XENOMICS INC
Form 10QSB/A
March 15, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

AMENDMENT NO. 2 TO FORM 10-QSB

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED: APRIL 30, 2005

o **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 333-103083
XENOMICS, INC.

(Name of small business issuer in its charter)

Florida	04-3721895
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

420 Lexington Avenue, Suite 1701, New York, New York 10170
(Address of principal executive offices) (Zip Code)

(212) 297-0808
(Registrant's telephone number)

(Former Name, Former Address and Former Fiscal Year,
if changed since last report)

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 past 90 days.

x Yes o No

APPLICABLE ONLY TO CORPORATE ISSUERS:

As of June 16, 2005, there were 18,604,300 shares of common stock, par value $0.0001, outstanding

Transitional Small Business Disclosure Format (check one):

o Yes x No

XENOMICS, INC.

(A Development Stage Company)

Index to Condensed Consolidated Financial Statements

PART I -- FINANCIAL INFORMATION

		Page
Item 1.	Condensed Consolidated Financial Statements	
	Unaudited Condensed Consolidated Balance Sheet as of April 30, 2005	5
	Unaudited Condensed Consolidated Statements of Operations for the Three Months Ended April 30, 2005 and 2004 and the period August 4, 1999 (Inception) to April 30, 2005	6
	Unaudited Condensed Consolidated Statements of Changes in Stockholders' Equity for the period August 4, 1999 (Inception) To April 30, 2005	7
	Unaudited Condensed Consolidated Statements of Cash Flows for the Three Months Ended April 30, 2005 and 2004 and the period August 4, 1999 (Inception) to April 30, 2005	9
	Notes to Unaudited Condensed Consolidated Financial Statements	10
Item 2.	Management's Discussion and Analysis and Plan of Operation	13
Item 3.	Controls and Procedures	16
PART II -- OTHER INFORMATION		
Item 6.	Exhibits	17
	Signatures	

INTRODUCTORY NOTE

This Report on Amendment No. 2 to Form 10-QSB for Xenomics, Inc. (the "Company") may contain forward-looking statements. You can identify these statements by forward-looking words such as "may," "will," "expect," "intend," "anticipate," believe," "estimate" and "continue" or similar words. Forward-looking statements include information concerning possible or assumed future business success or financial results. You should read statements that contain these words carefully because they discuss future expectations and plans, which contain projections of future results of operations or financial condition or state other forward-looking information. We believe that it is important to communicate future expectations to investors. However, there may be events in the future that we are not able to accurately predict or control. Accordingly, we do not undertake any obligation to update any forward-looking statements for any reason, even if new information becomes available or other events occur in the future.

The forward-looking statements included herein are based on current expectations that involve a number of risks and uncertainties set forth under "Risk Factors" in our Amendment No. 3 to our Annual Report on Form 10-KSB for the year ended January 31, 2005 and other periodic reports filed with the SEC. Accordingly, to the extent that this Quarterly Report contains forward-looking statements regarding the financial condition, operating results, business prospects or any other aspect of the Company, please be advised that the Company's actual financial condition, operating results and business performance may differ materially from that projected or estimated by the Company in forward-looking statements.

Explanatory Note

This Amendment No. 2 to Form 10-QSB includes restated unaudited condensed consolidated financial statements for the quarters ended April 30, 2005 and 2004, and for the period from inception (August 4, 1999) to April 30, 2005, in response to comments received by us from the Staff of the Securities and Exchange Commission. We have determined that errors had occured in these prior financial periods for matters described in Item 2. Management's Discussion and Analysis and Plan of Operation and in Note 5 to the Consolidated Financial Statements. This Amendment speaks as of the original filing date of our Form 10-QSB and has not been updated to reflect events occurring subsequent to the original filing date.

PART I – FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

XENOMICS, INC.
(A Development Stage Company)

CONSOLIDATED BALANCE SHEET - RESTATED
OF APRIL 30, 2005
(Unaudited)

ASSETS

Current Assets:		
Cash and cash equivalents	$	4,987,290
Prepaid expenses		44,501
Total current assets		5,031,791
Property and equipment, net		102,537
Security deposits		55,608
	$	5,189,936

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:		
Accounts payable	$	110,151
Accrued expenses		71,256
Total current liabilities		181,407
Stockholders' equity:		
Preferred stock, $.001 par value, 20,000,000 shares authorized, none outstanding		—
Common stock, $.0001 par value, authorized 100,000,000 shares, 18,949,300 issued at April 30, 2005		1,895
Treasury stock 350,000 common shares, at par		(35)
Additional paid-in-capital		14,331,121
Deferred unamortized stock based compensation		(1,530,345)
Deficit accumulated during the development stage		(7,794,107)
		5,008,529
	$	5,189,936

See accompanying notes

XENOMICS, INC.
(A Development Stage Company)

CONSOLIDATED STATEMENTS OF OPERATIONS - RESTATED
(Unaudited)

	2005	2004	For the Period from August 4, 1999 (inception) to April 30, 2005
Revenues	$ —$	—$	—
Costs and Expenses:			
Research and development	296,646	74,404	2,586,973
General and administrative	575,283	2,820	1,241,525
Stock-based compensation - general and administrative	(107,938)	—	3,997,768
	763,991	77,224	7,826,266
Loss from operations	(763,991)	(77,224)	(7,826,266)
Interest income	12,124	—	32,160
Net loss	$ (751,867)	$ (77,224)	$ (7,794,107)
Weighted average shares outstanding:			
Basic and diluted	17,716,394	13,166,502	12,232,074
Net loss per common share:			
Basic and diluted	$ (0.04)	$ (0.01)	$ (0.64)

See accompanying notes

XENOMICS, INC.
(A Development Stage Company)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY - RESTATED

	Preferred Stock	Common Stock Shares	Common Stock Par Value	Treasury Shares	Additional Paid in Capital	Deferred Unamortized Stock-based Compensation	Deficit Accumulated During Development Stage	Total Stockholders' Equity
Balance August 4, 1999 (Inception)		—	$ —	$ —	$ —	$ —	$ —	—
Sale of common stock - founders		222,000,000	22,200	—	19,800	—	—	42,000
Net loss for the period ended January 31, 2000		—	—	—	—	—	(14,760)	(14,760)
Balance, January 31, 2000		222,000,000	22,200	0	19,800	0	(14,760)	27,240
Net loss for the period ended January 31, 2001		—	—	—	—	—	(267,599)	(267,599)
Balance, January 31, 2001		222,000,000	22,200	0	19,800	0	(282,359)	($240,359)
Capital contribution cash					45,188			45,188
Net loss for the period ended January 31, 2002		—	—	—	—	—	(524,224)	(524,224)
Balance, January 31, 2002		222,000,000	22,200	0	64,988	0	(806,583)	($719,395)
Sale of common stock		7,548,000	755		2,645			3,400
Capital contribution cash					2,500			2,500
Net loss for the period ended January 31, 2003		—	—	—	—	—	(481,609)	(481,609)
Balance, January 31, 2003		229,548,000	22,955	0	70,133	0	(1,288,192)	($1,195,104)

Net loss for the period ended January 31, 2004	—	—	—	—	—	(383,021)	(383,021)
Balance, January 31, 2004	229,548,000	$ 22,955	$ 0	$ 70,133	$ 0	($1,671,213)	($1,578,125)

The accompanying notes are an integral part of these condensed consolidated financial statements.

XENOMICS, INC.
(A Development Stage Company)

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY - RESTATED
(Continued)

	Common Stock Shares	Par Value	Treasury Shares	Additional Paid in Capital	Deferred Unamortized Stock-based Compensation	Deficit Accumulated During Development Stage	Total Stockholders' Equity
Balance, January 31, 2004	229,548,000	$ 22,955	$ 0	$ 70,133	$ 0	$ (1,671,213)	$ (1,578,125)
Founders waive deferred compensation				1,655,029			1,655,029
Private Placement common stock	2,645,210	265		2,512,685			2,512,950
Redeemed shares from Panetta Partners, Ltd	(218,862,474)	(21,886)		(478,114)			(500,000)
Cost associated with recapitalization				(301,498)			(301,498)
Share exchange with Xenomics Founders	2,258,001	226		(226)			0
Issuance of treasury shares to escrow	350,000	35	(35)				0
Private Placement common stock	1,368,154	136		2,667,764			2,667,900
Issuance of warrants to finders				157,062			157,602
Finders warrants charged cost of capital				(157,062)			(157,062)
Deferred stock based compensation				1,937,500	(1,937,500)		0
Amortization of deferred stock based					245,697		245,697

compensation							
Options issued to consultants				1,068,238			1,068,238
Warrants issued to consultant				2,630,440			2,630,440
Net loss for the year ended January 31, 2005	—	—	—	—	—	(5,198,117)	(5,198,117)
Balance, January 31, 2005	17,306,891	1,731	(35)	11,923,282	(1,691,803)	(7,042,240)	3,190,935
Private Placement common stock	127,025	12		20,388			20,400
Private Placement common stock	1,515,384	152		2,656,847			2,656,999
Amortization of deferred stock based compensation					161,458		161,458
Outstanding options marked to market				(269,396)			(269,396)
Net loss for the three month period ended April 30, 2005						(751,867)	(751,867)
Balance, April 30, 2005	18,949,300	$ 1,895	$ (35)	$ 14,331,121	$ (1,530,345)	$ (7,794,107)	$ 5,008,529

See accompanying notes

XENOMICS, INC.
(A Development Stage Company)

CONSOLIDATED STATEMENTS OF CASH FLOW - RESTATED

(Unaudited)

	For the quarters ended April 30, 2005	2004	For the Period from August 4, 1999 (inception) to April 30, 2005
Cash flows from operating activities			
Net loss	$ (751,867))	$ (77,224))	$ (7,794,107)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation	4,533	2,796	13,600
Founders compensation contributed to equity		74,404	1,655,029
Stock-based compensation	(107,938)	—	3,997,768
Changes in operating assets and liabilities:			
Prepaid expenses	(9,141))	—	(44,501)
Security deposit	2,565	—	(55,608)
Accounts payable and accrued expenses	(25,651))	—	181,407
Net cash used in operating activities	(887,499)	(24))	(2,046,412)
Cash flows from investing activities:			
Acquisition of equipment	(29,575))	—	(116,137)
Net cash used in investing activities	(29,575))	—	(116,137)
Cash flows from financing activities:			
Net proceeds from issuance of common stock, net of repurchases	3,154,399	—	8,428,937
Payment of acquisition costs	(477,600)	—	(779,098)
Purchase of common stock	—	—	(500,000
Net cash provided by financing activities	2,677,399	—	7,149,839
Net increase(decrease) in cash and cash equivalents	1,760,325	(24))	4,987,290
Cash and cash equivalents at beginning of the period	3,226,965	339	—
Cash and cash equivalents at end of the period	$ 4,987,290	$ 315	$ 4,987,290

See accompanying notes

XENOMICS, INC.
(A Development Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

April 30, 2005

(Unaudited)

1. BUSINESS OVERVIEW:

Xenomics, Inc. (“Xenomics” or the “Company") is considered to be in the development stage. Since inception on August 4, 1999 Xenomics’ efforts have been principally devoted to research and development, securing and protecting our patents and raising capital. From inception through April 30, 2005, Xenomics has sustained cumulative net losses of $7,794,107. Xenomics's losses have resulted primarily from expenses aggregating $2,936,534 incurred in connection with research and development activities, application and filing for regulatory approval of our proposed products, patent filing and maintenance expenses, purchase of in-process research and development, outside accounting and legal services and regulatory, scientific and financial consulting fees and non-cash stock-based compensation expense of $4,105,706. From inception through April 30, 2005, Xenomics has not generated any revenue from operations, expects to incur additional losses to perform further research and development activities and does not currently have any commercial molecular diagnostic products approved by the Food and Drug Administration, and does not expect to have such for several years, if at all.

Xenomics's product development efforts are thus in their early stages and Xenomics cannot make estimates of the costs or the time it will take to complete. The risk of completion of any program is high because of the many uncertainties involved in bringing new products to market including the long duration of clinical testing, the specific performance of proposed products under stringent clinical testing protocols, the extended regulatory approval and review cycles and the nature and timing of costs and competing technologies being developed by organizations with significantly greater resources.

2. BASIS OF PRESENTATION:

The accompanying condensed consolidated financial statements of Xenomics, which include the results of Xenomics, Inc. a Florida corporation and its wholly owned subsidiary Xenomics, a California corporation ("Xenomics Sub"), have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). All significant intercompany balances and transactions have been eliminated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CASH EQUIVALENTS - Cash and cash equivalents consist of short term, highly liquid investments, with original maturities of less than four months when purchased and are stated at cost plus accrued interest.

BUSINESS CONCENTRATIONS AND CREDIT RISKS - All of Xenomics's cash and cash equivalents as of April 30, 2005 are on deposit with a major money center financial institution, or invested in short term money market instruments, principally U.S. Treasury Bills, not exceeding maturities of 120 days. Bank deposits at any point in time may exceed federally insured limits.

NET LOSS PER SHARE - Basic and diluted net loss per share is presented in conformity with SFAS No. 128, "Earnings per Share," for all periods presented. In accordance with SFAS No. 128, basic and diluted net loss per

common share was determined by dividing net loss applicable to common stockholders by the weighted-average common shares outstanding during the period. Diluted weighted-average shares are the same as basic weighted-average shares since the inclusion of issuable shares pursuant to the exercise of stock options and warrants, would have been antidilutive. As of April 30, 2005, Xenomics had 5,495,000 stock options outstanding, whereas none were outstanding as of April 30, 2004. In addition Xenomics had 2,011,418 common stock warrants outstanding which were 100% vested as of April 30, 2005 and none outstanding as of April 30, 2004. All share and per share amounts have been restated to reflect the 111 for 1 stock split which was effective July 26, 2004.

ACCOUNTING FOR STOCK BASED COMPENSATION - Xenomics has adopted Statement of Financial Accounting Standard ("SFAS") No. 123, "Accounting for Stock-Based Compensation." As provided for by SFAS 123, Xenomics has also elected to continue to account for its stock-based compensation programs according to the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees ("APB 25"). ")." Accordingly, compensation expense has been recognized based on the intrinsic value of stock issued or options granted to employees and directors for services rendered. Other stock based compensation associated with grants to non-employees, as well as Directors who perform services outside of their Board duties, is measured using the fair value method. We rely on incentive compensation in the form of stock options to recruit, retain and motivate directors, executive officers, employees and consultants. Incentive compensation in the form of stock options is designed to provide long-term incentives, develop and maintain an ownership stake and conserve cash during our development stage. Since inception through April 30, 2005 stock based compensation expense totaled $3,997,768 and our deferred unamortized stock-based compensation as of April 30, 2005 was $1,530,345. During the quarter ended April 30, 2005, Xenomics recorded a net benefit of $107,938 in the stock-based compensation expense category due to marking certain outstanding options to market

A total of 5,000,000 shares of common stock have been reserved for issuance under the Xenomics Stock Option Plan, as amended (the “Plan”). As of April 30, 2005, options for the 5,495 shares were outstanding under the Plan. 495,000 of such options have been granted subject to stockholder approval of an increase in the number of shares that can be granted under the Plan. With respect to the options granted prior to stockholder approval a measurement date has not occurred and accordingly no compensation expense has been recorded. When such measurement date does occur, stock based compensation expense will be recorded in accordance with the above policy. The 495,000 options granted subject to shareholder approval a fair value of approximately $1,028,000 as of April 31,2005 at which date the market price of the Company’s stock was $2.61 per share.

In December 2002, the Financial Accounting Standards Board issued SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure, an amendment of FASB Statement No. 123," 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 Quarterly and Annual financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. (see below)

Had compensation cost for stock options granted to employees and directors been determined based upon the fair value at the grant date for awards, consistent with the methodology prescribed under SFAS 123, Xenomics's net loss would have been as follows:

	Quarters Ended April 30,	
	2005	**2004**
Net loss, as reported	$ (751,867)	$ (77,224)
Add: Stock-based employee compensation expense recorded under APB No. 25 intrinsic method	161,458	—
Deduct: Stock-based employee compensation expense determined under Fair Value based method for all employee awards	(324,742)	—
Pro forma net loss	$ (915,150)	$ (77,224)
Net loss per share:		
Basic and diluted -as reported	$ (0.04)	$ (0.00)
Basic and diluted -pro forma	$ (0.05)	$ (0.00)

Fair Value per share for options granted to employees	$	3.10	$	N/A
Black-Scholes Methodology Assumptions:				
Dividend yield		0%		N/A
Risk free interest rate		4.50%		N/A
Expected lives of options		10 years		N/A

Volatility of 0% was used until Xenomics's common stock began to trade publicly on July 2, 2004. Since July 5, 2004 through April 30, 2005 Xenomics has used 80% volatility to determine Fair Value of options granted to employees.

RECENT ACCOUNTING PRONOUNCEMENTS AFFECTING THE COMPANY - In December 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard ("SFAS") No. 123 (Revised 2004), "Share-Based Payment." SFAS No 123R is a revision of SFAS No. 123, "Accounting for Stock-Based Compensation" and supersedes Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees" and its related implementation guidance. SFAS No. 123R focuses primarily on accounting for transactions in which an entity obtains employee services through share-based payment transactions. SFAS No 123R requires a public entity to measure the cost of employee services received in exchange for the award of equity instruments based on the fair value of the award at the date of grant. The cost will be recognized over the period during which an employee is required to provide services in exchange for the award. SFAS No. 123R is effective as of the beginning of the first interim or Quarterly reporting period that begins after December 15, 2005. While Xenomics cannot precisely determine the impact on net loss as a result of the adoption of SFAS No 123R, estimated compensation expense related to prior periods can be found above in this footnote.

4. STOCKHOLDERS' EQUITY:

On July 2, 2004 the Company completed a private placement of 2,645,210 shares of its common stock for aggregate proceeds of $2,512,950, or $0.95 per share. The sale was made to 17 accredited investors directly by the Company without any general solicitation or broker and thus no finder's fees were paid.

Pursuant to the Agreement with Trilogy (see note 9) Xenomics issued warrants to Trilogy to purchase 1,000,000 shares of Common Stock of Xenomics at an exercise price of $2.95 per share (the “Warrants”). The exercise price was determined to be consistent with the price of the warrants being offered to purchasers as part of an investment unit in the then operative private placement memorandum. The Warrants issued to Trilogy are exercisable upon issuance and expire on December 13, 2007. Xenomics has agreed to file a registration statement with the Securities and Exchange Commission registering for resale the shares of Common Stock underlying the Warrants. The fair value of the Warrants using the Black-Scholes methodology is $2,630,440 which was immediately expensed. The following assumptions were used to determine fair value: (i) stock price $4.20 per share (ii) no dividend (iii) risk free interest rate 4.5% (iv) volatility of 80%.

On January 28, 2005, the Company closed a private placement of 1,368,154 shares of common stock and 342,040 warrants to certain investors (the "Investors"). The securities were sold as a unit (the "Units") at a price of $1.95 per Unit for aggregate proceeds of $2,667,900. On February 2, 2005 the Company sold an additional 102,564 shares of common stock and 25,641 warrants to the Investors for aggregate proceeds of $200,000. Each Unit consisted of one share of common stock and a warrant to purchase one quarter share of common stock. The warrants are immediately exercisable at $2.95 per share and are exercisable at any time within five years from the date of issuance. The fair value of these Investor warrants using a market price of $4.20 per share on the date of issuance date was $1,198,373. The Company also issued an aggregate 123,659 warrants to purchase common stock to various selling agents, which are immediately exercisable at $2.15 per share and will expire five years after issuance. The selling agent warrants had a fair value of $403,038 on the date of issuance and this amount was recorded as a cost of raising capital.

In connection with the offer and sale of securities to the Investors the Company also entered into a Registration Rights Agreement, dated as of January 28, 2005 (the "Registration Rights Agreement"), with the Investors pursuant to which the Company has agreed to file, within 120 days after the closing, a registration statement covering the resale of the shares of common stock sold to the Investors and the shares of common stock issuable upon exercise of the Warrants issued to the Investors.

On April 7, 2005, the Company closed a private placement of 1,515,384 shares of common stock and 378,846 warrants to certain additional Investors for aggregate proceeds of $2,954,999. The Company paid an aggregate $298,000 in fees and issued an aggregate 121,231 warrants to purchase common stock to selling agents. The warrants are immediately exercisable at $2.15 per share and will expire five years after issuance. The fair value of these

Investor warrants using a market price of $2.61 per share on the date of issuance date was $694,335. The Company paid an aggregate $298,000 and issued an aggregate 121,231 warrants to purchase common stock to Axiom Capital Management who acted as the selling agent. The warrants are immediately exercisable at $2.15 per share, will expire five years after issuance. The warrants had a fair value of $222,188 on the date of issuance and this amount was recorded as a cost of raising capital. These April 7, 2005 Investors became parties to the same Registration Rights Agreement as the January 28, 2005 Investors

5. Restatement

On September 2, 2005 the Company received a comment letter from the Securities and Exchange Commission (the "SEC") concerning its Form SB-2 which was filed with the SEC by the Company on August 2, 2005. The Company's consolidated financial statements for the year ended January 31, 2005 and the three months ended April 30, 2005 included in Amendment No. 1 to Form SB-2 filed on October 28, 2005 were restated in response to certain SEC comments.

On November 28, 2005 the Company received a comment letter from the SEC concerning Amendment No. 1 to Form SB-2. The Company's consolidated financial statements for the year ended January 31, 2005 included in Amendment No. 2 to Form SB-2 filed on January 11, 2006 were restated in response to certain SEC comments.

On February 2, 2006 the Company received a comment letter from the SEC concerning Amendment No. 2 to Form SB-2. The Company's consolidated financial statements for the year ended January 31, 2005 and the nine months ended October 31, 2005 included in Amendment No. 3 to Form SB-2 filed on February 14, 2006 were restated in response to certain SEC comments.

On February 22, 2006, the Company received a comment letter from the SEC concerning Amendment No. 3 to Form SB-2. The Company's consolidated financial statements for the nine months ended October 31, 2005 included in Amendment No. 4 to Form SB-2 filed on February 28, 2006 were restated in response to certain SEC comments.

The following is a summary of the impact of those adjustments:

	Year Ended January 31, 2005	Three Months Ended April 30, 2005
Net loss prior to adjustments	$ (3,336,018)	$ (924,805)
Reversal of charge for acquired in-process research and development	2,145,101	0
Stock based compensation - Trilogy Capital Partners, Inc.	(123,063)	0
Deferred founders' compensation contributed to capital	(74,404)	0
Net loss as reported in Amendment #1	(1,388,384)	(924,805)
Stock based compensation:		
Trilogy Capital Partners, Inc.	(2,507,377)	0
Consultants other than Trilogy application of EITF 96-18	(1,229,568)	269,396
Employees adjustment for use of quoted market price	(245,697)	(161,458)
Other	0	65,000
Net loss as reported in Amendment #2	$ (5,371,026)	$ (751,867)
Weighted average common shares	14,580,186	17,716,394

Loss per share - Basic and diluted - Prior to adjustments	$	(0.23)	$	(0.05)
Loss per share - Basic and diluted - As reported in Amendment #4	$	(0.37)	$	(0.04)

12

ITEM 2. M**ANAGEMENT'S DISCUSSION AND ANALYSIS AND PLAN OF OPERATION**

The following discussion should be read in conjunction with our consolidated financial statements and notes to those statements included in this Quarterly Report on Amendment No. 2 to Form 10-QSB. In addition to historical information, the following discussion and other parts of this Quarterly Report contain forward-looking information that involves risks and uncertainties.

OVERVIEW

We are a development stage molecular diagnostic company that focuses on the development of DNA-based tests using Trans-renal DNA (“Tr-DNA”). Tr-DNA's are fragments of DNA derived from dying cells inside the body compartment. The intact DNA is fragmented in these dying cells, appears in the blood stream and these fragments have been shown to cross the kidney barrier and can be detected in urine. Because Tr-DNA originates inside the body, using a safe and simple urine collection, we believe our patented technology can be applied to a broad range of testing including: prenatal testing, tumor detection and monitoring, tissue transplantation, infectious disease, forensic identification, drug development and bio-terrorism. In March 2004, we organized a joint venture with the Spallanzani National Institute for Infectious Diseases (Instituto Nazionale per le Malattie Infettive) in Rome, Italy, in the form of a new R&D company called SpaXen Italia, S.R.L, or SpaXen, which will conduct research and development on non-invasive diagnostic tests for infectious disease using Tr-DNA methodology.

HISTORY

Since inception on August 4, 1999 through April 30, 2005, we have sustained cumulative net losses of $7,794,107. Our losses have resulted from expenses aggregating $2,936,534 incurred in connection with research and development expenses, patent costs and legal and accounting expenses and non-cash stock-based compensation expense of $4,105,706. From inception through April 30, 2005, we have not generated any revenue from operations. We expect to incur additional losses to perform further research and development activities. We do not currently have any commercial products and we do not expect to have any for the foreseeable future. Our product development efforts are in their early stages and we cannot make estimates of the costs or the time it will take to complete. The risk of completion of any program is high because of the long duration of clinical testing, regulatory approval and review cycles and uncertainty of the costs. Net cash inflows from any products developed may take several years to achieve.

Restatement of financial statements

The consolidated financial statements contained within this report have been restated to eliminate errors for the matters described below. For restatement purposes in accordance with Generally Accepted Accounting Principles in the United States, an error is defined as an oversight or misuse of facts that existed at the time the financial statements were prepared.

The following is a summary of those adjustments:

	Three Months Ended April 30, 2005	Three Months Ended April 30, 2004
Net loss prior to adjustments	$ (924,805)	$ (2,820)
Deferred founder’s compensation contributed to capital	—	(74,404)
Stock based compensation:		
Adjustment for use of quoted market price	(161,458)	0

Adjustment for the application of EITF 96-18	269,396	0
	107,938	0
Other	65,000	0
Total adjustments	172,938	(74,404)
Net loss as restated	$ (751,867)	$ (77,224)
Weighted average common shares	17,716,394	13,166,502
Loss per share - Basic and diluted - Prior to adjustments	$ (0.05)	$ (0.00)
Loss per share - Basic and diluted - Prior to adjustments	$ (0.04)	$ (0.01)

Deferred Founders' Compensation Contributed To Capital - Originally, there was no accounting recognition as management was not aware of the existence of deferred compensation agreements. When management became aware of such agreements and the founders did not seek to be paid these amounts, the amounts were accounted for as compensation contributed to capital.

Stock Compensation - Adjustment Resulting From Use Of Quoted Market Price - The original accounting treatment for stock based compensation was based upon a subjective determination of the most appropriate value of our common shares to be used in the Black-Scholes calculations. Specifically, we elected to use $1.95 per share for such calculations, representing the sales price per share from a recent financing transaction, rather than the quoted market price with a simple average of approximately $3.70 per share during the applicable period. Upon subsequent re-examination of the circumstances, it was determined that the use of the quoted market price was required by generally accepted accounting principles. Consequently, the calculations were revised and additional stock based compensation expense was recorded.

Stock Compensation - Adjustment For The Application Of EITF 96-18 - The original accounting treatment for options issued to Messrs. Cerrone and Tomei, Co-Chairmen of the Board of Directors, assumed those individuals to be employees of the Company and no expense was recorded. Upon subsequent re-examination of the circumstances, it was determined that the options were deemed to relate to consulting services beyond the normal scope of their roles as Directors and, as required by EITF 96-18, they were expensed and marked to market through April 30, 2005.

Other - This adjustment corrects for the erroneous recording of an expense in the three month period ending April 30, 2005. This amount was reversed in the three month period ending July 31, 2005.

RESULTS OF OPERATIONS

THREE MONTHS ENDED APRIL 30, 2005 AND 2004.

We had no revenues during the quarters ended April 30, 2005 and 2004 because we do not have any commercial products and we do not expect to have any for the foreseeable future.

Operating expenses increased to $763,991 during the quarter ended April 30, 2005 from $ 77,224 for the same period in 2004. This increase occurred as a result of increased business activities which began subsequent to July 2, 2004, the date our business combination and first private placement was completed. Our research and development expenses increased to $296,646 during the quarter ended April 30, 2005 as compared to $77,404 during the quarter ended April 30, 2004. These include expenditures in connection with an in-house research and development laboratory facility in New Jersey, salaries and staff costs, patent legal, filing and maintenance expenses, regulatory and scientific consulting fees and laboratory supplies.

During the quarter ended April 30, 2005, our general and administrative expenses increased to $575,283 as compared to $2,820 during the quarter ended April 30, 2004 as we incurred higher legal and public accounting fees in connection with our fund raising activities, directors and officer's liability insurance, payroll, consulting , investor relation and increased rent expense associated with our office in New York.

Stock-based compensation expense in the quarter ended April 30, 2005, related to general and administrative staff, was a net benefit of $107,938 due to marking certain outstanding options to market and the use of the intrinsic value method in accordance with SFAS 123 and APB 25 for options granted to employees and directors. Had we used the alternative fair value method our stock based compensation expense would have been a net expense of $55,344 in the quarter ended April 30, 2005. Prior to this quarter we have recorded no stock based compensation expense.

Other income consisted of interest income of $20,035 and $0 during the quarters ended April 30, 2005 and 2004 respectively.

Net loss for the quarter ended April 30, 2005 was $751,867 as compared to a loss of $77,224 for the same period in 2004. The increase in the net loss in 2005 is the result of higher operating expenses as described above.

PLAN OF OPERATIONS

We plan to devote significant financial and other resources to further research and development, and commercialize tests using our Tr-DNA technology. Our initial focus is on two key applications: prenatal genetic testing and infectious disease detection. If developed, we intend to sell these products to independent clinical laboratories and hospital laboratories approved for performance of high- complexity tests. We have completed our proof of principle studies in these two key areas and must now validate these findings in human clinical samples. It is expected that the next phase of product development will last throughout the 2006 fiscal year. The next phase requires that we gain access to clinical samples pertinent to each product focus. We have executed research contracts with North Shore - Long Island Jewish (LIJ) Health System in Lake Success, New York and Eastern Virginia Medical School in Norfolk, Virginia. The research contract with Long Island Jewish (LIJ) Health System is subject to approval by its Institutional Review Board ("IRB"). There can be no assurance that our contract with North Shore Long Island Jewish (LIJ) Health System will be approved by its IRB.

We intend to develop our infectious disease applications at SpaXen, S.R.L. our joint venture with The Spallenzani National Institute for Infectious Diseases ("INMI") located in Rome Italy. Under the terms of our agreement with INMI, INMI provides laboratory space to SpaXen and financial support in the form of chemicals and scientific personnel to work on applications of the Tr-DNA technology for a broad variety of infectious diseases. The Spallanzani Institute is a large AIDS treatment center and provides patient care to 4,000 infected patients. The SpaXen joint venture provides access to needed human clinical samples for development of our HIV and TB products. If our agreement with INMI is terminated, we may not be able to gain access to needed human clinical samples which will prevent us from developing FDA approved products and will severely limit our ability to generate revenue through product sales.

Our plan of operation is to continue our product development in our two focus areas of prenatal genetic testing and infectious disease detection with a goal toward eventually bringing FDA approved products to market. We anticipate that Tr-DNA analysis will become a platform technology for development of tests for the monitoring of tumor and pre-cancerous progression and post-treatment screening for tumor re-growth conditions. The initial opportunities for diagnostic test development are gastro-intestinal tumors, including colorectal cancer, liver cancer and pancreatic cancer. Because cancer detection and monitoring studies are long and expensive, we are actively seeking academic-based researchers who are funded to perform evaluations of new cutting-edge technologies. In this way we expect to progress our understanding of cancer detection and monitoring with little or no cost to us. We believe that our Tr-DNA technology can also be used to monitor organ transplant patients. Because organ rejection is marked by early death of cells, we believe that an early indication of rejection can be identified by measuring a unique series of genetic markers of the organ donor that can be detected in random urine samples of the organ recipient. Because organ transplant monitoring is not truly "diagnostic," in the next fiscal year we will begin to explore licensing arrangements with drug companies who manufacture the immune-suppression drugs used to prevent organ rejection. If we can conclude a license agreement, this may provide an early source of revenue for us. However, there can be no assurance that appropriate strategic partnership or licensing arrangements will be completed in either of these areas.

We expect it will take 2 to 3 years for our first product to be commercialized. During the second half of 2006, with the addition of appropriate regulatory personnel, we intend to create a good manufacturing practice, or GMP, compliant manufacturing facility. At the same time, we must adopt the FDA Quality System Regulations (QSR) system of documentation. In most cases, we expect to purchase bulk quantities of specified raw materials and reagents from qualified vendors. In some cases, we may synthesize certain materials and reagents. We expect our manufacturing facility to use bulk materials to assemble reagent sets, perform quality control testing and package the reagent sets for shipping and distribution. Because we do not have manufacturing experience, we may not be able to establish a GMP compliant facility or develop reproducible and effective manufacturing processes at a reasonable cost. In such event, we will have to rely on third party manufacturers whose availability and cost is presently unclear.

We entered into a lease for corporate office space in New York City comprising approximately 2,000 square feet, for seven years ending September 30, 2011. In addition, we have leased a laboratory facility of approximately 3,700 sq. ft. in Monmouth Junction, New Jersey. We believe that these facilities, together with laboratory facilities provided to SpaXen by INMI, will be adequate for our anticipated level of activity during fiscal year 2006.

LIQUIDITY AND CAPITAL RESOURCES.

As of April 30, 2005 we had $4,987,290 in cash and cash equivalents, compared to $3,226,965 as of January 31, 2005.

On January 28, 2005, we closed the first traunche of a private placement in which we sold 1,368,154 shares of common stock and issued 342,040 warrants to certain investors (the "Investors"). The securities were sold as a unit (the "Units") at a price of $1.95 per Unit for aggregate proceeds of $ 2,667,900. On February 2, 2005, we sold an additional 102,564 shares of common stock and 25,641 warrants to the Investors for aggregate proceeds of $200,000. Each Unit consisted of one share of common stock and a warrant to purchase one quarter share of common stock. The warrants are immediately exercisable at $2.95 per share and are exercisable at any time within five years from the date of issuance. We issued an aggregate 123,659 warrants to purchase common stock to various selling agents, which are immediately exercisable at $2.15 per share and will expire five years after issuance. In February 2005, we paid an aggregate $179,600 in cash and issued 24,461 shares of common stock to certain selling agents, in lieu of cash.

On April 7, 2005, we closed the second traunche of the private placement and sold 1,515,384 shares of common stock and 378,846 warrants to certain additional Investors for aggregate proceeds of $2,954,999. In connection with this second tranche we paid an aggregate of $298,000 in fees and issued an aggregate 121,231 warrants to purchase common stock to selling agents. The warrants are immediately exercisable at $2.15 per share and will expire five years after issuance.

Our working capital requirements will depend upon numerous factors including but not limited to the nature, cost and timing of: product development; pre-clinical and clinical testing; obtaining regulatory approvals; technological advances and our ability to establish collaborative arrangements with research organizations and individuals needed to commercialize our products. Our capital resources will be focused primarily on the clinical development and regulatory approval of our Tr-DNA technology. We expect that our existing capital resources will be sufficient to fund our operations for at least the next 12 months. We will be required to raise additional capital to complete the development and commercialization of our current product candidates.

ITEM 3: CONTROLS AND PROCEDURES.

We are required to maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports under the Exchange Act 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 management, including our Chief Executive Officer and Chief Financial Officer as appropriate, to allow timely decisions regarding required disclosure.

In connection with the preparation of Amendment No. 2 to Form 10-QSB for the three months ended April 30, 2005, management, under the supervision of the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of disclosure controls and procedures. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of April 30, 2005 due to the errors outlined below.

a) *Deferred Founders' Compensation Contributed To Capital* - Originally, there was no accounting recognition as financial management was not aware of the existence of deferred compensation agreements. This resulted in an understatement of compensation expense. The cause of this error was attributable to inadequate communication within our company.

b) *Stock Compensation - Adjustment Resulting From Use Of Quoted Market Price* - The original accounting treatment for stock based compensation was based upon a subjective determination of the most appropriate value of our common shares to be used in the valuation calculations. Specifically, we elected to use $1.95 per share for such calculations, representing the sales price per share from a recent financing transaction, rather than the quoted market price with a simple average of approximately $3.70 per share during the applicable period. This error resulted in an understatement of compensation expense. The cause of this error was attributable to financial management's lack of familiarity with certain provisions of the accounting literature concerning stock compensation expense.

c) *Stock Compensation - Adjustment For The Application Of EITF 96-18* - The original accounting treatment for options issued to the Co-Chairmen of the Board of Directors erroneously assumed those individuals to be employees and no expense was recorded. This error resulted in an understatement of compensation expense. The cause of this error was attributable to financial management's lack of familiarity with certain provisions of EITF 96-18 concerning stock compensation expense.

We have implemented the following measures to remediate the errors described above. We are committed to establishing the necessary environment to ensure the effectiveness of these controls in the future and quality financial reporting. As described in detail in the following paragraphs, we appointed a new director as Chairman of the Audit Committee and designated him as the Audit Committee financial expert. Additionally we hired a Chief Financial Officer. Communication has been improved through the inclusion of the Chief Financial Officer in all meetings of the Board of Directors and the establishment of a Disclosure Committee. Further, we have strengthened our accounting staff through the hiring of additional personnel.

Personnel Changes:

a) On December 1, 2005, the Board of Directors appointed John Brancaccio as director and Chairman of the Audit Committee. Mr. Brancaccio is a retired Certified Public Accountant and has over 30 years of financial management experience. He currently serves as the Chief Financial Officer of Accelerated Technologies, Inc., a medical device company, and on the boards of the following publicly-held companies: Callisto Pharmaceuticals, Inc., Alfacell Corporation, and FermaVir Pharmaceuticals, Inc. Mr. Brancaccio was formerly the acting Chief Financial Officer and Treasurer of Memory Pharmaceuticals Corporation. The Board has designated Mr. Brancaccio as the audit

committee financial expert.

b) On January 16, 2006 we hired Frederick Larcombe as Chief Financial Officer. Mr. Larcombe is a Certified Public Accountant and has over twenty-five years of financial management experience which includes serving as Chief Financial Officer and Vice President of Finance with MicroDose Technologies, Inc., a privately held drug delivery company, and ProTeam.com, Inc., a publicly held Internet-oriented retailer. Prior to that, he held financial positions with Cambrex Corporation, a publicly-held life sciences company, and PriceWaterhouseCoopers.

Communication:

a) Effective January 2006, the Chief Financial Officer participates in all meetings of the Board of Directors;

b) Effective January 2006 discussions concerning all contracts, commitments, and general business activities include a member of the financial management team;

c) Effective March 2006, a Disclosure Committee was established consisting of the Chief Executive Officer, Chief Financial Officer, and the Chairman of the Audit Committee which will meet periodically to ensure the identification of key business matters and ensure the adequacy of related disclosures; and

d) Effective March 2006, resources supporting the accounting and reporting function has been strengthened with the addition of a more experienced individual. Additionally, a search has been initiated for an individual to fill the role of accounting manager or controller.

Except for changes in connection with the remediation subsequent to April 30, 2005 of the errors described above, there was no change in our internal control over financial reporting that occurred subsequent to January 31, 2005 that has materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 6. EXHIBITS

(a) Exhibits

31.1 Certification of Chief Executive Officer required under Rule 13a-14(a)/15d-14(a) under the Exchange Act.

31.2 Certification of Principal Financial Officer required under Rule 13a-14(a)/15d-14(a) under the Exchange Act.

32.1 Certification of Chief 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, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Xenomics, Inc .

(Registrant)

Date: March 15, 2006	By:	/s/ L. David Tomei L. David Tomei Chief Executive Officer and President
Date: March 15, 2006	By:	/s/ Frederick Larcombe Frederick Larcombe Chief Financial Officer

Index to Exhibits

31.1	Certification of Chief Executive Officer required under Rule 13a-14(a)/15d-14(a) under the Exchange Act.
31.2	Certification of Principal Financial Officer required under Rule 13a-14(a)/15d-14(a) under the Exchange Act.
32.1	Certification of Chief 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