SECURITIES & EXCHANGE COMMISSION EDGAR FILING

Cavitation Technologies, Inc.

Form: 10-K

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

(Mark One)

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

For the fiscal year ended June 30, 2010

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: 0-29901

Cavitation Technologies, Inc.

(Exact name of Registrant as Specified in its Charter)

Nevada	**20-4907818**
(State or Other Jurisdiction of Incorporation or Organization)	*(I.R.S. Employer Identification No.)*

10019 CANOGA AVENUE, CHATSWORTH, CALIFORNIA 91311
(Address, including Zip Code, of Principal Executive Offices)

(818) 718-0905
(Registrant's telephone number, including area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of Each Class:	**Name of Each Exchange on Which Registered:**
None	Over the Counter (Bulletin Board)

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

Common Stock, $0.001 par value

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 (§ 229.101 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" 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 ☑

State the aggregate market value of the voting and non voting common equity held by non-affiliates of the registrant by reference to the price at which the common equity was last sold, or of the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completely second fiscal quarter: $26,216,684 as of December 31, 2009 based on the closing price of $0.23 per share and 70,186,388 non-affiliate shares outstanding.

The registrant had 133,690,665 shares of common stock outstanding September 28, 2010.

DOCUMENTS INCORPORATED BY REFERENCE:

None.

CAVITATION TECHNOLOGIES, INC.
FORM 10-K ANNUAL REPORT
FOR THE YEAR ENDED JUNE 30, 2010
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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This annual report on Form 10-K and the exhibits attached hereto contain “forward-looking” statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements concern our anticipated results and developments in our operations in future periods, planned exploration and development of our properties, plans related to our business and matters that may occur in the future. These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management. We use words like “expects,” “believes,” “intends,” “anticipates,” “plans,” “targets,” “projects” or “estimates” in this annual report. When used, these words and other, similar words and phrases or statements that an event, action or result “will,” “may,” “could,” or “should” result, occur, be taken or be achieved, identify “forward-looking” statements. Such forward-looking statements are subject to certain risks and uncertainties, both known and unknown, and assumptions.

Our management has included projections and estimates in this annual report, which are based primarily on management’s experience in the industry, assessments of our results of operations, discussions and negotiations with third parties and a review of information filed by our competitors with the Securities and Exchange Commission or otherwise publicly available. We caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. We disclaim any obligation subsequently to revise any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events, except as required by law.

We qualify all the forward-looking statements contained in this annual report by the foregoing cautionary statements.

PART I

ITEM 1. BUSINESS

The following discussion includes forward-looking statements, including but not limited to, management’s expectations of competition; revenues, margin, expenses and other operating results or ratios; operating efficiencies; economic conditions; cost savings; capital expenditures; liquidity; capital requirements; acquisitions and integration costs; operating models; exchange rate fluctuations and rates of return. We disclaim any duty to update any forward-looking statements.

Introduction

Cavitation Technologies, Inc. ("the Company") designs and engineers environmentally friendly NANO technology based systems. These systems have potential commercial applications in markets such as vegetable oil refining, renewable fuels, water purification, alcoholic beverage enhancement, algae oil extraction, water-oil emulsions and crude oil yield enhancement. Our investment in research and development since inception on January 29, 2007 through June 30, 2010 is $4,623,400.

Research and development has led to products including the *Green D+Plus NANO Neutralization System* – a vegetable oil refining system, and the *Bioforce 9000 NANO Reactor System* which performs the transesterification process during the production of biodiesel. Both the *Green D+ Plus S*ystem and the *Bioforce 9000NANO Reactor System* employ our proprietary, continuous flow-through, hydrodynamic ***NANO* Technology** in the form of our multi-stage NANO Series of reactors. To date the Company has sold no products and has recorded no revenue from product sales.

Vegetable Oil Refining

Our *Green D+ Plus NANO Refining System* uses a patented *NANO Refining Technology* that is designed to be used in the vegetable oil refining process to process crude or de-gummed vegetable oils such as soybean, rapeseed, and canola into high quality de-gummed oils at lower costs.

We intend to license our technology/systems globally through a distribution network of strategic partners who are recognized leaders in their field and who design, build, install and recommend our systems. On January 15, 2010, we signed a worldwide license and distribution agreement with the Desmet Ballestra Group (DBG) for marketing the Company's *Green D+ Plus NANO Refining* Systems.

In June 2010 we completed a pilot test of our 40 GPM *Green D+ Plus NANO Refining System* at a 220 short tons/day commercial crude vegetable oil refining plant in South Carolina. The system has been integrated and is operating at the plant. We have received monthly payments from this facility since May 2010, and we expect to receive monthly payments into the foreseeable future. Because there is no written agreement with this client, amounts received were recorded as Deferred Revenue in our balance sheet as of June 30, 2010.

In April 2010 we signed a memorandum of understanding with a vegetable oil refining plant located in Minnesota for pilot testing a 40 GPM *Green D+ Plus NANO Refining System* on a production line that processes 200 ton/day de-gummed oil. Test results should be known no later than October 30, 2010. We are in the process of installing and testing a third pilot plant with a vegetable oil refiner in Oklahoma. Our system should be able to process 50GPM, or about 250 tons/day of crude canola oil. This 45-day test period is expected to be completed by October 30, 2010.

The global target market for our ***Green D+ Plus System*** includes approximately 300 major (greater than 200 tons per day processing capability) vegetable oil refining plants. The global demand for processed vegetable oils has grown consistently from 84.7 million metric tons in 1999 to 126 million metric tons in 2008.

Biodiesel

Our fully automated ***Bioforce 9000 NANO Reactor Skid System*** performs the transesterification process during the production of biodiesel; that is, it fully converts all mono-, di-, and tri-glycerides contained in feedstock (such as animal fats and vegetable oils) into methyl esters (crude biodiesel). Given the conditions of the global biodiesel market and given the limited resources of our company, we do not intend to focus significant resources to the development of this market in the foreseeable future. Instead, we plan to focus the bulk of our resources on developing our *Green D+ Plus* line of business.

Competition

We have a variety of competitors, large and small. The markets in which we compete are highly competitive commodity markets where the low-cost producer has the advantage. Competitors in the edible oil refining industry include well-known companies which have longer operating histories and stronger financial capabilities than we. We differentiate ourselves by the designs, processes, and applications described in our approved patent and patents pending applications. We compete by offering solutions that we believe can reduce operating expenses vis-à-vis current technology.

Due to the nature of our products, we have incurred no costs with respect to environmental compliance with federal, state, and local laws. To our knowledge, our products do not require governmental approval, and we do not foresee that governmental regulations will have a material impact on our business.

Our success will depend in part on our ability to obtain patents, maintain trade secrets, and operate without infringing on the proprietary rights of others both in the United States and other countries. Our approved patent and patents pending apply to potential commercial applications in markets such as vegetable oil refining, renewable fuels production, water purification, crude oil yield enhancement, and alcoholic beverage enhancement. We plan to continue to apply for new and improved patents on a regular basis. There can be no assurances that patents issued to the Company will not be challenged, invalidated, or circumvented, or that the rights granted hereunder will provide proprietary protection or competitive advantage to the Company

We are a public company with stock traded on the Over the Counter Bulletin Board with ticker symbol CVAT. Our stock is also traded on the Berlin and Stuttgart Stock Exchanges with the symbol WTC. Our single location is our headquarters in Chatsworth, CA. We have four full-time employees and have engaged numerous consultants and independent contractors over the past two years.

ITEM 1A. QUANTATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable for smaller reporting companies.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable for smaller reporting companies.

ITEM 2. PROPERTIES

Our corporate headquarters is located in Chatsworth, California. This approximate 5,000 square foot facility includes office space and an area to conduct research and development. We extended our lease agreement for office space for a period of two years effective February 1, 2010. We do not anticipate any material difficulties with the renewal of our rental agreement when it expires or in securing replacement facilities on commercially reasonable terms.

ITEM 3. LEGAL PROCEEDINGS

We know of no material, existing or pending legal proceeding against our Company, nor are we involved as a plaintiff in any material proceeding or pending litigation. There are no proceedings in which any of our directors, officers or affiliates, or any registered or beneficial shareholder, is an adverse party or has a material interest adverse to our interest.

ITEM 4. (REMOVED AND RESERVED)

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Common Stock

Our Common Stock is traded on the Over the Counter Bulletin Board under the symbol CVAT. The following table sets forth the high and low price per share based on the closing price of our Common Stock for the periods indicated.

		HIGH	LOW
Fiscal 2009	First Quarter – No trading	$ N/A	NA
	Second Quarter	1.70	1.01
	Third Quarter	1.20	0.71
	Fourth Quarter	1.00	0.53

		HIGH	LOW
Fiscal 2010	First Quarter	$ 0.31	0.21
	Second Quarter	0.38	0.22
	Third Quarter	0.26	0.16
	Fourth Quarter	0.21	0.13

We became a public company through a share exchange that was effected in October 2008. The first day of public trading of our stock was November 11, 2008. Since our fiscal year end was changed to June 30, public trading of our stock began in the second quarter of fiscal 2009. As of September 15, 2010, there were 60 holders of record of our Common Stock. This does not reflect the number of persons or entities who hold stock in nominee or "street" name through various brokerage firms.

Dividend Policy

We have neither declared nor paid any dividends on our Common Stock in the preceding two fiscal years. We currently intend to retain future earnings to fund ongoing operations and finance the growth and development of our business and, therefore, do not anticipate declaring or paying cash dividends on our Common Stock for the foreseeable future. Any future decision to declare or pay dividends will be at the discretion of the Board of Directors and will be dependent upon our financial condition, results of operations, capital requirements, and such other factors as the Board of Directors deems relevant. In addition, certain of our debt facilities contain restrictions on the declaration and payment of dividends.

Our Series A Preferred Stock bears a 6% cumulative dividend per annum. Dividends may be paid in cash or in additional shares of Series A Preferred Stock, at the Company's preference.

Securities Authorized for Issuance Under Equity Compensation Plans

None

Unregistered Sales of Equity Securities and Use of Proceeds

The following is a listing of unregistered security activity during the year ended June 30, 2010.

Issuance of Common Stock for Conversion of Indebtedness

On August 7, 2010, we issued 1,122,375 shares of common stock to accredited non-affiliated investors for the conversion of $190,803 of outstanding convertible notes payable and accrued interest.

On June 1, 2010, we issued 2,789,217 shares of common stock to Snapshot, Ltd. for the conversion of $278,922 of outstanding notes payable.

Sales of Restricted Common Stock

On October 13, 2009, we issued 208,104 shares of common stock to G Electrical Service Co. for a total purchase price of $34,364, along with warrants to purchase 208,104 shares of common stock at an exercise price of $0.42 per share.

On October 16, 2009, we issued 1,620,000 shares of common stock to Suzahnna Tepper for a total purchase price of $270,000, along with warrants to purchase 1,620,000 shares of common stock at an exercise price of $0.42 per share.

On October 16, 2009, we issued 420,000 shares of common stock to Boris Zheleznyak for a total purchase price of $70,000, along with warrants to purchase 420,000 shares of common stock at an exercise price of $0.42 per share.

On October 16, 2009, we issued 674,934 shares of common stock to Star Tech Electric Co. for a total purchase price of $112,489, along with warrants to purchase 674,934 shares of common stock at an exercise price of $0.42 per share.

On October 16, 2009, we issued 265,800 shares of common stock to G Electrical Co. for a total purchase price of $44,300, along with warrants to purchase 265,800 shares of common stock at an exercise price of $0.42 per share.

On November 4, 2009, we issued 217,117 shares of common stock to G Electrical Service Co. for a total purchase price of $36,400, along with warrants to purchase 214,117 shares of common stock at an exercise price of $0.42 per share.

On November 17, 2009, we issued 421,529 shares of common stock to G Electrical Service Co. for a total purchase price of $72,170, along with warrants to purchase 424,529 shares of common stock at an exercise price of $0.42 per share.

On December 4, 2009, we issued 114,923 shares of common stock to G Electrical Service Co. for a total purchase price of $19,537, along with warrants to purchase 114,923 shares of common stock at an exercise price of $0.42 per share.

On December 4, 2009, we issued 237,528 shares of common stock to Star Tech Electric Co. for a total purchase price of $40,380, along with warrants to purchase 237,528 shares of common stock at an exercise price of $0.42 per share.

On January 6, 2010, we issued 58,058 shares of common stock to G Electrical Service Co. for a total purchase price of $9,870, along with warrants to purchase 58,058 shares of common stock at an exercise price of $0.42 per share.

On February 4, 2010, we issued 888,235 shares of common stock to Marina Vergilis for a total purchase price of $151,000, along with warrants to purchase 888,235 shares of common stock at an exercise price of $0.42 per share.

On March 2, 2010, we issued 44,923 shares of common stock to G Electrical Service Co. for a total purchase price of $7,637, along with warrants to purchase 44,923 shares of common stock at an exercise price of $0.42 per share.
On March 2, 2010, we issued 590,000 shares of common stock to AM-PM Appliance Co. for a total purchase of $100,300, along with warrants to purchase 590,000 shares of common stock at an exercise price of $0.42 per share.

On March 2, 2010, we issued 108,823 shares of common stock to Star Tech Electric Co. for a total purchase price of $18,500, along with warrants to purchase 108,823 shares of common stock at an exercise price of $0.42 per share.

On March 12, 2010, we issued 352,941 shares of common stock to Suzahnna Tepper for a total purchase price of $60,000, along with warrants to purchase 352,941 shares of common stock at an exercise price of $0.42 per share.

On April 4, 2010, we issued 125,000 shares of common stock to the Jiores Family Trust for a total purchase price of $15,000.

On June 1, 2010, we issued 700,000 shares of common stock to Suzahnna Tepper for a total purchase price of $70,000, along with warrants to purchase 700,000 shares of common stock at $0.42 per share.

On June 24, 2010, we issued 1,000,000 shares of common stock to West Pointe Partners, Ltd. for a total purchase price of $100,000.

None of the aforementioned investors are affiliated with the Company. The shares were issued in reliance on Section 4(2) of the Securities Act of 1933, as amended. The shares were not offered via general solicitation to the public but solely to the aforementioned purchasers. The Company issued restricted shares in connection with these issuances. No sales commissions or other remuneration was paid in connection with these sales.

Issuance of Restricted Common Stock for Services

On July 27, 2009, we issued 4,500,000 shares of common stock to Bioworld Technology Management for research and development services.

On July 27, 2009, we issued 2,100,000 shares of common stock to San Francisco Securities, Inc. for consulting services.

On July 27, 2009, we issued 600,000 shares of common stock to Maxim Promtov for consulting services.

On July 27, 2009, we issued 900,000 shares of common stock to Suzahnna Tepper for consulting services.

On July 27, 2009, we issued 150,000 shares of common stock to Tomer Tal for legal services.

On July 27, 2009, we issued 75,000 shares of common stock to Paul Knerr for consulting services.

On July 27, 2009, we issued 75,000 shares of common stock to Todd Strickland for consulting services.

On July 27, 2009, we issued 75,000 shares of common stock to Lilia Dmitrieva for consulting services.

On July 27, 2009, we issued 150,000 shares of common stock to Stanley Loft for consulting services.

On July 27, 2009, we issued 1,725,000 shares of common stock to Sergie Chernov for research and development services.

On July 27, 2009, we issued 3,000,000 shares of common stock to Roman Gordon, the Company's CEO, for services provided.

On July 27, 2009, we issued 3,000,000 shares of common stock to Igor Gorodnitsky, the Company's President, for services provided.

On July 27, 2009, we issued 750,000 shares of common stock to RL Hartshorn, the Company's CFO, for services provided.

On July 27, 2009, we issued 75,000 shares of common stock to The Adept Group for consulting services.

On July 27, 2009, we issued 120,000 shares of common stock to Barnhart Holding Ltd. for consulting services.

On July 27, 2009, we issued 63,000 shares of common stock to Aleksander Denisov for consulting services.

On August 5, 2009, we issued 75,000 shares of common stock to Princeton Research, Inc. for consulting services.

On August 5, 2009, we issued 37,500 shares of common stock to Bella Karakis for consulting services.

On August 5, 2009, we issued 37,500 shares of common stock to Kirk Wiggins for consulting services.

On August 5, 2009, we issued 15,000 shares of common stock to Irakli Gagua for consulting services.

On September 16, 2009, we issued 190,001 shares of common stock to Tomer Tal for legal services.

On October 7, 2009, we issued 37,500 shares of common stock to Bernard Reich for consulting services.

On October 7, 2009, we issued 37,500 shares of common stock to Stanley Loft for consulting services.

On October 7, 2009, we issued 30,000 shares of common stock to Aleksander Denisov for consulting services.

On October 7, 2009, we issued 25,500 shares of common stock to Kirk Wiggins for consulting services.

On October 16, 2009, we issued 70,911 shares of common stock to Tomer Tal for legal services.

On October 16, 2009, we issued 30,000 shares of common stock to Irakli Gagua for consulting services.

On October 23, 2009, we issued 30,000 shares of common stock to Varvara Grichko for research and development services.

On October 29, 2009, we issued 37,500 shares of common stock to Stacie Jovancevic for consulting services.

On November 3, 2009, we issued 37,500 shares of common stock to Kirk Wiggins for consulting services.

On November 10, 2009, we issued 35,102 shares of common stock to Tomer Tal. for legal services.

On November 16, 2009, we issued 5,000 shares of common stock to Jim Gregath for consulting services.

On November 16, 2009, we issued 500,000 shares of common stock to Vastani Company for consulting services.

On November 16, 2009, we issued 1,000,000 shares of common stock to Adamatos Investment Ltd. for consulting services.

On November 30, 2009, we issued 60,000 shares of common stock to Varvara Grichko for research and development services.

On December 4, 2009, we issued 49,157 shares of common stock to Tomer Tal. for legal services.

On January 11, 2010, we issued 41,369 shares of common stock to Tomer Tal. for legal services.

On January 11, 2010, we issued 34,917 shares of common stock to Frehiwet Asefaw for accounting services.

On January 11, 2010, we issued 12,500 shares of common stock to Stanley Loft for consulting services.

On January 11, 2010, we issued 12,500 shares of common stock to Bella Karakis for consulting services.

On January 11, 2010, we issued 10,000 shares of common stock to Irakli Gagua for consulting services.

On January 11, 2010, we issued 10,000 shares of common stock to Aleksander Denisov for consulting services.

On February 1, 2010, we issued 5,000,000 shares of common stock to Snapshot, Ltd. for marketing services.

On February 1, 2010, we issued 12,500 shares of common stock to Bernard Reich for consulting services.

On February 1, 2010, we issued 37,500 shares of common stock to Kirk Wiggins for consulting services.

On February 1, 2010, we issued 39,450 shares of common stock to Tomer Tal for legal services.

On February 1, 2010, we issued 35,652 shares of common stock to Frehiwet Asefaw for accounting services.

On February 11, 2010, we issued 500,000 shares of common stock to Undiscovered Equity, Inc. for consulting services.

On February 15, 2010, we issued 75,000 shares of common stock to Crown Equity Holdings, Inc. for consulting services.

On February 15, 2010, we issued 37,500 shares of common stock to Jim Fuller for consulting services.

On February 15, 2010, we issued 15,000 shares of common stock to Viktor Grichko for consulting services.

On February 23, 2010, we issued 45,000 shares of common stock to Luis Vance Taylor for consulting services.

On February 23, 2010, we issued 45,000 shares of common stock to Stephen Carey for consulting services.

On February 23, 2010, we issued 45,000 shares of common stock to David McWhorter for consulting services.

On March 5, 2010, we issued 74,313 shares of common stock to Tomer Tal. for legal services.

On March 5, 2010, we issued 34,285 shares of common stock to Frehiwet Asefaw for accounting services.

On March 5, 2010, we issued 12,500 shares of common stock to Stanley Loft for consulting services.

On March 5, 2010, we issued 225,000 shares of common stock to RL Hartshorn, the Company's CFO, for services provided.

On March 12, 2010, we issued 60,000 shares of common stock to Viktor Grichko for consulting services.

On March 12, 2010, we issued 10,000 shares of common stock to Jim Gregath for consulting services.

On March 22, 2010, we issued 50,000 shares of common stock to Stanley Loft for consulting services.

On April 12, 2010, we issued 10,000 shares of common stock to Irakli Gagua for consulting services.

On April 12, 2010, we issued 24,000 shares of common stock to Varvara Grichko for research and development services.

On April 12, 2010, we issued 38,970 shares of common stock to Frehiwet Asefaw for accounting services.

On April 12, 2010, we issued 54,312 shares of common stock to Tomer Tal for legal services.

On April 19, 2010, we issued 100,000 shares of common stock to Fred G. Ramburg for consulting services.

On April 29, 2010, we issued 1,500,000 shares of common stock to Strategic IR, Inc. for consulting services.

On April 29, 2010, we issued 200,000 shares of common stock to Fred G. Ramburg for consulting services.

On May 10, 2010, we issued 386,250 shares of common stock to Sergei Chernov for research and development services.

On May 10, 2010, we issued 150,000 shares of common stock to Kirk Wiggins for consulting services.

On May 10, 2010, we issued 75,000 shares of common stock to Viktor Grichko for consulting services.

On May 10, 2010, we issued 37,500 shares of common stock to Jim Fuller for consulting services.

On May 10, 2010, we issued 125,000 shares of common stock to RL Hartshorn, the Company's CFO, for services provided.

On May 24, 2010, we issued 152,842 shares of common stock to Tomer Tal for legal services.

On May 24, 2010, we issued 66,250 shares of common stock to Frehiwet Asefaw for accounting services.

On June 1, 2010, we issued 87,388 shares of common stock to Tomer Tal for legal services.

On June 1, 2010, we issued 76,406 shares of common stock to Frehiwet Asefaw for accounting services.

On June 9, 2010, we issued 333,333 shares of common stock to Aviva Spectrum, Inc. for accounting services.

On June 14, 2010, we issued 11,544 shares of common stock to Frehiwet Asefaw for accounting services.

On June 14, 2010, we issued 35,000 shares of common stock to Varvara Grichko for research and development services.

In all the aforementioned cases, the shares were issued in reliance on Section 4(2) of the Securities Act of 1933, as amended. The shares were not offered via general solicitation to the public but solely to the aforementioned purchasers in consideration of services. The Company issued restricted shares in connection with these issuances. No sales commissions or other remuneration was paid in connection with these sales. With the exception of R.L. Hartshorn, Varvara Grichko and Jim Fuller, who are affiliates of the company, none of the aforementioned service providers are affiliates of the Company.

Issuance of Warrants

On July 15, 2009, we issued Cheryl Burns warrants to purchase 90,000 shares of common stock at an exercise price of $0.42 per share for consulting services.

On February 11, 2010, we issued Undiscovered Equity, Inc. warrants to purchase 1,000,000 shares of common stock at an exercise price of $0.30 per share for consulting services.

The total value of the above warrants issued for consulting services amounted to $144,581. The value was determined using the Black-Scholes valuation model with input assumptions of (1) volatility of 132.1%, (2) expected life ranging from 2 to 3 years, (3) risk free rate ranging from 0.91% to 1.60%, and (4) expected dividends of zero.

We have granted all such securities described above in reliance on the exemption provided by Section 4(2) of the Securities Act of 1933, as amended.

ITEM 6. SELECTED FINANCIAL DATA

Not applicable for smaller reporting companies.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of should be read in conjunction with the Company's financial statements and the related notes. This discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties, such as its plans, objectives, expectations and intentions. Its actual results and the timing of certain events could differ materially from those anticipated in these forward-looking statements.

Overview of Our Business

We design and engineer environmentally friendly NANO technology based systems. These systems have potential commercial applications in markets such as vegetable oil refining, renewable fuels, water purification, alcoholic beverage enhancement, algae oil extraction, water-oil emulsions and crude oil yield enhancement. Our investment in research and development since inception on January 29, 2007 through June 30, 2010 is $4,623,400.

Research and development has led to products including the *Green D+Plus NANO Neutralization System* – a vegetable oil refining system, and the *Bioforce 9000 NANO Reactor System* which performs the transesterification process during the production of biodiesel. Both the *Green D+ Plus S*ystem and the *Bioforce 9000 NANO Reactor System* employ our patent approved and patents pending, continuous flow-through, hydrodynamic ***NANO* Technology** in the form of our multi-stage NANO Series of reactors. To date the Company has sold no products and has recorded no revenue from product sales.

Management's Plan

We are a development stage entity engaged in the development of the *Green D+ Plus NANO Neutralization System* which is designed to partially refine vegetable oils such as soybean, canola, and rapeseed. Our near term goal is to successfully complete operational testing of three *Green D+ Plus Neutralization Systems.* Given the conditions in the biodiesel market, we have no plans to actively pursue sales of our *Bioforce 9000 System* in the foreseeable future.

We have no significant operating history and, from January 29, 2007, (inception), through June 30, 2010, generated a net loss of $13,374,235. We also have negative cash flow from operations and negative net equity. The accompanying financial statements for the years ended June 30, 2010 and 2009, and the period from January 29, 2007 (date of inception) through June 30, 2010 have been prepared in conformity with generally accepted accounting principles which contemplate continuation of the Company as a going concern.

Management's plan is to generate income from operations after successfully completing trial tests. We will also attempt to raise additional debt and/or equity financing to fund future operations and to provide additional working capital. However, there is no assurance that such financing will be consummated or obtained in sufficient amounts necessary to meet the Company's needs, or that the Company will be able to meet its future contractual obligations. Should management fail to obtain such financing, the Company may curtail its operations.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the reporting period. On an on-going basis, management evaluates its estimates and judgments, including those related to stock options, warrants, and common stock issued for services, among others. Management bases its estimates and judgments on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

Revenue Recognition

The Company recognizes revenue when an arrangement exists; delivery has occurred, including transfer of title and risk of loss for product sales, or services have been rendered for service revenues; the price to the buyer is fixed or determinable; and collectability is reasonably assured.

The Company received total deposits of $50,761 and $26,000 as of June 30, 2010 and 2009, respectively, from prospective customers relating to orders of the Company's *NANO Neutralization System* and *Bioforce 9000 Reactor Skid Systems*. Because these transactions have not yet been fully completed, these amount has been reflected in deferred revenue on the accompanying consolidate balance sheet as of June 30, 2010 and 2009.

Patents

Capitalized patent costs represent legal fees associated with procuring and filing patent applications. The Company accounts for patents in accordance with ASC 360 (formerly SFAS No. 142, *Goodwill and Other Intangible Assets*). During the year ended June 30, 2010, the Company incurred $92,284 in patent costs, which are capitalized in the accompanying consolidated balance sheet. The Company is awaiting final approval and issuance of its pending patents. Once the patents are issued, the Company will begin amortizing the capitalized patent costs over their estimated useful lives.

Intangible and Long-Lived Assets

In accordance with ASC 350-30 (formerly SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*), the Company evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that their net book value may not be recoverable. When such factors and circumstances exist, the Company compares the projected undiscounted future cash flows associated with the related asset or group of assets over their estimated useful lives against their respective carrying amount. Impairment, if any, is based on the excess of the carrying amount over the fair value, based on market value when available, or discounted expected cash flows, of those assets and is recorded in the period in which the determination is made. The Company's management believes there is no impairment of its long-lived assets. There can be no assurance, however, that market conditions will not change or demand for the Company's products under development will continue. Either of these could result in future impairment of long-lived assets.

Stock-Based Compensation

The Company accounts for its share-based compensation in accordance ASC 718-20 (formerly SFAS No. 123R, *Share-Based Payment*). Stock-based compensation cost is measured at the grant date, based on the estimated fair value of the award, and is recognized as expense over the requisite vesting period.

The fair value of each stock option and warrant is estimated on the date of grant using the Black-Scholes option pricing model. Assumptions relative to volatility and anticipated forfeitures are determined at the time of grant. There were no stock options granted during the year ended June 30, 2010. The following were the assumptions used to value the stock options during the year ended June 30, 2009.

	Year Ended June 30, 2009
Expected life in years	1 - 10
Stock price volatility	64.0% - 148.0%
Risk free interest rate	1.06% - 3.23%
Expected dividends	None
Forfeiture rate	0%

The fair value of warrants is estimated on the date of grant using the Black-Scholes option pricing model. Assumptions relative to volatility and anticipated forfeitures are determined at the time of grant, and were based on the following for warrants granted during the years ended June 30, 2010 and 2009.

	Year Ended June 30, 2010	**Year Ended June 30, 2009**
Expected life in years	2 - 3	1.5 - 5.0
Stock price volatility	132.1%	64.0% - 148.0%
Risk free interest rate	0.91% - 1.60%	0.68% - 1.86%
Expected dividends	None	None
Forfeiture rate	0%	0%

Income Taxes

The Company accounts for income taxes in accordance with ASC 740-10 (formerly SFAS No. 109, *Accounting for Income Taxes* and FASB Interpretation ("FIN") 48, *Accounting for Uncertainty in Income Taxes: an interpretation of FASB Statement No. 109*. The Company recognizes deferred tax assets and liabilities to reflect the estimated future tax effects, calculated at currently effective tax rates, of future deductible or taxable amounts attributable to events that have been recognized on a cumulative basis in the financial statements. A valuation allowance related to a deferred tax asset is recorded when it is more likely than not that some portion of the deferred tax asset will not be realized. Deferred tax assets and liabilities are adjusted for the effects of the changes in tax laws and rates of the date of enactment.

ASC 740-10 prescribes a recognition threshold that a tax position is required to meet before being recognized in the financial statements and provides guidance on recognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition issues. The Company classifies interest and penalties as a component of interest and other expenses. To date, there have been no interest or penalties assessed or paid.

The Company measures and records uncertain tax positions by establishing a threshold for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Only tax positions meeting the more-likely-than-not recognition threshold at the effective date may be recognized or continue to be recognized.

Deferred costs

Deferred costs represent costs associated with customizing specific units of the Company's *NANO Neutralization System* that it plans to sell, lease, or rent in the short term. The direct costs incurred by the Company associated with manufacturing the products have been capitalized and reflected as deferred costs. When sales of the specific products are made, the amounts recorded as deferred costs will be expensed.

Results of Operations

We have no significant operating history and from January 29, 2007 (date of inception) through June 30, 2010, we generated net losses aggregating $13,374,235. The following is a comparison and analysis of our results of operations for the years ended June 30, 2010 and 2009.

	For the Years Ended June 30,			
	2010	2009	$ Change	% Change
General and administrative expenses	$ 5,675,627	$ 2,086,293	$ 3,589,334	172.0%
Research and development expenses	2,184,902	311,793	1,873,109	600.8%
Total operating expenses	7,860,529	2,398,086	5,462,443	227.8%
Loss from operations	(7,860,529)	(2,398,086)	(5,462,443)	227.8%
Interest expense	(335,933)	(97,905)	(238,028)	243.1%
Loss before income taxes	(8,196,462)	(2,495,991)	(5,700,471)	228.4%
Income tax expense	-	-	-	0.0%
Net loss	$ (8,196,462)	$ (2,495,991)	(5,700,471)	228.4%

Operating Expenses

Our operating expenses for fiscal 2010 amounted to $7,860,529 compared with $2,398,086 in 2009, an increase of $5,462,443, or 227.8%. The increase consisted of an increase in general and administrative expenses in fiscal 2010 as compared to fiscal 2009 of $3,589,334, or 172.0%, and an increase in research and development expenses of $1,873,109, or 600.8%. These components of our operating expenses increased primarily due to the following.

Our general and administrative expenses increased during fiscal 2010 primarily due to an increase in the amount of share-based compensation issued during the year of $3,579,518. During the year ended June 30, 2010, we issued an increased amount of shares of restricted common stock and warrants to various employees and consultants as payment for services. The total amount included in general and administrative expenses during fiscal 2010 relating to these issuances amounted to $4,673,100. During fiscal 2009, our total share-based compensation for services in the form of restricted common stock, warrants and options amounted to $1,093,582. The increase in fiscal 2010 resulted in an increased number of shares issued to individuals for consulting services, as well as 8,475,000 shares of restricted common stock issued to members of senior management as compensation which resulted in general and administrative expenses of $1,473,726.

Our research and development expenses increased during fiscal 2010 primarily due to $1,947,208 of share-based compensation issued to consultants involved in research and development. This increase is primarily due to an aggregate of 6,825,000 shares of restricted common stock issued to three consultants in July 2009 as compensation for research and development activities performed on the design and development of our *Green D+ Plus (vegetable oil) Neutralization System*. These shares had an aggregate total value of $1,820,000, which were included as part of research and development expenses recorded during 2010. There were no such share issuances in 2009.

Interest Expense

Our interest expense for fiscal 2010 amounted to $112,796 compared to $97,905 for fiscal 2009, an increase of $14,891, or 15.2%. The increase during fiscal 2010 was primarily due to a beneficial conversion feature charge of approximately $64,000 resulting from the modification of convertible notes payable outstanding in July 2009, and the resulting conversion into common stock. We also had an increase in interest expense during fiscal 2010 of approximately $14,000 on our bank loan due to the replacement of our line of credit with a one-year variable rate loan in August 2009, the terms of which resulted in an increase in the interest rate from the Prime rate plus 1% to the Prime rate plus 2.75%. These increases in fiscal 2010 were offset by increased interest expense of approximately $63,000 in fiscal 2009 related to convertible notes payable issued in December 2009 and February 2009. As these convertible notes payable were converted into common stock in July 2009, interest expense incurred on them during fiscal 2010 was not significant.

During fiscal 2010, we also had a charge of $223,137 on the issuance of common stock as payment of debt. On June 1, 2010, Snapshot, Ltd., a holder of Company debt securities, agreed to convert an outstanding note payable into shares of the Company's common stock at a conversion rate of $0.10 per share. As a result, the Company issued 2,789,217 shares of common stock as payment of the note payable of $278,922. A resulting charge on the conversion of the note payable of $223,137 was recorded, representing the difference between the market value of the stock issued and the book value of the note payable.

Liquidity and Capital Resources

Convertible Notes Payable

In December 2008 and February 2009 we issued $235,000 in convertible notes payable which carried an interest rate of 12%. During the year ended June 30, 2009, we repaid $35,000 of the outstanding principal balances, and the balance outstanding at June 30, 2009 was $200,000. In the first quarter of fiscal 2010, $20,000 of the outstanding principal amounts were repaid, and the remaining $180,000 outstanding balance, along with accrued interest, converted to 1,122,375 shares of common stock. As of June 30, 2010, there were no balances outstanding relating to convertible notes payable.

Bank Line of Credit and Loan

At June 30, 2009, we had an outstanding balance of $636,917 from a $700,000 bank revolving line of credit. On August 1, 2009, the revolving line of credit was replaced by a one-year variable rate loan which matured on August 1, 2010. This loan bears interest at Prime + 2.75%, (7% as of June 30, 2010), and was to be repaid with equal monthly installments of $7,396 beginning September 1, 2009, with any unpaid amounts due on August 1, 2010. This line of credit is secured by personal guarantees of the Company's principals and assets. The amount outstanding under this bank loan was $524,750 as of June 30, 2010.

On August 1, 2010, we extended the term of the note payable from August 1, 2010 to November 1, 2010. The other existing terms of the note payable remained unchanged.

Common Stock

During the year ended June 30, 2010, we sold an aggregate of 8,047,915 shares of restricted common stock for aggregate total proceeds of $1,231,947.

Share-based Compensation

We paid a significant amount of our operating expenses through the issuance of shares of common stock, warrants and options. During fiscal 2009, we issued restricted common stock amounting to $639,673, as well as warrants and stock options valued at a combined amount of $453,555 as payments to service providers. During fiscal 2010, we issued restricted common stock amounting to $6,475,727, as well as warrants valued at $144,581 as payments to service providers.

Cash Flow

Net cash used in operating activities during fiscal 2010 amounted to $1,025,761 compared with $995,292 in fiscal 2009. During fiscal 2010, our net loss amounted to $8,196,462 including non-cash operating expenses of $6,924,014 arising primarily from common stock and warrants issued for services. Net cash used in operating activities of $1,025,761 was used largely to pay salary related expenses of $436,853, professional service fees such as attorneys and accountants of $304,313, as well as interest on bank debt of $47,695. In fiscal 2009, our net loss amounted to $2,495,991 including non-cash operating expenses of $640,027 in common stock, $307,512 in stock options, and $146,043 in warrants issued to service providers. Net cash used in operating activities of $995,292 was used largely to pay salary related expenses of $442,767, professional service fees such as attorneys and accountants of $307,207, as well as interest on bank debt of $48,660.

Net cash used in investing activities during fiscal 2010 amounted to $187,787, which was the result of $23,820 spent for the purchase of property and equipment, $71,683 for the payment of customization of systems, and $92,284 in amounts associated with the costs of filing for patents. During fiscal 2009, our net cash used in investing activities amounted to $44,660, which resulted from amounts spent for the purchase of property and equipment.

Net cash provided by financing activities during fiscal 2010 amounted to $1,208,780. This resulted primarily from proceeds from the sale of common stock of $1,231,947. We also received $109,000 in proceeds from short-term loans in fiscal 2010. These proceeds were offset by $112,167 in payments on borrowings from our bank loan, as well as a repayment of $20,000 on convertible notes payable that were outstanding as of June 30, 2009. During fiscal 2009, our net cash provided by financing activities amounted to $734,061. This resulted from proceeds of $225,000 in sales of preferred stock, proceeds of $300,000 in sales of common stock, proceeds of $235,000 from the issuance of convertible notes payable, and net borrowings of $9,061 from the line of credit. These amounts were offset by repayments of $35,000 on convertible notes payable borrowings.

Commitments

Lease Agreements

On December 30, 2009, we extended through February 1, 2012 our existing lease agreement for approximately 5,000 square feet of office space located at 10019 Canoga Ave., Chatsworth, CA 91311. The lease provides for monthly rental payments, including parking and utilities of $4,250 per month. As of June 30, 2010 and 2009, the Company had a security deposit of $9,500 associated with this lease.

Future minimum lease payments under non-cancelable operating leases are as follows.

Year Ended June 30,	
2011	51,000
2012	29,750
Total	$ 80,750

Royalty Agreements

We have entered into Patent Assignment Agreements with both our President and our CEO, where certain devices and methods involved in the hydrodynamic cavitation processes invented by the President and CEO have been assigned to the Company. In exchange, we agreed to pay a royalty of 5% of future gross revenues to each of the CEO and President for future licensing, leasing, and/or rental revenue generated from products using the assigned technologies.

In connection with an employment agreement with a key employee, for any technologies invented by the employee, the Company shall pay a royalty of 5% of future revenues received in the first year and 3% in subsequent years from licensing, leasing, and rental revenues associated with patents assigned from this employee .

As of June 30, 2010, we have not paid any amounts related to these royalties.

ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable for smaller reporting companies.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
Cavitation Technologies, Inc.

We have audited the accompanying consolidated balance sheets of Cavitation Technologies, Inc. (a development stage company) as of June 30, 2010 and 2009, and the related consolidated statements of operations, changes in stockholders' deficit, and cash flows for the years ended June 30, 2010 and 2009, and the period from January 29, 2007 through June 30, 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cavitation Technologies, Inc. as of June 30, 2010 and 2009, and the results of its operations and its cash flows for the years ended June 30, 2010 and 2009, and the period from January 29, 2007 through June 30, 2010, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has not generated revenues since inception, has incurred losses in developing its business, and further losses are anticipated. The Company requires additional funds to meet its obligations and the costs of operations. These factors, among others, raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in this regard are described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Rose, Snyder & Jacobs
A Corporation of Certified Public Accountants

Encino, California
September 28, 2010

Cavitation Technologies, Inc
(A Development Stage Company)
Consolidated Balance Sheets

	June 30, 2010	June 30, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 270	$ 5,038
Prepaid expenses and other current assets	3,158	2,341
Total current assets	3,428	7,379
Property and equipment, net	69,605	62,753
Deferred costs	71,683	-
Patents	92,284	-
Other assets	9,500	9,500
Total assets	$ 246,500	$ 79,632
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Bank overdraft	$ 2,747	$ -
Accounts payable and accrued expenses	160,179	109,311
Accrued expenses	75,656	57,914
Accrued payroll	83,051	215,390
Deferred revenue	50,761	26,000
Convertible notes payable, net of discounts	-	200,000
Short-term loan	109,000	-
Bank loan	524,750	636,917
Total current liabilities	1,006,144	1,245,532
Commitments and contingencies		
Stockholders' deficit:		
Preferred stock, $0.001 par value, 10,000,000 shares authorized, 111,111 shares issued and outstanding as of June 30, 2010 and 2009, respectively	111	111
Common stock, $0.001 par value, 1,000,000,000 shares authorized, 130,581,562 shares and 88,984,593 shares are issued and outstanding as of June 30, 2010 and June 30, 2009, respectively	130,582	88,985
Additional paid-in capital	12,656,723	4,089,602
Deficit accumulated during the development stage	(13,547,060)	(5,344,598)
Total stockholders' deficit	(759,644)	(1,165,900)
Total liabilities and stockholders' deficit	$ 246,500	$ 79,632

See accompanying notes, which are an integral part of these financial statements

Cavitation Technologies, Inc
(A Development Stage Company)
Consolidated Statements of Operations

	For the Years Ended June 30, 2010	For the Years Ended June 30, 2009	January 29, 2007, Inception, Through June 30, 2010
General and administrative expenses	$ 5,675,627	$ 2,086,293	$ 8,262,370
Research and development expenses	2,184,902	311,793	4,623,400
Total operating expenses	7,860,529	2,398,086	12,885,770
Loss from operations	(7,860,529)	(2,398,086)	(12,885,770)
Interest expense	(335,933)	(97,905)	(488,465)
Loss before income taxes	(8,196,462)	(2,495,991)	(13,374,235)
Income tax expense	-	-	-
Net loss	$ (8,196,462)	$ (2,495,991)	$ (13,374,235)
Deemed dividends to preferred stockholders	(6,000)	(118,946)	(172,825)
Net loss available to common stockholders	$ (8,202,462)	$ (2,614,937)	$ (13,547,060)
Net loss available to common shareholders per share:			
Basic and Diluted	$ (0.07)	$ (0.03)	
Weighted average shares outstanding:			
Basic and Diluted	114,739,605	76,940,694	

See accompanying notes, which are an integral part of these financial statements

Cavitation Technologies, Inc
(A Development Stage Company)
Consolidated Statements of Changes in Stockholders' Deficit

	Series A Preferred		Common Stock		Additional Paid-in Capital	Deficit Accumulated During the Development Stage	Total
	Shares	Amount	Shares	Amount			
Balance at inception, January 29, 2007	-	$ -	-	$ -	$ -	$ -	$ -
Issuance of common stock for services on January 29, 2007			42,993,630	42,994	(21,994)		21,000
Common stock issued as payment for services on March 31, 2008			6,428,904	6,429	1,123,971		1,130,400
Common stock issued as payment for services on April 16, 2008			51,180	51	8,949		9,000
Common stock issued as payment for services on April 22, 2008			102,360	102	17,898		18,000
Common stock issued as payment for services on June 18, 2008			3,787,320	3,788	662,212		666,000
Common stock sold for cash on June 30, 2008			2,047,200	2,047	497,953		500,000
Amortization of discount on convertible preferred stock					47,879	(47,879)	-
Net loss						(2,681,782)	(2,681,782)
Balance at June 30, 2008	-	$ -	55,410,594	$ 55,411	$ 2,336,868	$ (2,729,661)	$ (337,382)
Common stock sold in connection with reverse merger for cash on October 3, 2008			2,149,560	2,150	122,850		125,000
Preferred stock sold for cash on March 17, 2009	111,111	111			99,889		100,000
Preferred stock - beneficial conversion feature					11,111	(11,111)	-
Common stock sold for cash on April 22, 2009			499,998	500	99,500		100,000
Common stock sold for cash on June 4, 2009			499,998	500	99,500		100,000
Common stock sold for cash on June 22, 2009			300,000	300	49,700		50,000
Common stock sold for cash on June 30, 2009			300,000	300	49,700		50,000
Bio common stock outstanding before reverse merger on October 3, 2008			27,840,534	27,840	(27,840)		-
Common stock issued as payment for services on September 22, 2008			150,000	150	17,850		18,000
Common stock issued as payment for services on December 3, 2008			450,000	450	187,150		187,600
Common stock issued as payment for services on December 17, 2008			300,000	300	131,800		132,100
Common stock issued as payment for services on February 27, 2009			590,565	591	156,893		157,484
Common stock issued as payment for services on March 11, 2009			86,550	86	26,853		26,939
Common stock issued as payment for services on March 22, 2009			150,000	150	50,350		50,500
Common stock issued as payment for services on April 23, 2009			29,415	29	9,285		9,314
Common stock issued as payment for services on May 28, 2009			152,379	152	38,959		39,111
Common stock issued as payment for services on June 4, 2009			37,500	38	9,837		9,875
Common stock issued as payment for services on June 30, 2009			37,500	38	8,712		8,750
Warrants issued with convertible debt in December 2008, January 2009 and February 2009					49,245		49,245
Amortization of discount on convertible preferred stock					107,835	(107,835)	-
Warrants issued as payment for services on May 27, 2009					56,146		56,146
Warrants issued as payment for services on June 3, 2009					84,219		84,219
Warrants issued as payment for services on June 30, 2009					5,678		5,678
Issuance of stock options as payment for services on August 8, 2008					229,493		229,493
Issuance of stock options as payment for services on October 1, 2008					4,598		4,598
Issuance of stock options as payment for services on October 7, 2008					22,770		22,770
Issuance of stock options as payment for services on October 21, 2008					47		47
Issuance of stock options as payment for services on October 28, 2008					33		33
Issuance of stock options as payment for services on January 19, 2009					50,571		50,571
Net loss						(2,495,991)	(2,495,991)
Balance at June 30, 2009	111,111	$ 111	88,984,593	$ 88,985	$ 4,089,602	$ (5,344,598)	$ (1,165,900)

Cavitation Technologies, Inc
(A Development Stage Company)
Consolidated Statements of Changes in Stockholders' Deficit (Continued)

	Series A Preferred		Common Stock		Additional Paid-in	Deficit Accumulated During the Development	
	Shares	Amount	Shares	Amount	Capital	Stage	Total
Balance at June 30, 2009	111,111	$ 111	88,984,593	$ 88,985	$ 4,089,602	$ (5,344,598)	$ (1,165,900)
Common stock issued as payment for services on July 27, 2009			17,358,000	17,358	3,886,279		3,903,637
Common stock issued as payment for services on August 5, 2009			165,000	165	44,935		45,100
Common stock issued as payment for services on September 16, 2009			190,011	190	42,209		42,399
Common stock issued as payment for services on October 7, 2009			130,500	131	42,500		42,631
Common stock issued as payment for services on October 16, 2009			100,911	101	34,209		34,310
Common stock issued as payment for services on October 23, 2009			30,000	30	9,270		9,300
Common stock issued as payment for services on October 29, 2009			37,500	38	13,463		13,501
Common stock issued as payment for services on November 3, 2009			37,500	37	13,464		13,501
Common stock issued as payment for services on November 10, 2009			35,102	35	12,251		12,286
Common stock issued as payment for services on November 16, 2009			1,505,000	1,505	405,944		407,449
Common stock issued as payment for services on November 30, 2009			60,000	60	17,340		17,400
Common stock issued as payment for services on December 4, 2009			49,157	49	12,240		12,289
Common stock issued as payment for services on January 11, 2010			121,286	121	30,200		30,321
Common stock issued as payment for services on February 1, 2010			5,125,102	5,125	1,071,146		1,076,271
Common stock issued as payment for services on February 11, 2010			500,000	500	109,500		110,000
Common stock issued as payment for services on February 15, 2010			127,500	128	26,648		26,776
Common stock issued as payment for services on February 23, 2010			135,000	135	26,865		27,000
Common stock issued as payment for services on March 5, 2010			346,098	346	82,897		83,243
Common stock issued as payment for services on March 12, 2010			70,000	70	13,455		13,525
Common stock issued as payment for services on March 22, 2010			50,000	50	8,450		8,500
Common stock issued as payment for services on April 12, 2010			127,282	127	16,420		16,547
Common stock issued as payment for services on April 19, 2010			100,000	100	16,900		17,000
Common stock issued as payment for services on April 29, 2010			1,700,000	1,700	253,300		255,000
Common stock issued as payment for services on May 10, 2010			773,750	774	115,288		116,062
Common stock issued as payment for services on May 24, 2010			219,092	219	43,599		43,818
Common stock issued as payment for services on June 1, 2010			163,794	164	29,319		29,483
Common stock issued as payment for services on June 9, 2010			333,333	333	59,667		60,000
Common stock issued as payment for services on June 14, 2010			46,544	47	8,331		8,378
Common stock issued for debt and accrued interest conversion on August 7, 2009			1,122,375	1,122	189,681		190,803
Conversion feature on convertible notes payable					63,601		63,601
Common stock sold for cash on October 13, 2009			208,104	208	34,156		34,364
Common stock sold for cash on October 16, 2009			2,980,734	2,981	493,808		496,789
Common stock sold for cash on November 4, 2009			217,117	217	36,183		36,400
Common stock sold for cash on November 17, 2009			421,529	422	71,748		72,170
Common stock sold for cash on December 4, 2009			352,451	352	59,565		59,917
Common stock sold for cash on January 6, 2010			58,058	58	9,812		9,870
Common stock sold for cash on February 4, 2010			888,235	888	150,112		151,000
Common stock sold for cash on March 2, 2010			743,746	744	125,693		126,437
Common stock sold for cash on March 12, 2010			352,941	353	59,647		60,000
Common stock sold for cash on April 19, 2010			125,000	125	14,875		15,000
Common stock sold for cash on June 1, 2010			700,000	700	69,300		70,000
Common stock issued for conversion of note payable on June 1, 2010			2,789,217	2,789	276,133		278,922
Common stock sold for cash on June 24, 2010			1,000,000	1,000	99,000		100,000
Warrants issued as payment for services on July 15, 2009					13,205		13,205
Warrants issued as payment for services on February 11, 2010					131,376		131,376
Conversion feature of note payable on June 1, 2010					223,137		223,137
Dividends on preferred stock						(6,000)	(6,000)
Net loss						(8,196,462)	(8,196,462)
Balance at June 30, 2010	111,111	$ 111	130,581,562	$ 130,582	$ 12,656,723	$ (13,547,060)	$ (759,644)

See accompanying notes, which are an integral part of these financial statements

Cavitation Technologies, Inc
(A Development Stage Company)
Consolidated Statements of Cash Flows

	Years Ended June 30, 2010	Years Ended June 30, 2009	January 29, 2007, Inception, Through June 30, 2010
Operating activities:			
Net loss	$ (8,196,462)	$ (2,495,991)	$ (13,374,235)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	16,968	7,212	29,587
Warrants issued in connection with convertible notes payable	-	49,245	49,245
Beneficial conversion feature on convertible notes payable	286,738	-	286,738
Common stock issued for services	6,475,727	640,027	8,960,144
Stock option compensation	-	307,512	307,512
Warrants issued for services	144,581	146,043	290,624
Effect of changes in:			
Prepaid expenses and other current assets	(817)	(897)	(3,158)
Deposits	-	-	(9,500)
Bank overdraft	2,747	-	2,747
Accounts payable and accrued expenses	73,413	110,167	240,294
Accrued payroll	146,583	215,390	361,973
Deferred revenue	24,761	26,000	50,761
Net cash used in operating activities	(1,025,761)	(995,292)	(2,807,268)
Investing activities:			
Purchase of property and equipment	(23,820)	(44,660)	(99,192)
Payments for systems	(71,683)	-	(71,683)
Payments for patents	(92,284)	-	(92,284)
Net cash used in investing activities	(187,787)	(44,660)	(263,159)
Financing activities:			
Proceeds from (payments on) line of credit borrowings	(112,167)	9,061	524,750
Proceeds from sales of preferred stock	-	225,000	725,000
Proceeds from convertible notes payable	-	235,000	235,000
Payments on convertible notes payable	(20,000)	(35,000)	(55,000)
Proceeds from sale of common stock	1,231,947	300,000	1,531,947
Proceeds from short-term loans	109,000	-	109,000
Net cash provided by financing activities	1,208,780	734,061	3,070,697
Net increase (decrease) in cash	(4,768)	(305,891)	270
Cash, beginning of period	5,038	310,929	-
Cash, end of period	$ 270	$ 5,038	$ 270
Supplemental disclosures of cash flow information:			
Cash paid for interest	$ 47,695	$ 48,660	$ 150,982
Cash paid for income taxes	$ 1,659	$ 1,619	$ 5,128
Supplemental disclosure of non-cash investing and financing activities:			
Warrants issued in connection with preferred stock	$ -	$ 107,835	$ 155,714
Beneficial conversion feature on preferred stock	$ -	$ 11,111	$ 11,111
Conversion of preferred to common shares in reverse merger	$ -	$ -	$ 625,000
Proceeds from sales of preferred shares used to purchase shares of Bio	$ -	$ 400,000	$ 400,000
Conversion of note payable to common stock	$ 278,922	$ -	$ 278,922
Accrued dividends issued to preferred stockholders	$ 6,000	$ 1,733	$ 6,000
Conversion of convertible notes payable and accrued interest to common stock	$ 190,803	$ -	$ 190,803

See accompanying notes, which are an integral part of these financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Organization

Cavitation Technologies, Inc. (the "Company") is a Nevada Corporation incorporated on May 8, 2006, under the name BioEnergy, Inc.. The Company designs and engineers environmentally friendly NANO technology based systems that have potential commercial applications in industries such as vegetable oil refining, renewable fuels, water treatment, water-oil emulsions, alcoholic beverage enhancement, algae oil extraction, and crude oil yield enhancement.

Research and development has led to products including the *Green D+Plus NANO Neutralization System* – a vegetable oil refining or de-gumming system, and the *Bioforce 9000 NANO Reactor System* which performs the transesterification process during the production of biodiesel. Both the *Green D+ Plus S*ystem and the *Bioforce 9000NANO Reactor System* employ our proprietary continuous flow-through, hydrodynamic ***NANO* Technology** in the form of our multi-stage NANO Series of reactors. To date, we have sold no products and have recorded no revenue. Our investment in research and development since inception on January 29, 2007 through June 30, 2010 is $4,623,400.

Note 2 – Basis of Presentation and Going Concern

Management's Plan Regarding Going Concern

The Company is a development stage entity and is primarily engaged in merchandising the *Green D+ Plus NANO Neutralization System* which is designed to partially de-gum or refine vegetable oils such as soybean, canola, and rapeseed. Our near term goal is to successfully complete operational testing of three *Green D+ Plus Systems.* Given the conditions in the biodiesel market, we have no plans to actively pursue sales of our *Bioforce 9000 System* in the foreseeable future.

The accompanying financial statements for the years ended June 30, 2010 and 2009, and the period from January 29, 2007 (date of inception) through June 30, 2010 have been prepared in conformity with generally accepted accounting principles which contemplate continuation of the Company as a going concern. The Company has no significant operating history and, from January 29, 2007, (inception), through June 30, 2010, generated a net loss of $13,374,235. The Company also has negative cash flow from operations and negative net equity. These factors, among others, raise substantial doubt about the Company's ability to continue as a going concern.

Management's plan is to generate income from operations by successfully finalizing sales arrangements with its prospective customers. We will also attempt to raise additional debt and/or equity financing to fund future operations and to provide additional working capital. However, there is no assurance that such financing will be consummated or obtained in sufficient amounts necessary to meet the Company's needs, or that the Company will be able to meet its future contractual obligations. Should management fail to obtain such financing, the Company may curtail its operations.

The accompanying consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from an inability of the Company to continue as a going concern.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") as promulgated in the United States of America ("U.S.").

On October 7, 2009, the Company filed an amendment to its Articles of Incorporation with the Secretary of State of the State of Nevada to authorize and increase the number of authorized shares of common stock to 1,000,000,000 (par value $0.001) and to effect a 3 for 1 forward split of all outstanding shares. The effective date for the forward split was October 29, 2009. All references to the number of shares in the consolidated financial statements have been retroactively adjusted and are presented on a post-split basis.

In July 2009 the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Codification (“ASC”) 105-10, formerly Statement of Financial Accounting Standards ("SFAS") No. 168, *The FASB Accounting Standards Codification and Hierarchy of Generally Accepted Accounting Principles*, which became the single source of authoritative GAAP recognized by the FASB. ASC 105-10 does not change current U.S. GAAP, but on the effective date, the FASB ASC superseded all then existing non-SEC accounting and reporting standards. The ASC is effective for interim and annual reporting periods ending after September 15, 2009. The Company adopted ASC 105-10 during the year ended June 30, 2010 and revised its referencing of GAAP accounting standards in these financial statements to reflect the new standards.

Note 3 - Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Cavitation Technologies, Inc. and its wholly owned subsidiary Hydrodynamic Technology, Inc. All significant inter-company transactions and balances have been eliminated through consolidation.

Fair Value Measurement

ASC 820-10 (formerly SFAS No. 157, *Fair Value Measurements*) requires entities to disclose the fair value of financial instruments, both assets and liabilities recognized and not recognized on the balance sheet, for which it is practicable to estimate fair value. ASC 820-10 defines the fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties. As of June 30, 2010, the carrying value of certain financial instruments such as deferred costs, accounts payable, accrued expenses, accrued payroll and short-term loans approximates fair value due to the short-term nature of such instruments.

The Company utilizes ASC 820-10 for valuing financial assets and liabilities measured on a recurring basis. ASC 820-10 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This standard applies in situations where other accounting pronouncements either permit or require fair value measurements. ASC 820-10 does not require any new fair value measurements.

Accounting guidance also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The standard describes three levels of inputs that may be used to measure fair value:

Level 1:	Quoted prices in active markets for identical or similar assets and liabilities.
Level 2:	Quoted prices for identical or similar assets and liabilities in markets that are not active or observable inputs other than quoted prices in active markets for identical or similar assets and liabilities.
Level 3:	Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Reclassifications

Certain prior year data has been reclassified to conform with the current year presentation. The reclassifications have not impacted the previously reported results of operations or total assets, liabilities or stockholders’ deficit.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the financial statement date, and reported amounts of revenue and expenses during the reporting period. Significant estimates are used in valuing our stock options, warrants, and common stock issued for services, among other items. Actual results could differ from these estimates.

Revenue Recognition

The Company recognizes revenue when an arrangement exists; delivery has occurred, including transfer of title and risk of loss for product sales, or services have been rendered for service revenues; the price to the buyer is fixed or determinable; and collectability is reasonably assured.

The Company received total deposits of $50,761 and $26,000 as of June 30, 2010 and 2009, respectively, from prospective customers relating to orders of the Company's *NANO Neutralization System* and *Bioforce 9000 Reactor Skid Systems*. Because these transactions have not yet been fully completed, these amounts have been reflected in deferred revenue on the accompanying consolidate balance sheet as of June 30, 2010 and 2009.

Cash

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Cash equivalents are carried at cost, which approximates market value. The Company maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed federally insured limits. The Company has never experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Property and Equipment

Property and equipment is presented at cost, less accumulated depreciation and amortization. Depreciation and amortization are provided using the straight-line method over the estimated useful lives of the assets. Betterments, renewals, and extraordinary repairs that extend the life of the assets are capitalized; other repairs and maintenance charges are expensed as incurred. The cost and related accumulated depreciation and amortization applicable to retired assets are removed from the Company's accounts, and the gain or loss on dispositions, if any, is recognized in the consolidated statements of operations.

Patents

Capitalized patent costs represent legal fees associated with procuring and filing patent applications. The Company accounts for patents in accordance with ASC 360 (formerly SFAS No. 142, *Goodwill and Other Intangible Assets*). During the year ended June 30, 2010, the Company incurred $92,284 in patent costs which are capitalized in the accompanying consolidated balance sheet. The Company is awaiting final approval and issuance of its pending patents. Once the patents are issued, the Company will begin amortizing the capitalized patent costs over their estimated useful lives.

Intangible and Long-Lived Assets

In accordance with ASC 350-30 (formerly SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*), the Company evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that their net book value may not be recoverable. When such factors and circumstances exist, the Company compares the projected undiscounted future cash flows associated with the related asset or group of assets over their estimated useful lives against their respective carrying amount. Impairment, if any, is based on the excess of the carrying amount over the fair value, based on market value when available, or discounted expected cash flows, of those assets and is recorded in the period in which the determination is made. The Company's management believes there is no impairment of its long-lived assets. There can be no assurance, however, that market conditions will not change or demand for the Company's products under development will continue. Either of these could result in future impairment of long-lived assets.

Stock-Based Compensation

The Company accounts for its share-based compensation in accordance ASC 718-20 (formerly SFAS No. 123R, *Share-Based Payment*). Stock-based compensation cost is measured at the grant date, based on the estimated fair value of the award, and is recognized as expense over the requisite vesting period.

The fair value of each stock option and warrant is estimated on the date of grant using the Black-Scholes option pricing model. Assumptions relative to volatility and anticipated forfeitures are determined at the time of grant. There were no stock options granted during the year ended June 30, 2010. The following were the assumptions used to value the stock options during the year ended June 30, 2009.

	Year Ended June 30, 2009
Expected life in years	1 - 10
Stock price volatility	64.0% - 148.0%
Risk free interest rate	1.06% - 3.23%
Expected dividends	None
Forfeiture rate	0%

The fair value of warrants is estimated on the date of grant using the Black-Scholes option pricing model. Assumptions relative to volatility are determined at the time of grant, and were based on the following for warrants granted during the years ended June 30, 2010 and 2009.

	Year Ended June 30, 2010	Year Ended June 30, 2009
Expected life in years	2 - 3	1.5 - 5.0
Stock price volatility	132.1%	64.0% - 148.0%
Risk free interest rate	0.91% - 1.60%	0.68% - 1.86%
Expected dividends	None	None
Forfeiture rate	0%	0%

Income Taxes

The Company accounts for income taxes in accordance with ASC 740-10 (formerly SFAS No. 109, *Accounting for Income Taxes* and FASB Interpretation ("FIN") 48, *Accounting for Uncertainty in Income Taxes: an interpretation of FASB Statement No. 109*. The Company recognizes deferred tax assets and liabilities to reflect the estimated future tax effects, calculated at currently effective tax rates, of future deductible or taxable amounts attributable to events that have been recognized on a cumulative basis in the financial statements. A valuation allowance related to a deferred tax asset is recorded when it is more likely than not that some portion of the deferred tax asset will not be realized. Deferred tax assets and liabilities are adjusted for the effects of the changes in tax laws and rates of the date of enactment.

ASC 740-10 prescribes a recognition threshold that a tax position is required to meet before being recognized in the financial statements and provides guidance on recognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition issues. The Company classifies interest and penalties as a component of interest and other expenses. To date, there have been no interest or penalties assessed or paid.

The Company measures and records uncertain tax positions by establishing a threshold for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Only tax positions meeting the more-likely-than-not recognition threshold at the effective date may be recognized or continue to be recognized.

Deferred costs

Deferred costs represent costs associated with customizing specific units of the Company's NANO Neutralization System and Reactor Skid products that it plans on selling in the short term. The direct costs incurred by the Company associated with manufacturing the products have been capitalized and reflected as deferred costs. When sales of the specific products are made, the amounts recorded as deferred costs will be expensed.

Advertising costs

Advertising costs incurred in the normal course of operations are expensed as incurred. Advertising expenses amounted to $46,719, $37,390, and $139,303 for the years ended June 30, 2010 and 2009, and the period from January 29, 2007 (date of inception) through June 30, 2010, respectively.

Research and Development Costs

Research and development costs, which relate primarily to the development, design, and testing of preproduction prototypes and models, are expensed as incurred The Company's research and development costs amounted to $2,184,902, $311,793, and $4,623,400 for the years ended June 30, 2010 and 2009, and the period from January 29, 2007 (date of inception) through June 30, 2010, respectively.

Recent Accounting Pronouncements

Accounting standards promulgated by the FASB change periodically. Changes in such standards may have an impact on the Company's future financial position. The following are a summary of recent accounting developments.

In April 2010, the FASB issued Accounting Standard Update ("ASU") 2010-17, which provides guidance on defining a milestone under ACS 605 and determining when it may be appropriate to apply the milestone method of revenue recognition for research or development transactions. Consideration that is contingent on achievement of a milestone in its entirety may be recognized as revenue in the period in which the milestone is achieved only if the milestone is judged to meet certain criteria to be considered substantive. Milestones should be considered substantive in their entirety and may not be bifurcated. An arrangement may contain both substantive and nonsubstantive milestones that should be evaluated individually. This ASU is effective for fiscal years or interim periods beginning after June 15, 2010. The Company is evaluating the potential impact of this update on its consolidated financial statements.

In April 2010, the FASB issued ASU 2010-13, which addresses the classification of a share-based payment award with an exercise price denominated in the currency of a market in which the underlying equity security trades. ASC 718 is amended to clarify that a share-based payment award with an exercise price denominated in the currency of a market in which a substantial portion of the entity's equity securities trades shall not be considered to contain a market, performance, or service condition. Therefore, such an award is not to be classified as a liability if it otherwise qualifies as equity classification. This ASU is effective for fiscal years beginning after December 15, 2010. The Company is evaluating the potential impact of this update on its consolidated financial statements.

In March 2010, the FASB issued ASU 2010-11, which clarifies the type of embedded credit derivative that is exempt from embedded derivative bifurcation requirements. Only one form of embedded credit derivative qualifies for the exemption—one that is related only to the subordination of one financial instrument to another. As a result, entities that have contracts containing an embedded credit derivative feature in a form other than such subordination may need to separately account for the embedded credit derivative feature. This ASU is effective for the first fiscal quarter beginning after June 15, 2010. The Company is evaluating the potential impact of this update on its consolidated financial statements.

In January 2010, the FASB issued ASU 2010-6, which provides amendments to ASC 820 that will provide more robust disclosures about (1) the different classes of assets and liabilities measured at fair value, (2) the valuation techniques and inputs used, (3) the activity in Level 3 fair value measurements, and (4) the transfers between Levels 1, 2, and 3. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances and settlements in the roll forward of activity in Level 3 fair value measurements, which are effective for fiscal years beginning after December 15, 2010. The adoption of these provisions did not have a material impact on the Company's financial statements.

Note 4 - Net Loss Per Share – Basic and Diluted

The Company computes the loss per common share using ASC 260 (formerly SFAS No. 128, *Earnings Per Share*). The net loss per common share, both basic and diluted, is computed based on the weighted average number of shares outstanding for the period. The diluted loss per common share is computed by dividing the net loss attributable to common stockholders by the weighted average shares outstanding assuming all potential dilutive common shares were issued. The weighted average number of shares used to calculate the net loss per share has been retroactively restated to consider the effect of the forward stock split on September 24, 2009.

On June 30, 2010, the Company had 1,987,612 stock options and 12,545,618 warrants outstanding to purchase common stock that were not included in the diluted net loss per common share because their effect would be anti-dilutive. In addition, the Company had 111,111 shares of Series A Preferred Stock outstanding which are convertible into approximately 333,333 shares of common stock. These items were also not included in the calculation of diluted net loss per common share because their effect would be anti-dilutive.

Note 5 - Property and Equipment

Property and equipment consisted of the following as of June 30, 2010 and June 30, 2009

	June 30, 2010	June 30, 2009
Leasehold improvement	$ 2,475	$ 2,475
Furniture	26,837	26,837
Office equipment	1,500	1,400
Equipment	68,380	44,660
	99,192	75,372
Less: accumulated depreciation and amortization	(29,587)	(12,619)
	$ 69,605	$ 62,753

Property and equipment are recorded at cost and depreciated using the straight-line method over the following estimated useful lives.

Leasehold improvements	Shorter of life of asset or lease
Furniture	5-7 Years
Office equipment	5-7 Years
Equipment	5-7 Years

Depreciation and amortization expense for the years ended June 30, 2010, 2009, and for the period from January 29, 2007 (inception) through June 30, 2010, amounted to $16,968, $7,212 and $29,587, respectively.

Note 6 - Bank Loan

On February 7, 2007, the Company executed a $700,000 revolving line of credit from National Bank of California. The line of credit bears interest at the Prime rate plus 1%. The balance outstanding under this line of credit was $636,917 at June 30, 2009.

On August 1, 2009, the revolving line of credit was replaced by a one-year variable rate loan which matured August 1, 2010. This loan bears interest at the prime rate plus 2.75%, 7% as of June 30, 2010, and will be repaid with equal monthly installments of $7,396 beginning September 1, 2009 with unpaid amounts due on August 1, 2010. This line of credit is secured by personal guarantees of the Company's principals and assets. The amount outstanding under this bank loan was $524,750 as of June 30, 2010. Subsequent to the year ended June 30, 2010, the term of the loan was extended (see Note 12).

Note 7 - Convertible Notes Payable

In December 2008, the Company entered into Note and Warrant Purchase Agreements (collectively, the " *Agreements*"), where the Company issued an aggregate of $125,000 in Convertible Notes Payable which accrue interest at a rate of 12% per annum and are due in April 2009. In January 2009, the Company entered into an additional agreement where the Company issued an aggregate of $110,000 of convertible notes payable which accrue interest at a rate of 12% per annum and are due in April and August 2009. Under the terms of the Agreements, the lenders may convert all principal and accrued interest into shares of the Company's common stock at a conversion rate equal to the average closing price of the Company's stock for the 10 days immediately preceding the conversion request.

In June 2009, the Company repaid $35,000 of the outstanding balance of the notes payable plus accrued interest, which resulted in an outstanding balance of $200,000 on June 30, 2009. In July 2009, the Company repaid an additional $20,000 in principal. On August 17, 2009, the remaining $180,000 in convertible notes payable, plus accrued interest of $10,803, were converted into 1,122,375 shares of restricted common stock. Immediately prior to the conversion, the Company changed the conversion rate to be equal to 75% of the average closing price of the Company's stock for the 10 days immediately preceding the conversion request. This resulted in a beneficial conversion feature on the convertible notes payable of $63,601, which is reflected as a component of interest expense during the year ended June 30, 2010 in the accompanying consolidated statements of operations. As of June 30, 2010, the remaining balance outstanding for convertible notes payable was $0.

Note 8 – Short-Term Loans

In January 2010, the Company borrowed $9,000 from a shareholder as a short-term loan. The borrowing bears no interest and is due on demand. As of June 30, 2010, the total outstanding amount related to this short-term loan amounted to $9,000. On July 6, 2010, the outstanding short-term loan amount of $9,000 was repaid.

In May 2010, the Company received a short-term loan from a shareholder in the amount of $100,000. The borrowing bears no interest and is due on demand. As of June 30, 2010, the total outstanding amount related to this short-term loan amounted to $100,000. Management expects the shareholder to convert this short-term loan into common stock or another financial instrument during the year ended June 30, 2011.

The total outstanding balance of the above loans of $109,000 is recorded as short-term loans on the accompanying consolidated balance sheet as of June 30, 2010.

Note 9 – Stockholders' Equity

Common Stock

On September 24, 2009, the Company's Board of Directors authorized an increase in authorized common shares from 100,000,000 to 1,000,000,000 as well as a 3 for 1 forward split of the Company's common shares. The stock split resulted in a retroactive restatement of all historical shares outstanding. The accompanying consolidated statements of changes in stockholder's deficit and references to the number of shares throughout the document were restated to give retroactive recognition of the forward stock split.

During the year ended June 30, 2009, the Company completed the following common stock transactions.

On October 3, 2008, the Company issued 210,000 units comprised of five shares of its Series A-1 Preferred Stock (total of 1,050,000 preferred shares) and one warrant to purchase one share of common stock at $0.75 per share for total proceeds of $525,000 which were placed in escrow. Upon the closing of escrow on October 3, 2008, $400,000 was used to purchase 50.5% of the outstanding shares of Bio Energy, Inc. ("Bio"), a non-operating shell company, and the remaining $125,000 was distributed to the Company.

On October 24, 2008, the Company entered into a share exchange agreement with Bio in which Bio acquired all of the outstanding shares of the Company's stockholders (the "Transaction"). Bio issued 56,250,000 shares of its common stock to the stockholders of the Company, in exchange for all the outstanding shares of the Company, and Bio performed a 7.5-to-1 forward stock split of its outstanding shares of common stock.

On October 24, 2008, in connection with the Transaction, all shares of Series A-1 Preferred Stock were converted to common shares of Bio, resulting in 2,149,560 shares of common stock. The accompanying financial statements have retroactively shown the recapitalization for all periods presented. In connection with the Bio transaction, 410,000 warrants to purchase 410,000 shares of common stock of the Company converted into 839,376 warrants to purchase 839,376 shares of common stock of Bio.

During the year ended June 30, 2009, the Company issued an aggregate of 1,983,909 shares of common stock as payment for services provided, valued at an aggregate total of $640,027. These amounts are reflected in general and administrative expenses during the year ended June 30, 2009.

During the year ended June 30, 2009, the Company sold an aggregate of 1,599,996 shares of common stock for aggregate total proceeds of $300,000.

During the year ended June 30, 2010, the Company completed the following common stock transactions.

On June 1, 2010, the Company issued a note payable to Igor Gorodnitsky, the Company's President, in the amount of $278,922 as payment for deferred salary amounts owed to him. Concurrent with the issuance of the note payable, Mr. Gorodnitsky sold the note payable to Snapshot, Ltd., a third party company, for the face value of the note of $278,922. On June 1, 2010, Snapshot, Ltd., a note holder, agreed to convert the outstanding note payable into shares of the Company's common stock at a conversion rate of $0.10 per share. As a result, the Company issued 2,789,217 shares of common stock as payment of the note payable of $278,922. A resulting charge on the conversion of the note payable of $223,137 was recorded, representing the difference between the market value of the stock issued and the book value of the note payable. This amount is reflected in interest expenses during the year ended June 30, 2010.

During the year ended June 30, 2010, the Company issued an aggregate of 29,637,462 shares of common stock as payment for services provided, which resulted in an aggregate total expense of $6,475,727. This amount is reflected in general and administrative and research and development expenses in the accompanying consolidated statements of operations during the year ended June 30, 2010. This total includes 2,825,000 shares of restricted common stock issued to members of senior management as compensation on July 24, 2009, which had a total value of $2,260,000. These shares vest over a period from June 25, 2009 through January 2, 2011. As of June 30, 2010, the total vested value of these restricted shares amounted to $1,473,725, which was included in the amount recorded in general and administrative expense above. The remainder of the shares will vest during the year ended June 30, 2011, resulting in an additional $786,275 in general and administrative expenses during the year ended June 30, 2011.

During the year ended June 30, 2010, the Company sold an aggregate of 8,047,915 shares of restricted common stock for aggregate total proceeds of $1,231,947. Along with the purchase of the shares, the investors were also issued an aggregate of 6,922,915 warrants to purchase additional shares of the Company's common stock. These warrants have an exercise price of $0.42 per share, a contractual life of 3 years, and were vested immediately upon the date of grant.

Preferred Stock

On March 17, 2009, the Company filed Amended and Restated Articles of Incorporation and created two new series of preferred stock, the first of which is designated Series A Preferred Stock and the second of which is designated as Series B Preferred Stock . The total number of shares of Common Stock which this corporation shall have authority to issue is 100,000,000 shares of Common Stock and 10,000,000 shares of Preferred Stock of which 5,000,000 shares are designated as Series A Preferred Stock, and 5,000,000 shares are designated as Series B Preferred Stock, with the rights, preferences and privileges of the Series B Preferred Stock to be designated by the Board of Directors. Each share of Common Stock and Preferred Stock has a par value of $0.001.

Series A Preferred Stock

The Company has 5,000,000 shares of Series A Preferred Stock authorized and 111,111 shares outstanding. Series A Preferred Stock is convertible into common stock at a rate of 3 shares of common stock per share of each Series A Preferred Stock held at any time at the option of the preferred shareholders. In the event of any liquidation, dissolution or winding up of the Company, the holders of Series A Preferred will have liquidation preferences prior to distributions made to any other class of stockholder. The Series A Preferred Stock is not redeemable. On the third anniversary date of the issuance of the preferred shares, any Series A Preferred shares outstanding are automatically converted into common stock, at the conversion rate described above.

The holders of the Series A Preferred Stock are entitled to receive out of any funds legally available dividends at the rate of 6% per annum payable on September 30 and March 30. Dividends shall accrue and be cumulative whether or not they have been declared. Dividends may be paid in cash or through the issuance of additional shares of Series A Preferred Stock at the Company's option. During the years ended June 30, 2010 and 2009, cumulative dividends amounted to $6,000 and $1,733 respectively. As of June 30, 2010, none of the cumulative dividends have been paid.

Series B Preferred Stock

The Company has authorized 5,000,000 shares of Preferred Stock as Series B Preferred Stock. The Board of Directors can establish the rights, preferences and privileges of the Series B Preferred Stock. There are no shares of Series B Preferred Stock outstanding.

During the year ended June 30, 2009, the Company completed the following transactions.

On March 17, 2009 the Company issued 111,111 shares of Series A Preferred Stock at a purchase price of $0.90 per share, which was equal to the closing price of the Company's Common Stock the business day immediately preceding the purchase by the subscriber. The preferred stock was issued to a foreign accredited investor for a purchase price of $100,000. In connection with the sale Series A Preferred Stock, the Company also issued 333,333 warrants to the investor to purchase common stock at an exercise price of $0.42 per share.

Stock Options

The Company has not adopted a formal stock option plan, however, it has assumed outstanding stock options resulting from the acquisition of its wholly-owned subsidiary, Hydrodynamic Technology, Inc. In addition, the Company has made periodic non-plan grants.

A summary of the stock option activity from January 29, 2007 (date of inception) through June 30, 2010 is as follows.

	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (Years)
Outstanding at January 29, 2007 (date of inception)	-	$ -	-
Granted	2,137,612	0.57	
Exercised	-	-	
Outstanding at June 30, 2009	2,137,612	0.57	6.68
Granted	-	-	
Forfeited	(150,000)	0.67	
Exercised	-	-	
Outstanding at June 30, 2010	1,987,612	0.56	6.16
Vested and expected to vest at June 30, 2010	1,987,612	0.56	6.16
Exercisable at June 30, 2010	1,987,612	0.56	6.16

The fair value of the options granted during the year ended June 30, 2009 amounted to $307,512. These stock options were fully vested upon being granted and, as a result, the fair value of these stock options was recorded as an expense on the grant date. There were no stock options granted during the year ended June 30, 2010. In addition, there were no unvested options as of June 30, 2010 or 2009.

The weighted average grant date fair value of options granted during the year ended June 30, 2009 was $0.14. The intrinsic value of options outstanding and exercisable at June 30, 2010 was $0.

The following table summarizes additional information concerning options outstanding and exercisable at June 30, 2010.

	Options Outstanding			Options Exercisable	
Exercise Price	Number of Shares	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
$ 0.33	637,297	6.31	$ 0.33	637,297	$ 0.33
0.67	1,350,315	6.09	0.67	1,350,315	0.67
	1,987,612			1,987,612	

Warrants

A summary of the Company's warrant activity and related information from January 29, 2007 (date of inception) through June 30, 2010 is as follows.

	Warrants	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (Years)
Outstanding at January 29, 2007 (date of inception)	-	$ -	-
Granted	409,440	0.37	
Exercised	-	-	-
Outstanding at June 30, 2008	409,440	0.37	2.75
Granted	4,123,263	0.46	
Exercised	-	-	
Outstanding at June 30, 2009	4,532,703	0.45	3.18
Granted	8,012,915	0.40	
Exercised	-	-	
Outstanding at June 30, 2010	12,545,618	0.42	2.66
Vested and expected to vest at June 30, 2010	12,545,618	0.42	2.66
Exercisable at June 30, 2010	12,545,618	0.42	2.66

The weighted average grant date fair value of warrants granted during the years ended June 30, 2010 and 2009 amounted to $0.19 and $0.07, respectively.

The following table summarizes additional information concerning warrants outstanding and exercisable at June 30, 2010.

	Warrants Outstanding			Warrants Exercisable	
Exercise Price	Number of Shares	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
$ 0.20 - 0.37	2,339,374	2.61	$ 0.30	2,339,374	$ 0.30
0.42 - 0.58	10,206,244	2.67	0.45	10,206,244	0.45
	12,545,618			12,545,618	

Note 10 - Income Taxes

The items accounting for the difference between income taxes computed at the federal statutory rate and the provision for income taxes were as follows.

	Year Ended June 30. 2010
Computed tax provision at statutory Federal rates	34.0%
Increase (decrease) in taxes resulting from:	
State taxes, net of Federal income tax benefit	5.8%
Valuation Allowance	-39.8%
Effective income tax rate	0.0%

Deferred tax asset is mainly related to the net operating loss carry forwards, and is subject to a 100% valuation allowance due to the uncertainty of its realization.

The Company files income tax returns in the United States ("Federal") and California ("State") jurisdictions. The Company is subject to Federal and State income tax examinations by tax authorities for all years since its inception.

At June 30, 2010, the Company had Federal and State net operating loss carry forwards available to offset future taxable income of approximately $5.8 million and $3.3 million, respectively. These carry forwards will begin to expire in the years ending June 30, 2027 and June 30, 2017, respectively, subject to IRS limitations, including change in ownership.

The Company periodically evaluates the likelihood of the realization of deferred tax assets, and adjusts the carrying amount of the deferred tax assets by a valuation allowance to the extent the future realization of the deferred tax assets is not judged to be more likely than not. The Company considers many factors when assessing the likelihood of future realization of our deferred tax assets, including recent cumulative earnings experience by taxing jurisdiction, expectations of future taxable income or loss, the carry-forward periods available to us for tax reporting purposes, and other relevant factors.

At June 30, 2010, based on the weight of available evidence, including cumulative losses in recent years and expectations of future taxable income, the Company determined that it was more likely than not that its deferred tax assets would not be realized. Accordingly, the Company has recorded a valuation allowance for 100% of its cumulative deferred tax assets.

As a result of the implementation of certain provisions of ASC 740-10, the Company performed an analysis of its previous tax filings and determined that there were no positions taken that it considered uncertain. Therefore, there were no unrecognized tax benefits as of June 30, 2010.

Future changes in the unrecognized tax benefit are not expected to have an impact on the effective tax rate due to the existence of the valuation allowance. The Company estimates that the unrecognized tax benefit will not change within the next twelve months. The Company will continue to classify income tax penalties and interest, if any, as part of interest and other expenses in its consolidated statements of operations. There is no interest or penalties accrued as of June 30, 2010.

The following table summarizes the open tax years for each major jurisdiction:

Jurisdiction	Open Tax Years
Federal	2007 - 2010
California State	2007 - 2010

As the Company has significant net operating loss carryforwards, even if certain of the Company's tax positions were disallowed, it is not foreseen that the Company would have to pay any taxes in the near future. Consequently, the Company does not calculate the impact of interest or penalties on amounts that might be disallowed.

Note 11 – Commitments and Contingencies

Lease Agreements

On December 30, 2009, the Company extended its existing lease agreement for approximately 5,000 square feet of office and warehouse space at 10019 Canoga Ave for a period of two years effective February 1, 2010. Monthly rent under the extended lease agreement is $4,250 per month. As of June 30, 2010 and 2009, the Company had a security deposit of $9,500 associated with this lease.

Total rent expense was $55,735, $64,198, and $199,783 for the year ended June 30, 2010, 2009 and for the period from January 29, 2007 (date of inception) through June 30, 2010, respectively.

Future minimum lease payments under non-cancelable operating leases are as follows.

Year Ended June 30,	
2011	51,000
2012	29,750
Total	$ 80,750

Royalty Agreements

The Company has entered into Patent Assignment Agreements with each of its President and CEO, where certain devices and methods involved in the hydrodynamic cavitation processes invented by the President and CEO have been assigned to the Company. In exchange, the Company agreed to pay a royalty of 5% of future gross revenues to each of the CEO and President for future licensing, leasing, or rental revenue generated from products using the assigned technologies.

In connection with an employment agreement with a key employee, for any technologies invented by the employee, the Company shall pay a royalty of 5% of future revenues received in the first year and 3% in subsequent years from licensing, leasing, or rental revenues associated with patents assigned from the employee.

As of June 30, 2010, the Company has not paid any amounts related to these royalties.

Note 12 – Subsequent Events

On July 8, 2010, the Company issued an aggregate total of 349,571 shares of common stock with an aggregate fair value of $52,436 for the payment of services rendered.

On August 3, 2010, the Company issued an aggregate total of 1,854,009 shares of common stock with an aggregate fair value of $352,262 for the payment of services rendered.

On August 3, 2010, the Company sold an aggregate total of 593,211 shares of restricted common for proceeds of $59,321.

On September 8, 2010, the Company issued an aggregate total of 237,192 shares of common stock with an aggregate fair value of $35,579 for the payment of services rendered.

On August 1, 2010 the Company renewed until November 1, 2010 a Variable Rate Nondisclosable loan from the National Bank of California for $520,516. The purpose of the loan is to finance working capital. The terms and conditions remain the same with monthly payments of $7,396 and an interest rate of prime plus 2.75%.

On August 1, 2010, the Company entered into a Change in Terms agreement with the lender of its bank loan (see Note 6). Per the agreement, the term of the loan was extended from August 1, 2010 to November 1, 2010.

On September 8, 2010, the Company issued an aggregate total of 237,192 shares of common stock with an aggregate fair value of $35,579 for the payment of services rendered.

On September 8, 2010, Varvara Grichko was appointed to our Board of Directors to fill an existing vacancy.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A(T). CONTROLS AND PROCEDURES

Report of Management on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act. Our management has evaluated, under the supervision and with the participation of our chief executive officer and chief financial officer, the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934 ("the Exchange Act"). Based on that evaluation, our chief executive officer and chief financial officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures are effective in ensuring that information required to be disclosed in our Exchange Act reports is (1) recorded, processed, and summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and (2) accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

Our Principal Executive Officer and Principal Financial Officer do not expect that our disclosure controls or internal controls will prevent all error and all fraud. Although our disclosure controls and procedures were designed to provide reasonable assurance of achieving their objectives and our principal executive and financial officer have determined that our disclosure controls and procedures are effective at doing so at that reasonable assurance level, a control system, no matter how well conceived and operated, can provide only reasonable, not absolute assurance that the objectives of the system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake.

We have included the entire definition of internal control over financial reporting, as set forth in Exchange Act Rule 13a-15(f) as follows: The Company's internal control over financial reporting is designed under the supervision of our principal executive and principal financial officer, and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

(i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Company's assets;

(ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that the Company's receipts and expenditures are being made only in accordance with authorizations of the Company's management and directors; and

(iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.Furthermore, smaller reporting companies face additional limitations. Smaller reporting companies employ fewer individuals and find it difficult to properly segregate duties. Often, one or two individuals control every aspect of the Company's operation and are in a position to override any system of internal control.

In assessing the effectiveness of our internal control over financial reporting, we use the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *Internal Control — Integrated Framework*. Based on our assessment using those criteria, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we concluded that for the period ending June 30, 2010, our internal controls over financial reporting are effective.
This report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to the new Financial Reform bill enacted in July 2010 which permanently exempts non-accelerated filers such as our company to provide only management's report in this annual report.

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting during the fourth quarter of fiscal 2010, which were identified in connection with management's evaluation required by paragraph (d) of rules 13a-15 and 15d-15 under the Exchange Act, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. Other Information

Not applicable

Part III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

Person	Age	Position
Mr. Roman Gordon	60	CEO, Secretary & Director
Mr. Igor Gorodnitsky	50	President & Director
Mr. R.L. Hartshorn	62	CFO and Director
James Fuller	69	Director
Varvara Grichko	53	Director

We have an audit committee, but do not have a compensation committee. We anticipate forming compensation, governance, and other committees at a future Board of Directors' meeting.

Roman Gordon. Mr. Gordon has been our Chief Executive Officer and Chairman of the Board since September 26, 2008. With more than 15 years experience in energy risk management and business management, he is one of the inventors of our intellectual properties. From 2003 to 2005 Mr. Gordon was president of Bubble Bee Corp., a car wash development company. Mr. Gordon was in charge of engineering, construction and development of environmentally friendly car wash water recycling systems. From 1997 to 2002, he was Chairman of a publicly traded electric service provider company (ESP), PowerSource Corp., where he participated in the power marketing of renewable energy and in evaluation and environmental compliance. PowerSource Energy Service Provider Corporation was an active participant in the "PowerGreen - 100" and "PowerGreen - 25" programs. Mr. Gordon received his bachelor degree in 1974 from Polytechnical Institute in Civil Engineering.

Igor Gorodnitsky. Mr. Gorodnitsky has been our President and member of the Board of Directors since September 26, 2008. Mr. Gorodnitsky has developed expertise in handling and processing hazardous waste material. As a Senior Haz-Mat Specialist, he has coordinated and successfully completed more than 500 emergency response Haz-mat clean-ups over the past 20 years. He has coordinated and supervised Haz Mat projects, emergency and routine spill clean-ups, and confined space entry tasks. He has coordinated and scheduled manpower and purchased and scheduled equipment and materials for containment and treatment of spills. He has successfully managed, coordinated and supervised projects including Hazscanning, sampling, lab-packing, manifesting, profiling, labeling, and other special procedures for a variety of commercial clients and municipalities. . He is a chemist by training and holds numerous certifications and licenses including Hazwoper Training Program, Confined Space Entry and Gas Vapour HazCating, Certified Uniform Waste Manifest Training, Basic and Intermediate HazCating, On-Scene Incident Commander Emergency, Site Remediation Methods, Underground Storage Tank Removal, I, Health & Safety Supervisor Certification, Hazardous Certification, and Tosco Refinery Safety. Mr. Gordodnitsky was president of Express Environmental Corp. since its inception in 1980 until he sold his interest in January 2009.

***R.L. Hartshorn*.** Mr. Hartshorn has been our Chief Financial Officer and member of the Board of Directors of Cavitation Technologies, Inc. since September 26, 2008. He previously served as a consultant to the company beginning in December 2007. He served 15 years in a variety of leadership and operational positions in international banking with Chase Manhattan and other banks in Europe, New York, and Latin America. He speaks German, Portuguese, and Spanish. As a vice president at Chase and other banks, he was largely responsible for cultivating credit and marketing relationships with corporate clients across a variety of industries. He also held sales and sales management positions for 10 years with two public companies in the IT domain including seven years as Marketing & International Sales for a software and advertising company. Overall, Mr. Hartshorn's operational experience includes 13 years with a sales quota and seven years with P&L responsibility. He has been involved in the start-up of four business units and a turn-around. He earned a B.S from the *U.S. Naval Academy* in 1971and an MBA from *The Thunderbird School of Global Management* in 1977 and is also a MCSE .

James Fuller. Mr. Fuller has been Chairman of our Audit Committee and Independent Financial Expert since February, 2010. He was formerly a Vice President of the New York Stock Exchange and director of the Securities Investor Protection Corporation. In addition to his over 30 years experience in the securities markets, Mr. Fuller sat on the Board of Trustees of the University of California, Santa Cruz and previously served as Chairman of their Audit Committee and Independent Financial Expert. Jim is a partner at Baytree Capital Associates, LLC. Mr. Fuller received his BS in Political Science from San Jose State University and his MBA from California State University- Fresno.

Igor Gorodnitsky, our President, and Roman Gordon, our CEO, are brothers.

Varvara Grichko. Ms. Grichko has been a member of our board of directors since September, 2010. Ms. Grichko began her career at the Institute of Organic Chemistry. Ms. Grichko received her B.S. and M.S degrees from the in chemistry and catalysis at Novosibirsk University in Russia. Among her other professional exploits, Ms. Grichko has worked at Marqette University and Novozymes, Inc., where she was involved in the development of a new process for Bioethanol production. Ms. Grichko holds a Ph.D. in Chemistry from the Russian Academy of Science and a Ph.D. in biology from the University of Waterloo in Canada.

ITEM 11. EXECUTIVE COMPENSATION

The following table summarizes the compensation earned by each named executive officer of the Company for the past two fiscal years, determined on the basis of rules adopted by the SEC relating to smaller reporting companies.

	Year	Salary	Stock Awards (2)	Option Awards	Non-Equity Incentive Plan Compensation	Non-Qualified Deferred Compensation	All Other Compensation	Totals
Roman Gordon	2010	$ 195,000	$ 521,673(3)	$ -	$ -	$ -	$ -	$ 716,673
Chief Executive Officer	2009	$ 172,857	$ -	$ -	$ -	$ -	$ -	$ 172,857
Igor Gorodnitsky	2010	$ 195,000(1)	$ 521,673(4)	$ -	$ -	$ -	$ -	$ 716,673
President	2009	$ 172,857(1)	$ -	$ -	$ -	$ -	$ -	$ 172,857
R.L. Hartshorn	2010	$ -	$ 194,168(5)	$ -	$ -	$ -	$ -	$ 194,168
Chief Financial Officer	2009	$ -	$ 184,349(5)	$ -	$ -	$ -	$ -	$ 184,349

(1) In 2009, Mr. Gorodnitsky earned a salary of $172,857. On June 1, 2010, the Company issued a note payable to Mr. Gorodnitsky in the amount of $278,922 as payment for all deferred salary amounts owed to him for services provided through November 30, 2009. During 2010, Mr. Gorodnitsky earned a salary of $195,000, of which a total of $49,152 was unpaid and recorded as accrued payroll as of June 30, 2010.

(2) Stock awards are disclosed at the expense recorded based on their aggregate grant date fair values as calculated under ASC 718, *Share-Based Payment*. All share amounts disclosed include the impact of a 3 for 1 forward stock split which was effective as of October 29, 2009.

(3) In July 2009, the Company issued Mr. Gordon 1,000,000 shares of restricted common stock as payment for services. On the date of grant, the shares had an aggregate fair value of $800,000. The shares vest through January 2, 2011 and are being expensed in the financial statements over that time. During the year ended June 30, 2010, the Company recorded a total of $521,673 of expense associated with this grant. The remaining $278,327 will be recorded over the vesting term during the year ended June 30, 2011.

(4) In July 2009, the Company issued Mr. Gorodnitsky 1,000,000 shares of restricted common stock as payment for services. On the date of grant, the shares had an aggregate fair value of $800,000. The shares vest through January 2, 2011 and are being expensed in the financial statements over that time. During the year ended June 30, 2010, the Company recorded a total of $521,673 of expense associated with this grant. The remaining $278,327 will be recorded over the vesting term during the year ended June 30, 2011.

(5) In July 2009, the Company issued Mr. Hartshorn 250,000 shares of restricted common stock as payment for services. On the date of grant, the shares had an aggregate fair value of $200,000. The shares vest through January 2, 2011 and are being expensed in the financial statements over that time. During the year ended June 30, 2010, the Company recorded a total of $130,418 of expense associated with this grant. The remaining $69,582 will be recorded over the vesting term during the year ended June 30, 2011. In addition, as compensation during the year ended June 30, 2010, Mr. Hartshorn was also issued an aggregate total of 350,000 shares of common stock with an aggregate grant date fair value of $63,750. During the year ended June 30, 2009, Mr. Hartshorn was issued an aggregate total of 402,000 shares of common stock with an aggregate grant date fair value of $184,349.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information concerning the number of shares of our common stock known by us to be owned beneficially as of June 30, 2010 and the date hereof by: (i) each person (including any group) that owns more than 5% of any class of the voting securities of our company; (ii) each director and officer of our company; and (iii) directors and officers as a group. Unless otherwise indicated, the stockholders listed possess sole voting and investment power with respect to the shares shown. The address for all directors and officers, unless otherwise indicated, is 10019 Canoga Avenue, Chatsworth, CA 91311.

Name of Beneficial Owner	Title of Class	Amount and Nature of Beneficial Owner	Percent of Class (1)
Roman Gordon *Chief Executive Officer and Director/Chairman of the Board*	Common Stock	21,323,475	16.3%
Igor Gorodnitsky *President*	Common Stock	21,323,475	16.3%
R.L. Hartshorn *Chief Financial Officer*	Common Stock	1,502,366	1.2%
James Fuller *Director and Chairman of Audit Committee*	Common Stock	75,000	*
Varvara Grichko *Director*	Common Stock	275,183	*
BioWorld Management LTD	Common Stock	8,594,631	6.6%
Directors and Officers (as a group, five individuals)	Common Stock	44,499,499	34.1%

(1) Based upon 130,581,562 issued and outstanding shares of common stock as of June 30, 2010, which includes the impact of 3 for 1 forward stock split which was effective as of October 29, 2009.

* Less than 1%.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

In accordance with item 404 (a) of regulation S-K, the company has had no related party transactions during the fiscal years ended June 30, 2010 or 2009.

Director Independence

As our common stock is currently traded on the OTC Bulletin Board, we are not subject to the rules of any national securities exchange which require that a majority of a listed company's directors and specified committees of the board of directors meet independence standards prescribed by such rules. For the purpose of preparing the disclosures in this Report on Form 10-K regarding director independence, we have used the definition of "independent director" set forth in the Marketplace Rules of The NASDAQ, which defines an "independent director" generally as a person other than an executive officer or employee of the Company or any other individual having a relationship which, in the opinion of the Company's board of directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. Consistent with these standards, we believe that James Fuller is an independent director.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Audit

Our principal auditing firm is Rose, Snyder, and Jacobs. During fiscal 2010 and 2009, we incurred expenses of $97,113 and $85,755, respectively, for professional services rendered for the audit of our annual financial statements and review of financial statements included on Form 10-Q.

Tax Fees

The aggregate fees billed in fiscal 2010 and fiscal 2009 for professional services rendered by the principal accountant for tax compliance amounted to $10,300 and $13,250, respectively.

Audit Committee

We are in the process of implementing pre-Approval Policies and Procedures in accordance those described in paragraph (c)(7)(i) of Rule 2-01 of Regulation S-X.

Part IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

The following documents are filed as part of this report:

3.1 Certificate of Amendment of Articles of Incorporation – filed as an exhibit to the Company's Quarterly Report filed on November 16, 2009 and incorporated by reference

10.1 Marketing Agreement between the Company and Desmet Bellestra Group, S.A. – filed as an exhibit to the Company's Quarterly Report filed on February 4, 2010, and incorporated by reference

14.1. Code of Business Conduct and Ethics. In accordance with Regulation S-K 406 of the Securities Act of 1934, we undertake to provide to any person without charge, upon request, a copy of our "Code of Business Conduct and Ethics". A copy may be requested by sending an email to info@cavitationtechnologies.com .

31.1 Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes- Oxley Act of 2002.

31.2 Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of Principal Executive Officer pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of Principal Financial Officer pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES EXCHANGE ACT OF 1934, THIS REPORT HAS BEEN SIGNED BELOW BY THE FOLLOWING PERSONS ON BEHALF OF THE REGISTRANT AND IN THE CAPACITIES AND ON THE DATES INDICATED.

SIGNATURE	TITLE	DATE
/s/ Roman Gordon Roman Gordon	Chief Executive Officer and Director (Principal Executive Officer) Chairman of the Board	September 28, 2010
/s/ Igor Gorodnitsky Igor Gorodnitsky	President	September 28, 2010
/s/ R.L. Hartshorn R.L. Hartshorn	Chief Financial Officer (Principal Financial Officer and Accounting Officer)	September 28, 2010

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.

Date: September 28, 2010

By: /s/ Roman Gordon
Roman Gordon, Chief Executive Officer

Date: September 28, 2010

By: /s/ R.L. Hartshorn, Chief Financial Officer
R.L. Hartshorn, Chief Financial Officer

CODE OF BUSINESS CONDUCT AND ETHICS

CAVITATION TECHNOLOGIES, INC.

Adoption Date: _____

Policy#: CVAT-BD-03

I. INTRODUCTION

Commitment to Ethical Behavior

Cavitation Technologies, Inc.'s (the "Company" or "CTI") is committed to conduct business with integrity and to comply with all applicable laws. Behavior reflecting the highest ethical standard is required of all directors, officers, employees, and others who are bound by the Code, regardless of position or location. No director, officer, manager or supervisor has the authority to violate or require conduct by another employee or any other person that violates the Code, other CTI policies, or applicable law.

Responsibility

Each officer, director, and employee is required to read and understand the *Code of Business Conduct and Ethics* and its application to the performance of his or her business responsibilities. Failure to abide by this *Code* or applicable laws, rules and regulations will lead to disciplinary measures appropriate to the violation, up to and including dismissal and possible regulatory or criminal prosecution.

We encourage and expect each employee to assist in maintaining a culture that promotes ethical behavior. We encourage and expect employees to promptly report any suspected misconduct, illegal activities, fraud or other violations of this Code in accordance with the provisions of this non-retaliation policy. Retaliation against any employee who honestly reports a concern to CTI about illegal or unethical conduct will not be tolerated. It is our policy to comply with all applicable laws, rules and regulations that protect our employees against retaliation or unlawful discrimination as a result of their lawfully reporting information regarding, or their participation in, investigations involving misconduct, illegal activities, fraud or other violations of this Code, by CTI or any of its employees or agents.

Management Responsibility for Ethics

All officers, managers and supervisors are accountable for the actions of the employees who report to them and responsible for seeing that the Code, other CTI policies, and applicable laws are followed. They must:

- Inform their employees about company policies, including those dealing with legal and ethical behavior;
- Ensure that appropriate ongoing employee training occurs and that violators of the Code are appropriately disciplined;
- Avoid hiring individuals who have a propensity to violate any applicable law or rules of the type embodied in the Code; and
- Maintain a work environment where constructive, frank, and open discussion about ethics is encouraged and expected without fear of retaliation.

II. Employees

Respect for Employees

We require employees to treat one another with dignity, respect and fairness at all times. At CTI we value the diversity of our employees, and we judge and treat every employee with dignity and respect. Employment decisions will be based upon qualifications, talents and achievements of individuals, and will comply with local and national employment laws, rules and regulations and without regard to race, creed, gender, religion, national origin, age, disability, veteran status, or sexual orientation.

CTI respects the privacy of its employees, former employees and job applicants and will share employee information only for business reasons consistent with applicable law.

Harassment

Abusive, harassing or offensive conduct is unacceptable, whether verbal, physical or visual. Examples include derogatory comments based on racial or ethnic characteristics and unwelcome sexual advances. You are encouraged to speak out when a coworker's conduct makes you or others uncomfortable, and to report harassment when it occurs.

Safety and Health

Everyone is responsible for maintaining a safe workplace by following safety and health rules and practices. Employees must immediately report accidents, injuries, and unsafe equipment, practices or conditions to a supervisor or other designated person. We are committed to keeping our workplaces free from hazards. Threats or acts of violence or physical intimidation are prohibited.

In order to protect the safety of all employees, each employee must report to work free from the influence of any substance that could prevent him or her from conducting work activities safely and effectively. Violators of this rule are subject to disciplinary action up to and including immediate termination of employment and possibly to other legal consequences.

III. Customers

Service Quality

Services offered by CTI will be of the highest quality and as represented. CTI will honor its agreements.

Sales and Marketing

CTI's services/products will be marketed on their merits. Use of deceptive or misleading statements, or attempts to induce individuals to place their personal interests above those of the organizations they represent, is a violation of our policy. Employees may only obtain business legally and ethically. Bribes or kickbacks are prohibited. Guidance concerning customer gifts, travel and entertainment is in the *Conflict of Interests* section of this *Code*. Contracts with customers will fully and accurately reflect the agreed terms and may not be modified by informal protocol arrangements, which undermine the integrity of transactions.

IV. FAIR DEALINGS

Honesty, respect and integrity demand that you deal fairly with each other, our customers, vendors and competitors. You should never employ deceptive acts or practices, or otherwise deal unfairly with any stakeholder or competitor. Not only do such acts compromise your integrity and that of the Company, but it may expose the Company and you to liability under federal and state laws (see “Compliance With Laws” below). Examples of improper conduct include, but are not limited to: a) Acquiring the trade secrets of a competitor through bribery or other unlawful or unethical means; b) Knowingly mislabeling products or misrepresenting services; c) Inducing others to breach contracts; d) Knowingly using copyrighted or trademarked material of someone else, without obtaining the owner’s permission; e) Using confidential or proprietary information of a former employer; and f) Making false claims about competitors.

V. CONFIDENTIAL AND PROPRIETARY INFORMATION

You are required to safeguard all confidential and proprietary information. Confidential and proprietary information includes any information that is not generally known to the public that might be of use to competitors or harmful to CTI or its customers or suppliers if disclosed, such as business, marketing and service plans, financial information, source codes, designs, databases, customer lists, pricing strategies, personnel data, personally identifiable information pertaining to our employees, customers or other individuals (including, for example, names, addresses, telephone numbers and social security numbers), and similar types of information entrusted to us by our customers, suppliers and partners. The obligation to preserve confidential and proprietary information continues even after employment ends.

VI. PROTECTION AND PROPER USE OF COMPANY ASSETS

All employees have a responsibility to protect the Company’s assets from loss, damage, misuse or theft and ensure their efficient use. Theft, carelessness and waste have a direct impact on profitability. CTI’s assets, such as funds, products or computers, may only be used for business purposes. You may not use CTI’s, any brand name or trademark owned or associated with CTI or any letterhead stationery for any personal purpose.

VII. Inside Information and Securities Trading

Employees who have access to confidential (or “inside”) information are not permitted to use or share that information for stock trading purposes or for any other purpose except to conduct our business. It is against the laws of many countries, including the United States, to trade or “tip” others who might make an investment decision based on material non-public information. Using material non-public information to buy or sell CTI stock, options in CTI stock or the stock of a CTI supplier or customer is not only unethical, it is illegal. Employees must exercise the utmost care when handling material inside information.

VIII. BOOKS AND RECORDS

Complete and Accurate Books and Records; Second-Country Payments

The integrity of our records and public disclosure depends upon the validity, accuracy and completeness of the information supporting the entries to our books of account. Therefore, our corporate and business records should be completed accurately and honestly. The making of false or misleading entries, whether they relate to financial results or test results, is strictly prohibited. Our records serve as a basis for managing our business and are important in meeting our obligations to customers, suppliers, creditors, employees and others with whom we do business. As a result, it is important that our books, records and accounts accurately and fairly reflect, in reasonable detail, our assets, liabilities, revenues, costs and expenses, as well as all transactions and changes in assets and liabilities. We require that:

- No entry be made in our books and records that intentionally hides or disguises the nature of any transaction or of any of our liabilities, or misclassifies any transactions as to accounts or accounting periods;
- Transactions be supported by appropriate documentation;
- The terms of sales and other commercial transactions be reflected accurately in the documentation for those transactions and all such documentation be reflected accurately in our books and records;
- Employees comply with our system of internal controls; and
- No cash or other assets be maintained for any purpose in any unrecorded or “off-the-books” fund.

No payments of any kind (whether commission, promotional expense, personal expenses, free goods or whatever) shall be made to an unaffiliated distributor or sales agent (or employee or agent thereof) in any country other than that in which the sales were made or in which the distributor or sales agent has a substantial place of business. Such payments (sometimes referred to as “second-country” payments) may be made to other entities such as suppliers of goods and services provided:

- The laws of any involved country permit the payment and receipt of such “offshore” funds, as determined in advance of any commitment by competent local legal counsel in collaboration with our legal counsel;

- The transaction complies in all other respects with this *Code;* and

- The arrangements are set forth in a letter of understanding between CTI and the outside entity, and these letters are available for review by our outside auditors.

Public Reporting

Our accounting records are also relied upon to produce reports for our management, stockholders and creditors, as well as for governmental agencies. In particular, we rely upon our accounting and other business and corporate records in preparing the periodic and current reports that we file with the Securities and Exchange Commission (the “SEC”). Securities laws require that these reports provide full, fair, accurate, timely and understandable disclosure and fairly present our financial condition and results of operations. Employees who collect, provide or analyze information for or otherwise contribute in any way in preparing or verifying these reports should ensure that our financial disclosure is accurate and transparent and that our reports contain all of the information about CTI that would be important to enable stockholders and potential investors to assess the soundness and risks of our business and finances and the quality and integrity of our accounting and disclosures. In addition:

- No employee may take or authorize any action that would intentionally cause our financial records or financial disclosure to fail to comply with generally accepted accounting principles, the rules and regulations of the SEC or other applicable laws, rules and regulations;

- All employees must cooperate fully with our Accounting Department, as well as our independent public accountants and counsel, respond to their questions with candor and provide them with complete and accurate information to help ensure that our books and records, as well as our reports filed with the SEC, are accurate and complete; and

- No employee should knowingly make (or cause or encourage any other person to make) any false or misleading statement in any of our reports filed with the SEC or knowingly omit (or cause or encourage any other person to omit) any information necessary to make the disclosure in any of our reports accurate in all material respects.

Any employee who becomes aware of any departure from these standards has a responsibility to report his or her knowledge promptly to a supervisor or other compliance resources available.

Recording and Retaining Business Communications

All business records and communications should be clear, truthful and accurate. Business records and communications often become public through litigation, government investigations and the media. Employees are expected to avoid exaggeration, colorful language, guesswork, legal conclusions and derogatory remarks or characterizations of people and companies. This applies to communications of all kinds, including e-mail and “informal” notes or memos. Records should always be retained and destroyed according to our record retention policies.

IX. COMPLIANCE WITH APPLICABLE LAWS, RULES AND REGULATIONS

The Company endeavors to be in full compliance with the letter and spirit of all laws applicable to its business, and expects nothing less of you. Violations of these laws not only put you at personal risk, but also put the Company, its assets and its operations at risk for civil and criminal actions, fines, penalties and prosecution. Disregard of the law will not be tolerated. If you become aware that any aspect of Company business may be, or is, in violation of a law or regulation, you must report such actual or potential violation immediately. If you fail to report a known or suspected violation, you will be subject to disciplinary action.

X. CONFLICTS OF INTEREST

A conflict of interest is any situation where your personal interests interfere, or appear to interfere with, the interests of the Company. Conflicts of interest most often occur when you, a family member or other person sharing your residence may benefit personally as a result of your position with the Company. To that end, you, your family members, and persons sharing your residence must avoid relationships with vendors, suppliers, customers, competitors, or anyone else that appear to create, or do create, conflicts of interest. Prior to accepting any gift, loan, service or favor from a vendor, customer or competitor, you need to be sure your acceptance will not violate this Code. If at any time you think you, a family member or other person sharing your residence may be in a situation that involves a potential conflict of interest, you should call the Ethics Hotline. All potential conflicts of interest or transactions you are aware of that you reasonably expect may give rise to a conflict of interest, should promptly be reported on the Ethics Hotline.

As a rule of thumb, you should not give or receive cash, nor should you give or receive non-cash gifts valued at more than $50. Examples of potential conflicts of interest include, but are not limited to, you, a family member or other person sharing your residence: a) Working concurrently for the Company and for a competitor, customer or vendor; b) Holding a significant ownership or other financial interest (more than 1%) in a competitor, vendor or corporate customer; c) Making a loan to, or receiving a loan from, a competitor, vendor or corporate customer; d) Receiving an expensive gift, trip or offer of lodging from a competitor, vendor or customer; e) Receiving a commission or rebate for bringing business to the Company (other than in connection with a Company sponsored bonus or other compensation plan) or receiving a payment other than from the Company of any kind for assistance in obtaining the Company's business; and f) Serving on the board of directors of, or in an official capacity for, another company that is, or could be, a supplier, vendor or competitor of the Company.

XI. COMPUTER AND COMMUNICATIONS SYSTEMS POLICIES

The Company has invested substantial funds in computer and communications systems, which systems include without limitation, telephone, cell phone, voice mail, facsimile, electronic mail, internet, intranet, word processing, accounting and related systems. These systems are to be used primarily for business purposes, and the Company reserves the right to access any of these systems for business or security purposes. You must take every precaution to prevent any compromise to any of these systems, and as with any other Company asset, protect these assets, including computer data, software, hardware and networks against alteration, damage, theft or unauthorized access. The Company does not want to unnecessarily or arbitrarily intrude into your communications. You should not, however, have any expectation of privacy when using any of these systems. You are prohibited from sending communications or messages of a harassing, intimidating, slanderous, offensive or discriminatory nature, as well as frivolous e-mail messages such as chain letters. You also are prohibited from accessing or downloading with Company property, material from any site where the principal content is sexually oriented, discriminatory, defamatory, irresponsible or illegal. Any unauthorized use or reproduction of proprietary or copyrighted software or corporate data is prohibited.

XII. WAIVERS

Any waiver of this *Code* for executive officers (including, where required by applicable laws, our principal executive officer, principal financial officer, principal accounting officer or controller (or persons performing similar functions)) or directors may be authorized only by our Board of Directors or, to the extent permitted by the rules of the OTC BB, a committee of the Board and will be disclosed to stockholders as required by applicable laws, rules and regulations.

XIII. REPORTING VIOLATIONS

As a director, officer or other employee of the Company, you are responsible for reporting actual or suspected violations of this Code or other Company policies. You can make these reports to any of the following: your supervisor or manager, the Chief Financial Officer or the Chief Executive Officer of the Company. You can make these reports orally or in writing. Written complaints should be sent to Cavitation Technologies, Inc., 10019 Canoga Ave., Chatsworth, CA 91311 USA , attention: Shannon Stokes.

Reports concerning the Company's books, records, internal accounting and financial controls or audit matters should be made by calling the Company's Ethics Hotline at 408-879-7440 or via email at tomer@newventureattorneys.com. Should you desire, you may make such reports anonymously.

The Company will respond promptly to reports. The Company will not hesitate to notify and cooperate with governmental authorities regarding acts that violate the law. Individuals who are found to have violated this Code will be appropriately disciplined, which discipline may include separation from the Company. Records of violations will be maintained in an employee's personnel file. There will be no discrimination, recrimination, or retaliation against you for making a report in good faith. The Company will keep reports confidential to the fullest extent possible, and will only disclose information to persons who have a valid reason for knowing.

XIV. CODE ADMINISTRATION

If there is any part of this Code that you do not understand, or if you are unsure how to handle a situation, you can contact any of the resources listed above under "Reporting Violations." **If in doubt - ask.** All inquiries will be kept confidential to the fullest extent possible. Nothing in this Code will be deemed to alter any employment-at-will or other status of an employee or to otherwise create an enforceable right for an employee against the Company, its directors, its officers, any other employee or any third party.

To Members of the Board, Officers and Employees of the Company: Please indicate that you have received, read and will abide by this statement of policy by signing your name and dating the attached acknowledgment and returning it promptly to the Office Manager, Shannon Stokes.

ACKNOWLEDGMENT

I certify that I have received and read and that I will abide by Cavitation Technologies, Inc. Code of Ethics and Business Conduct distributed to me on the date set forth below.

_____

(signature)

_____
(print your name)

_____
(print your position)

Date: _____

OFFICE MANAGER TO PLACE IN EMPLOYEE PERSONNEL FILE

EX-31.1 3 v197605_ex31-1.htm
Exhibit 31.1

Certification

I, Roman Gordon, certify that:

1. I have reviewed this annual report on Form 10-K of Cavitation Technologies, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 28, 2010

/s/ Roman Gordon

Name: Roman Gordon
Title: Chief Executive Officer and Director

EX-31.2 4 v197605_ex31-2.htm
Exhibit 31.2

Certification

I, RL Hartshorn, certify that:

1. I have reviewed this annual report on Form 10-K of Cavitation Technologies, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 28, 2010

/s/ RL Hartshorn

Name: RL Hartshorn
Title: Chief Financial Officer

EX-32.1 5 v197605_ex32-1.htm

Exhibit 32.1

Certification

I, Roman Gordon, certify, pursuant to Rule 13(a)-14(b) or Rule 15(d)-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, that (i) the Annual Report on Form 10-K of Cavitation Technologies, Inc. for the year ended June 30, 2010 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) the information contained in such Annual Report on Form 10-K fairly presents in all material respects the financial condition and results of operations of Cavitation Technologies, Inc.

/s/ Roman Gordon

Name: Roman Gordon
Title: Chief Executive Officer and Director
Date: September 28, 2010

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and is not being "filed" as part of the Form 10-K or as a separate disclosure document for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to liability under that section. This certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act except to the extent that this Exhibit 32.1 is expressly and specifically incorporated by reference in any such filing.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

EX-32.2 6 v197605_ex32-2.htm

Exhibit 32.2

Certification

I, R.L. Hartshorn, certify, pursuant to Rule 13(a)-14(b) or Rule 15(d)-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, that (i) the Annual Report on Form 10-K of Cavitation Technologies, Inc. for the year ended June 30, 2010 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) the information contained in such Annual Report on Form 10-K fairly presents in all material respects the financial condition and results of operations of Cavitation Technologies, Inc.

/s/ R.L. Hartshorn

Name: R.L. Hartshorn
Title: Chief Financial Officer and Director
Date: September 28, 2010

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and is not being "filed" as part of the Form 10-K or as a separate disclosure document for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to liability under that section. This certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act except to the extent that this Exhibit 32.1 is expressly and specifically incorporated by reference in any such filing.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.