

GeoVax Labs, Inc.
Form 10-K/A
October 13, 2009

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K/A

(mark one)

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

For fiscal year ended December 31, 2008

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

Commission File No. 000-52091

GEOVAX LABS, INC.

(Exact name of Registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

87-0455038

(IRS Employer Identification Number)

1256 Briarcliff Road NE

Atlanta, GA

(Address of principal executive offices)

30306

(Zip Code)

Registrant's telephone number, including area code:

(404) 727-0971

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

Securities registered pursuant to Section 12(g) of the Act:

Common Stock \$.001 par value

(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as 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 Section 15(d) of the Act. Yes No

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 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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T 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 or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

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

(Do not check if a smaller reporting company)

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

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The aggregate market value of common stock held by non-affiliates of the Registrant on June 30, 2008, the last business day of the registrant's most recently completed second fiscal quarter, based on the closing price on that date of \$0.14 per share, was \$51,787,464.

As of March 10, 2009, the number of shares of the registrant's common stock, \$.001 par value, is 749,908,854 issued and outstanding.

Documents Incorporated by Reference

Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 12, 2009.

GEOVAX LABS, INC.
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EXPLANATORY STATEMENT

This Amendment No. 1 to the Company's Annual Report on Form 10-K for the year ended December 31, 2008 (Amendment) is being filed solely for the purpose of adding (i) the report of Tripp, Chafin & Causey, LLC, the independent registered public accounting firm that audited the statements of operations, stockholders' deficiency and cash flows of GeoVax, Inc. (a Georgia corporation in the development stage) for the period from inception (June 27, 2001) to December 31, 2005 required by Part II, Item 8, and (ii) the consent of Tripp, Chafin & Causey, LLC to inclusion of the audit report as required by Part IV, Item 15. This Amendment is limited in scope to the items identified above and should be read in conjunction with the original Annual Report on Form 10-K for the year ended December 31, 2008 filed by the Company on March 12, 2009 (the Form 10-K). The Amendment does not reflect events occurring after the filing of the Form 10-K on March 12, 2009 and, other than the inclusion of the information identified above, does not modify or update the disclosure in the Form 10-K in any way.

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PART II

Item 8. Financial Statements and Supplementary Data

Our consolidated financial statements and supplemental schedule and notes thereto as of December 31, 2008 and 2007, and for each of the three years ended December 31, 2008, 2007 and 2006, together with the independent registered public accounting firms' reports thereon, are set forth on pages F-1 to F-20 of this Amendment to our Annual Report on Form 10-K.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) Documents filed as part of this report:

(1) Financial Statements

| | |
|---|-------------|
| Reports of Independent Registered Public Accounting Firms on Financial Reporting | Page F-1 |
| Consolidated Balance Sheets as of December 31, 2008 and 2007 | F-3 |
| Consolidated Statements of Operations for the years ended December 31, 2008, 2007 and 2006 and for the Period from Inception (June 27, 2001) to December 31, 2008 | F-4 |
| Consolidated Statements of Stockholders' Equity (Deficiency) for the Period from Inception (June 27, 2001) to December 31, 2008 | F-5 |
| Consolidated Statements of Cash Flows for the years ended December 31, 2008, 2007 and 2006 and for the Period from Inception (June 27, 2001) to December 31, 2008 | F-7 |
| Notes to Consolidated Financial Statements | F-8 |
| (2) Financial Statement Schedules | |

The following financial statement schedule is set forth on page F-20 of this Annual Report on Form 10-K/A:

Schedule II Valuation and Qualifying Accounts for the years ended December 31, 2008, 2007 and 2006 (unaudited)

All other financial statement schedules have been omitted because they are not applicable or not required or because the information is included elsewhere in the Consolidated Financial Statements or the Notes thereto.

(3) Exhibits

See Item 15(b) below. Each management contract or compensatory plan or arrangement required to be filed has been identified.

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(b) Exhibits

| Exhibit Number | Description |
|----------------|--|
| | Agreement and Plan of Merger dated January 20, 2006 by and among GeoVax, Inc., GeoVax Acquisition Corp. and Dauphin Technology, Inc. (1) |
| | First Amendment to Agreement and Plan of Merger (2) |
| | Second Amendment to Agreement and Plan of Merger (3) |
| | Certificate of Incorporation (6) |
| | Bylaws (6) |
| * | Employment Agreement with Robert T. McNally (8) |
| * | Employment Agreement with Andrew Kandalepas (5) |
| * | Employment Agreement with Mark Reynolds (10) |
| * | GeoVax Labs, Inc. 2006 Equity Incentive Plan (4) |
| | License Agreement (as amended and restated) between GeoVax, Inc. and Emory University, dated August 23, 2002 (3) |
| | Technology Sale and Patent License Agreement between GeoVax, Inc. and MFD, Inc., dated December 26, 2004 (3) |
| | Equipment and Ground Sublease between GeoVax, Inc. and EmTech Biotechnology Development, Inc., dated December 1, 2001, together with amendment dated August 18, 2003 (3) |
| | Equipment and Ground Sublease Amendment dated November 22, 2006 (5) |
| | Consulting Agreement and Warrant Agreement between GeoVax Labs, Inc. and Equinox One Consulting LLC (7) |
| 0 | Consulting Agreement with Donald G. Hildebrand (8) |
| 1 | Common Stock Purchase Agreement, dated as of May 8, 2008, by and between GeoVax Labs, Inc. and Fusion Capital Fund II, LLC (9) |
| 2 | Registration Rights Agreement, dated as of May 8, 2008, by and between GeoVax Labs, Inc. and Fusion Capital Fund II, LLC (9) |
| | Code of Ethics (5) |
| | Subsidiaries of the Registrant (5) |
| ** | Consent of Porter Keadle Moore LLP [needed] |
| ** | Consent of Tripp, Chafin & Causey, LLC |

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- ** Certification pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934
- ** Certification pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934
- ** Certification pursuant to 18 U.S.C. Section 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002
- ** Certification pursuant to 18 U.S.C. Section 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002

* Indicates a management contract or compensatory plan or arrangement.

** Filed herewith.

- (1) Incorporated by reference from the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 24, 2006.
- (2) Incorporated by reference from the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 13, 2006.
- (3) Incorporated by reference from the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 4, 2006.

- (4) Incorporated by reference from the registrant's definitive Information Statement (Schedule 14C) filed with the Securities and Exchange Commission on August 18, 2006.

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- (5) Incorporated by reference from the registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 28, 2007.

- (6) Incorporated by reference from the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 19, 2008.

- (7) Incorporated by reference from the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 18, 2008.

- (8) Incorporated by reference from the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 24, 2008.

- (9) Incorporated by reference from the registrant's Current Report

on Form 8-K
filed with the
Securities and
Exchange
Commission on
May 8, 2008.

- (10) Incorporated by
reference from
the registrant's
Annual Report
on Form 10-K
filed with the
Securities and
Exchange
Commission on
March 14, 2008.

The agreements identified in this report as exhibits are between and among the parties to them, and are not for the benefit of any other person. Each agreement speaks as of its date, and the Company does not undertake to update them, unless otherwise required by the terms of the agreement or by law. As permitted, the Company has omitted some disclosure schedules because the Company has concluded that they do not contain information that is material to an investment decision and is not otherwise disclosed in the agreement or this report. Omitted schedules may nevertheless affect the related agreement. The agreements, including the Company's representations, warranties, and covenants, are subject to qualifications and limitations agreed to by the parties and may be subject to a contractual standard of materiality, and remedies, different from those generally applicable or available to investors and may reflect an allocation of risk between or among the parties to them. Accordingly, the representations, warranties and covenants of the Company contained in the agreements may not constitute strict representations of factual matters or absolute promises of performance. Moreover, the agreements may be subject to differing interpretations by the parties, and a party may, in accordance with the agreement or otherwise, waive or modify the Company's representations, warranties, or covenants.

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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.

GEOVAX LABS, INC.

BY: /s/ Mark W. Reynolds
Mark W. Reynolds
Chief Financial Officer
(Principal Financial and Accounting Officer)

DATE: October 12, 2009

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EXHIBIT INDEX

The Following Exhibits are filed with this Form 10-K/A:

| Exhibit Number | Description |
|---------------------------|--|
| 23.1 | Consent of Porter Keadle Moore LLP |
| 23.2 | Consent of Tripp, Chafin & Causey, LLC |
| 31.1 | Certification pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934 |
| 31.2 | Certification pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934 |
| 32.1 | Certification pursuant to 18 U.S.C. Section 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2 | Certification pursuant to 18 U.S.C. Section 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002. |

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
ON FINANCIAL STATEMENTS**

To the Board of Directors
GeoVax Labs, Inc.
Atlanta, Georgia

We have audited the accompanying consolidated balance sheet of GeoVax Labs, Inc. and subsidiary (a development stage company) (the Company) as of December 31, 2008 and 2007, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2008, and for the period of time considered part of the development stage from January 1, 2006 to December 31, 2008, except we did not audit the Company's financial statements for the period from June 27, 2001 to December 31, 2005 which were audited by other auditors. 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 audit.

We conducted our audits in accordance with 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 GeoVax Labs, Inc. and subsidiary as of December 31, 2008 and 2007, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2008 in conformity with accounting principles generally accepted in the United States of America.

Our audit of the consolidated financial statements also included the financial statement schedule of the Company, listed in Item 15(a) of this Form 10-K. This schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audit of the consolidated financial statements. In our opinion, the financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), GeoVax Labs, Inc. and subsidiary's internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated March 5, 2009, expressed an unqualified opinion on the effectiveness of GeoVax Labs, Inc.'s internal control over financial reporting.

/s/ PORTER KEADLE MOORE LLP

Atlanta, Georgia
March 5, 2009

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
ON FINANCIAL STATEMENTS**

Board of Directors

GeoVax, Inc.

Atlanta, Georgia

We have audited the statements of operations, stockholders' deficiency and cash flows of GeoVax, Inc. (a Georgia corporation in the development stage) for the period from inception (June 27, 2001) to December 31, 2005. 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 audit.

We conducted our audit in accordance with the audited standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements of GeoVax, Inc. referred to above present fairly, in all material respects, the results of its operations, changes in stockholders' deficiency and cash flows for the period from inception (June 27, 2001) to December 31, 2005, in conformity with accounting principles generally accepted in the United States of America.

/s/ TRIPP, CHAFIN & CAUSEY, LLC

Marietta, Georgia

February 8, 2006

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GEOVAX LABS, INC.
(A DEVELOPMENT-STAGE ENTERPRISE)

CONSOLIDATED BALANCE SHEETS

| | December 31, | |
|--|---------------------|---------------------|
| | 2008 | 2007 |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 2,191,180 | \$ 1,990,356 |
| Grant funds receivable | 311,368 | 93,260 |
| Stock subscriptions receivable | | 897,450 |
| Prepaid expenses and other | 299,286 | 49,748 |
| Total current assets | 2,801,834 | 3,030,814 |
| Property and equipment, net of accumulated depreciation of \$112,795 and \$76,667 at December 31, 2008 and 2007, respectively | 138,847 | 75,144 |
| Other assets: | | |
| Licenses, net of accumulated amortization of \$134,276 and \$109,390 at December 31, 2008 and 2007, respectively | 114,580 | 139,466 |
| Deposits | 980 | 980 |
| Total other assets | 115,560 | 140,446 |
| Total assets | \$ 3,056,241 | \$ 3,246,404 |
| LIABILITIES AND STOCKHOLDERS EQUITY | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 176,260 | \$ 390,993 |
| Amounts payable to related parties | 170,162 | 156,225 |
| Accrued salaries | | 51,320 |
| Total current liabilities | 346,422 | 598,538 |
| Commitments (Note 5) | | |
| Stockholders' equity: | | |
| Common stock, \$.001 par value, 900,000,000 shares authorized 747,448,876 and 731,627,926 shares outstanding at December 31, 2008 and 2007, respectively | 747,449 | 731,628 |
| Additional paid-in capital | 16,215,966 | 12,441,647 |
| Deficit accumulated during the development stage | (14,253,596) | (10,525,409) |
| Total stockholders' equity | 2,709,819 | 2,647,866 |
| Total liabilities and stockholders' equity | \$ 3,056,241 | \$ 3,246,404 |

See accompanying report of independent registered public accounting firm and notes to financial statements.

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GEOVAX LABS. INC.
(A DEVELOPMENT-STAGE ENTERPRISE)

CONSOLIDATED STATEMENTS OF OPERATIONS

| | Years Ended December 31, | | | From Inception (June 27, 2001) to December 31, 2008 |
|----------------------------|--------------------------|----------------|--------------|--|
| | 2008 | 2007 | 2006 | |
| Grant revenue | \$ 2,910,170 | \$ 237,004 | \$ 852,905 | \$ 6,558,355 |
| Operating expenses: | | | | |
| Research and development | 3,741,489 | 1,757,125 | 665,863 | 12,491,663 |
| General and administrative | 2,970,068 | 2,784,182 | 843,335 | 8,598,125 |
| | 6,711,557 | 4,541,307 | 1,509,198 | 21,089,788 |
| Loss from operations | (3,801,387) | (4,304,303) | (656,293) | (14,531,433) |
| Other income (expense): | | | | |
| Interest income | 73,200 | 62,507 | 72,127 | 283,506 |
| Interest expense | | | | (5,669) |
| | 73,200 | 62,507 | 72,127 | 277,837 |
| Net loss | \$ (3,728,187) | \$ (4,241,796) | \$ (584,166) | \$ (14,253,596) |
| Basic and diluted: | | | | |
| Loss per common share | \$ (0.01) | \$ (0.01) | \$ (0.00) | \$ (0.03) |
| Weighted average shares | 740,143,397 | 714,102,311 | 414,919,141 | 425,026,119 |

See accompanying report of independent registered public accounting firm and notes to financial statements.

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GEOVAX LABS, INC.
(A DEVELOPMENT-STAGE ENTERPRISE)

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY (DEFICIENCY)

| | Common Stock | | Additional Paid In Capital | Stock Subscription Receivable | Deficit Accumulated during the Development Stage | Total Stockholders Equity (Deficiency) |
|---|--------------|---------|----------------------------------|-------------------------------------|--|---|
| | Shares | Amount | | | | |
| Capital contribution at inception (June 27, 2001) | | \$ | \$ 10 | \$ | \$ | \$ 10 |
| Net loss for the year ended December 31, 2001 | | | | | (170,592) | (170,592) |
| Balance at December 31, 2001 | | | 10 | | (170,592) | (170,582) |
| Sale of common stock for cash | 139,497,711 | 139,498 | (139,028) | | | 470 |
| Issuance of common stock for technology license | 35,226,695 | 35,227 | 113,629 | | | 148,856 |
| Net loss for the year ended December 31, 2002 | | | | | (618,137) | (618,137) |
| Balance at December 31, 2002 | 174,724,406 | 174,725 | (25,389) | | (788,729) | (639,393) |
| Sale of common stock for cash | 61,463,911 | 61,464 | 2,398,145 | | | 2,459,609 |
| Net loss for the year ended December 31, 2003 | | | | | (947,804) | (947,804) |
| Balance at December 31, 2003 | 236,188,317 | 236,189 | 2,372,756 | | (1,736,533) | 872,412 |
| Sale of common stock for cash and stock subscription receivable | 74,130,250 | 74,130 | 2,915,789 | (2,750,000) | | 239,919 |
| Cash payments received on stock subscription receivable | | | | 750,000 | | 750,000 |
| Issuance of common stock for technology license | 2,470,998 | 2,471 | 97,529 | | | 100,000 |
| Net loss for the year ended December 31, 2004 | | | | | (2,351,828) | (2,351,828) |
| Balance at December 31, 2004 | 312,789,565 | 312,790 | 5,386,074 | (2,000,000) | (4,088,361) | (389,497) |

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| | | | | | | |
|---|-------------|------------|---------------|-----------|-----------------|--------------|
| Cash payments received on stock subscription receivable | | | | 1,500,000 | | 1,500,000 |
| Net loss for the year ended December 31, 2005 | | | | | (1,611,086) | (1,611,086) |
| Balance at December 31, 2005 | 312,789,565 | 312,790 | 5,386,074 | (500,000) | (5,699,447) | (500,583) |
| Cash payments received on stock subscription receivable | | | | 500,000 | | 500,000 |
| Conversion of preferred stock to common stock | 177,542,538 | 177,543 | 897,573 | | | 1,075,116 |
| Common stock issued in connection with merger | 217,994,566 | 217,994 | 1,494,855 | | | 1,712,849 |
| Issuance of common stock for cashless warrant exercise | 2,841,274 | 2,841 | (2,841) | | | |
| Net loss for the year ended December 31, 2006 | | | | | (584,166) | (584,166) |
| Balance at December 31, 2006 | 711,167,943 | 711,168 | 7,775,661 | | (6,283,613) | 2,203,216 |
| Sale of common stock for cash | 20,336,433 | 20,336 | 3,142,614 | | | 3,162,950 |
| Issuance of common stock upon stock option exercise | 123,550 | 124 | 4,876 | | | 5,000 |
| Stock-based compensation expense | | | 1,518,496 | | | 1,518,496 |
| Net loss for the year ended December 31, 2007 | | | | | (4,241,796) | (4,241,796) |
| Balance at December 31, 2007 | 731,627,926 | 731,628 | 12,441,647 | | (10,525,409) | 2,647,866 |
| Sale of common stock for cash in private placement transactions | 8,806,449 | 8,806 | 1,356,194 | | | 1,365,000 |
| Transactions related to common stock purchase agreement with Fusion Capital | 6,514,501 | 6,515 | 399,576 | | | 406,091 |
| Stock-based compensation: Stock options | | | 1,798,169 | | | 1,798,169 |
| Consultant warrants | | | 146,880 | | | 146,880 |
| Issuance of common stock for consulting services | 500,000 | 500 | 73,500 | | | 74,000 |
| Net loss for the year ended December 31, 2008 | | | | | (3,728,187) | (3,728,187) |
| Balance at December 31, 2008 | 747,448,876 | \$ 747,449 | \$ 16,215,966 | \$ | \$ (14,253,596) | \$ 2,709,819 |

See accompanying report of independent registered public accounting firm and notes to financial statements.

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GEOVAX LABS. INC.
(A DEVELOPMENT-STAGE ENTERPRISE)

CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Years Ended December 31, | | | From Inception (June 27, 2001) to December 31, 2008 |
|--|--------------------------|----------------|--------------|--|
| | 2008 | 2007 | 2006 | |
| Cash flows from operating activities: | | | | |
| Net loss | \$ (3,728,187) | \$ (4,241,796) | \$ (584,166) | \$ (14,253,596) |
| Adjustments to reconcile net loss to net cash used in operating activities | | | | |
| Depreciation and amortization | 61,014 | 54,461 | 49,095 | 247,071 |
| Accretion of preferred stock redemption value | | | 58,561 | 346,673 |
| Stock-based compensation expense | 2,019,049 | 1,518,496 | | 3,537,545 |
| Changes in assets and liabilities | | | | |
| Grant funds receivable | (218,108) | (93,260) | | (311,368) |
| Stock subscriptions receivable | | (897,450) | | |
| Prepaid expenses and other current assets | (249,538) | (11,618) | 124,701 | (299,286) |
| Deposits | | | | (980) |
| Accounts payable and accrued expenses | (252,116) | 405,424 | (123,227) | 346,422 |
| Unearned grant revenue | | | (852,905) | |
| Total adjustments | 1,360,301 | 976,053 | (743,775) | 3,866,077 |
| Net cash used in operating activities | (2,367,886) | (3,265,743) | (1,327,941) | (10,387,519) |
| Cash flows from investing activities: | | | | |
| Purchase of property and equipment | (99,831) | | (69,466) | (251,642) |
| Net cash used in investing activities | (99,831) | | (69,466) | (251,642) |
| Cash flows from financing activities: | | | | |
| Net proceeds from sale of common stock | 2,668,541 | 3,162,950 | 2,212,849 | 12,096,898 |
| Net proceeds from exercise of stock options | | 5,000 | | 5,000 |
| Net proceeds from sale of preferred stock | | | | 728,443 |
| Net cash provided by financing activities | 2,668,541 | 3,167,950 | 2,212,849 | 12,830,341 |
| Net increase (decrease) in cash and cash equivalents | 200,824 | (97,793) | 815,442 | 2,191,180 |
| Cash and cash equivalents at beginning of period | 1,990,356 | 2,088,149 | 1,272,707 | |

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| | | | | |
|--|--------------|--------------|--------------|--------------|
| Cash and cash equivalents at end of period | \$ 2,191,180 | \$ 1,990,356 | \$ 2,088,149 | \$ 2,191,180 |
| Supplemental disclosure of cash flow information Interest paid | \$ | \$ | \$ | \$ 5,669 |

Supplemental disclosure of non-cash investing and financing activities:

In connection with the Merger discussed in Note 6, all of the outstanding shares of the Company's mandatory redeemable convertible preferred stock were converted into shares of common stock as of September 28, 2006.

See accompanying report of independent registered public accounting firm and notes to financial statements.

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**GEOVAX LABS, INC.
(A DEVELOPMENT-STAGE ENTERPRISE)**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**Years Ended December 31, 2008, 2007 and 2006 and
Period from Inception (June 27, 2001) to December 31, 2008**

1. Nature of Business

GeoVax Labs, Inc. (GeoVax or the Company), is a development stage biotechnology company focused on developing human vaccines for diseases caused by Human Immunodeficiency Virus (HIV) and other infectious agents. As discussed in Note 3, the Company has exclusively licensed from Emory University vaccine technology which was developed in collaboration with the National Institutes of Health (NIH) and the Centers for Disease Control and Prevention (CDC).

The Company was originally incorporated in June 1988 under the laws of Illinois as Dauphin Technology, Inc. (Dauphin). Dauphin was unsuccessful and its operations were terminated in December 2003. In September 2006, Dauphin completed a merger (the Merger) with GeoVax, Inc. which was incorporated under the laws of Georgia in June 2001 (date of inception). As a result of the Merger, the shareholders of GeoVax, Inc. exchanged their shares of common stock for Dauphin common stock and GeoVax, Inc. became a wholly-owned subsidiary of Dauphin. In connection with the Merger, Dauphin changed its name to GeoVax Labs, Inc., replaced its officers and directors with those of GeoVax, Inc. and moved its offices to Atlanta, Georgia. The Company does not conduct any business other than GeoVax, Inc. s business of developing human vaccines. The Merger was accounted for under the purchase method of accounting as a reverse acquisition in accordance with U.S. generally accepted accounting principles. Under this method of accounting, Dauphin was treated as the acquired company and, accordingly, all financial information prior to the date of Merger presented in the accompanying condensed consolidated financial statements, or in the notes herein, as well as any references to prior operations, are those of GeoVax, Inc. In June 2008, the Company was reincorporated under the laws of the State of Delaware.

The Company is devoting all of its present efforts to research and development. We have funded our activities to date almost exclusively from equity financings and government grants, and we will continue to require substantial funds to continue these activities.

In September 2007, the National Institutes of Health awarded the Company a grant of approximately \$15 million (approximately \$3 million awarded annually) to be funded over a 5 year period (see Note 4). And in May 2008, we entered into a \$10 million common stock purchase agreement with a third party institutional fund (see Note 7) which we are presently utilizing to meet our additional cash needs, there is currently approximately \$9.4 million remaining in undrawn funds pursuant to this arrangement. We expect that the proceeds from the NIH grant, combined with our existing cash resources and our anticipated use of the common stock purchase agreement, will be sufficient to fund our planned activities through 2009 and into 2010. The extent to which we rely on the common stock purchase agreement as a source of funding will depend on a number of factors including the prevailing market price of our common stock and the extent to which we can secure working capital from other sources if we choose to seek such other sources.

While we believe that we will be successful in obtaining the necessary financing to fund our operations through the aforementioned financing arrangement or through other sources, the Company s ability to succeed in its operations is ultimately dependent upon management of our cash resources, successful development of our product candidates, entering into licensing, collaboration or partnership agreements, execution of future financings or transactions and

ultimately, upon achievement of positive cash flow from operations. There can be no assurance that additional funds will be available on terms acceptable to the Company or that the Company will ever become profitable.

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**GEOVAX LABS, INC.
(A DEVELOPMENT-STAGE ENTERPRISE)**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

As more thoroughly discussed in Note 6, the accompanying consolidated financial statements include the accounts of GeoVax, Inc. from inception together with those of GeoVax Labs, Inc. from September 28, 2006. All intercompany transactions have been eliminated in consolidation.

Development-Stage Enterprise

The Company is a development stage enterprise as defined by Statement of Financial Accounting Standards (SFAS) No. 7, *Accounting and Reporting by Development Stage Enterprises*. All losses accumulated since inception (June 27, 2001) have been considered as part of the Company's development stage activities.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Cash and Cash Equivalents

We consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Our cash and cash equivalents consist primarily of bank deposits and high yield money market accounts. The recorded values approximate fair market values due to the short maturities.

Fair Value of Financial Instruments and Concentration of Credit Risk

Financial instruments that subject us to concentration of credit risk consist primarily of cash and cash equivalents, which are maintained by a high credit quality financial institution. The carrying values reported in the balance sheets for cash and cash equivalents approximate fair values.

Property and Equipment

Property and equipment are stated at cost. Expenditures for maintenance and repairs are charged to operations as incurred, while additions and improvements are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets which range from three to five years. Depreciation expense was \$36,128, \$29,575 and \$24,210 during the years ended December 31, 2008, 2007 and 2006, respectively.

Other Assets

Other assets consist principally of license agreements for the use of technology obtained through the issuance of the Company's common stock. These license agreements are amortized on a straight line basis over ten years. Amortization expense related to these agreements was \$24,886 during each of the years ended December 31, 2008, 2007 and 2006, respectively, and is expected to be \$24,886, \$24,886, \$24,886, \$19,923 and \$10,000 for each of the next five years, respectively.

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**GEOVAX LABS, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to the future net cash flows expected to be generated by such assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the discounted expected future net cash flows from the assets.

Accrued Liabilities

As part of the process of preparing our financial statements, we estimate expenses that we believe we have incurred, but have not yet been billed by our third party vendors. This process involves identifying services and activities that have been performed by such vendors on our behalf and estimating the level to which they have been performed and the associated cost incurred for such service as of each balance sheet date in our financial statements. Examples of expenses for which we accrue include fees for professional services and fees owed to contract manufacturers in conjunction with the manufacture of vaccines for our clinical trials. We make these estimates based upon progress of activities related to contractual obligations and information received from vendors.

Restatement for Recapitalization

All share amounts and per share figures in the accompanying consolidated financial statements and the related footnotes have been restated for the 2006 recapitalization discussed in Note 6, based on the 29.6521 exchange ratio indicated therein.

Net Loss Per Share

Basic and diluted loss per common share are computed based on the weighted average number of common shares outstanding. All common share equivalents (which consist of options and warrants) are excluded from the computation of diluted loss per share since the effect would be antidilutive. Common share equivalents which could potentially dilute basic earnings per share in the future, and which were excluded from the computation of diluted loss per share, totaled: 114,829,102; 93,637,594; and 56,431,032 shares at December 31, 2008, 2007 and 2006, respectively.

Revenue Recognition

We recognize revenue in accordance with the SEC's Staff Accounting Bulletin No. 101, *Revenue Recognition in Financial Statements*, as amended by Staff Accounting Bulletin No. 104, *Revenue Recognition*, (SAB 104). SAB 104 provides guidance in applying U.S. generally accepted accounting principles to revenue recognition issues, and specifically addresses revenue recognition for upfront, nonrefundable fees received in connection with research collaboration agreements. During 2008 and 2007, our revenue consisted of government grant revenue received directly from the National Institutes of Health (see Note 4); in prior years our revenue consisted of grant revenue subcontracted to us from Emory University pursuant to collaborative arrangements. Revenue from these arrangements is approximately equal to the costs incurred and is recorded as income as the related costs are incurred.

Research and Development Expense

Research and development expense primarily consists of costs incurred in the discovery, development, testing and manufacturing of the Company's product candidates. These expenses consist primarily of (i) fees

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**GEOVAX LABS, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

paid to third-party service providers to perform, monitor and accumulate data related to the Company's preclinical studies and clinical trials, (ii) costs related to sponsored research agreements, (iii) the costs to procure and manufacture materials used in clinical trials, (iv) laboratory supplies and facility-related expenses to conduct development, and (v) salaries, benefits, and share-based compensation for personnel. These costs are charged to expense as incurred.

Patent Costs

Our expenditures relating to obtaining and protecting patents are charged to expense when incurred, and are included in general and administrative expense.

Period to Period Comparisons

Our operating results are expected to fluctuate for the foreseeable future. Therefore, period-to-period comparisons should not be relied upon as predictive of the results for future periods.

Income Taxes

We account for income taxes using the liability method. Under this method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted rates in effect for the year in which temporary differences are expected to be recovered or settled. Deferred tax assets are reduced by a valuation allowance unless, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will be realized.

Stock-Based Compensation

Effective January 1, 2006, we adopted Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payments* (SFAS 123R), which requires the measurement and recognition of compensation expense for all share-based payments made to employees and directors based on estimated fair values on the grant date. SFAS 123R replaces SFAS 123, *Accounting for Stock-Based Compensation* (SFAS 123), and supersedes Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*. We adopted SFAS 123R using the prospective application method which requires us to apply the provisions of SFAS 123R prospectively to new awards and to awards modified, repurchased or cancelled after December 31, 2005. Awards granted after December 31, 2005 are valued at fair value in accordance with the provisions of SFAS 123R and expensed on a straight line basis over the service periods of each award. See Note 7 for additional stock-based compensation information.

Recent Accounting Pronouncements

Effective January 1, 2008, we adopted FASB Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 provides enhanced guidance for using fair value to measure assets and liabilities. SFAS 157 provides a common definition of fair value and establishes a framework to make the

measurement of fair value under generally accepted accounting principles more consistent and comparable. SFAS 157 also requires expanded disclosures to provide information about the extent to which fair value is used to measure assets and liabilities, the methods and assumptions used to measure fair value, and the effect of fair value measures on earnings. In February 2008, the FASB issued Staff Position No. 157-2, (FSP 157-2) which delayed the January 1, 2008 effective date of SFAS 157 for all nonfinancial assets and nonfinancial liabilities, except those already being recognized or disclosed at fair value in the financial

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**GEOVAX LABS, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

statements on a recurring basis (at least annually), until January 1, 2009. Implementation of these standards had no impact on our results of operations, financial position, or cash flows.

Effective January 1, 2008, we adopted FASB Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS 159). SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value and report unrealized gains and losses in earnings. Such accounting is optional and is generally to be applied instrument by instrument. We currently have no instruments for which we are applying the fair value accounting option provided by SFAS 159, therefore the adoption of SFAS 159 had no impact on our results of operations, financial position, or cash flows.

Effective January 1, 2008, we adopted FASB Emerging Issues Task Force Issue No. 07-3, *Accounting for Nonrefundable Advance Payments for Goods or Services to Be Used in Future Research and Development Activities* (EITF 07-3). EITF No. 07-3 addresses the diversity that exists with respect to the accounting for the non-refundable portion of a payment made by a research and development entity for future research and development activities. Under EITF 07-3, an entity would defer and capitalize non-refundable advance payments made for research and development activities until the related goods are delivered or the related services are performed. The adoption of EITF 07-3 did not have a material impact on our results of operations, financial position, or cash flows.

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161, *Disclosures about Derivative Instruments and Hedging Activities* (SFAS 161). SFAS 161 amends and expands the disclosure requirements of SFAS 133, *Accounting for Derivative Instruments and Hedging*. SFAS 161 is effective for fiscal years beginning after November 15, 2008. We will adopt SFAS 161 in the first quarter of 2009 and currently expect such adoption to have no impact on our results of operations, financial position, or cash flows.

In April 2008, the FASB issued Staff Position No. 142-3, *Determination of the Useful Life of Intangible Assets* (FSP 142-3). FSP 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*. FSP 142-3 will be effective for us in the first quarter of 2009. We are currently assessing the impact of FSP 142-3 on our financial statements.

In May 2008, the FASB issued Statement of Financial Accounting Standards No. 162, *The Hierarchy of Generally Accepted Accounting Principles* (SFAS 162). SFAS 162 identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles in the United States. SFAS 162 will become effective 60 days following Securities and Exchange Commission (SEC) approval of the Public Company Accounting Oversight Board (PCAOB) amendments to AU Section 411, *The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles*. We do not anticipate the adoption of SFAS 162 will have a material impact on our results of operations, financial position, or cash flows.

In June 2008, the FASB issued Staff Position No. EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities* (EITF 03-6-1). EITF 03-6-1 addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting, and therefore, need to be included in the earnings allocation in calculating earnings per share under the two-class method described

in FASB Statement of Financial Accounting Standards No. 128, *Earnings per Share*. EITF 03-6-1 requires companies to treat unvested share-based payment awards that have non-forfeitable rights to dividend or dividend equivalents as a separate class of securities in calculating

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**GEOVAX LABS, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

earnings per share. EITF 03-6-1 will be effective for us in the first quarter of 2009. We do not expect that such adoption will have a material, if any, effect on our results of operations, financial position, or cash flows.

We do not believe that any other recently issued, but not yet effective, accounting standards if currently adopted would have a material effect on our financial statements.

3. License Agreements

Emory License During 2002, we entered into a license agreement with Emory University (the *Emory License*), a related party, for technology required in conjunction with certain products under development by us in exchange for 35,226,695 shares of our common stock valued at \$148,856. The Emory License expires on the date of the latest expiration date of the underlying patents. The Emory License, among other contractual obligations, requires payments based on milestone achievements, royalties on our sales or on payments to us by our sublicensees, and payment of maintenance fees in the event certain milestones are not met within the time periods specified in the agreement.

MFD License During 2004, we entered into a license agreement with MFD, Inc. in exchange for 2,470,998 shares of our common stock valued at \$100,000. Pursuant to this agreement, we obtained a fully paid, worldwide, irrevocable exclusive license to certain patents covering technology that may be employed by our products.

4. NIH Grant

In September 2007, the National Institutes of Health (NIH) awarded us an Integrated Preclinical/Clinical AIDS Vaccine Development (IPCAVD) grant to support our HIV/AIDS vaccine program. The project period for the grant, which is renewable annually, covers a five year period which commenced October 2007, with an expected annual award of approximately \$3 million per year, or \$15 million in the aggregate. We are utilizing this funding to further our HIV/AIDS vaccine development, optimization, production and human clinical trial testing. We record revenue associated with the grant as the related costs and expenses are incurred. During 2008 and 2007, we recorded \$2,910,170 and \$237,004, respectively, of revenue associated with the grant.

5. Commitments

Leases We lease the office and laboratory space used for our operations in Atlanta under a lease agreement on a month-to-month basis from Emtech Biotechnology Development, Inc., a related party associated with Emory University. We also share the lease expense for office space in the Chicago area for one of our officers /directors, but we are not obligated under any lease agreement for such space. Rent expense totaled \$71,041, \$56,588 and \$38,921 for the years ended December 31, 2008, 2007 and 2006, respectively.

Manufacturing Contracts At December 31, 2008, there are approximately \$203,000 of unrecorded contractual commitments associated with our vaccine manufacturing activities, for services expected to be rendered to us during 2009.

Vivalis Letter of Intent In July 2008, we signed a non-binding letter of intent for a proposed license and development agreement for the use of vaccine manufacturing technology owned by Vivalis S.A., a French biopharmaceutical

company. Subsequent to the signing of the letter of intent, we paid a signing fee of approximately \$241,000 to Vivalis (recorded as a Prepaid Expense in the accompanying Consolidated Balance Sheet) and, upon execution of the final license agreement, we will incur a commitment of approximately \$900,000 as our contribution to the development effort, expected to be incurred during the remainder of 2009 and early 2010. As the development milestone fees are denominated in Euros, this estimate of our financial commitment is based on current exchange rates; the actual amounts will be greater or lesser, depending on the actual exchange rates at the time of each milestone achievement.

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**GEOVAX LABS, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. 2006 Merger and Recapitalization

In January 2006, Dauphin Technology, Inc. and GeoVax, Inc. entered into an Agreement and Plan of Merger (the Merger Agreement), which was consummated on September 28, 2006. In accordance with the Merger Agreement, as amended, Dauphin's wholly-owned subsidiary, GeoVax Acquisition Corp., merged with and into GeoVax, Inc., which survived the merger and became a wholly-owned subsidiary of Dauphin (the Merger). Dauphin then changed its name to GeoVax Labs, Inc. Following the Merger, common shareholders of GeoVax, Inc. and holders of GeoVax, Inc. redeemable convertible preferred stock received 29.6521 shares of the Company's common stock for each share of GeoVax, Inc. common or preferred stock, or a total of 490,332,103 shares (approximately 69.2%) of the Company's 708,326,669 shares of common stock then outstanding.

We accounted for the Merger under the purchase method of accounting as a reverse acquisition in accordance with accounting principles generally accepted in the United States for accounting and financial reporting purposes. Under this method of accounting, Dauphin was treated as the acquired company. In accordance with guidance applicable to these circumstances, the Merger was considered to be a capital transaction in substance. Accordingly, for accounting purposes, the Merger was treated as the equivalent of GeoVax, Inc. issuing stock for the net monetary assets of Dauphin, accompanied by a recapitalization. The net monetary assets of Dauphin (consisting primarily of cash) were stated at their fair values, essentially equivalent to historical costs, with no goodwill or other intangible assets recorded. The deficit accumulated during the development stage of GeoVax, Inc. was carried forward after the Merger. The accompanying consolidated financial statements reflect the operations of GeoVax, Inc. prior to the Merger, and of the combined companies subsequent to the Merger.

7. Stockholders' Equity

Common Stock Transactions

In January 2007, we sold 1,543,210 shares of our common stock to two individual accredited investors for an aggregate purchase price of \$250,000. We also issued to the investors warrants to purchase an aggregate of 771,605 shares of common stock at a price of \$0.75 per share, expiring on December 31, 2009.

In January 2007, we issued 123,550 shares of our common stock to a former employee for an aggregate purchase price of \$5,000, pursuant to the exercise of stock options.

In July 2007, we entered into a Subscription Agreement with an institutional investor (the Investor), pursuant to which we agreed to sell shares of our common stock at a price of \$0.155 per share for an aggregate purchase price of \$7,500,000. The transaction was to be consummated in two closings, during August and November. We also agreed to issue to the Investor a 3 year stock purchase warrant to purchase shares of our common stock at an exercise price of \$0.33 per share. In September 2007, the Investor advanced \$300,000 to us as payment towards its obligation associated with the first closing, but defaulted on its remaining obligation. In December 2007, we settled with the Investor through the issuance of a pro rata portion of the shares (1,935,484 shares) and warrants (1,571,429 warrants) which would have been issued upon the first closing, in exchange for the \$300,000 advanced to us.

In November and December 2007, we sold an aggregate of 16,857,739 shares of our common stock to twenty-six individual accredited investors for an aggregate purchase price of \$2,612,950. We also issued to the investors warrants to purchase an aggregate of 26,733,470 shares of common stock at a price of \$0.33 per share, 15,096,774 of which expire in December 2012, with the remainder expiring in November/December 2011.

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**GEOVAX LABS, INC.
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In January 2008, we entered into an agreement with a third party consultant for investor relations and financial consulting services which provided for the issuance during 2008 of an aggregate of 500,000 shares of our common stock. During 2008 we recorded general and administrative expense of \$74,000 related to the issuance of our common stock pursuant to this arrangement. We also issued a warrant to purchase a total of 2,700,000 shares of our common stock at an exercise price of \$0.33 per share, which expires in December 2011. (see Compensatory Warrants below in this footnote). Concurrent with the execution of this agreement, we terminated a prior agreement with the consultant, resulting in the cancellation of 2,700,000 of the previously issued warrants.

During April and May 2008, we sold an aggregate of 8,806,449 shares of our common stock to 16 individual accredited investors for an aggregate purchase price of \$1,365,000. We also issued to the investors warrants to purchase an aggregate of 14,104,841 shares of common stock at a price of \$0.33 per share, 8,258,065 of which expire in May 2013, with the remainder expiring in April/May 2012.

Common Stock Purchase Agreement

In May 2008, we signed a common stock purchase agreement (the Purchase Agreement) with Fusion Capital Fund II, LLC (Fusion). The Purchase Agreement allows us to require Fusion to purchase up to \$10 million of our common stock in amounts ranging from \$80,000 to \$1.0 million per purchase transaction, depending on certain conditions, from time to time over a 25-month period beginning July 1, 2008, the date on which the SEC declared effective the registration statement related to the transaction.

The purchase price of the shares relating to the \$10 million of future funding will be based on the prevailing market prices of our shares at the times of the sales without any fixed discount, and we will control the timing and amounts of any sales of shares to Fusion. Fusion does not have the right or the obligation to purchase any shares of our common stock on any business day that the purchase price of our common stock is below \$0.05 per share. The Purchase Agreement may be terminated by us at any time at our discretion without any additional cost to us. There are no negative covenants, restrictions on future financings, penalties or liquidated damages in the agreement.

In consideration for entering into the Purchase Agreement, and upon the execution of the Purchase Agreement we issued to Fusion 2,480,510 shares of our common stock as a commitment fee, and we agreed to issue to Fusion up to an additional 2,480,510 commitment fee shares, on a pro rata basis, as we receive the \$10 million of future funding. We also issued 200,000 shares of our common stock to Fusion (together with a nominal cash advance) as reimbursement for due diligence expenses. At that time we reserved a total of 37,480,510 of our authorized but unissued shares, in the aggregate, for issuance pursuant to the Purchase Agreement (including the 2,480,510 unissued commitment fee shares). The aggregate value of the commitment fee shares, due diligence fee shares and cash payment issued to Fusion, together with the legal and accounting fees associated with the transaction and the SEC registration, was charged to stockholders equity during 2008 upon the issuance of shares sold to Fusion pursuant to the Purchase Agreement. During 2008 we sold 3,709,964 shares to Fusion under the terms of the Purchase Agreement for an aggregate purchase price of \$500,000, and issued an additional 124,027 shares to Fusion pursuant to our deferred commitment fee arrangement. During 2009 (through March 5), we sold another 2,400,446 shares to Fusion for an aggregate purchase price of \$240,000, and issued an additional 59,532 shares pursuant to our deferred commitment fee arrangement.

Stock Options

In 2006 we adopted the GeoVax Labs, Inc. 2006 Equity Incentive Plan (the 2006 Plan) for the granting of qualified incentive stock options (ISO s), nonqualified stock options, restricted stock awards or restricted stock bonuses to employees, officers, directors, consultants and advisors of the Company. The exercise price

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GEOVAX LABS, INC.
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for any option granted may not be less than fair value (110% of fair value for ISO s granted to certain employees). Options granted under the plans have a maximum ten-year term and generally vest over four years. The Company has reserved 51,000,000 shares of its common stock for issuance under the 2006 Plan.

A summary of our stock option activity under the 2006 Plan as of December 31, 2008, and changes during the year then ended is presented below:

| | Number of Shares | Weighted- Average Exercise Price | Weighted- Average Remaining Contractual Term (yrs) | Aggregate Intrinsic Value |
|----------------------------------|---------------------|---|--|---------------------------------|
| Outstanding at January 1, 2008 | 39,861,090 | \$ 0.12 | | |
| Granted | 7,220,000 | 0.27 | | |
| Exercised | | | | |
| Forfeited or expired | (133,333) | 0.36 | | |
| Outstanding at December 31, 2008 | 46,947,757 | \$ 0.12 | 6.3 | \$ 1,613,776 |
| Exercisable at December 31, 2008 | 35,424,425 | \$ 0.10 | 5.4 | \$ 1,613,776 |

Additional information concerning our stock options for the years ended December 31, 2008, 2007 and 2006 is as follows:

| | 2008 | 2007 | 2006 |
|--|-----------|-----------|---------|
| Weighted average fair value of options granted during the period | \$ 0.12 | \$ 0.30 | \$ |
| Intrinsic value of options exercised during the period | | 22,181 | |
| Total fair value of options vested during the period | 1,074,454 | 1,156,020 | 104,837 |

We use a Black-Scholes model for determining the grant date fair value of our stock option grants. This model utilizes certain information, such as the interest rate on a risk-free security with a term generally equivalent to the expected life of the option being valued and requires certain other assumptions, such as the expected amount of time an option will be outstanding until it is exercised or expired, to calculate the fair value of stock options granted. The significant assumptions we used in our fair value calculations were as follows (during 2006, we did not grant any stock options; therefore, fair value calculations were not required):

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| | 2008 | 2007 | 2006 |
|---|-------------|-------------|-------------|
| Weighted average risk-free interest rates | 2.9% | 4.5% | |
| Expected dividend yield | 0.0% | 0.0% | |
| Expected life of option | 7 yrs | 6.8 yrs | |
| Expected volatility | 100.5% | 135% | |

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GEOVAX LABS, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Stock-based compensation expense related to the 2006 Plan was \$1,798,169, \$1,296,196 and \$-0- during the years ended December 31, 2008, 2007 and 2006, respectively. The 2008 and 2007 expense includes \$425,725 and \$242,113, respectively, associated with extensions of previously issued stock option grants (accounted for as reissuances) which were due to expire in 2007 to 2011. Stock option expense is allocated to research and development expense or to general and administrative expense based on the related employee classifications and corresponds to the allocation of employee salaries. For the three years ended December 31, 2008, stock option expense was allocated as follows:

| | 2008 | 2007 | 2006 |
|------------------------------------|--------------|--------------|------|
| General and administrative expense | \$ 1,304,128 | \$ 1,012,083 | \$ |
| Research and development expense | 494,041 | 284,113 | |
| Total stock option expense | \$ 1,798,169 | \$ 1,296,196 | \$ |

As of December 31, 2008, there was \$1,842,514 of unrecognized compensation expense related to stock-based compensation arrangements. The unrecognized compensation expense is expected to be recognized over a weighted average remaining period of 1.7 years.

Compensatory Warrants

We may, from time to time, issue stock purchase warrants to consultants or others in exchange for services. A summary of our compensatory warrant activity as of December 31, 2008, and changes during the year then ended is presented below:

| | Number of Shares | Weighted- Average Exercise Price | Weighted- Average Remaining Contractual Term (yrs) | Aggregate Intrinsic Value |
|----------------------------------|---------------------|---|--|---------------------------------|
| Outstanding at January 1, 2008 | 2,700,000 | \$ 0.33 | | |
| Granted | 2,700,000 | 0.33 | | |
| Exercised | | | | |
| Forfeited or expired | (2,700,000) | 0.33 | | |
| Outstanding at December 31, 2008 | 2,700,000 | \$ 0.33 | 3.0 | \$ |
| Exercisable at December 31, 2008 | 2,700,000 | \$ 0.33 | 3.0 | \$ |

Additional information concerning our compensatory warrants for the years ended December 31, 2008, 2007 and 2006 is as follows:

| | Year Ended December 31, | | |
|---|--------------------------------|-------------|-------------|
| | 2008 | 2007 | 2006 |
| Weighted average fair value of warrants granted during the period | \$ 0.05 | \$ 0.25 | \$ |
| Intrinsic value of warrants exercised during the period | | | |
| Total fair value of warrants vested during the period | 146,880 | 266,760 | |

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GEOVAX LABS, INC.
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We use a Black-Scholes model for determining the grant date fair value of our compensatory warrants. The significant assumptions we used in our fair value calculations were as follows:

| | 2008 | 2007 | 2006 |
|---|-------------|-------------|-------------|
| Weighted average risk-free interest rates | 2.01% | 4.6% | |
| Expected dividend yield | 0.0% | 0.0% | |
| Expected life of option | 2.5 yrs | 3 yrs | |
| Expected volatility | 99.0% | 113.6% | |

Expense associated with compensatory warrants was \$146,880, \$222,300 and \$-0- during the years ended December 31, 2008, 2007 and 2006, respectively. All such expense was allocated to general and administrative expense. As of December 31, 2008, there was no unrecognized compensation expense related to our compensatory warrant arrangements.

Investment Warrants

In addition to outstanding stock options and compensatory warrants, as of December 31, 2008 we have a total of 65,181,345 outstanding stock purchase warrants issued to investors with exercise prices ranging from \$0.07 to \$0.75 per share. Such warrants have a weighted-average exercise price of \$0.25 per share and a weighted-average remaining contractual life of 2.6 years.

8. Retirement Plan

We participate in a multi-employer defined contribution retirement plan (the 401k Plan) administered by a third party service provider, and the Company contributes to the 401k Plan on behalf of its employees based upon a matching formula. During the years ended December 31, 2008, 2007 and 2006 our contributions to the 401k Plan were \$11,691, \$6,535 and \$6,744, respectively.

9. Income Taxes

At December 31, 2008, we have a consolidated federal net operating loss (NOL) carryforward of approximately \$70 million, available to offset against future taxable income which expires in varying amounts in 2010 through 2028. Additionally, we have approximately \$355,000 in research and development (R&D) tax credits that expire in 2022 through 2027 unless utilized earlier. No income taxes have been paid to date.

As a result of the Merger discussed in Note 6, our NOL carryforward increased substantially due to the addition of approximately \$59.7 million of historical NOL carryforwards for Dauphin Technology, Inc. However, Section 382 of the Internal Revenue Code contains provisions that may limit our utilization of NOL and R&D tax credit carryforwards in any given year as a result of significant changes in ownership interests that have occurred in past periods or may occur in future periods.

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GEOVAX LABS, INC.
(A DEVELOPMENT-STAGE ENTERPRISE)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Deferred income taxes reflect the net effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of our deferred tax assets and liabilities included the following at December 31, 2008 and 2007:

| | 2008 | 2007 |
|--|---------------|---------------|
| Deferred tax assets: | | |
| Net operating loss carryforward | \$ 24,220,837 | \$ 23,573,036 |
| Research and development tax credit carryforward | 354,581 | 354,581 |
| Stock-based compensation expense | 1,202,765 | 516,288 |
| Total deferred tax assets | 25,778,183 | 24,443,905 |
| Deferred tax liabilities | | |
| Depreciation | 8,738 | 6,994 |
| Total deferred tax liabilities | 8,738 | 6,994 |
| Net deferred tax assets | 25,769,445 | 24,436,911 |
| Valuation allowance | (25,769,445) | (24,436,911) |
| | \$ | \$ |

We have established a full valuation allowance equal to the amount of our net deferred tax assets due to uncertainties with respect to our ability to generate sufficient taxable income to realize these assets in the future.

A reconciliation of the income tax benefit on losses at the U.S. federal statutory rate to the reported income tax expense is as follows:

| | 2008 | 2007 | 2006 |
|--|----------------|----------------|--------------|
| U.S. federal statutory rate applied to pretax loss | \$ (1,267,584) | \$ (1,442,211) | \$ (198,616) |
| Permanent differences | 3,054 | 4,719 | 22,208 |
| Research and development credits | | 100,296 | 51,863 |
| Change in valuation allowance (excluding impact of the Merger discussed in Note 6) | 1,264,530 | 1,337,196 | 124,545 |
| Reported income tax expense | \$ | \$ | \$ |

10. Related Party Transactions

We are obligated to reimburse Emory University (a significant stockholder of the Company) for certain prior and ongoing costs in connection with the filing, prosecution and maintenance of patent applications subject to the Emory License (see Note 3). The expense associated with these ongoing patent cost reimbursements to Emory amounted to \$102,141, \$243,653 and \$98,842 for the years ended December 31, 2008, 2007 and 2006, respectively. As of December 31, 2008, we have recorded \$18,974 in accounts payable and accrued expenses related to patent costs reimbursements to Emory.

In June 2008, we entered into two subcontracts with Emory for the purpose of conducting research and development activities associated with our grant from the NIH (see Note 4). During 2008, we recorded \$723,887 of expense associated with these subcontracts, \$151,188 of which was owed to Emory as of December 31, 2008. All amounts paid to Emory under these subcontracts are reimbursable to us pursuant to the NIH grant.

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GEOVAX LABS, INC.
(A DEVELOPMENT-STAGE ENTERPRISE)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In March 2008, we entered into a consulting agreement with Donald Hildebrand, the Chairman of our Board of Directors and our former President & Chief Executive Officer, pursuant to which Mr. Hildebrand provides business and technical advisory services to the Company. The term of the consulting agreement began on April 1, 2008 and will end on December 31, 2009. During 2008, we recorded \$64,000 of expense associated with the consulting agreement. No amounts were owed to Mr. Hildebrand as of December 31, 2008.

11. Selected Quarterly Financial Data (unaudited)

A summary of selected quarterly financial data for 2008 and 2007 is as follows:

| | 2008 Quarter Ended | | | |
|---------------------|---------------------------|----------------|---------------------|--------------------|
| | March 31 | June 30 | September 30 | December 31 |
| Revenue from grants | \$ 599,991 | \$ 376,078 | \$ 1,322,502 | \$ 611,599 |
| Net loss | (682,510) | (1,284,352) | (722,108) | (1,039,217) |
| Net loss per share | (0.00) | (0.00) | (0.00) | (0.00) |

| | 2007 Quarter Ended | | | |
|---------------------|---------------------------|----------------|---------------------|--------------------|
| | March 31 | June 30 | September 30 | December 31 |
| Revenue from grants | \$ | \$ | \$ | \$ 237,004 |
| Net loss | (587,281) | (1,333,126) | (1,165,519) | (1,155,870) |
| Net loss per share | (0.00) | (0.00) | (0.00) | (0.00) |

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Table of Contents**GEOVAX LABS, INC.****SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS****For the Years Ended December 31, 2008, 2007 and 2006**

| Description | Balance at Beginning of Period | Additions | | Deductions | Balance at End of Period |
|--|---|--|--|-------------------|---|
| | | Charged to Costs and Expenses | Charged to Other Accounts | | |
| Reserve Deducted in the Balance Sheet | | | | | |
| From the Asset to Which it Applies: | | | | | |
| Allowance for Deferred Tax Assets | | | | | |
| Year ended December 31, 2008 | \$ 24,436,911 | \$ 1,332,534 | \$ | \$ | \$ 25,769,445 |
| Year ended December 31, 2007 | \$ 22,792,303 | \$ 1,644,608 | \$ | \$ | \$ 24,436,911 |
| Year ended December 31, 2006 | 2,257,226 | 20,535,077 | \$ | \$ | 22,792,303 |

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