

NOVABAY PHARMACEUTICALS, INC.
(a development stage company)
CONSOLIDATED BALANCE SHEETS
(in thousands, except per share data)

	December 31, 2008	December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 12,099	\$ 10,992
Short-term investments	-	300
Accounts receivable	-	3,801
Prepaid expenses and other current assets	414	513
Total current assets	12,513	15,606
Other Assets	-	105
Property and equipment, net	1,456	1,812
TOTAL ASSETS	\$ 13,969	\$ 17,523
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 406	\$ 272
Accrued liabilities	1,166	1,228
Capital lease obligation	42	7
Equipment loan	366	364
Deferred revenue	2,500	2,167
Total current liabilities	4,480	4,038
Deferred Tax	-	34
Capital lease obligation - non-current	7	-
Equipment loan - non-current	470	106
Deferred revenue - non-current	1,667	-
Total liabilities	6,624	4,178
Stockholders' Equity:		
Common stock, \$0.01 par value; 65,000 shares authorized at December 31, 2009 and December 31, 2008; 23,254 and 21,471 shares issued and outstanding at December 31, 2009 and December 31, 2008, respectively	215	233
Additional paid-in capital	33,718	37,003
Accumulated other comprehensive income (loss)	-	-
Accumulated deficit during development stage	(26,588)	(23,891)
Total stockholders' equity	7,345	13,345
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 13,969	\$ 17,523

NOVABAY PHARMACEUTICALS, INC.
(a development stage company)
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	<u>Year Ended December 31,</u>			Cumulative Period from July 1, 2002 (date of development stage inception) to December 31, 2009
	<u>2007</u>	<u>2008</u>	<u>2009</u>	
REVENUE				
License and collaboration revenue	\$ 5,913	\$ 6,722	\$ 15,684	\$ 29,852
Total revenue	<u>5,913</u>	<u>6,722</u>	<u>15,684</u>	<u>29,852</u>
EXPENSES				
Operating Expenses:				
Research and development	7,421	9,595	7,337	32,344
General and administrative	4,368	5,636	5,607	22,571
Total operating expenses	<u>11,789</u>	<u>15,231</u>	<u>12,944</u>	<u>54,915</u>
Other income (loss), net	<u>488</u>	<u>397</u>	<u>(36)</u>	<u>1,193</u>
Net income (loss) before income taxes	(5,388)	(8,112)	2,704	(23,870)
Provision for income taxes	(12)	(2)	(7)	(21)
Net income (loss) before income taxes	<u>\$ (5,400)</u>	<u>\$ (8,114)</u>	<u>\$ 2,697</u>	<u>\$ (23,891)</u>
Net income (loss) per share:				
Basic	\$ (0.60)	\$ (0.38)	\$ 0.12	
Diluted	\$ (0.60)	\$ (0.38)	\$ 0.12	
Shares used in per share calculations:				
Basic	8,974	21,312	22,404	
Diluted	8,974	21,312	23,115	