adoption of this standard on our consolidated financial statements and related disclosures.

In April, 2016, the FASB issued ASU No. 2016-10, "Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing" to clarify two aspects of Topic 606: (i) identifying performance obligations and (ii) the licensing implementation guidance, while retaining the related principles for those areas. The Company is evaluating the impact of the adoption of this standard on our consolidated financial statements and related disclosures.

Management does not believe that any recently issued, but not yet effective, accounting standards if currently adopted, would have a material effect on the accompanying financial statements.

Item 8. Financial Statements

Our consolidated financial statements, together with the reports thereon by our independent registered public accounting firms, begin on page F-1 of this Form 10-K.

Item 9A Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company's management is responsible for establishing and maintaining effective disclosure controls and procedures. As of December 31, 2015, our Chief Executive Officer participated in evaluating 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")). Our disclosure controls and procedures are designed to ensure that information required to be disclosed in the Securities and Exchange Commission ("SEC") reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time period specified by the SEC's rules and forms and that such information is accumulated and communicated to management, including our Chief Executive Officer, to allow timely decisions regarding required disclosure. In light of the discussion of material weaknesses set forth below, this officer has concluded that our disclosure controls and procedures were not effective as of December 31, 2015. To the best of his knowledge, our Chief Executive Officer believes that the consolidated financial statements included in this Annual Report on Form 10-K fairly present, in all material respects, our financial condition, result of operations and cash flows for the periods presented in accordance with accounting principles generally accepted in the United States of America.

Management's Annual Report on Internal Control Over Financial Reporting

A company's internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f) and 15d-15(f) is a process designed by, or under the supervision of, a public company's principal executive and principal financial officers, or persons performing similar functions, and effected by the board of directors, management and other personnel, 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 ("GAAP") including those policies and procedures that: (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures are being made only in accordance with authorizations of management and directors of the company, and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Our Chief Executive Officer has assessed the effectiveness of our internal control over financial reporting. In making this assessment, this officer used the criteria established in *Internal Control—Integrated Framework* issued in 1992 by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

A material weakness is a control deficiency, or combination of control deficiencies, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. In connection with our Chief Executive Officer's assessment of our internal control over financial reporting described above, this officer has identified the following material weaknesses in the Company's internal control over financial reporting as of December 31, 2015.

The Company did not maintain a sufficient complement of qualified accounting personnel and controls associated with segregation of duties were ineffective. Due primarily to limited resources and the stage of growth, the Company failed to maintain appropriate controls over the selection, identification and application of GAAP related to complex accounting transaction that we have encountered, which also require detailed financial reporting. Further, nearly all aspects of our December 31, 2015 and December 31, 2014 financial reporting processes, including but not limited to access to the underlying accounting records and systems, the ability to post and record journal entries and responsibility for the preparation of the financial statements were performed by outside consultants without adequate oversight and review by a second individual. This creates certain incompatible duties and a lack of review over the financial reporting process that would likely fail to detect errors in spreadsheets, calculations, or assumptions used to compile the financial statements and related disclosures as filed with the SEC. As a result of these circumstances, the Company determined that the controls over the preparation, review and monitoring of the financial statements were ineffective to provide reasonable assurance that the financial records and related disclosures complied with accounting principles generally accepted in the United States. These factors resulted in the identification of adjustments to our December 31, 2015 and December 31, 2014 consolidated financial statements and related disclosures during the audit conducted by our independent registered public accounting firm.

There are currently three members of the Board of Directors, one of which is the CEO and President of the Company.

As a result of the material weaknesses described above, our management concluded that as of December 31, 2015, we did not maintain effective internal control over financial reporting based on the criteria established in *Internal Control—Integrated Framework* issued by the COSO.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only Management's report in this annual report.

Plan for Remediation of Material Weaknesses

In response to the identified material weaknesses, management plans to continually monitor the overall control environment and to remedy the identified material weakness by consulting with third party accounting firms with the appropriate level of expertise to determine the proper application of GAAP for complex and non-routine transactions where applicable and when resources allow.

Notwithstanding the material weaknesses discussed above, the Company believes that the financial statements included in this report present fairly, in all material respects, our financial position, results of operations, and cash flows for the periods presented in accordance with U.S. generally accepted accounting principles.

Changes in Internal Control over Financial Reporting

There were no changes made to our internal controls over financial reporting (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act) during 2015 that materially affected, or was reasonably likely to materially affect, our internal control over financial reporting.

Item 9B Other Information

Effective April 11, 2016 Mr. David Rector resigned his position as board director of the Company. Mr. Rector reported that he had no disagreements with management or the Company at the time of this resignation.

PART III

Item 10. Directors, Executive Officers, Promoters, Control Persons and Corporate Governance; Compliance with Section 16(a) of the Exchange Act

Our directors and executive officers are:

Name	Age	Position	Date Election to the Board *
Isaac Onn	65	Director	February 2015
Alexander Ruckdäschel	44	Director	November 2010
James Wemett	68	President and Director	February 2009

* All Board members are elected to serve until the Company's next meeting of shareholders.

Isaac Onn Mr. Onn was appointed to the Company's board of directors in February 2015. Mr. Onn has more than 30 years' experience in marketing, business development, planning, managing and providing solutions in an operation of a business. He is a member of the Israeli Bar and serves on the boards of Cybra Corp, Intellect Neusencet and Ness Energy of Israel. Mr. Onn was the CEO of G.P.A.- Fuel Services Ltd from 2001-2007 and was founder and board member for Erez Tal Bar Fuel Services Ltd from 2001-2003.

Alexander Ruckdäschel Mr. Ruckdäschel has extensive experience in international business and investments. He is a venture capitalist and also serves on the Board of Directors for several small cap companies. Alexander Ruckdäschel is a co-founder of Blue Rock-AG, a Swiss-based investment manager. From 2002 to 2006 he was a Fund Advisor at DAC-FONDS, a European Investment company specializing in clean tech and small-cap equities worldwide. Since 2003, Ruckdäschel has also served as an investment advisor to Nanostart AG. Founded in 2003, Nanostart quickly became the leading European venture investment firm in the area of nanotechnology. Prior to 2003, Ruckdäschel was a research analyst with Dunmore Management, a global hedge fund, and Thieme Associates, an investment advisor.

James Wemett Mr. Wemett is an experienced entrepreneur and consultant, involved in the formation and growth of numerous private and public companies. From July 2007 until November 2008, Mr. Wemett was a member of the Board of Directors of the Company. On February 19, 2009 Mr. Wemett became our President and the sole member of our Board of directors when the then sole holder of the Series C Convertible Preferred Stock, of NaturalNano, Inc., a Nevada corporation, elected and appointed Mr. Wemett as the Series C Director to the Company's Board of Directors. The election was made pursuant to Section 7 of the Certificate of Designation of Rights, Preferences, Designations, Qualifications and Limitations of the Series C Preferred Stock of the Company. Mr. Wemett has served in this capacity and will continue until his successor is duly appointed and qualified. In 1975 Mr. Wemett started ROC Communications, Inc., a retail distributor of electronics products, which was sold in 2001. Mr. Wemett has been a Director of Technology Innovations, LLC, since its inception in 1999, and has served on the board of OncoVista, LLC, (OVIT) a publicly traded oncology company, since June 2007. Mr. Wemett has been an active fundraiser for Camp Good Days, a non-profit summer camp for children with cancer.

The Board and Committees of the Board

The Company does not currently have an Audit Committee, Compensation Committee or a Nominating committee and has not established specific procedures for selecting candidates for director. However, in the past directors were nominated by a majority vote of the Board or stockholders. There is also no established procedure for shareholder communications with members of the Board or the Board as a whole. However, stockholders requests for communication are referred by the president of the Company for a response.

Code of Ethics

The Company has adopted a Code of Ethics for the Senior Executive Officer that is applicable to our principal executive officer and can be viewed on our website *www.naturalnano.com*.

Limitation on Liability and Indemnification of Directors and Officers

Our articles of incorporation provide that no director or officer shall have any liability to the Company if he or she acted in good faith and with the same degree of care and skill as a prudent person in similar circumstances.

Our articles of incorporation and bylaws provide that we will indemnify our directors and officers and may indemnify our employees or agents to the fullest extent permitted by law against liabilities and expenses incurred in connection with litigation in which they may be involved because of their offices. However, nothing in our articles of incorporation or bylaws protects or indemnifies a director, officer, employee or agent against any liability to which he would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his or her office. To the extent that a director has been successful in defense of any proceeding, the Nevada Revised Business Corporations Act provides that he or she shall be indemnified against reasonable expenses incurred in connection with the proceeding.

Compliance with Section 16(a) of the Act

Section 16(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") requires our executive officers and directors and persons who own more than ten percent of our common stock to file reports of ownership and changes in ownership with the SEC. Such executive officers, directors and greater than ten percent stockholders are also required by SEC rules to furnish us with copies of all Section 16(a) forms they file. There were no Section 16(a) required filings during the year ended December 31, 2015.

Item 11. Executive Compensation

Summary Compensation Table

The table set forth below summarizes the compensation earned by our named executive officers in 2015 and 2014.

SUMMARY COMPENSATION TABLE

Name and principal position	Year	Salary ($) (a)	Bonus ($)	Stock Awards ($)(b)	Option Awards ($)(c)	Non-Equity Incentive Plan Compensation ($)	Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($) (d)	Total ($)
James Wemett President	2015	150,000	0	62,000	0	0	0	25,000	$237,000
James Wemett President	2014	150,000	0	32,969	0	0	0	10,000	$192,969

(a) The CEO's board approved salary is $150,000 per annum. For the years ended 2015 and 2014, $73,000 and $84,950 respectively were paid in cash and $77,000 and $65,050 respectively have been accrued.
(b) The amounts in the column "Stock Awards" reflect the warrants grant date fair value recognized for financial statement reporting purposes for common stock warrants granted.
(c) The amounts in the column "Option Awards" reflect the grant date fair value to be recognized for financial statement reporting purposes in accordance with ASC 718, for option awards granted pursuant to, and outside of, the NaturalNano Incentive Compensation Plans.
(d) The amounts in the column "All Other Compensation" reflect the actual cash paid for being a member of the Board of Directors.

Stock Options

On September 23, 2005, the Board of Directors adopted the NaturalNano, Inc. 2005 Stock Incentive Plan (the "2005 Plan.") The 2005 Plan provides for incentive and non-qualified stock options to employees, the grant of non-qualified options to selected consultants and to directors and advisory board members. The 2005 Plan is administered by the Board of Directors and authorizes the grant of 823,529 shares. The Board of Directors determines the employees and consultants who participate under the Plan, the terms and conditions of options, the option price, the vesting schedule of options and other terms and conditions of the options granted pursuant thereto.

On October 29, 2007, the Board of Directors adopted the NaturalNano, Inc. Amended and Restated 2007 Stock Incentive Plan (the "2007 Plan.") The 2007 Plan provides for incentive and non-qualified stock options to employees, the grant of non-qualified options to selected consultants and to directors and advisory board members. The 2007 Plan is administered by the Board of Directors and authorizes the grant of 1,000,000 shares. The Board of Directors determines the employees and consultants who participate under the Plan, the terms and conditions of options, the option price, the vesting schedule of options and other terms and conditions of the options granted pursuant thereto.

On September 23, 2008, the stockholders of the Company approved the NaturalNano, Inc. 2008 Incentive Stock Plan (the "2008 Plan") pursuant to a written consent of the then majority stockholder. This action was taken by the Company without a stockholders meeting pursuant to the written consent of the holder of a majority of the voting power of the Company on September 23, 2008. The 2008 Plan provides for incentive and non-qualified stock options to employees, the grant of non-qualified options to selected consultants and to directors and advisory board members. The 2008 Plan is administered by the Board of Directors and authorizes the grant of 47,058,824 million shares of the Company's common stock.

On October 14, 2009, the Company established the 2009 Incentive Stock Plan (the "2009 Plan") without a vote from the stockholders of the Company. The 2009 Plan provides for the grant of incentive and non-qualified stock options to employees, the grant of non-qualified options to selected consultants and to directors and advisory board members. The 2009 Plan is administered by the Board of Directors and authorizes the grant of 1,176,471 shares of the Company's common stock.

On June 20, 2011, the Company established the 2011 Incentive Stock Plan (the "2011 Plan") without a vote from the stockholders of the Company. The 2011 Plan provides for the grant of incentive and non-qualified stock options to employees, the grant of non-qualified options to selected consultants and to directors and advisory board members. The 2011 Plan is administered by the Board of Directors and authorizes the grant of 1,470,588 shares of the Company's common stock.

On December 21, 2011, the Company established the 2012 Incentive Stock Plan (the "2012 Plan") without a vote from the stockholders of the Company. The 2012 Plan provides for the grant of incentive and non-qualified stock options to employees, the grant of non-qualified options to selected consultants and to directors and advisory board members. The 2012 Plan is administered by the Board of Directors and authorizes the grant of 1,764,706 shares of the Company's common stock.

In 2014, the Company awarded 160,000 warrants to purchase common stock to seven consultants, the Company's CEO and the Company's independent board member. These warrants grant the right to purchase one share of common stock at an exercise price of $0.42 per share. The fair market value of the 2014 warrant grants was determined using the Black-Scholes model and was measured on the respective date of grant. An expected volatility assumption of 289% 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 1.63% has been derived from the U.S. treasury yield. The market price of the Company's common stock on the date of grant was $0.66 per share. The expiration date used in the valuation model aligns with the warrant life. The dividend yield was assumed to be zero. The fair market value of the 2014 warrants on the date of grant aggregated $105,501.

On February 15, 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 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.

On May 30, 2015, the Company granted a total of 375,000 warrants to the Company's board members and one consultant. These warrants grant the right to purchase one share of common stock at an exercise price of $0.05 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 $41,676. 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 1.49% 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 $0.12 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.

The plans also provide for the granting of performance-based and restricted stock awards.

In addition to options granted under the plans described above, the Company has from time to time made option grants outside of the incentive stock plans described above. These options were granted outside the plan primarily because their exercise price was less than the market price of our common stock on the date of grant and the plan does not permit the grant of options at below-market prices.

Outstanding Equity Awards at December 31, 2015

The following tables summarize information concerning outstanding equity awards held by the named executive officer at December 31, 2015.

	Stock Warrant Awards			
Name	**Number of Securities underlying unexercised warrants (#) Exercisable**	**Number of Securities underlying unexercised warrants (#) Un-exercisable**	**Warrant Exercise Price($)**	**Warrant Expiration Date**
James Wemett	2,941	None	$ 51.00	01/03/2016
James Wemett	50,000	None	$ 0.42	02/26/2023
James Wemett	100,000	None	$ 0.42	11/29/2018
James Wemett	35,000	None	$ 0.42	12/05/2018
James Wemett	50,000	None	$ 0.42	05/08/2019
James Wemett	200,000	None	$ 0.10	02/15/2025
James Wemett	200,000	None	$ 0.05	05/30/2025

Name	Stock Option Awards Number of Securities underlying unexercised options (#) Exercisable	Number of Securities underlying unexercised options (#) Un-exercisable	Options Exercise Price($)	Options Expiration Date
James Wemett	None	None	$ 0.00	N/A

Certain columnar information required by Item 402(p)(2) of Regulation SK has been omitted for categories where there was no compensation awarded to, or paid to, the named director during the year ended December 31, 2015.

Employment Agreements

The Company has no formal written or oral employment agreements with the current President, James Wemett. Mr. Wemett joined the Company in the February 2009 and has agreed to provide services to the Company under an informal employment agreement.

Compensation of the Board

One of our Directors is also the President of the Company and was paid an annual fee of $25,000 for services in 2015 and $10,000 for services provided in 2014. See Executive Compensation above. Our independent director received grants aggregating 100,000 and 30,000 common stock warrants in 2015 and 2014, respectively for serving as a board member. Our independent director received grants aggregating 100,000 and 30,000 common stock warrants in 2015 and 2014, respectively for serving as a board member. Directors are reimbursed for their reasonable expenses incurred in attending all board meetings. Not all of the board members incurred expenses in attending board meetings.

The following table shows compensation earned for the year ended December 31, 2015 for our independent directors who are not named executive officers:

DIRECTOR COMPENSATION (1)

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($) (2)	Option Awards ($) (3)	Total ($)
Alexander Ruckdäschel (2)	none	$ 15,500	none	$ 15,500
Isaac Onn (3)	none	$ 5,500	none	$ 5,500

(1) Certain columnar information required by Item 402(k) of Regulation S-K has been omitted for categories where there was no compensation awarded to, or paid to, the named director during the year ended December 31, 2015.
(2) The director was granted 100,000 warrants during the year ended December 31, 2015 with a fair market value of $15,500 determined using the Black Scholes valuation model.
(3) The director was granted 25,000 warrants during the year ended December 31, 2015 with a fair market value of $5,000 determined using the Black Scholes valuation model.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth certain information as of June 6, 2016 with respect to beneficial ownership of our common stock by each stockholder known by us to be the beneficial owner of more than 5% of our common stock and by each of our directors and executive officers and by all of the directors and executive officers as a group. Unless otherwise indicated, the address of each of the persons below is c/o NaturalNano, Inc., 763 Linden Ave.

Rochester, New York 14625. Unless otherwise indicated in the footnotes, shares are owned of record and beneficially by the person.

For purposes of the following table, a person is deemed to be the beneficial owner of any shares of common stock (a) over which the person has or shares, directly or indirectly, voting or investment power, or (b) of which the person has a right to acquire beneficial ownership at any time within 60 days after June 6, 2016. “Voting power” is the power to vote or direct the voting of shares and “investment power” includes the power to dispose or direct the disposition of shares.

Beneficial Owner	Number of Shares Beneficially Owned (1)	Percent of Class (2)
Directors and Executive Officers:		
James Wemett *President and Director* (3)(4)(5)	674,175	21%
Alexander Ruckdäschel *Director*	290,000	9%
Isaac Onn *Director*	25,000	1%
All Directors and Executive Officers as a group (3 persons) (3) (4)	555,295	16%
Other 5% Beneficial Owners		
None		

1) Except as set forth below, the persons named in the table have sole voting and investment power with respect to all shares shown as beneficially owned by them.
2) Applicable percentage of ownership is based on 2,911,658 shares outstanding on June 6, 2016 together with applicable options and warrants for such stockholder. Shares subject to conversion currently exercisable or exercisable within 60 days are included in the number of shares beneficially owned and are deemed outstanding for purposes of computing the percentage ownership of the person holding such options, but are not deemed outstanding for computing the percentage of any other stockholder.
3) Includes (i) 2,941 warrants to purchase shares of common stock at $51.00 per share (ii) 185,000 warrants to purchase shares of common stock at $0.42 per share and (iii) 200,000 warrants to purchase shares of common stock at $0.10 per share.
4) Includes currently exercisable options to purchase 196 shares of common stock at $255.00 per share held by Technology Innovations, LLC ("TI"). Our current Board member, James Wemett is an equity holder of TI, which previously owned 56.3% of our outstanding common stock.
5) On June 10, 2013 the Company obtained the consent of the holders of the majority of the outstanding preferred shares for the creation of a Series D Preferred Stock. The holder of the Series D Preferred Stock is entitled to a 51% vote on all matters submitted to a vote of the shareholders of the Company. There are no other rights or preferences attached to the Series D Preferred Stock. On July 1, 2013, the Company issued 100 shares of the Company's Series D Preferred Stock to Jim Wemett, the sole officer and a director of the Company. Such securities were issued under Section 4(2) of the Securities Act of 1933, as amended and Regulation D promulgated by the Securities and Exchange Commission.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Certain Relationships and Related Transactions

NONE

Director Independence

Although we are not subject to the rules or requirement of the American Stock Exchange ("AMEX"), we have, generally speaking, looked to those rules for guidance as to which members of our Board qualify as "independent directors." Under these rules, an "independent director" is a person, other than an officer or employee of the Company or any parent or subsidiary, who has been affirmatively determined by our Board of Directors not to have a material relationship with us that would interfere with the exercise of independent judgment. As determined by AMEX, the following persons would not be deemed independent:

a) a director who is, or during the past three years was, employed by the Company or by any parent or subsidiary of the Company, other than prior employment as an interim Chairman or CEO;
b) a director who accepts or has an immediate family member who accepts any payments from the Company or any parent or subsidiary of the Company in excess of $100,000 during the current or any of the past three

years, other than compensation for board service, compensation paid to an immediate family member who is a non-executive employee, non-discretionary compensation, certain requirement payments and a limited number of other specified types of payments;

c) a director who is an immediate family member of an individual who is, or has been in any of the past three years, employed by the Company or any parent or subsidiary of the Company as an executive officer;

d) a director who is, or has an immediate family member who is, a partner in, or a controlling shareholder or an executive officer of, any organization to which the Company made, or from which the Company received, payments (other than those arising solely from investments in the Company's securities or payments under non-discretionary charitable contribution matching programs) that exceed 5% of the organization's consolidated gross revenues for that year, or $200,000, whichever is more, in any of the most recent three years;

e) a director who is, or has an immediate family member who is, employed as an executive officer or any other entity where at any time during the most recent three years any of the Company's executive officers serve on that entity's compensation committee; and Company's audit at any time during any of the past three years.

Our board has determined that Mr. Ruckdäschel and Mr. Onn are deemed "independent directors."

Item 14. Principal Accountant Fees and Services

The aggregate fees billed or expected to be billed by for services performed by Freed Maxick CPAs, P.C. for the years ended December 31, 2015 and 2014 are as follows:

	2015	2014
Audit Fees	$ 54,175	$ 58,500
Tax Fees	$ none	$ none

AUDIT FEES

The aggregate audit fees for the years ended December 31, 2015 and 2014 were primarily related to the audit of the Company's annual financial statements and review of those financial statements included in the Company's quarterly reports on Forms 10Q.

AUDIT RELATED FEES

The Company did not engage Freed Maxick CPAs, P.C. to provide any other services during the last two years other than reported above.

TAX FEES

The Company did not engage Freed Maxick CPAs, P.C. to provide tax compliance, tax advice or tax planning services during the last two years.

ALL OTHER FEES

The Company did not engage Freed Maxick CPAs, P.C. to provide any other services during the last two years other than reported above.

Pre-Approval Policies and Procedures

In the absence of an Audit Committee, the Board of Directors approves all audit and non-audit services provided by the independent auditors and shall not engage the independent auditors to perform the specific non-audit services prescribed by law or regulation.

Item 15.

Exhibit No.	Description	Location
2.1	Agreement and Plan of Merger among NaturalNano, Inc. Cementitious Materials, Inc. and Cementitious Acquisitions, Inc.	(1)
3.1	Fourth Amended Restated Articles of Incorporation Dated December 19, 2014	*
3.2	The Third Amended and Restate By-laws of NaturalNano, Inc.	*
3.3	Form of Certificate of Amendment to the Articles of Incorporation	*
4.16.1	Certificate of Designation of Rights, Preferences, Designations, Qualifications and Limitations of the Series A Preferred Stock	*
4.17	Certificate of Designation of Rights, Preferences, Designations, Qualifications and Limitations of the Series B Preferred Stock	*
4.18	Certificate of Designation of Rights, Preferences, Designations, Qualifications and Limitations of the Series C Preferred Stock	*
14.1	Code of Ethics for CEO and Senior Financial Officer	*
21.1	Subsidiaries	*
10.1	10/21/15 Marlin Capital Investments LLC debt conversion notice	**
10.2	03/10/2016 Marlin Capital Investment LLC debt conversion notice	**
10.3	12/28/2015 Cape One master Fund II 8% convertible promissory note $41,373	**
10.4	12/28/2015 Cape One master Fund II 8% convertible promissory note $63,217	**
10.5	12/28/2015 Cape One master Fund II 8% convertible promissory note $71,614	**
10.6	12/28/2015 Cape One master Fund II 8% convertible promissory note $167,796	**
10.7	Forbearance Agreement effective 11/30/15 with Alpha Capital	**
10.8	Forbearance Agreement effective 11/30/15 with Bull Hunter Capital	**
10.9	Forbearance Agreement effective 11/30/15 with Marlin Capital Investments	**
10.10	04/11/16 Board Resignation Mark Rector	
23.1	Consent of Freed Maxick CPAs, P.C.	**
31.1	Certificate of principal executive officer and principal accounting officer pursuant to section 302 of the Sarbanes-Oxley act of 2002	**
32.1	Certificate 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	**
101CAL	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	**

* Previously filed
** Filed herewith

(1) Incorporated by reference to Exhibit 2.1 to Current Report on Form 8-K filed September 30, 2005
(2) Incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed June 26, 2014
(3) Incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K filed June 26, 2014

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.

Signature	Title	Date
/s/James Wemett James Wemett	President and Director (Principal Executive Officer) and Chief Financial Officer (Principal Accounting Officer)	June 9, 2016

Pursuant to the requirements of the Securities Exchange Act of 1934, that this report be signed by the Company's principal executive officer(s), principal financial officer(s), controller or principal account officer and at least a majority of the members of the Company's Board of Directors, this report has been signed below, by the following persons, on behalf of the registrant, and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ James Wemett James Wemett	President and Director (Principal Executive Officer) and Chief Financial Officer (Principal Accounting Officer)	June 9, 2016
/s/ Alexander Ruckdäschel Alexander Ruckdäschel	Director	June 9, 2016
/s/ Isaac Onn Isaac Onn	Director	June 9, 2016

NATURALNANO, INC.

CONSOLIDATED FINANCIAL STATEMENTS

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
NaturalNano, Inc.

We have audited the accompanying consolidated balance sheets of NaturalNano, Inc. and Subsidiary as of December 31, 2015 and 2014, and the related consolidated statements of operations, stockholders' deficiency, and cash flows for the years then ended. These 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, 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of NaturalNano, Inc. and Subsidiary as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in conformity with United States generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has suffered recurring losses from operations, has negative working capital, a stockholders' deficiency, has experienced recurring defaults related to various provisions of debt instruments, and will be dependent on extending the terms of its existing financing and obtaining future financing. This raises substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Freed Maxick CPAs, P.C.

Buffalo, New York

June 9, 2016

NaturalNano, Inc.
CONSOLIDATED BALANCE SHEETS

	December 31, 2015	2014
Assets		
Current assets:		
Cash	$ 4,743	$ -
Accounts and notes receivable, net	-	5,036
Inventory, net	98,200	231,764
Prepaid expenses and other current assets	7,040	73,140
Total current assets	109,983	309,940
Total Assets	$ 109,983	$ 309,940
Liabilities and Stockholders' Deficiency		
Liaiblities		
Current Liabilities		
Notes payable (Note 2)	$ 1,929,941	$ 1,534,946
Accounts payable	476,127	572,128
Accrued expenses	101,544	97,095
Accrued interest	506,598	239,937
Accrued payroll	1,151,448	1,068,448
Registration rights liability	12,324	12,324
Derivative liability (Note 4)	687,014	387,721
Total current liabilities	4,864,996	3,912,599
Total Liabilities	4,864,996	3,912,599
Rights to reserved common shares	-	559,289
Preferred Stock - $.001 par value, 10 million shares authorized		
Series B - 5,000 shares issued and outstanding with an aggregate liquidation preferance of $10	1,199	2,131
Commitments and contingencies	-	-
Stockholders' Deficiency		
Common Stock - $.001 par value 800,000,000 authorized with 2,293,502 and 2,093,502 shares issued and outstanding respectively	2,294	2,094
Series D - issued and outstanding 100 shares	-	-
Additional paid in capital	21,953,148	21,454,431
Accumulated deficit	(26,711,654)	(25,620,604)
Total stockholders' deficiency	(4,756,212)	(4,164,079)
Total liabilities and stockholders' deficiency	$ 109,983	$ 309,940

See notes to consolidated financial statements

NaturalNano, Inc.
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the years ended December 2015	For the years ended December 2014
Income:		
Revenue	$ 368,066	$ 193,606
Cost of good sold	157,134	62,922
Gross Profit	210,932	130,684
Operating expenses:		
Research and development	4,584	40,076
General and administrative excluding stock compensation expense (SCE)	518,548	554,090
SCE warrants for services	102,782	105,501
	625,914	699,667
Loss from operations	(414,982)	(568,983)
Other income (expense):		
Interest expense (net)	(266,661)	(301,614)
Net loss on derivative liability	(164,480)	(355,302)
Loss on exchange of share rights for debt	(304,727)	-
Gain on forgiveness of liability	9,800	4,107,646
Other income (expense)	50,000	(200,000)
	(676,068)	3,250,730
(Loss) income before income taxes	$ (1,091,050)	$ 2,681,747
Income taxes	-	-
Net (loss) income	$ (1,091,050)	$ 2,681,747
(Loss) income per common share - basic	$ (0.52)	$ 1.34
(Loss) income per common share - diluted	na	$ 0.36
Weighted average shares outstanding: Basic	2,102,391	1,995,172
Fully Diluted	na	7,572,514

See notes to consolidated financial statements

NaturalNano, Inc.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIENCY
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	Common Stock		Series D Preferred Stock		Additional Paid in Capital	Accumulated Deficit	Stockholders' Deficiency
	Shares	Amount	Shares	Amount			
Balance at January 1, 2014	1,847,797	$ 1,848	100	$ -	$ 21,729,238	$ (28,302,351)	$ (6,571,265)
Fractional shares issued in reverse split	1,923	2	-	-	(2)	-	0
Issuance of common stock for interest	100,000	100	-	-	11,900	-	12,000
Series C preferred shares convertrd to common shares and change in value	143,782	144	-	-	114,500	-	114,644
Series B preferred shares converted to commons stock and change in value	-	-	-	-	(1,706)	-	(1,706)
Warrants issued for services	-	-	-	-	105,501	-	105,501
Change in value of rights reserved for common shares	-	-	-	-	(505,000)	-	(505,000)
Net income for the year ended December 31, 2014	-	-	-	-	-	2,681,747	2,681,747
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	-	-	-	-	932	-	932

Issuance of common stock for debt	200,000	200	-	-	9,800	-	10,000
Warrants issued for services	-	-	-	-	102,782	-	102,782
Change in value of rights reserved for common shares	-	-	-	-	385,203	-	385,203
Net loss for the year ended December 31, 2015	-	-	-	-	-	(1,091,050)	(1,091,050)
Balance at December 31, 2015	2,293,502	$ 2,294	100	$ -	$ 21,953,148	$ (26,711,654)	$ (4,756,212)

See notes to consolidated financial statements

NaturalNano, Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years ended December 31, 2015	Years ended December 31, 2014
Cash flows from operating activities		
Net (loss) income	$ (1,091,050)	$ 2,681,747
Adjustments to reconcile net (loss) income to net cash used in operating activities		
Net gain on extinguishment /modification of debt	-	(4,032,609)
Non-cash gain on forgiveness of debt	(9,800)	(75,037)
Change in fair value of derivative liabilities	164,480	355,302
Issuance of warrants for services	102,782	105,501
Provision for excess inventory	83,100	-
Provision for reserve on receivable from MJ Enterprise	-	200,000
Gain on sale of equipment	(50,000)	-
Loss on exchange of share rights for debt	304,727	-
Change in operating assets and liabilities:		
Decrease in accounts receivable	5,036	18,170
Decrease (increase) in inventory	50,464	(218,518)
Decrease (increase) in other current assets	66,100	(66,100)
Increase (decrease) in accounts payable, accrued payroll and accrued expenses	267,904	557,534
Net cash used in operating activities	(106,257)	(474,010)
Cash flows from investing activities		
Loan to MJ Enterprises	-	(200,000)
Gain on sale of equipment	50,000	-
Net cash provided (used) by investing activities	50,000	(200,000)
Cash flows from financing activities		
Proceeds from convertible notes	61,000	974,010
Payment on debt extinguishment	-	(300,000)
Net cash provided by financing activities	61,000	674,010
Increase in cash	4,743	-
Cash at beginning of the year	-	-
Cash at the end of the year	$ 4,743	$ -
Schedule of non-cash investing and financing activities		
Common stock issued for convertible notes	$ 10,000	$ -
Common stock issued for interest	$ -	$ 12,000
Share rights issued for debt extinguishment	$ -	$ 54,289
Debt issued in exchange for share rights	$ 344,000	$ -

See notes to consolidated financial statements

NaturalNano, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015

1. PRINCIPAL BUSINESS ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The consolidated financial statements include the accounts of NaturalNano, Inc. ("NaturalNano" or the "Company"), a Nevada corporation, and its wholly owned subsidiary 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) 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.

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 year ended December 31, 2015 of approximately $1,091,000, had negative working capital of approximately $4,755,000 and a stockholders' deficiency of approximately $4,756,000 at December 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 December 31, 2015, the Company continued to require waivers for debt covenant violations and extensions of maturity dates. Refer to Note 2 for lender waivers and maturity extensions received from the lenders.

The Company's management and Board of Directors continue to actively assess the Company's operating structure with an objective to reduce ongoing expenses, increase sources of recurring revenue as well as seeking additional debt or equity financing. The Company will continually evaluate funding options including additional offerings of its securities to private and institutional investors and other credit facilities as they become available. There can be no assurance as to the availability or terms upon which such financing alternatives might be available.

The Company has experienced recurring losses from operations since its inception and continues to have a working capital deficiency and limited opportunities for additional capital infusion. The Company has experienced recurring defaults relating to the various provisions under its current debt obligations and is expected to require future forbearance and waivers relating to such provisions in the future. These negative financial conditions combined with delays experienced in product introduction and customer acceptance raises substantial doubt of the Company's ability to continue as a going concern.

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

Concentration of Credit Risk
The Company maintains cash in bank deposit accounts which could, at times, exceed federally insured limits. The Company has not experienced any losses on these accounts.

Accounts Receivable
The Company grants credit to substantially all of its customers and carries its accounts receivable at original invoice amount less an allowance for doubtful accounts. On a periodic basis, the Company evaluates its accounts receivable and establishes an allowance for doubtful accounts based on history of past write-offs, collections, and current credit conditions. As of December 31, 2015 and 2014 no allowance for doubtful accounts was considered necessary.

Inventory
Inventory is stated at the lower of cost or market value. When halloysite nanotubes or Pleximer™ held in inventory are used, the carrying value of any such inventory used (i) for research and development is expensed in the period that it is used for the development of proprietary applications and processes and (ii) in cost of goods sold will be charged as customer shipments are made. Inventory for overhead costs are applied during production and included in cost of goods sold. As of December 31, 2015 and 2014, the reserve for excess inventory was approximately $83,100 and zero, respectively.

Property and Equipment
Property and equipment are recorded at cost. Expenditures for major additions and improvements are capitalized and minor replacements, maintenance, and repairs are charged to expense as incurred. When property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of operations for the respective period. Depreciation is provided over the estimated useful lives of the related assets using the straight-line method. No depreciation expense was recorded during the years ended December 31, 2015 or 2014 as all property and equipment owned by the Company was fully depreciated in prior years.

Accrued Payroll
The Company accrues for earned and unused vacation benefits and deferred compensation costs for amounts contractually owed to employees.

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, prepaid, 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 market 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 December 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.

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.

Revenue Recognition
Revenue is recognized upon shipment of ViralProtec orders and upon delivery of Pleximer™ and sample products. The Company earns and recognizes such revenue when the shipment of the sample products has occurred, title transfers, no further performance obligation exists, and when collection is reasonably assured.

Research and Development
Research and development costs are expensed in the period the expenditures are incurred. Capital assets acquired in support of research and development are capitalized and depreciated over their estimated useful life and related depreciation expense is included in research and development expense.

Other (Expense) Income
During 2015, the Company recognized a gain of $50,000 on the sale of fully depreciated equipment. During 2014, the Company recorded a $200,000 provision related to the uncertainty of future collection of the receivable due from MJ Enterprises. The Company continues to aggressively pursue the collection of this amount with all possible avenues for recovery.

Income (Loss) Per Share
Basic income (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 for the year ended December 31, 2015 as their effect is anti-dilutive based on the net loss incurred.

As of December 31, 2015 there were 39,567,578 shares underlying preferred stock, convertible debt, outstanding options and warrants that could potentially dilute future earnings. 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.

As of December 31, 2014 there were 7,851,283 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 December 31, 2014 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. The reconciliation of the numerator and denominator of the basic and diluted earnings per share (EPS) calculation was as follows for the year ended December 31, 2014:

Numerator:	
Net income	$2,681,747
Adjustment for interest expense on convertible notes	60,229
Net income, adjusted	2,741,976
Denominator:	

Weighted-average shares used to compute basic EPS	1,995,172
Effect of dilutive securities:	
Dilutive warrants	185,934
Cape One share rights	5,388,741
Convertible preferred B shares	2,667
Dilutive potential common shares	5,577,342
Weighted average shares used to compute diluted EPS	7,572,514

The 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. These limitations have not been taken into account in the calculation of diluted earnings per share for the year ended December 31, 2014.

Share Based Payments
The Company has six incentive stock plans: the 2005 Incentive Stock Plan (the “2005 Plan”), the Amended and Restated 2007 Incentive Stock Plan (the “2007 Plan”), the 2008 Incentive Stock Plan (“the 2008 Plan”), the 2009 Stock Incentive Plan (“the 2009 Plan”), the 2011 Incentive Stock Plan (“the 2011 Plan") and the 2012 Stock Incentive Plan (“the 2012 Plan”) or (collectively, the “Plans”). The Plans provide for issuance of share-based awards to officers, key employees, non-employee directors, vendors and consultants. The terms and vesting schedules for share-based awards vary by type of grant and the employment status of the grantee. Generally, option awards vest based upon time-based conditions and are granted at exercise prices based on the closing market price of the Company’s stock on the date of grant.

The Company’s accounting policy for equity instruments issued to consultants and vendors in exchange for goods and services follows the provisions of FASB ASC 505-50, Equity-Based Payments to Non-Employees. The measurement date for the fair value of the equity instruments issued is determined at the earlier of (i) the date at which a commitment for performance by the consultant or vendor is reached or (ii) the date at which the consultant or vendor’s performance is complete. In the case of equity instruments issued to consultants, the fair value of the equity instrument is recognized over the term of the consulting agreement.

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.

Recent Accounting Pronouncements

In November 2015, the FASB issued ASU-2015-17 Balance Sheet Classification of Deferred Taxes (Income Taxes topic 740). The Board issued this update as part of its Simplification Initiative. The objective of the Simplification Initiative is to identify, evaluate, and improve areas of generally accepted accounting principles (GAAP) for which cost and complexity can be reduced while maintaining or improving the usefulness of the information provided to users of financial statements. To simplify the presentation of deferred income taxes, this guidance requires that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. The guidance applies to all entities that present a classified statement of financial position. The current requirement that deferred tax liabilities and assets of a tax-paying component of an entity be offset and presented as a single amount is not affected by the amendments in this Update. This update will be effective for public business entities for annual periods, including interim periods within those annual periods, beginning after December 15, 2016. We are currently evaluating the impact of the adoption of ASU 2015-17 on our consolidated financial statements.

In May 2014 the FASB issued ASU 2014-09 Revenue from Contracts with Customers (Topic 606): The standard is effective for annual periods beginning after December 15, 2017, and interim periods therein, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect recognized at the date of adoption (which includes additional footnote disclosures). This update supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP. We are currently evaluating the impact of the adoption of this new guidance.

In July 2015, the FASB issued ASU-2015-11 Simplifying the Measurement of Inventory (Inventory topic 330) The Board issued this update as part of its Simplification Initiative. Under this guidance an entity should measure inventory at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. This update will be effective for public business entities for annual periods, including interim periods within those annual periods, beginning after December 15, 2016. We are currently evaluating the impact of the adoption of this new guidance.

In January 2015 the FASB issued 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. We are currently evaluating the impact of the adoption of this new guidance.

On February 25, 2016, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2016-02, "Leases," a comprehensive new lease standard which will supersede previous lease guidance. The standard requires a lessee to recognize in its balance sheet assets and liabilities related to long-term leases that were classified as operating leases under previous guidance. An asset will be recognized related to the right to use the underlying asset and a liability will be recognized related to the obligation to make lease payments over the term of the lease. The standard also requires expanded disclosures surrounding leases. The standard is effective for fiscal periods beginning after December 15, 2018, and requires modified retrospective adoption, with early adoption permitted. The Company is evaluating the impact of the adoption of this standard on our consolidated financial statements and related disclosures.

On March 30, 2016, the FASB issued ASU No. 2016-09, "Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting," which amends the current stock compensation guidance. The amendments simplify the accounting for the taxes related to stock based compensation, including adjustments to how excess tax benefits and a company's payments for tax withholdings should be classified. The standard is effective for fiscal periods beginning after December 15, 2016, with early adoption permitted. The Company is evaluating the impact of the adoption of this standard on our consolidated financial statements and related disclosures.

In April, 2016, the FASB issued ASU No. 2016-10, "Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing" to clarify two aspects of Topic 606: (i) identifying performance obligations and (ii) the licensing implementation guidance, while retaining the related principles for those areas. The Company is evaluating the impact of the adoption of this standard on our consolidated financial statements and related disclosures.

Management does not believe that any recently issued, but not yet effective, accounting standards if currently adopted, would have a material effect on the accompanying financial statements.

2. NOTES PAYABLE

Notes payable as of December 31, 2015 and 2014, respectively consisted of the following:

Notes Payable	**2015**	**2014**
Senior Secured Convertible Notes	$ 441,988	$ 441,988
Senior Secured Promissory Notes	398,938	398,938
2014-2015 Convertible Promissory Notes	745,015	694,020
Convertible Promissory Notes	344,000	-
Total	$ 1,929,941	$ 1,534,946

Senior Secured Convertible Notes and Senior Secured Promissory Notes
As of December 31, 2015 and 2014, Notes payable on the balance sheets includes $840,926 for senior secured convertible notes and non-convertible senior secured promissory notes. The 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 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. The Company has defaulted on certain provisions of the notes. The Company has obtained a waiver of default on the outstanding principal through November 30, 2016. As a condition of this forbearance the interest rate on these notes has been increased to 18%.

2014 and 2015 Convertible Promissory Notes

During 2015, the Company entered into two Senior Secured Convertible Promissory Notes aggregating $61,000. During 2015, the Company issued 200,000 common shares in satisfaction of $10,000 of outstanding principal. The issuance of these shares reflects a debt conversion price of $0.05 per share.

The 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 November 30, 2016. As a condition of this forbearance the interest rate on certain of these notes has been increased to 18 %.

In 2015, the Company granted certain warrants with an exercise prices less than the conversion price defined in the 2015 debt agreements. As a result, the conversion price of the 2015 Convertible Promissory Notes have been adjusted Based on the Company's issuance of warrants described above, the conversion price on these debt obligations were modified to $0.05 per share. On January 5, 2016 the conversion price on the debt was adjusted to $0.02 per share upon the issuance of 450,000 warrants exercisable at $0.02 per share.

During 2014 the Company entered into various Senior Secured Convertible Promissory Notes aggregating $694,020. The 2014 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. These notes are convertible into shares of the Company's common stock at a conversion price of $0.30 per share and are subject to adjustment in the event of lower price issuances, subject to customary exceptions. The Company may prepay any amount due under the notes prior to the maturity date. The notes are subject to certain events of default which would cause all amounts due to become immediately payable. The Company is prohibited from effecting the conversion of the notes to the extent that as a result of such conversion, the note holders would beneficially own more than 4.99% of the issued and outstanding shares of the Company's common stock. The proceeds from the 2014 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 November 30, 2016 and bear an interest rate of 18% per annum as a condition of forbearance.

2015 Exchange of Cape One Master Fund II LLP shares for Convertible Promissory Notes

On December 15, 2015, the Company's board of directors determined that it was in the best interest of the corporation to exchange 6,666,667 reserved shares of the Company's common stock, held by Cape One Master Fund II LLP (as described below), for four convertible promissory notes totaling $344,000 with an interest rate of 8% per annum due June 30, 2017. These promissory notes are convertible to common stock at the rate of $0.05 per share. In the event that the Company shall, at any time, issue any additional shares of common stock or equivalents at a price per share less than the $0.05 conversion price then the conversion price for these convertible promissory notes shall be reduced. The Company recognized a loss on the exchange of the rights to reserved commons shares upon the issuance of these convertible promissory notes of approximately $305,000 in 2015. On January 5, 2016 the conversion price on the debt was adjusted to $0.02 per share upon the issuance of 450,000 warrants exercisable at $0.02 per share.

2014 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 December 2014, 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 rights and other securities in the Company's capital structure. The fair value of these 6,666,667 share rights was estimated at $54,289 and the Company recognized a gain on extinguishment of debt of $325,335 during the quarter ended September 30, 2014 based on the excess of the value of the instruments settled over the estimated fair market value of the underlying share rights.

Payoff Agreement with Platinum Long Term Growth IV, LLC and Merit Consulting LLC

On June 26, 2014, the Company entered into a Payoff Agreement with two of its lenders (collectively referred to as "the holders") where the holders agreed to surrender their outstanding promissory notes and debentures in the aggregate principal amount of $3,256,399 plus all accrued and unpaid interest amounting to $592,414 in consideration for an aggregate payment of $300,000. As further consideration, one of the lenders agreed to return its 2,587,674 shares of Series C Preferred Stock for cancellation. The Company reversed $70,165 in registration rights liabilities in connection with this Payoff Agreement. Effective upon the consummation of this Payoff Agreement, the Company had no further obligation to the holders pursuant to the terms of the preferred stock and the notes as defined in the Payoff Agreement. As a result of this Payoff Agreement, the Company recognized a gain on extinguishment of debt during the second quarter of 2014 in the amount of $3,747,273.

Bitcoin Promissory Notes
The Company established its subsidiary, Bitcoin Bidder, Inc. in June, 2014 for the sole purpose of bidding on bitcoins which had been seized by the FBI and were sold at auction June 27, 2014. In connection with this, the Company issued notes aggregating $2,150,000 under a Securities Purchase Agreement. Bitcoin Bidder, Inc. was not successful at the auction and $1,950,000 in borrowings was repaid to the lenders on June 30, 2014. The remaining $200,000 was repaid to the lenders in July, 2014 without any penalty or interest charges to NaturalNano. The Company dissolved Bitcoin Bidder, Inc. in 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 NaturalNano, other than direct expense of ViralProtec. Approximate information concerning the Company's operations by reportable segment as of and for the years ended December 31, 2014 and December 31, 2013 is as follows:

	Nanotechnology For the years ended December 31		**ViralProtec For the years ended December 31**		**Consolidated For the years ended December 31**	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
Revenue	$ 276,097	$ 137,159	$ 91,969	$ 56,447	$ 368,066	$ 193,606
Loss from operations	$ (288,060)	$ (549,741)	$ (126,922)	$ (19,242)	$ (414,982)	$ (568,983)
Interest expense	$ 266,661	$ 301,614	$ -	$ -	$ 266,661	$ 301,614
Loss on exchange of rights for debt	$ (304,727)	$ -	$ -	$ -	$ (304,727)	$ -
Gain on modification of debt	$ 9,800	$ 4,107,646	$ -	$ -	$ 9,800	$ 4,107,646
Net income (loss)	$ (964,128)	$ 2,700,989	$ (126,922)	$ (19,242)	$ (1,091,050)	$ 2,681,747
Assets	$ 26,958	$ 90,052	$ 83,025	$ 219,888	$ 109,983	$ 309,940

Geographic Areas – The Company had no long-lived assets in any country other than the United States for any period presented. The Company had $10,800 and $9,300 in sales outside of the United States in 2015 and 2014, respectively.

Major Customers – During the years ended December 31, 2015 and 2014, the Company derived 99% and 95% respectively of its Nanotechnology revenue from one customer. During the year ended December 31, 2015, three Viral Protec customers represented 63% of the segment revenues.

4. DERIVATIVE LIABILITIES

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 December 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 December 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 December 31, 2015 and December 31, 2014.

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

	2015	**2014**
Derivative Instrument		
Notes conversion feature liability	$ 686,255	$ 375,949
Warrant liability	759	11,772
Total	$ 687,014	$ 387,721

Fair Value Valuation Hierarchy Measurement
FASB ASC 820 establishes a valuation hierarchy for disclosure of the inputs to valuation used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows.

- □ 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 derivative liabilities are measured at fair value using certain estimated factors such as volatility and probability and are classified within Level 3 of the valuation hierarchy. The following table provides a roll forward of the liabilities carried at fair value measured using significant unobservable inputs (level 3).

	2015	**2014**
Fair value – beginning of year	$ 387,721	$ 32,419
Liability recognized for conversion feature of debt issued in exchange for share rights	134,813	-
Loss recognized	164,480	355,302
Fair value – end of year	$ 687,014	$387,721

5. INCOME TAXES

Following is a summary of the components giving rise to the income tax benefit for the years ended December 31:

The benefit for income taxes consists of the following:

	2015	2014
Currently payable		
Federal	$ -	$ -
State	-	-
Total currently payable	$ -	$ -

Deferred		
Federal	$ (121,318)	$(1,084,885)
State	$ (413)	$ (17,832)
Total deferred	$ (121,731)	$(1,102,717)
Less: increase in valuation allowance	121,731	1,102,717
Net deferred	-	-
Total income taxes	$ -	$ -

Individual components of deferred taxes at December 31 are as follows:

	2015	2014
Deferred tax assets		
Net operating loss carry forwards	$ 2,939,421	$ 2,910,879
Equity issued for services	1,333,873	1,298,831
Accrued compensation	351,870	323,575
Other	205,952	175,683
Total	$ 4,831,116	4,708,968
Less valuation allowance	(4,831,116)	(4,708,968)
Net deferred tax asset	$ -	$ -

The Company has approximately $11,700,000 in federal net operating loss carry-forwards ("NOLs") available to reduce future taxable income. These carry-forwards expire at various dates from 2024 through 2035. Due to the uncertainty of the Company's ability to generate sufficient taxable income in the future to utilize the NOLs before they expire, the Company has recorded a valuation allowance to reduce the gross deferred tax asset to zero. The $1,047,000 reduction of the net operating loss deferred tax asset reflected on the financial statements is attributable to the unrecognized tax benefit of $760,000 plus approximately $287,000 related to tax deductions for stock awards, options and warrants exercised subsequent to the implementation of FASB ASC 718, which are not included in the determination of the deferred tax asset above and will be recognized in accordance with FASB ASC 718 when realized for tax purposes.

Internal Revenue Code Section 382 ("Section 382") imposes limitations on the availability of a company's net operating losses and other corporate tax attributes as ownership changes occur. As a result of the historical equity instruments issued by the Company, a Section 382 ownership change or changes may have occurred and a study will be required to determine the date(s) of the ownership change, if any. The amount of the Company's net operating losses and other tax attributes incurred prior to the ownership change may be limited based on the Company's value. A full valuation allowance has been established for the deferred tax assets including the net operating losses. Accordingly, any limitations resulting from Section 382 application is not expected to have a material effect on the balance sheets or statements of operations of the Company.

The differences between the United States statutory federal income tax rate and the effective income tax rate in the accompanying consolidated statements of operations are as follows:

	2015	2014
Statutory United States federal rate	34.0%	34.0%
Nontaxable gain on extinguishment of debt	-	(52.9)
Nondeductible interest expense	(8.3)	3.8
Reduction of NOL carryover from extinguishment of debt	-	52.9
Change in valuation allowance	(11.2)	(41.1)
Other - Non deductible loss	14.5	3.3
Effective tax rate	0%	0%

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

Unrecognized tax benefits balance at January 1	$ 760,000	$ 760,000
Unrecognized tax benefits balance at December 31	$ 760,000	$ 760,000

At each of December 31, 2015 and 2014, the total unrecognized tax benefits of $760,000 have been netted against the related deferred tax assets.

The Company recognizes interest accrued and penalties related to unrecognized tax benefits in tax expense. During the years ended December 31, 2015 and 2014 the Company recognized no interest and penalties. The Company files income tax returns in the U.S. federal jurisdiction and New York State. The tax years 2012 - 2015 generally remain open to examination by major taxing jurisdictions to which the Company is subject.

6. STOCKHOLDERS DEFICIENCY

As of December 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.

Preferred Stock Issuances

Series D Preferred Stock On June 10, 2013 the Company obtained the consent of the holders of the majority of the outstanding preferred shares for the creation of a Series D Preferred Stock. The holder of the Series D Preferred Stock is entitled to a 51% vote on all matters submitted to a vote of the shareholders of the Company. There are no other rights or preferences attached to the Series D Preferred Stock. On July 1, 2013, the Company issued 100 shares of the Company's Series D Preferred Stock to Jim Wemett, the sole officer and a director of the Company. Such securities were issued under Section 4(2) of the Securities Act of 1933, as amended and Regulation D promulgated by the Securities and Exchange Commission.

Series B and C Preferred Stock

Each share of the Series B and C Convertible Preferred Stock are convertible into 160 shares of the Company's common stock and votes on an as-converted basis (with each share having 160 votes). Both the Series B and C designations limit 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. Accordingly, the votes attributable to the Series B and C Convertible Preferred constitutes 4.99% of the aggregate votes attributable to the Company's outstanding shares on an as converted basis.

During 2014, Platinum elected to convert 269,592 shares of their Series C preferred shares into 143,782 common shares at the then prescribed conversion rate of 160 common shares per each Series C share. In connection with the June 27, 2014 Payoff Agreement (Note 2) all shares of the remaining Series C preferred shares were cancelled.

Common Stock Issuances

During 2015, the Company issued 200,000 common shares in satisfaction of $20,000 of principal obligations to lenders on convertible debt. During 2014, the Company issued 100,000 common shares in satisfaction of $12,000 of interest obligations to lenders on convertible debt.

Warrants Grants

The Company has issued warrants to purchase shares of its common stock to certain consultants and debt holders. As of December 31, 2015 and December 31, 2014 there were common stock warrants outstanding to purchase an aggregate of 1,217,941 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 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.

On May 30, 2015, the Company granted a total of 375,000 warrants to the Company's board members and one consultant. These warrants grant the right to purchase one share of common stock at an exercise price of $0.05 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 $41,676. 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 1.49% 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 $0.12 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.

	2015	2014

	Shares	Weighted average exercise price	Weighted average remaining life-Years	Shares	Weighted average exercise price	Weighted average remaining life-Years
Outstanding: beginning of the year	545,294	$ 1.13	5.9	394,110	$ 4.26	2.24
Granted during the year	675,000	$ 0.07		160,000	$ 0.42	
Cancelled or forfeited	(2,353)	$ 102.00		(8,824)	$ 127.50	
Warrants outstanding: end of year	1,217,941	$ 0.35	4.1	545,294	$ 1.13	5.9
Warrants exercisable: end of year	1,217,941	$ 0.35	4.1	545,294	$ 1.13	5.9

During 2014, the Company granted a total of 160,000 warrants to certain consultants, the Company's CEO and the Company's independent board member. These warrants grant the right to purchase one share of common stock at an exercise price of $0.42 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 $105,501. An expected volatility assumption of 289% 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 1.63% 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 date was $0.66 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.

Incentive Stock Plans

Under the Company's 2005 Incentive Stock Plan (the "2005 Plan"), the Amended and Restated 2007 Incentive Stock Plan (the "2007 Plan"), the 2008 Incentive Stock Plan (the"2008 Plan"), the 2009 Stock Incentive Plan (the "2009 Plan"), the 2011 Stock Incentive Plan (the "2011 Plan") and the 2012 Stock Incentive Plan (the "2012 Plan"), officers, employees, directors and consultants may be granted options to purchase the Company's common stock at fair market value as of the date of grant. Options become exercisable over varying vesting periods commencing from the date of grant and have terms of five to ten years. The plans also provide for the granting of performance-based and restricted stock awards. The shares of Common Stock underlying the plans are reserved by the Company from its authorized, but not issued Common Stock. Such shares are issued by the Company upon exercise by any option holder pursuant to any grant of such shares. The Plans are authorized to grant awards as follows: the 2005 Plan is authorized to grant up to 823,529 share unit awards, the 2007 Plan is authorized to grant up to 1,000,000 share unit awards, and the 2008 Plan is authorized to grant up to 47,058,824 unit share awards. The 2009 Plan is authorized to grant up to 1,176,471 share unit awards. The 2011 Plan is authorized to grant up to 1,470,588 share unit awards. The 2012 Plan is authorized to grant up to 1,764,706 share unit awards.

Employee stock compensation expense was $0 for the years ended December 31, 2015 and 2014. No option grants were made in 2015 or 2014.

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

	2015			2014		
	Shares	Weighted Average Exercise Price	Weighted Average Remaining Life-years	Shares	Weighted Average Exercise Price	Weighted Average Remaining Life-years
Outstanding beginning of year	2,363	$ 1,070	3.53	2,363	$ 921	3.5
Granted during the year	-			-		
Cancelled or forfeited	(1,264)	$ 255		-		
Options outstanding end of year	1,099	$ 2,008	1.05	2,363	$ 1,070	2.1
Options exercisable end of year	1,099	$ 2,008	1.05	2,363	$ 1,070	2.1

As of December 31, 2015, the aggregate intrinsic value of the stock options outstanding and exercisable was $0.

7. CREDITOR CONCESSIONS

During the 2015 and 2014, 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 consolidated balance sheet. As a result of these agreements, liabilities of $10,000 and $75,037 respectively, were relieved resulting in a gain on forgiveness of debt. These vendor concessions have been treated as gains in the period that the underlying agreement was reached.

8. COMMITMENTS AND LEASE OBLIGATIONS

Lease obligations

The Company leases approximately 9,200 square feet in Rochester, NY for laboratory space. The lease is a month-to-month agreement at $2,000 per month with no targeted end date. Total rent expense of $24,000 was incurred in each of the years ended December 31, 2015 and 2014. The Company's corporate operations are currently conducted from office space located at 763 Linden Avenue Rochester, New York. There is no signed lease agreement for this location, the Company incurred $2,500 in rent expense during each of the years ended 2015 and 2014.

Commitments

Legal Proceedings

On March 24, 2009 the Company received a demand notice from an attorney representing a group of certain former employees of the Company, including but not limited to the Company's former President and Chief Financial Officer, demanding immediate payment of $331,265 for certain deferred compensation, severance and vacation benefits. Each of the former employees cited in the demand notice, as well as other former employees, had executed written agreements during 2008 that allowed the Company to defer certain of these compensation payments. The Company has accrued for earned and unused vacation benefits and deferred payroll costs for amounts electively deferred by these and other former employees as of December 31, 2015. The Company has retained counsel in connection with this demand and continues to evaluate this demand notice and has responded to this demand. No actions or probable settlement discussions between the parties have developed since the filing of this demand. Due to the Company's current cash and liquidity position discussed above and the current evaluation of the items in the demand notice, the timing of future payment of these outstanding amounts in uncertain. No further communication has been had regarding this notice.

During the third quarter ending September 30, 2010, two former employees, one involved in the March 24, 2009 demand, agreed to forgive the Company's liability to them of $54,691 related to deferred compensation in exchange for shares of common stock.

9. 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.

10. SUBSEQUENT EVENTS

Debt, Stock and Warrant transactions subsequent to December 31, 2015

On March 10, 2016, the Company issued 110,000 common shares in satisfaction of $5,500 of outstanding principal. The issuance of these shares reflects a debt conversion price of $0.05 per share.

On January 7 and April 13, 2016, the Company issued a total of 508,156 shares of restricted common stock in connection with four cashless exercise transaction from warrant holders. On January 7, 2016 and April 13, 2016, the Company issued 37,500 and 36,776 respectively, restricted common shares to a consultant based on a request for the exercise of certain warrants agreement with the consultant. Also on January 7, 2016 and April 13, 2016 the Company issued 250,000 and 183,880 respectively, restricted common shares to the Company's CEO based on a request for the exercise of certain warrants agreement with the CEO.

On January 5, 2016, the Company issued a total of 450,000 warrants to directors and a consultant. These warrants vested immediately and were granted with a ten year life, an exercise price of $0.02 per share and included a cashless exercise provision.