CYBERLUX CORP
Form 10QSB
November 14, 2003

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10QSB

(Mark One)

[X] Quarterly report under Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended September 30, 2003

[ ] Transition report under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from ____________ to ______________

For the Period Ended September 30, 2003

Commission file number 000-33415

CYBERLUX CORPORATION
(Name of Small Business Issuer in Its Charter)

Nevada	91-2048178
(State of Incorporation)	(IRS Employer Identification No.)

50 Orange Road
PO Box 2010
Pinehurst, NC 28370
(Address of Principal Executive Offices)

(910) 235-0066
Issuer's Telephone Number

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [x] No [ ]

As of September 30, 2003 the Company had 8,037,849 shares of its par value $0.001 common tock issued and outstanding.

Transitional Small Business Disclosure Format (check one):

Yes [ ] No [X]

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CYBERLUX CORPORATION

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Item 1. Financial Information

CYBERLUX CORPORATION
(A DEVELOPMENT STAGE COMPANY)
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2003 (unaudited)	December 31, (audited)
Current assets:		
Cash and equivalents	$ 11,628	$ 26,086
Due from factor, net	18,710	--
Inventories, at cost	8,208	--
Prepaid expenses	--	20,000

Total current assets	38,546	46,086
Property and equipment, net	96,520	79,443
Other assets		
Deposits	--	8,614
	$ 135,066	$ 134,143
LIABILITIES AND DEFICIENCY IN STOCKHOLDERS' EQUITY		
Current liabilities:		
Accrued interest	$ 65,466	$ 44,427
Other accrued liabilities	410,852	95,971
Management fees payable - related party	970,926	546,508
Short-term notes payable - shareholders	193,045	123,545
Short-term notes payable	327,500	365,000
Total current liabilities	1,967,789	1,175,451
Commitments and contingencies (Note D)	--	--
Deficiency in Stockholders' equity:		
Preferred stock, $0.001 par value, 5,000,000 shares authorized, no shares issued and outstanding	--	--
Common stock, $0.001 par value, 100,000,000 shares authorized, 8,037,849 and 6,628,396 issued and outstanding	8,038	6,628
Subscription receivable	--	(2,500
Additional paid-in capital	1,168,463	745,593
Deficit accumulated during development stage	(3,009,224)	(1,791,029
Total deficiency in stockholders' equity	(1,832,723)	(1,041,308
	$ 135,066	$ 134,143

See accompanying notes to unaudited condensed consolidated financial statements

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CYBERLUX CORPORATION
(A DEVELOPMENT STAGE COMPANY)
CONDENSED CONSOLIDATED STATEMENT OF LOSSES
(UNAUDITED)

	Three Months Ended September 30,		Nine Mont Septem
	2003	2002	2003
Revenue	$ 87,375	$ --	$ 87,375
Cost of Goods Sold	130,368	--	130,368

Gross Profit (Loss)	(42,993)	--	(42,993)
Expenses:			
Marketing and advertising expense	250	9,196	114,750
Depreciation and amortization expense	5,675	24,197	240,924
Organization costs	--	--	--
Research and development costs	25,000	--	60,000
Management and consulting fees	166,500	59,001	489,500
General and administrative expenses	127,539	49,993	215,905
Total expenses	324,964	142,387	1,121,079
Loss from operations	(367,957)	(142,387)	(1,164,072)
Other (expense):			
Interest income	--	--	--
Interest expense	(15,189)	(13,879)	(54,123)
Net (loss)	$ (383,146)	$ (156,266)	$(1,218,195)
(Loss) per share - basic and fully diluted	$ (0.05)	$ (0.03)	$ (0.17)
Weighted average number of common shares outstanding - basic and fully diluted	7,626,979	6,199,313	7,148,468

See accompanying notes to unaudited condensed consolidated financial statements

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CYBERLUX CORPORATION
(A DEVELOPMENT STAGE COMPANY)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	For the Nine Months Ended September 30, 2003	For the Nine Mo Ended September 2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss)	$(1,218,195)	$ (446,766)
Depreciation and Amortization	240,924	70,820
Stock issued in exchange for previously incurred debt	9,030	--
Write off of previously incurred loan fees	--	--
Stock options issued for consulting services	--	49,000
Shares issued for consulting services	60,000	--
Shares issued for factoring deposit	90,000	--
Shares issued for research and development	--	--
(Increase) in Due From Factor, net	(18,710)	--
(Increase) in inventory	(8,208)	--
(Increase) in deposits	8,614	(1,795)

(Increase) decrease in other assets, net	20,000	6,812
Increase (Decrease) in accrued interest	21,041	17,773
Increase in management fee payable-related party	424,418	176,003
Increase in other accrued liabilities	314,878	46,531
Net cash (used) by operating activities	(56,208)	(81,622)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment, net	(33,000)	(59,335)
Net cash provided (used in) by investing activities	(33,000)	(59,335)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term notes payable net	--	80,000
Proceeds from notes payable net	--	--
Proceeds from short-term notes payable-shareholders, net	72,000	30,800
Capital contributed by shareholders	--	--
Receipts from subscription receivable	2,500	--
Issuance of common stock	250	--
Net cash provided by financing activities	74,750	110,800
Net increase in cash	(14,458)	(30,157)
Cash - at beginning of period	26,086	30,602
Cash - at end of period	$ 11,628	$ 445

Supplemental disclosures:		
Interest paid	$ 18,202	$ 20,856
Income taxes paid	--	--
Non-cash investing and financing activities:		
Shares issued for research and development and consulting	--	--
Shares issued for conversion of debt	9,030	49,030
Warrants issued in connection with financing	--	--
Options issued in connection with services	--	--
Shares issued in connection with loan commitment	225,000	--
Shares issued in connection with services	60,000	50,000
Shares issued for factoring deposit	90,000	--

See accompanying notes to unaudited condensed consolidated financial statements

CYBERLUX CORPORATION
(A DEVELOPMENT STAGE COMPANY)
CONDENSED CONSOLIDATED STATEMENT OF DEFICIENCY IN STOCKHOLDERS' EQUITY
FOR THE PERIOD MAY 17, 2000 (DATE OF INCEPTION) THROUGH SEPTEMBER 30, 2003
(UNAUDITED)

	Common Stock Shares	Common Stock Amount	Additiona Paid in Capital
Common shares issued in May 2000 to founders in exchange for cash at $. 001 per share	1,640,000	$ 1,640	$ 5
Common shares issued in May 2000 in exchange for for research and development services valued at $.09 per share	750,000	750	68,0
Common shares issued in May 2000 in exchange for services valued @ $.05 per share	875,000	875	35,7
Common shares issued in July, 2000 in exchange for convertible debt at $.15 per share	288,000	288	39,7
Capital contributed by principal shareholders	--	--	16,0
Common shares issued in November 2000 for cash in connection with private placement at $. 15 per share	640,171	640	95,3
Common shares issued in November 2000 in exchange for services valued @ $.15 per share hares issued for consulting services	122,795	123	18,2
Net (loss)	--	--	
Balance, December 31, 2000	4,315,966	4,316	273,6
Common shares issued in January, 2001 in exchange for convertible debt at $.15 per share	698,782	699	104,1
Stock options issued in May 2001, valued at $.15 per option, in exchange for services	--	--	52,5
Warrant issued in May 2001, valued at $.15 per warrant, in exchange for placement of debt	--	--	75,0
Common shares issued in September, 2001 for cash in connection with exercise of warrant at $.15 per share	3,000	3	4
Common shares issued in September, 2001 for cash in connection with exercise of warrant at $.10 per share	133,000	133	13,1
Common shares issued in November, 2001 for cash in connection with exercise of warrant at $.0001 per share	500,000	500	
Common shares issued in November, 2001 for cash in connection with exercise of options at $.0001 per share	350,000	350	
Common shares issued in December, 2001 in exchange for convertible debt at $.50 per share	133,961	134	66,8
Common shares issued in December, 2001 in exchange for debt at $.50 per share	17,687	18	8,8
Net (loss)	--	--	
Balance, December 31, 2001	6,152,396	6,152	594,5
Common shares issued in May, 2002 in exchange for services valued at $.71 per share	70,000	70	49,9
Common shares issued in Nov, 2002 in exchange for services valued at $0.25 per share	150,000	150	37,3
Common shares issued in Dec. 2002 as rights offering at $0.25 per share	256,000	256	63,7
Subscription Receivable for 10,000 shares issued	--	--	
	--	--	
Net loss			
Balance at December 31, 2002	6,628,396	6,628	745,5

Common shares issued in March, 2003 for cash in connection with exercise of options at $0.001 per share	250,000	250	
Cash received in exchange for stock subscription	--	--	
Common shares issued in March, 2003 in exchange for services valued at $.75 per share	300,000	300	224,7
Common shares issues in March, 2003 in exchange for services valued at $0.75 per share	13,333	14	9,9
Common shares issued in May, 2003 exchange for debt at	196,120	48,833	
$.25 per share	196	--	
Common shares issued in June, 2003 in exchange for services valued at $.25 per share	200,000	200	49,8
Common shares issued in September, 2003 in exchange	450,000	450	
forservices valued at $.20 per share	89,550	--	
Net Loss	--	--	
Balance, September 30, 2003	$ 8,037,849	$ 8,038	$ 1,168,4

	Deficiency Accumulated During Development Stage	Total Deficiency in Stockholders' Equity
Common shares issued in May 2000 to founders in exchange for cash at $. 001 per share	$ --	$ 2,200
Common shares issued in May 2000 in exchange for for research and development services valued at $.09 per share		68,753
Common shares issued in May 2000 in exchange for services valued @ $.05 per share		36,585
Common shares issued in July, 2000 in exchange for convertible debt at $.15 per share		40,000
Capital contributed by principal shareholders		16,000
Common shares issued in November 2000 for cash in connection with private placement at $. 15 per share		96,026
Common shares issued in November 2000 in exchange for services valued @ $.15 per share hares issued for consulting services		18,419
Net (loss)	(454,651)	(454,651)
Balance, December 31, 2000	(454,651)	(176,668)
Common shares issued in January, 2001 in exchange for convertible debt at $.15 per share	--	104,817
Stock options issued in May 2001, valued at $.15 per option, in exchange for services	--	52,500
Warrant issued in May 2001, valued at $.15 per warrant, in exchange for placement of debt	--	75,000
Common shares issued in September, 2001 for cash in connection with exercise of warrant at $.15 per share	--	450
Common shares issued in September, 2001 for cash in connection with exercise of warrant at $.10 per share	--	13,300

Common shares issued in November, 2001 for cash in connection with exercise of warrant at $.0001 per share	--	500
Common shares issued in November, 2001 for cash in connection with exercise of options at $.0001 per share	--	350
Common shares issued in December, 2001 in exchange for convertible debt at $.50 per share	--	66,981
Common shares issued in December, 2001 in exchange for debt at $.50 per share	--	8,843
Net (loss)	(636,274)	(636,274)
Balance, December 31, 2001	(1,090,925)	(490,202)
Common shares issued in May, 2002 in exchange for services valued at $.71 per share	--	49,998
Common shares issued in Nov, 2002 in exchange for services valued at $0.25 per share	--	37,500
Common shares issued in Dec. 2002 as rights offering at $0.25 per share	--	64,000
Subscription Receivable for 10,000 shares issued	--	(2,500)
Net loss	(700,104)	(700,104)
Balance at December 31, 2002	(1,791,029)	(1,041,308)
Common shares issued in March, 2003 for cash in connection with exercise of options at $0.001 per share	--	250
Cash received in exchange for stock subscription	--	2,500
Common shares issued in March, 2003 in exchange for services valued at $.75 per share	--	225,000
Common shares issues in March, 2003 in exchange for services valued at $0.75 per share	--	10,001
Common shares issued in May, 2003 exchange for debt at $.25 per share		
Common shares issued in June, 2003 in exchange for services valued at $.25 per share	--	50,000
Common shares issued in September, 2003 in exchange forservices valued at $.20 per share		
Net Loss	(1,218,195)	(1,218,195)
Balance, September 30, 2003	$(3,009,224)	$(1,832,723)

See accompanying notes to unaudited condensed consolidated financial statements

CYBERLUX CORPORATION
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS
UNAUDITED

NOTE A - SUMMARY OF ACCOUNTING POLICIES

GENERAL

The accompanying un audited condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10QSB. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Accordingly, the results from operations for the nine months period ended September 30, 2003, are not necessarily indicative of the results that may expected for the year ending December 31, 2003. The unaudited condensed financial statements should be read in conjunction with the December 31, 2002 financial statements and footnotes thereto included in the Company's SEC Form 10 KSB.

BUSINESS AND BASIS OF PRESENTATION

Cyberlux Corporation ("Company") was formed on May 17, 2000 under the laws of the state of Delaware. The Company is a development stage enterprise, as defined by Statement of Financial Accounting Standards No. 7 ("SFAS No. 7") and its efforts have been principally devoted to seeking profitable business opportunities. . From its inception through the date of these financial statements the Company has recognized limited revenues and has incurred significant operating expenses. Consequently, its operations are subject to all risks inherent in the establishment of a new business enterprise. For the period from inception through September 30, 2003, the Company has accumulated losses of $3,009,224.

STOCK BASED COMPENSATION

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure-an amendment of SFAS 123." This statement amends SFAS No. 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this statement amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The Company has chosen to continue to account for stock-based compensation using the intrinsic value method prescribed in APB Opinion No. 25 and related interpretations. Accordingly, compensation expense for stock options is measured as the excess, if any, of the fair market value of the Company's stock at the date of the grant over the exercise price of the related option. The Company has adopted the annual disclosure provisions of SFAS No. 148 in its financial reports for the year ended December 31, 2002 and all subsequent periods.

Had compensation costs for the Company's stock options been determined based on the fair value at the grant dates for the awards, the Company's net loss and losses per share would have been as follows (transactions involving stock options issued to employees and Black-Scholes model assumptions are presented in Note C):

CYBERLUX CORPORATION
(A DEVELOPMENT STAGE COMPANY)

NOTES TO FINANCIAL STATEMENTS
UNAUDITED

NOTE A - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

	For the three months ended September 30, 2003	For the three months ended September 30, 2002	For the nine m[onths ended] Septembe[r 30,] 2003
Net loss - as reported	$ (383,146)	$ (156,266)	$(1,218,195)
Add: Total stock based employee compensation expense as reported under intrinsic value method (APB. No. 25)	--	--	--
Deduct: Total stock based employee compensation expense as reported under fair value based method (SFAS No. 123)	(106,800)	--	(106,800)
Net loss - Pro Forma	$ (489,946)	$ (156,266)	$(1,324,995)
Net loss attributable to common stockholders - Pro forma	$ (489,946)	$ (156,266)	$(1,324,995)
Basic (and assuming dilution) loss per share - as reported	$ (0.05)	$ (0.03)	$ (0.17)
Basic (and assuming dilution) loss per share - Pro forma	$ (0.06)	$ (0.03)	$ (0.19)

NEW ACCOUNTING PRONOUNCEMENTS

Effective January 1, 2002, the Company adopted SFAS No.142. Under the new rules, the Company will no longer amortize goodwill and other intangible assets with definitive lives, but such assets will be subject to periodic testing for impairment. On an annual basis, and when there is reason to suspect that their values have been diminished or impaired, these assets must be tested for impairment, and write downs to be included in results from operations may be necessary. SFAS No.142 also requires the Company to complete a transitional goodwill impairment test six months from the date of adoption. Any goodwill impairment loss recognized as a result of the transitional goodwill impairment test is recorded as a cumulative effect of a change in accounting principle. The adoption of SFAS 142 had no material impact on the Company's condensed financial statements.

SFAS No. 143 establishes accounting standards for the recognition and measurement of an asset retirement obligation and its associated asset retirement cost. It also provides accounting guidance for legal obligations associated with the retirement of tangible long-lived assets. SFAS No. 143 is effective in fiscal years beginning after June 15, 2002, with early adoption permitted. The Company expects that the provisions of SFAS No. 143 will not have a material impact on its consolidated results of operations and financial position upon adoption. The Company plans to adopt SFAS No. 143 effective January 1, 2003.

NOTES TO FINANCIAL STATEMENTS
UNAUDITED

NOTE A - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

SFAS No. 144 establishes a single accounting model for the impairment or disposal of long-lived assets, including discontinued operations. SFAS No. 144 superseded Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" (SFAS No. 121), and APB Opinion No. 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions". The Company adopted SFAS No. 144 effective January 1, 2002. The adoption of SFAS No. 144 had no material impact on Company's consolidated financial statements.

In April 2002, the FASB issued Statement No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." This Statement rescinds FASB Statement No. 4, "Reporting Gains and Losses from Extinguishments of Debt", and an amendment of that Statement, FASB Statement No. 64, "Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements" and FASB Statement No. 44, "Accounting for Intangible Assets of Motor Carriers". This Statement amends FASB Statement No. 13, "Accounting for Leases", to eliminate an inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that a similar to sale-leaseback transactions. The Company does not expect the adoption to have a material impact to the Company's financial position or results of operations.

In June 2002, the FASB issued Statement No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." This Statement addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." The provisions of this Statement are effective for exit or disposal activities that are initiated after December 31, 2002, with early application encouraged. The Company does not expect the adoption to have a material impact to the Company's financial position or results of operations.

In October 2002, the FASB issued Statement No. 147, "Acquisitions of Certain Financial Institutions-an amendment of FASB Statements No. 72 and 144 and FASB Interpretation No. 9", which removes acquisitions of financial institutions from the scope of both Statement 72 and Interpretation 9 and requires that those transactions be accounted for in accordance with Statements No. 141, Business Combinations, and No. 142, Goodwill and Other Intangible Assets. In addition, this Statement amends SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, to include in its scope long-term customer relationship intangible assets of financial institutions such as depositor- and borrower-relationship intangible assets and credit cardholder intangible assets. The requirements relating to acquisitions of financial institutions are effective for acquisitions for which the date of acquisition is on or after October 1, 2002. The provisions related to accounting for the impairment or disposal of certain long-term customer-relationship intangible assets are effective on October 1, 2002. The adoption of this Statement did not have a material impact to the Company's financial position or results of operations as the Company has not engaged in either of these activities.

In December 2002, the FASB issued Statement No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure", which amends FASB Statement No. 123, Accounting for Stock-Based Compensation, to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of Statement 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The transition guidance and annual disclosure provisions of Statement 148 are effective for fiscal years ending after December 15, 2002, with earlier application permitted in certain circumstances. The interim disclosure provisions are effective for financial reports containing financial statements for interim periods beginning after December 15, 2002. The adoption of this

NOTE A - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

statement did not have a material impact on the Company's financial position or results of operations as the Company has not elected to change to the fair value based method of accounting for stock-based employee compensation.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities." Interpretation 46 changes the criteria by which one company includes another entity in its consolidated financial statements. Previously, the criteria were based on control through voting interest. Interpretation 46 requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. A company that consolidates a variable interest entity is called the primary beneficiary of that entity. The consolidation requirements of Interpretation 46 apply immediately to variable interest entities created after January 31, 2003. The consolidation requirements apply to older entities in the first fiscal year or interim period beginning after June 15, 2003. Certain of the disclosure requirements apply in all financial statements issued after January 31, 2003, regardless of when the variable interest entity was established. The Company does not expect the adoption to have a material impact to the Company's financial position or results of operations.

In April 2003, the FASB issued Statement No.149, " Amendment of Statement of 133 on Derivative Instruments and Hedging Activities ", which amends Statement 133, Accounting for Derivative Instruments and Hedging Activities. The adoption of this statement did not have a material impact on the Company's financial position.

In May 2003, the FASB issued Statement No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity". The adoption of this statement did not have a material impact on the Company's financial position.

NOTE B- COMMON STOCK

In May, 2003, the holder of a $49,030 note payable exchanged the unpaid principal together with accrued interest for 196,120 shares of the Company's common stock ..

In June, 2003 , the Company issued 200,000 shares of its common stock in exchange for services totaling $ 50,000. The stock issued was valued at approximately $.25 per share, which represents the fair value of the stock issued, which did not differ materially from the value of the services rendered.

In September , 2003 , the Company issued 450,000 shares of its common stock in exchange for services totaling $ 90,000. The stock issued was valued at approximately $.20 per share, which represents the fair value of the stock issued, which did not differ materially from the value of the services rendered.

CYBERLUX CORPORATION
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS
UNAUDITED

NOTE C - STOCK OPTIONS

Employee Stock Options

The following table summarizes the changes in options outstanding and the related prices for the shares of the Company's common stock issued to employees of the Company under a non-qualified employee stock option plan.

	Options Outstanding			
Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	N Exe
$ 0.2125	2,000,000	6.00	$ 0.2125	
	2,000,000	6.00	$ 0.2125	

Transactions involving stock options issued to employees are summarized as follows:

	Number of Shares	Weighted Average Price Per Share
Outstanding at July, 2003	--	--
Granted	2,000,000	$ 0.2125
Exercised	--	--
Canceled or expired	--	
Outstanding at September 30, 2003	2,000,000	$ 0.2125

Employee Stock Options (Continued)

The weighted-average fair value of stock options granted to employees during the period ended September 30, 2003 and 2002 and the weighted-average significant assumptions used to determine those fair values, using a Black-Scholes option pricing model are as follows:

	2003	2002
Significant assumptions (weighted-average):		
Risk-free interest rate at grant date	1.02%	n/a
Expected stock price volatility	26%	n/a
Expected dividend payout	--	--
Expected option life-years (a)	6	n/a

(a) The expected option life is based on contractual expiration dates.

If the Company recognized compensation cost for the non-qualified employee stock option plan in accordance with SFAS No. 123, the Company's pro forma net loss and net loss per share would have been $(1,324,995) and $(0.19) for the period ended September 30, 2003 and $(446,766) and $(0.07) for the period ended September 30, 2002, respectively.

NOTE D- COMMITMENTS AND CONTINGENCIES

In October, 2003 , OneCap, Inc. filed a complaint against the Company and its officers, Directors and certain shareholders in the District Court of Clark County, Nevada . The complaint alleges a breach of contract and securities fraud.. The Company believes that it has meritorious defenses to the plaintiff's claims and intends to vigorously defend itself against the Plaintiff's claims.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion contains forward-looking statements that are subject to significant risks and uncertainties about us, our current and planned products, our current and proposed marketing and sales, and our projected results of operations. There are several important factors that could cause actual results to differ materially from historical results and percentages and results anticipated by the forward-looking statements. The Company has sought to identify the most significant risks to its business, but cannot predict whether or to what extent any of such risks may be realized nor can there be any assurance that the Company has identified all possible risks that might arise. Investors should carefully consider all of such risks before making an investment decision with respect to the Company's stock. The following discussion and analysis should be read in conjunction with the financial statements of the Company and notes thereto. This discussion should not be construed to imply that the results discussed herein will necessarily continue into the future, or that any conclusion reached herein will necessarily be indicative of actual operating results in the future. Such discussion represents only the best present assessment from our Management.

GENERAL OVERVIEW

The Company is in the development stage and its efforts have been principally devoted to designing, developing manufacturing and marketing advanced lighting systems that utilize white (and other) light emitting diodes as illumination elements.

OUR COMMON STOCK HAS BEEN LISTED ON THE NASDAQ OTC ELECTRONIC BULLETIN BOARD SPONSORED BY THE NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC. UNDER THE SYMBOL "CYBL" SINCE JULY 11, 2003. ON OCTOBER 22, 2003, THE LAST TRADE PRICE AS REPORTED BY THE ELECTRONIC BULLETIN BOARD WAS $0.21.

ON SEPTEMBER 22, 2003, WE ENTERED INTO A FACTORING AGREEMENT WITH CAPITAL FUNDING SOLUTIONS, INC. WITH REGARD TO A PURCHASE ORDER FROM QVC.

Subsequent to the end of this quarter, on October 16, 2003, due to the change in pricing structure of our common stock on the over-the- counter bulletin board, we mutually cancelled the equity line of credit agreement with Cornell Capital Partners, LP which we entered into on March 15, 2003.

RESULTS OF OPERATIONS

The Company is in the development stage and is seeking to develop, manufacture and market advanced lighting systems that utilize white (and other) light emitting diodes as illumination elements. The risks specifically discussed are not the only factors that could affect future performance and results. In addition the discussion in this quarterly report concerning our business our operations and us contain forward-looking statements. Such forward-looking statements are necessarily speculative and there are certain risks and uncertainties that could cause actual events or results to differ materially from those referred to in such forward-looking statements. We do not have a policy of updating or revising forward- looking statements and thus it should not be assumed that silence by our Management over time means that actual events or results are occurring as estimated in the forward-looking statements herein.

As a result of limited capital resources and no revenues from operations from its inception, the Company has relied on the issuance of equity securities to non-employees in exchange for services. The Company's management enters into equity compensation agreements with non-employees if it is in the best interest of the Company under terms and conditions consistent with the requirements of Financial Accounting Standards No. 123, Accounting for Stock Based Compensation. In order conserve its limited operating capital resources, the Company anticipates continuing to compensate non-employees for services during the next twelve months. This policy may have a material effect on the Company's results of operations during the next twelve months.

REVENUES

We have generated operating revenues from operations of $ 87,375 from our inception. We believe we will begin earning revenues from operations in our second year of actual operation as the Company transitions from a development stage company to that of an active growth and acquisition stage company. On July 19, 2002, we developed a web site (www.cyberlux.com) which gives us the ability to offer our products over the internet.

COSTS AND EXPENSES

From our inception through September 30, 2003, we have not generated any revenues from operations. We have incurred losses of $3,009,224 during this period. These expenses were associated principally with equity-based compensation to employees and consultants, product development costs and professional services.

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2003, we had a working capital deficit of $1,929,243 . As a result of our operating losses from our inception through September 30, 2003, we generated a cash flow def,icit of $753,951 from operating activities. Cash flows used in investing activities was $135,494 during the period May 17, 2000 (date of Company's inception) through September 30, 2003. We met our cash requirements during this period through the private placement of 177,076 of common stock, $ 512,455 from the issuance of notes (net of repayments and costs), $195,542 from the issuance of notes payable to Company officers and shareholders (net of repayments), and $16,000 capital contributed by the Company's principal shareholders.

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While we have raised capital to meet our working capital and financing needs in the past, additional financing is required in order to meet our current and projected cash flow deficits from operations and development. We have a financing commitment in the form of an equity line of credit from Cornell Capital to provide the necessary working capital.

By adjusting its operations and development to the level of capitalization , management believes it has suffucient capital resources to meet projected cash flow deficits through the next twelve months . However, if thereafter, we are not successful in generating sufficient liquidity from operations or in raising sufficient capital resources, on terms acceptable to us, this could have a material adverse effect on our business, results of operations , liquidity and financial condition.

The Company's independent certified public accountant has stated in his report included in the Company's December 31, 2002 Form 10-KSB, as amended, that the Company has incurred operating losses in the last two years, and that the Company is dependent upon management's ability to develop profitable operations. These factors among others may raise substantial doubt about the Company's ability to continue as a going concern.

PRODUCT RESEARCH AND DEVELOPMENT

We anticipate performing further research and development for our exiting products during the next twelve months. Those activities include an Emergency Lighting Augmentation System, Lazer Safety Light, Power Outage Adapter, FailSafe Spot & Lamp and CampLamp Lantern. These projected expenditures are dependent upon our generating revenues and obtaining sources of financing in excess of our existing capital resources. There is no guarantee that we will be successful in raising the funds required or generating revenues sufficient to fund the projected costs of research and development during the next twelve months

ACQUISITION OF PLANT AND EQUIPMENT AND OTHER ASSETS

We do not anticipate the sale of any material property , plant or equipment during the next 12 months. We do not anticipate the acquisition of any material property, plant or equipment during the next 12 months.

NUMBER OF EMPLOYEES

From our inception through the period ended September 30, 2003, we have relied on the services of outside consultants for services and have five (5) employees. In order for us to attract and retain quality personnel, we anticipate we will have to offer competitive salaries to future employees. We anticipate that it may become desirable to add additional full and or part time employees to discharge certain critical functions during the next 12 months. This projected increase in personnel is dependent upon our ability to generate revenues and obtain sources of financing. There is no guarantee that we will be successful in raising the funds required or generating revenues sufficient to fund the projected increase in the number of employees. As we continue to expand, we will incur additional cost for personnel.

TRENDS, RISKS AND UNCERTAINTIES

We have sought to identify what we believe to be the most significant risks to our business, but we cannot predict whether, or to what extent, any of such risks may be realized nor can we guarantee that we have identified all possible risks that might arise. Investors should carefully consider all of such risk factors before making an investment decision with respect to our Common Stock.

CAUTIONARY FACTORS THAT MAY AFFECT FUTURE RESULTS

Our annual report on December 31, 2002 Form 10-KSB, as amended, includes a detailed list of cautionary factors that may affect future results. Management believes that there have been no material changes to those factors listed, however other factors besides those listed could adversely affect us. That annual report can be accessed on EDGAR.

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ITEM 3. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange act reports is recorded, processed , summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate , to allow timely decisions regarding required disclosure. Managment necessarily applied its judgement in assessing the costs and benefits of such controls and procedures , which , by their nature, can provide only reasonable assurance regarding management's control objectives.

We have carried out an evaluation, under the supervision and with the participation of our management, including our chief executive officer and chief financial officer of the effectiveness of the design and operation of our disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the Evaluation date)

Based upon that evaluation , the chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective as of the evaluation date.

CHANGES IN INTERNAL CONTROLS

There were no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the evaluation date.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

See Item 3: Legal Proceedings in our annual report on Form 10-KSB for the year ended December 31, 2002 for a description of current legal proceedings.

On October 23, 2003, Onecaps, Inc filed a camplain against the company and its Officers, Directors and cewrtain Shareholders in District Court of Clark County, Nevada (CASE NO. A475506).

The complaint alleges a breach of contract on securities fraud.

The Plaintiff is seeking specific performance, declaratory relief and injunctive relief . The Company believes that is has neritorious defenses to the plaintiff claims and intends to vigorously defend itself against the plaintiff claims.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS.

On September 22, 2003, the Company issued 450,000 shares @ $0.20 per share to Capital Funding Solutions, Inc. as collateral for a factoring agreement.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.
None

ITEM 5. OTHER INFORMATION.

None

ITEM 6. EXHIBITS AND REPORTS ON FROM 8-K

INDEX TO EXHIBITS

EXHIBIT NO.	DESCRIPTION
99.1	Certification of Donald F. Evans (Filed herewith)
99.2	Certification of David D. Downing (Filed herewith)

Reports on Form 8-K

None

SIGNATURES

In accordance with requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Cyberlux Corporation
(Registrant)

Date: November 14, 2003

/s/ Donald F. Evans
President and Chairman of the Board

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CERTIFICATIONS

I, Donald F. Evans, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Cyberlux Corporation.

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements and other financial information included in this quarterly 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 quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14 for the registrant and have:

   (a) designed such disclosure controls and procedures 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 quarterly report is being prepared;

   (b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   (c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, 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 in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize, and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions, with regard to significant deficiencies and material weaknesses.

Date: November 14, 2003

/s/ Donald F. Evans

Donald F. Evans
President and Chief Executive Officer

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CERTIFICATIONS

I, David D. Downing, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Cyberlux Corporation.

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements and other financial information included in this quarterly 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 quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14 for the registrant and have:

(a) designed such disclosure controls and procedures 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 quarterly report is being prepared;

(b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

(c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions);

c) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize, and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

d) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions, with regard to significant deficiencies and material weaknesses.

Date: November 14, 2003

/s/ David D. Downing

David D. Downing
Treasurer and Chief Financial Officer