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NANOPIERCE TECHNOLOGIES INC  
Form 10QSB  
February 17, 2004

FORM 10-QSB

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

(Mark One)

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

For the quarterly period ended December 31, 2003

OR

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

Commission file number 33-19598-D

NANOPIERCE TECHNOLOGIES, INC.  
-----

(Exact name of small business issuer as specified in its charter)

Nevada  
-----

84-0992908  
-----

(State or other jurisdiction of  
incorporation or organization)

(I.R.S.employer  
identification number)

370 17th Street, Suite 3640  
Denver, Colorado 80202

(Address of principal executive offices ) (Zip Code)

Issuer's telephone number, including area code: (303) 592-1010

Not applicable

(Former name, former address or former fiscal year, if changed since last  
report)

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

As of February 16, 2004 there were 86,058,435 shares of the registrant's sole  
class of common shares outstanding.

Transitional Small Business Disclosure Format Yes No X  
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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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## PART I - FINANCIAL INFORMATION

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### INDEPENDENT ACCOUNTANTS' REPORT

Board of Directors  
NanoPierce Technologies, Inc.

We have reviewed the accompanying condensed consolidated balance sheet of NanoPierce Technologies, Inc. and subsidiaries as of December 31, 2003, the related condensed consolidated statements of operations and comprehensive loss for the three-month and six-month periods ended December 31, 2003 and 2002, the condensed consolidated statement of changes in shareholders' equity for the six-month period ended December 31, 2003, and the condensed consolidated statements of cash flows for the six-month periods ended December 31, 2003 and 2002. These interim condensed consolidated financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

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Based on our reviews, we are not aware of any material modifications that should be made to the accompanying interim condensed consolidated financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

GELFOND HOCHSTADT PANGBURN, P.C.

Denver, Colorado  
February 13, 2004

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NANOPIERCE TECHNOLOGIES, INC. AND SUBSIDIARIES  
Condensed Consolidated Balance Sheet  
December 31, 2003  
(Unaudited)

| Assets   |              |
|--|--------------|
| Current assets:  |              |
| Cash and cash equivalents  | \$ 26,111    |
| Prepaid expenses   | 6,785        |
| Assets of discontinued operations (Note 2)   | 3,501        |
|  | -----        |
| Total current assets   | 36,397       |
|  | -----        |
| Property and equipment:  |              |
| Office equipment and furniture   | 66,356       |
| Leasehold improvements   | 138,776      |
|  | -----        |
|  | 205,132      |
| Less accumulated depreciation  | (177,190)    |
|  | -----        |
|  | 27,942       |
|  | -----        |
| Other assets:  |              |
| Deposits and other   | 13,518       |
| Intellectual property rights, net of accumulated<br>amortization of \$584,315      | 215,685      |
| Patent and trademark applications, net of accumulated<br>amortization of \$110,652 | 446,165      |
| Investments in affiliates (Notes 4 and 5)  | 381,051      |
|  | -----        |
|  | 1,056,419    |
|  | -----        |
| Total assets   | \$ 1,120,758 |
|  | =====        |

Liabilities and Shareholders' Equity

Current liabilities:

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|   |              |
|---|--------------|
| Accounts payable  | \$ 526,892   |
| Accrued liabilities   | 12,843       |
| Notes payable, related parties (Note 6)   | 175,000      |
| Liabilities of discontinued operations (Note 2)   | 374,361      |
|   | -----        |
| Total liabilities (all current)   | 1,089,096    |
|   | -----        |
| Commitments and contingencies (Notes 5, 8 and 10)   |              |
| Shareholders' equity (Note 7):  |              |
| Preferred stock; \$0.0001 par value; none issued and outstanding;<br>5,000,000 shares authorized            |              |
| Common stock; \$0.0001 par value; 200,000,000 shares authorized<br>66,023,969 shares issued and outstanding | 6,602        |
| Additional paid-in capital  | 21,671,345   |
| Accumulated other comprehensive income  | 184,233      |
| Accumulated deficit   | (21,830,518) |
|   | -----        |
| Total shareholders' equity  | 31,662       |
|   | -----        |
| Total liabilities and shareholders' equity  | \$ 1,120,758 |
|   | =====        |

See notes to condensed consolidated financial statements.

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NANOPIERCE TECHNOLOGIES, INC. AND SUBSIDIARIES  
Condensed Consolidated Statements of Operations  
(Unaudited)

|                             | Three Months Ended<br>December 31, |            | Six Months Ended<br>December 31, |              |
|-----------------------------|------------------------------------|------------|----------------------------------|--------------|
|                             | 2003                               | 2002       | 2003                             | 2002         |
|                             | -----                              | -----      | -----                            | -----        |
| Revenues                    | \$ 3,398                           | 9,227      | 28,449                           | 9,227        |
|                             | -----                              | -----      | -----                            | -----        |
| Operating expenses:         |                                    |            |                                  |              |
| Research and development    | 6,398                              | 92,876     | 53,053                           | 184,787      |
| General and administrative  | 284,055                            | 535,259    | 694,338                          | 1,165,981    |
| Selling and marketing       | 15,529                             | 67,458     | 39,709                           | 134,411      |
|                             | -----                              | -----      | -----                            | -----        |
|                             | 305,982                            | 695,593    | 787,100                          | 1,485,179    |
|                             | -----                              | -----      | -----                            | -----        |
| Loss from operations        | ( 302,584)                         | ( 686,366) | ( 758,651)                       | ( 1,475,952) |
|                             | -----                              | -----      | -----                            | -----        |
| Other income (expense):     |                                    |            |                                  |              |
| Interest income             | 4,781                              | 1,368      | 8,199                            | 4,948        |
| Equity losses of affiliates | ( 19,833)                          |            | ( 19,833)                        |              |
| Interest expense            | ( 2,493)                           | 0          | ( 2,790)                         | -            |
|                             | -----                              | -----      | -----                            | -----        |
|                             | ( 17,545)                          | 1,368      | ( 14,424)                        | 4,948        |

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|   |               |            |            |              |
|---|---------------|------------|------------|--------------|
| Loss from continuing operations   | ( 320,129)    | ( 684,998) | ( 773,075) | ( 1,471,004) |
| Discontinued operations, income (loss)<br>from operations of subsidiary | 18,097        | (170,507)  | 16,177     | ( 403,226)   |
| Net loss  | \$ ( 302,032) | ( 855,505) | ( 756,898) | ( 1,874,230) |
| Basic and diluted loss per share:                                       |               |            |            |              |
| Loss from continuing operations   | ( *)          | ( 0.01)    | ( 0.01)    | ( 0.02)      |
| Loss from discontinued operations                                       | ( *)          | ( -)       | ( -)       | ( 0.01)      |
| Net loss per share, basic and diluted                                   | \$ ( *)       | ( 0.01)    | ( 0.01)    | ( 0.03)      |
| Weighted average number of common<br>shares outstanding                 | 66,023,929    | 60,593,585 | 65,912,263 | 59,117,467   |