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

FORM 10-Q

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

For the quarterly period ended: **September 30, 2015**

or

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

For the transition period from ______________________ to ______________________

Commission File Number: **000-49901**

NATURALNANO, INC.
(Exact name of registrant as specified in its charter)

Nevada	**87-0646435**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
763 Linden Ave Rochester NY	**14625**
(Address of principal executive offices)	(Zip Code)

585-267-4848
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes No

Indicate by checkmark if the registrant has submitted electronically and posted on its Website, if any, every Interactive 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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer
Non-accelerated filer	Smaller reporting company

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

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: **2,093,502 as of November 23, 2015**

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Item 1. Financial Statements

NATURALNANO, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2015 (Unaudited)	December 31, 2014

Assets		
Current assets:		
Cash	$ 8,043	$ —
Accounts Receivable	—	5,036
Inventory, net of reserve of $54,000 and $0, respectively	133,254	231,764
Prepaid expenses and other current assets	7,040	73,140
Total current assets	148,337	309,940
Total Assets	$ 148,337	$ 309,940
Liabilities and Stockholders' Deficiency		
Liabilities		
Current Liabilities		
Notes payable (Note 2)	$ 1,595,941	$ 1,534,946
Accounts payable	490,543	572,128
Accrued expenses	90,244	97,095
Deferred income	40,965	—
Accrued interest	441,166	239,937
Accrued payroll	1,138,948	1,068,448
Registration rights liability	12,324	12,324
Derivative liabilities	520,335	387,721
Total current liabilities	4,330,466	3,912,599
Total Liabilities	4,330,466	3,912,599
Rights to reserved common shares (Note 2)	174,086	559,289
Preferred Stock - $.001 par value, 10 million shares authorized		
Series B - 5,000 shares issued and outstanding with an aggregate liquidation preference of $10	1,515	2,131
Commitments and contingencies	—	—
Stockholders' Deficiency		
Common Stock - $.001 par value 800,000,000 authorized with 2,093,502 shares issued and outstanding	2,094	2,094
Series D - issued and outstanding 100 shares	—	—
Additional paid in capital	21,943,031	21,454,431
Accumulated deficit	(26,302,855)	(25,620,604)
Total stockholders' deficiency	(4,357,730)	(4,164,079)
Total liabilities and stockholders' deficiency	$ 148,337	$ 309,940

See notes to condensed consolidated financial statements

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2015	**2014**	**2015**	**2014**

Income:				
Revenue	$ 34,131	$ 89,600	$ 223,621	$ 135,774
Cost of goods sold	41,331	8,279	119,358	16,913
Gross Profit	(7,200)	81,321	104,263	118,861
Operating expenses:				
Research and development	397	17,082	4,753	40,076
Selling, general and administrative	98,178	97,013	403,036	283,753
Stock based compensation attributed to warrant grants	—	—	102,782	105,501
	98,575	114,095	510,571	429,330
Loss from operations	(105,775)	(32,774)	(406,308)	(310,469)
Other income (expense):				
Interest expense	(69,601)	(50,362)	(201,229)	(242,626)
Net (loss) gain on derivative liability	(48,751)	52,977	(132,614)	(337,132)
Net gain on extinguishment and modification of debt	—	325,335	7,900	4,032,608
Gain on sale of equipment	50,000	—	50,000	—
Provision for reserve on receivable due from MJ Enterprises	—	(100,000)	—	(100,000)
Other income (expense)	(68,352)	227,950	(275,943)	3,352,850
(Loss) income before income taxes	(174,127)	195,176	(682,251)	3,042,381
Income taxes	—	—	—	—
Consolidated net (loss) income	$ (174,127)	$ 195,176	$ (682,251)	$ 3,042,381
(Loss) income per common share - basic	$ (0.08)	$ 0.19	$ (0.33)	$ 1.54
(Loss) income per common share - diluted	$ na	$ 0.02	$ na	$ 0.38
Weighted average shares outstanding				
Basic	2,093,502	1,038,883	2,093,502	1,973,673
Fully diluted	2,093,502	11,272,858	2,093,502	8,093,175

See notes to condensed consolidated financial statements

NATURALNANO, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIENCY
For the nine months ended September 30, 2015
(Unaudited)

	Common Stock Shares	Common Stock Amount	Series D Preferred Stock Shares	Series D Preferred Stock Amount	Additional Paid in Capital	Accumulated Deficit	Stockholders' Deficiency
Balance at December 31, 2014	2,093,502	$ 2,094	100	$ —	$21,454,431	$(25,620,604)	$ (4,164,079)

Change in value of Series B preferred shares	—	—	—	—	616	—	616
Warrants issued for services	—	—	—	—	102,782	—	102,782
Change in value of rights to common shares	—	—	—	—	385,203	—	385,203
Net loss for the nine months ended September 30, 2015	—	—	—	—	—	(682,251)	(682,251)
Balance at September 30, 2015	2,093,502	$ 2,094	100	$ —	$21,943,031	$(26,302,855)	$ (4,357,730)

See notes to condensed consolidated financial statements

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

	For the nine months ended September 30, 2015	2014
Cash flows from operating activities:		
Consolidated net (loss) income	$ (682,251)	3,042,381
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Net gain on extinguishment and modification of debt	(7,900)	(4,032,608)
Gain on sale of equipment	(50,000)	—
Change in fair value of derivative liabilities	132,614	337,132
Issuance of warrants for services	102,782	105,501
Provision for excess inventory	54,000	—
Provision for reserve on receivable from MJ Enterprises	—	100,000
Changes in operating assets and liabilities:		
Decrease in accounts receivable	5,036	15,906
Decrease in inventory	44,510	1,170
Decrease (increase) in prepaid expenses and other current assets	66,100	(100)
Increase in accounts payable accrued expense and deferred income	232,152	235,205
Net cash used in operating activities	(102,957)	(195,413)
Cash flows from investing activities:		
Proceeds from sale of equipment	50,000	—
Receivable from MJ Enterprises	—	(200,000)
Net cash provided by (used in) in investing activities	50,000	(200,000)
Cash flows from financing activities:		
Proceeds from senior secured promissory notes	61,000	714,010

Payment on extinguishment of debt	—	(300,000)
Net cash provided by financing activities	61,000	414,010
Increase in cash	8,043	18,597
Cash at beginning of period	0	0
Cash at end of period	$ 8,043	18,597

See notes to condensed consolidated financial statements

NaturalNano, Inc.
For the nine months ended September 30, 2015
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. PRINCIPAL BUSINESS ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Interim Financial Statements
The condensed consolidated financial statements as of September 30, 2015 and for the nine months ended September 30, 2015 and 2014 are unaudited. However, in the opinion of management of the Company, these condensed consolidated financial statements reflect all material adjustments, consisting solely of normal recurring adjustments, necessary to present fairly the consolidated financial position and results of operations for such interim periods. The results of operations for the interim periods presented are not necessarily indicative of the results to be obtained for a full year. The accompanying condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 8-03 of Regulation S-X for smaller reporting companies. Accordingly, these condensed consolidated financial statements do not include all of the information required by U.S. generally accepted accounting principles for complete financial statements. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

Liquidity and Going Concern
Going Concern – The accompanying condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company generated a net loss for the nine months ended September 30, 2015 of approximately $682,000, had negative working capital of approximately $4,182,000 and a stockholders' deficiency of approximately $4,358,000 at September 30, 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 September 30, 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.

Basis of Consolidation
The condensed consolidated financial statements include the accounts of NaturalNano, Inc. ("NaturalNano" or the "Company"), a Nevada corporation, and its wholly owned subsidiaries NaturalNano Research, Inc. ("NN Research")

a Delaware corporation. All significant inter-company accounts and transactions have been eliminated in consolidation.

Description of the Business

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

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

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

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

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

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

Derivative Financial Instruments

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

Reclassifications

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

Income Taxes

The Company accounts for income taxes in accordance with FASB ASC 740 which requires recognition of estimated income taxes payable or refundable on income tax returns for the current year and for the estimated future tax effect attributable to temporary differences and carry-forwards. Measurement of deferred income tax items is based on enacted tax laws including tax rates, with the measurement of deferred income tax assets being reduced by available tax benefits not expected to be realized. The Company recognizes penalties and accrued interest related to unrecognized tax benefits in income tax expense. Income tax expense was $0 for the three and nine month periods ending September 30, 2015 and 2014.

Loss Per Share

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

As of September 30, 2015 and 2014 there were 29,959,112 and 5,608,263 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 September 30, 2015 and 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.

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

Recent Accounting Pronouncements

In July 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-011 to Topic 330, Inventory. This ASU requires entities using inventory costing methods other than last-in-first-out and retail inventory method to value their inventory at the lower of cost and net realizable value. This ASU is effective for fiscal years beginning after December 15, 2016 and is to be applied prospectively. Early adoption of this ASU is permitted. The Company does not expect adoption of this ASU to have a material impact on its Consolidated Financial Statements.

2. NOTES PAYABLE

Notes payable consisted of the following:

Notes Payable	September 30, 2015	December 31, 2014
Senior Secured Convertible Notes	$ 441,988	$ 441,988
Senior Secured Promissory Notes	398,938	398,938
2014-2015 Convertible Promissory Notes	755,015	694,020
	$ 1,595,941	$ 1,534,946

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

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

On February 15, 2015, the Company granted 300,000 warrants to the Company's board members with an exercise price of $0.10 per share and on May 30, 2015, the Company granted 375,000 warrants to the Company's board members and one consultant with an exercise price of $0.05 per share. The 2014-2015 Convertible Promissory Notes were convertible into shares at $0.30 per share subject to adjustment in the event of lower price issuances, subject to customary exceptions. Based on the Company's issuance of warrants described above, the conversion price on these debt obligations were modified to $0.05 per share.

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 September 2015, market comparables and the market value of the Company's stock considering company specific factors including the changes in forward estimated revenues and market factors. Once the enterprise value was determined an option pricing model was used to allocate the enterprise value to these 6,666,667 share rights and other securities in the Company's capital structure. As of September 30, 2014 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 three months ended September 30, 2014 based on the excess of value of the instruments settled over the estimated fair value of the 6,666,667 share rights.

As of September 30, 2015 the fair value of these 6,666,667 share rights was estimated at $174,086 based on the excess of the value of the instruments settled over the estimated fair market value of the share rights granted. The change in fair market value of this rights liability (of $385,203 since December 31, 2014) has been reflected in Additional Paid In Capital. As a result of the Company not having sufficient authorized shares to satisfy the issuance of these 6,666,667 share rights, conversion of all outstanding convertible debt, convertible preferred stock, warrants and options, the value of these share rights has been presented in temporary equity classification on the balance sheets.

During the nine month period ended September 30, 2014, the Company entered into forbearance agreements with Cape One which extended the due dates of certain outstanding notes and accrued interest. As consideration for this forbearance, the lender increased its principal balance outstanding by $40,000. This amount was added to the principal balance of the Initial Notes and the Company recognized a loss on modification of debt of $40,000 in the nine month period ended September 30, 2014.

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 September, 2014 for the sole purpose of bidding on bitcoins which had been seized by the FBI and were sold at auction September 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 September 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.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies of the Company. The Company accounts for intersegment sales and transfers as if the sales or transfers were to third parties, that is, at current market prices. The Company relies on intersegment cooperation and management does not represent that these segments, if operated independently, would report the results contained herein. For purposes of determining segment loss, corporate overhead is primarily included in Nanotechnology, other than direct expense of ViralProtec.

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.

Information concerning the Company's operations by reportable segment for the three and nine months ended September 30, 2015 and 2014 are as follows:

	Nanotechnology		**ViralProtec**		**Consolidated**	
	For the three months ended		For the three months ended		For the three months ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Revenue	$ 24,371	$ 89,600	$ 9,760	—	$ 34,131	$ 89,600
Loss from operations	$ (53,472)	$ (32,774)	$ (52,303)	—	$ (105,775)	$ (32,774)
Interest expense	(69,601)	(50,362)	—	—	(69,601)	(50,362)
Net loss (gain) on derivative liabilities	(48,751)	52,977	—	—	(48,751)	52,977
Gain on forgiveness and modification of debt	—	325,335	—	—	—	325,335
Gain on sale of equipment	50,000	—	—	—	50,000	—
Provision for reserve on receivable due from MJ Enterprises	—	(100,000)	—	—	—	(100,000)
Net income (loss)	$ (121,824)	$ 195,176	$ (52,303)	—	$ (174,127)	$ 195,176

	Nanotechnology		**ViralProtec**		**Consolidated**	
	For the nine months ended		For the nine months ended		For the nine months ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Revenue	$ 131,652	$ 135,774	$ 91,969	—	$ 223,621	$ 135,774
(Loss) income from operations	$ (373,168)	$ (310,469)	$ (33,140)	—	$ (406,308)	$ (310,469)

Interest expense	(201,229)	(242,626)	—	—	(201,229)	(242,626)
Net loss on derivative liabilities	(132,614)	(337,132)	—	—	(132,614)	(337,132)
Gain on forgiveness and modification of debt	7,900	4,032,608	—	—	7,900	4,032,608
Gain on sale of equipment	50,000	—	—	—	50,000	—
Provision for reserve on receivable due from MJ Enterprises	—	(100,000)	—		—	(100,000)
Net income (loss)	$ (649,111)	$3,042,381	$ (33,140)	—	$ (682,251)	$3,042,381
Assets	$ 32,817	$ 145,113	$ 115,520	—	$ 148,337	$ 145,113

Geographic Areas – The Company had no long-lived assets in any country other than the United States for any period presented. The Company had $10,200 in sales outside of the United States in the nine month ended September 30, 2015.

Major Customers – During the nine months ended September 30, 2015, the Company derived 64% of total revenue from one Nanotechnology customer and 11% from one ViralProtec customer. During the nine months ended September 30, 2014, the Company derived 93% of total revenue from one Nanotechnology customer.

4. DERIVATIVE LIABILITY

For stock based derivative financial instruments, the Company estimated the total enterprise value based upon a combination of the trending of the firm value from December 2006 to September 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 September 30, 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 September 30, 2015 and December 31, 2014.

The fair value of the derivative liabilities as of September 30, 2015 and December 31, 2014 are as follows:

	September 30, 2015	December 31, 2014
Note conversion feature liabilities	$ 519,622	$ 375,949
Warrant liability	713	11,772
Total	$ 520,335	$ 387,721

The change in the fair value of the derivative liability resulted in a loss of $48,751 in the third quarter of 2015 and a loss of $132,614 for the nine months ended September 30, 2015 and has been recognized in the statement of operations for the respective periods. A change in fair value of the derivative liability of resulted in a gain of $52,977 in the third quarter of 2014 and a loss of $337,132 for the nine months ended September 30, 2014 and has been recognized in the respective periods. Significant fluctuations in the variables used in calculating the value of the Company's derivative liabilities could have significant impact on the fair market valuation.

5. STOCKHOLDERS EQUITY

As of September 30, 2015 the Company was authorized to issue up to 800,000,000 shares of common stock and 10,000,000 shares of preferred stock.

Authorized Common Stock: In 2013 the Company received a unanimous written consent in lieu of a meeting from the members of the Board of Directors and a written consent from the Series D stockholder to amend its articles of incorporation to increase the Company's authorized common shares to 800,000,000 common shares. As of September 30, 2015 there were 29,959,112 shares underlying preferred stock, convertible debt, outstanding options and warrants that could potentially dilute future earnings. In addition to these potentially dilutive shares were an additional 6,666,667 reserved shares underlying the July 23, 2014 Exchange and Right to Shares Agreement with Cape One Master Fund II LLP further described in Note 2. The Company does not have sufficient authorized shares to satisfy conversion of all the potentially dilutive instruments.

Preferred Stock Issuances

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

Warrants Grants

The Company has issued warrants to purchase shares of its common stock to certain consultants and debt holders. As of September 30, 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, included in the summary below, grant the right to purchase one share of common stock at an exercise price of $0.10 per share. The warrants were fully vested as of the grant date and contain a cashless exercise provision. The fair value of the warrants on the date of grant was determined using the Black-Scholes model and was measured on the date of grant at $61,106. An expected volatility assumption of 140% was used based on the volatility of the Company's stock price utilizing a look-back basis and the risk-free interest rate of 1.62% which was derived from the U.S. treasury yields on the date of grant. The market price of the Company's common stock on the grant date was $0.22 per share. The expiration date used in the valuation model aligns with the warrant life of five years as indicated in the agreements. The dividend yield was assumed to be zero.

On May 30, 2015, the Company granted a total of 375,000 warrants to the Company's board members and one consultant. These warrants, included in the summary below, 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.

A summary of the outstanding warrants is presented below:

	Shares		Weighted Average Exercise Price	Weighted Average Remaining Life-years
Outstanding at January 1, 2015	545,294	$	4.26	2.24
Granted	675,000		0.07	
Expired	(2,353)		102.00	
Warrants outstanding at September 30, 2015	1,217,941	$	0.35	4.32
Warrants exercisable at September 30, 2015	1,217,941	$	0.35	4.32

6. INCENTIVE STOCK PLANS

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

	Shares		Weighted Average Exercise Price	Weighted Average Remaining Life-years
Options outstanding at January 1, 2015	2,363	$	921.00	3.53
Options expired unexercised first quarter	(1,264)			
Options outstanding at September 30, 2015	1,099	$	2,008	1.32
Options exercisable at September 30, 2015	1,099	$	2,008	1.32

All compensation costs for the above options have been previously recognized in operations. As of September 30, 2015, the aggregate intrinsic value of the stock options outstanding and exercisable was $0. There were no option grants made in the nine month periods ended September 30, 2015 and 2014.

7. REVERSE STOCK SPLIT

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

The Company's common stock began trading at its post-Reverse Stock Split price at the beginning of trading on December 22, 2014.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

FORWARD-LOOKING STATEMENTS

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

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

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

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

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

The Company

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

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

ViralProtec

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

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

Liquidity

Going Concern – The accompanying condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company generated a net loss for the nine months ended September 30, 2015 of approximately $682,000, had negative working capital of approximately $4,182,000 and a stockholders' deficiency of approximately $4,358,000 at September 30, 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 September 30, 2015 the Company owed approximately $2,037,000 to lenders in the form of notes payable and accrued interest. Much of this debt is convertible into the Company's common stock at terms beneficial to the lenders compared to the market price of the Company's common stock. The Company continues to rely on these lenders to provide additional loans to cover Company expenses and to provide forbearance agreements extending the due dates of the various notes. As of September 30, 2015, the Company continued to require waivers for debt covenant violations and extensions of maturity dates. Certain of these lenders have increased the interest rate on the debt to 18% during the forbearance period. The lenders have extended the scheduled maturity date of the underlying debt to November 30, 2015.

Operating activities

Net cash used in operating activities in the nine months ended September 30, 2015 and 2014 was $102,957 and $195,413, respectively. The net loss generated in the nine month ended September 30, 2015 was $682,251 compared to net income of $3,042,381 in the nine month ended September 30, 2014. Included in the net income for the nine months ended September 30, 2014 is $4,032,608 from non-cash gains on extinguishment of debt. The Company continues to actively monitor spending and cash outflows in an effort to reduce costs until continuing revenue sources are developed. The Company also evaluates opportunities to reduce expenses and improve its liquidity position. We expect that total consolidated spending in 2015 will be comparable to the prior year spending levels, although we will continue to invest in product and commercialization efforts as our cash position and liquidity allow.

Total non-cash adjustments to reconcile the net loss (income) to the cash used in operations aggregated a net reduction of $231,496 in the nine months ended September 30, 2015 compared to net reduction of $3,489,975 in the nine months ended September 30, 2014. The change in these non-cash items reflect the non-cash gain on extinguishment of debt and the change in the fair value of warrant and derivative liabilities.

Investing activities

During the nine months ended September 30, 2015, the Company received $50,000 in proceeds from the sale of equipment.

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

Financing Activities
Net cash provided from financing activities in the nine months ended September 30, 2015 and 2014 was $61,000 and $414,010, respectively. The cash flows from financing activities in 2015 include the receipt of $61,000 in new borrowing in connection with the 2015 Convertible promissory notes. The cash flows from financing activities in 2014 reflect a receipt of $714,010 in new borrowing and $300,000 in cash disbursed to settle the remaining liabilities with PLTG and Merit in connection with the June 26, 2014 Payoff Agreement further described in Note 2.

Critical Accounting Policies and Estimates
Refer to the Company's December 31, 2014 report on Form 10K for a complete discussion of the critical accounting policies which have not changed during the nine months ended September 30, 2015.

Comparison of Statement of Operations for the three months ended September 30, 2015 and 2014

Revenue, Cost of Goods, and Gross Profit	For the three months ended September 30, 2015	2014	Variance Increase
Revenue:			
Nanotechnology	$ 24,371	$ 89,600	$ (65,229)
ViralProtec	9,760	—	9,760
Cost of goods:			
Nanotechnology	2,249	8,279	(6,030)
ViralProtec	39,082	—	39,082
Consolidated Gross Margin	$ (7,200)	$ 81,321	$ (88,521)
Gross Margin %	(21%)	91%	

Revenue and Gross Profit
During the three months ended September 30, 2015 and 2014, the Company recorded $34,131 and $89,600, respectively in revenue. Gross profit of ($7,200) and $81,321 resulted in a profit margin of (21%) and 91% of sales for these periods, respectively. During the three month period ended September 30, 2015, the Nanotechnology segment generated a gross profit of 91% and the ViralProtec segment generated a loss on gross margin of 300%. The ViralProtec loss is attributed to a provision for potential excess inventory of $38,000 recorded during the third quarter of 2015. Excluding the impact of this charge, the ViralProtec segment margin would have been 89%. Management continues to actively monitor and assess inventory units on hand compared with projected customer sales.

In the fourth quarter of 2014, the Company announced the new business line, ViralProtec, a reseller for healthcare personal protective equipment (PPE) and ancillary supplies. There were no revenues, cost of goods or gross margin generated during the nine months ended September 30, 2014 from the ViralProtec segment.

The Company expects that it will continue to experience notable variations in gross margins with its business as it continues to introduce and develop new products and related applications. The Company expects that competitive pricing will be a continuing challenge as new products are developed and introduced and product acceptance and the Company's production reputation develops.

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

	For the three months ended	Variance

Research and Development	September 30, 2015	2014	Increase (decrease)
Salaries and benefits	$ —	$ 7,260	$ (7,260)
Rents & Utilities	—	6,570	(6,570)
Supplies and other	397	3,252	(2,855)
	$ 397	$ 17,082	$ (16,685)

Total research and development expenses incurred in the three months ended September 30, 2015 and 2014, respectively were $397 and $17,082, respectively. Since the introduction of the ViralProtec business in the fourth quarter of 2014, the Company has directed is efforts and spending in the development this segment's customer base and product offering. The Company intends to invest in product research for the Nanotechnology segment in future periods as cash flow opportunities allow.

Selling, General and Administrative	For the three months ended September 30, 2015	2014	Variance increase (decrease)
Salary & Benefits	$ 51,470	$ 51,881	$ (411)
Legal and Professional Fees	10,360	8,124	2,236
Consulting Services	8,061	15,124	(7,063)
Rent and utilities	8,871	3,000	5,871
Insurance	1,003	1,010	(7)
Shareholder and Board	10,546	10,550	(4)
Supplies and other	7,867	7,324	543
General and administrative	$ 98,178	$ 97,013	$ 1,165

Total general and administrative expense, excluding stock compensation cost resulting from the grants of warrants, for the three months ended September 30, 2015 was $98,178 as compared to $97,013 for the three months ended September 30, 2014.

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

Interest and Other Income (expense), net

Other income (expense) for the three months ended September 30, 2015 was a net expense of $68,352 compared to net income of $227,950 for the three months ended September 30, 2014.

Interest expense includes the interest on the senior and subordinated convertible and non-convertible promissory notes. The Company incurred $69,601 and $50,362 in interest expense for the three month periods ended September 30, 2015 and 2014, respectively. The increase in 2015 expense reflects new borrowings and penalty interest rate of 18% on debt agreements where waivers of maturities have been granted by the lenders. During the three months ended September 30, 2015, the Company received $50,000 in cash on the sale of fully depreciated equipment and recognized a gain upon the receipt of these proceeds.

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 September 2015, market comparables and the market value of the Company's stock considering company specific factors including the changes in forward estimated revenues and market factors. Once the enterprise value was determined an option pricing model was used to allocate the enterprise value to these 6,666,667 share rights and other securities in the Company's capital structure. As of September 30, 2014 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 three months ended September 30, 2014 based on the excess of value of the instruments settled over the estimated fair value of the 6,666,667 share rights.

As of September 30, 2015 the fair value of these 6,666,667 share rights was estimated at $174,086 based on the excess of the value of the instruments settled over the estimated fair market value of the share rights granted. The change in fair market value of this rights liability (of $385,203 since December 31, 2014) has been reflected in Additional Paid In Capital. As a result of the Company not having sufficient authorized shares to satisfy the issuance of these 6,666,667 share rights, conversion of all outstanding convertible debt, convertible preferred stock, warrants and options, the value of these share rights has been presented in temporary equity classification on the balance sheets.

Consolidated net (loss) income for the three months ended September 30, 2015 and 2014

During the three months ended September 30, 2015, the Company recorded a consolidated net loss of $174,127. Gross margin of ($7,200) reflects a $38,000 provision for potentially excess inventory on-hand associated with the ViralProtec segment. Operating expenses totaled $98,575 during the quarter. Other expense (net) of $68,352 reflects interest expense on the various notes outstanding, a loss on the change in market value of $48,751 on the derivative liabilities attributed to these financing arrangements, offset by cash proceeds of $50,000 received upon the sale of fully depreciated equipment.

During the three months ended September 30, 2014, the Company recorded a consolidated net income of $195,176. Gross margin of $81,321 was generated from the Nanotechnology segment and operating expenses totaled $114,095 Other income of $227,950 reflects interest expense on the various notes outstanding and a gain on the change in fair value of $52,977 on the derivative liabilities attributed to these financing arrangements. Also during the three months ended September 30, 2014, the Company recognized a gain on the extinguishment and modification of debt in the amount of $325,335 attributed to the July 23, 2014 agreement with Cape One Master Fund LL LLP, as described above and in Note 2 to the condensed consolidated financial statements. Also during the three month period ended September 30, 2014, the Company recorded a $100,000 provision for the future collection of the receivable due from MJ Enterprises.

Comparison of Statement of Operations for the nine months ended September 30, 2015 and 2014

Revenue, Cost of Goods, and Gross Profit	For the nine months ended September 30, 2015	2014	Variance Increase
Revenue:			
Nanotechnology	$ 131,652	$ 135,774	$ (4,122)
ViralProtec	91,969	—	91,969
Cost of goods:			
Nanotechnology	17,230	16,913	317
ViralProtec	102,128	—	102,128
Consolidated Gross Margin	$ 104,263	$ 118,861	$ (14,598)
Gross Margin %	47%	88%	

Revenue and Gross Profit

During the nine months ended September 30, 2015 and 2014, the Company recorded $223,621 and $135,774, respectively in revenue. Gross profit of $104,263 and $118,861 resulted in a profit margin of 47% and 88% of sales for these periods, respectively. During the nine month period ended September 30, 2015, the Nanotechnology segment generated a gross profit of 87% and the ViralProtec segment generated a loss of 11%. The ViralProtec gross margin was negatively affected in the period by a provision for potential excess inventory of $54,000 recorded during the nine months ended September 30, 2015. Excluding the impact of this charge, the ViralProtec segment margin would have been 48%. Management continues to actively monitor and assess inventory units on hand compared with projected customer sales.

In the fourth quarter of 2014, the Company announced the new business line, ViralProtec, a reseller for healthcare personal protective equipment (PPE) and ancillary supplies. There were no revenues, cost of goods or gross margin generated during the nine months ended September 30, 2014 from the ViralProtec segment.

The Company expects that it will continue to experience notable variations in gross margins with its business as it continues to introduce and develop new products and related applications. The Company expects that competitive pricing will be a continuing challenge as new products are developed and introduced and product acceptance and the Company's production reputation develops.

Operating Expenses

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

Research and Development	**For the nine months ended September 30, 2015**	**2014**	**Variance Increase (decrease)**
Salaries and benefits	$ 4,356	$ 15,966	$ (11,610)
Rents & Utilities	—	18,800	(18,800)
Supplies and other	397	5,310	(4,913)
	$ 4,753	$ 40,076	$ (35,323)

Total research and development expenses incurred in 2015 and 2014, respectively were $4,753 and $40,076. The Company minimized its spending on Nanotechnology research programs during the nine months ended September 30, 2015. Since the introduction of the ViralProtec business in the fourth quarter of 2014, the Company has directed is efforts and spending in the development this segment's customer base and product offering. The Company intends to invest in product research for the Nanotechnology segment in future periods as cash flow opportunities allow.

Selling, General and Administrative	**For the nine months ended September 30, 2015**	**2014**	**Variance increase (decrease)**
Salary & Benefits	$ 159,369	$ 137,199	$ 22,170
Legal and Professional Fees	72,016	75,095	(3,079)
Investor Relations	70,146	—	70,146
Consulting Services	21,589	—	21,589
Rent and utilities	27,526	9,300	18,226
Insurance	3,851	3,995	(144)
Shareholder and Board	26,156	29,363	(3,207)
Supplies and other	22,383	28,801	(6,418)
General and administrative excluding stock based compensation	$ 403,036	$ 283,753	$ 119,283
Stock based compensation related to warrants	$ 102,782	$ 105,501	$ (2,719)
Total general and administrative	$ 505,818	$ 389,254	$ 116,564

Total general and administrative expense, excluding stock compensation cost resulting from the grants of warrants, for the nine months ended September 30, 2015 was $403,036 as compared to $283,753 for the nine months ended September 30, 2014.

Salaries and benefits increased in 2015 over costs incurred in 2014 reflecting part time staff hired in connection with the ViralProtec business established in the fourth quarter of 2014. 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 nine months period from October 2014 through April 2015.

During the nine months ended September 30, 2015, the Company granted a total of 675,000 warrants to the Company's board members and a consultant. These warrants grant the right to purchase one share of common stock at an exercise prices of $0.05 and $0.10 per share. The warrants were fully vested as of the grant date and contain cashless exercise provisions. The fair value of the warrants on the dates of grant were determined using the Black-Scholes model and were measured on the dates of grant aggregating $102,782. 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 rates of 1.49% and 1.62% were derived from the U.S. treasury yields on the dates of grant. The market price of the Company's common stock on the grant dates were $0.22 and $0.12 per share on the respective grant dates. 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.

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

Interest and Other (Expense) Income, net

Other (expense) income for the nine months ended September 30, 2015 was a net expense of $275,943 compared to net income of $3,352,850 for the nine months ended September 30, 2014.

Interest expense includes the interest on the senior and subordinated convertible and non-convertible promissory notes. The Company incurred $201,229 and $242,626 in interest expense for the nine month periods ended September 30, 2015 and 2014, respectively. The reduction in 2015 expense reflects new borrowings and the settlement of certain debt instruments in connection with the extinguishment of debt during the second quarter of 2014.

During the nine months ended September 30, 2015, the Company entered into various agreements with certain vendors to settle accounts payable that were outstanding. As a result of these agreements, liabilities of $8,000 were relieved resulting in a gain of $7,900 on forgiveness of debt. These vendor concessions have been treated as gains in the period that the underlying agreement was reached. During the nine months ended September 30, 2015, the Company received $50,000 in cash on the sale of fully depreciated equipment and recognized a gain upon the receipt of these proceeds.

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 September 2015, market comparables and the market value of the Company's stock considering company specific factors including the changes in forward estimated revenues and market factors. Once the enterprise value was determined an option pricing model was used to allocate the enterprise value to these 6,666,667 share rights and other securities in the Company's capital structure. As of September 30, 2014 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 three months ended September 30, 2014 based on the excess of value of the instruments settled over the estimated fair value of the 6,666,667 share rights.

As of September 30, 2015 the fair value of these 6,666,667 share rights was estimated at $174,086 based on the excess of the value of the instruments settled over the estimated fair market value of the share rights granted. The change in fair market value of this rights liability (of $385,203 since December 31, 2014) has been reflected in Additional Paid In Capital. As a result of the Company not having sufficient authorized shares to satisfy the issuance of these 6,666,667 share rights, conversion of all outstanding convertible debt, convertible preferred stock, warrants and options, the value of these share rights has been presented in temporary equity classification on the balance sheets.

Consolidated net (loss) income for the nine months ended September 30, 2015 and 2014

During the nine months ended September 30, 2015, the Company recorded a consolidated net loss of $682,251. Total gross margin of $104,263 was generated by positive margins from both of the Company's operating segments. This margin reflects a $54,000 provision for potentially excess inventory on-hand associated with the ViralProtec segment. Operating expenses totaled $510,571 including $102,782 in stock based compensation for warrants granted during the quarter. Other expense of $275,943 reflects: interest expense on various notes outstanding of approximately $1.6 million, a loss on the change in market value of $132,614 on the derivative liabilities attributed to these financing arrangements offset by a net non-cash gain of $7,900 on debt forgiveness and a cash gain realized on the sale of fully depreciated equipment of $50,000 during the third quarter of 2015.

During the nine months ended September 30, 2014, the Company recorded a consolidated net income of $3,042,381. Gross margin of $118,861 solely from the Nanotechnology segment. Selling, general and administrative expenses totaled $429,330 including $105,501 in stock based compensation for warrants granted during the quarter. Other income of $3,352,850 reflects interest expense on the various notes outstanding of approximately $1.3 million and a loss on the change in market value of $337,132 on the derivative liabilities attributed to these financing arrangements.

Also during the nine months ended September 30, 2014, the Company recognized a gain on the extinguishment and modification of debt in the amount of $4,032,608 attributed to: (1) the June 23, 2014 Payoff Agreement with Platinum Long term Growth and Merit consulting and (2) the July 23, 2014 agreement with Cape One Master Fund LLP, as described above and in Note 2 to the condensed consolidated financial statements. Also during the nine month period ended September 30, 2014, the Company recorded a $100,000 provision for the future collection of the receivable due from MJ Enterprises.

Item 4. - Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

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

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

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

Changes in Internal Control over Financial Reporting

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

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

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

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

Recent Sales of Unregistered Securities

None

Item 3. Defaults Upon Senior Securities

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

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

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

* Filed herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NaturalNano, Inc.

Date: November 23, 2015

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