

Cobalis Corp
Form 10QSB
November 20, 2006

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-QSB

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2006

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT
For the transition period from _____ to _____

000-49620

(Commission file number)

COBALIS CORP.

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

Nevada

(State or other jurisdiction
of incorporation or organization)

91-1868007

(IRS Employer
Identification No.)

2445 McCabe Way, Suite 150, Irvine, California 92614

(Address of principal executive offices)

(949) 757-0001

(Issuer's telephone number)

N/A

(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 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 [] No []

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: As of November 1, 2006 - 35,576,834 shares of common stock

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

Transitional Small Business Disclosure Format (check one): Yes [] No [X]

COBALIS CORP.
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PART I. FINANCIAL INFORMATION**Item 1. Financial Statements**

COBALIS CORP. AND SUBSIDIARY
(A Development Stage Company)
Consolidated Balance Sheet

		September 30,
		2006
		(unaudited)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$	66,120
Prepaid expenses and other current assets		32,991
TOTAL CURRENT ASSETS		99,111
PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$110,896		4,427
WEBSITE DEVELOPMENT COSTS, net of accumulated amortization of \$33,368		1,239
PATENTS, net of accumulated amortization of \$305,648		647,791
DEPOSIT		12,546
TOTAL ASSETS	\$	765,114
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable	\$	437,105
Accrued expenses		536,192
Accrued clinical trial costs		1,004,032
Accrued legal settlements		1,725,000
Accrued salaries		1,096,711
Promissory notes		46,813
Notes payable, net of discount of \$54,508		245,492
Convertible notes payable		850,000
TOTAL CURRENT LIABILITIES		5,941,345
SENIOR DEBENTURE, net of discount of \$70,361		179,639
TOTAL LIABILITIES		6,120,984
CONVERTIBLE PREFERRED STOCK		442,500
COMMITMENTS AND CONTINGENCIES		-

STOCKHOLDERS' DEFICIT

Common stock; \$0.001 par value; 50,000,000 shares authorized; 32,973,139 shares issued and outstanding	32,973
Additional paid-in capital	24,552,826
Prepaid expenses	(226,535)
Deficit accumulated during the development stage	(30,157,634)

TOTAL STOCKHOLDERS' DEFICIT (5,798,370)

TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT \$ 765,114

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

COBALIS CORP. AND SUBSIDIARY
(A Development Stage Company)
Consolidated Statements of Operations

	Three Months Periods Ended		Six Months Periods Ended		Cumulative from
	September 30,	September 30,	September 30,	September 30,	November 21,
	2006	2005	2006	2005	2000 (inception)
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	to
					September 30,
					2006
					(unaudited)
NET SALES	\$ -	\$ -	\$ -	\$ -	\$ 5,589
COST OF SALES	-	-	-	-	31,342
GROSS PROFIT (LOSS)	-	-	-	-	(25,753)
OPERATING EXPENSES:					
Professional fees	650,769	447,182	1,567,674	958,360	10,743,201
Salary and wages	918,330	95,653	1,103,632	178,220	4,140,930
Rent expense	37,203	34,487	100,279	68,923	669,338
Marketing and research	1,273,555	29,043	1,299,364	55,316	3,218,799
Depreciation and amortization	14,515	21,401	31,277	46,283	558,541
Impairment expense	-	-	-	-	2,331,522
Salary, wages, stock option expense	461,684	-	590,592	-	590,592
Other operating expenses	290,106	182,735	423,901	288,612	2,050,831
Legal settlements	-	-	-	-	812,718
TOTAL OPERATING EXPENSES	3,646,162	810,501	5,116,719	1,595,714	25,116,472
LOSS FROM OPERATIONS	(3,646,162)	(810,501)	(5,116,719)	(1,595,714)	(25,142,225)
OTHER INCOME (EXPENSE)					
Interest expense and financing costs	(100,340)	(225,635)	(232,135)	(408,367)	(4,434,109)
Change in fair value of warrant liability	-	777	-	26,342	303,700
TOTAL OTHER INCOME (EXPENSE)	(100,340)	(224,858)	(232,135)	(382,025)	(4,130,409)
LOSS BEFORE PROVISION FOR					

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INCOME TAXES	(3,746,502)	(1,035,359)	(5,348,854)	(1,977,739)	(29,272,634)
PROVISION FOR INCOME TAXES	-	-	-	-	-
NET LOSS	(3,746,502)	(1,035,359)	(5,348,854)	(1,977,739)	(29,272,634)
PREFERRED STOCK DIVIDENDS	9,375	18,750	28,125	37,500	1,100,625
NET LOSS ATTRIBUTED TO COMMON STOCKHOLDERS	\$ (3,755,877)	\$ (1,054,109)	\$ (5,376,979)	\$ (2,015,239)	\$ (30,373,259)
NET LOSS PER SHARE:					
BASIC AND DILUTED	\$ (0.12)	\$ (0.04)	\$ (0.18)	\$ (0.08)	\$ (1.43)
WEIGHTED AVERAGE SHARES OUTSTANDING:					
BASIC AND DILUTED	31,551,496	25,232,801	29,663,903	25,035,886	21,186,993

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

COBALIS CORP. AND SUBSIDIARY
Cobalis Corp. and Subsidiary
(A Development Stage Company)
Consolidated Statements of Stockholders' Deficit
For the Period From November 21, 2000 (inception) to September 30, 2006

	Common stock Shares	Common stock Amount	Additional paid-in capital	Prepaid Expenses	Deficit accumulated during the development stage	Total stockholders' equity (deficit)
Balance at inception (November 21, 2000)	-	\$ -	\$ -	\$ -	\$ -	-
Issuance of founder's shares in exchange for property and equipment	16,300,000	16,300	-	-	-	16,300
Issuance of common stock for cash - November 2000 @ \$1.00	30,000	30	29,970	-	-	30,000
Issuance of common stock for cash - December 2000 @ \$1.00	15,000	15	14,985	-	-	15,000
Issuance of common stock for cash - February 2001 @ \$1.00	12,000	12	11,988	-	-	12,000
Issuance of common stock for cash - March 2001 @ \$1.00	125,000	125	124,875	-	-	125,000
Issuance of common stock for services - March 2001 @ \$1.00	10,000	10	9,990	-	-	10,000
Contributed capital	-	-	62,681	-	-	62,681
Net loss for the period from inception (November 21, 2000) to March 31, 2001	-	-	-	-	(223,416)	(223,416)
Balance at March 31, 2001, as restated	16,492,000	16,492	254,489	-	(223,416)	47,565
Issuance of common stock for cash - April 2001 @ \$1.00	10,000	10	9,990	-	-	10,000
Issuance of common stock for telephone equipment -						

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April 2001 @ \$1.00 Issuance of common stock for cash - May 2001 @ \$1.00	6,750	7	6,743	-	-	6,750
Issuance of common stock for website development - May 2001 @ \$1.00	11,000	11	10,989	-	-	11,000
Issuance of common stock for legal services May 2001 @ \$1.00	17,000	17	16,983	-	-	17,000
Issuance of common stock for cash - June 2001 @ \$1.00	1,000	1	999	-	-	- 1,000
Issuance of common stock for cash - July 2001 @ \$1.00	23,500	24	23,476	-	-	23,500
Issuance of common stock for cash - August 2001 @ \$1.00	20,000	20	19,980	-	-	20,000
Issuance of common stock for cash - August 2001 @ \$1.00	25,000	25	24,975	-	-	25,000
Issuance of common stock for services, related party - September 2001 @ \$1.00	65,858	66	65,792	-	-	65,858
Issuance of common stock for cash - September 2001 @ \$1.00	15,000	15	14,985	-	-	15,000
Issuance of common stock for services - September 2001 @ \$1.00	11,000	11	10,989	-	-	11,000
Issuance of stock options for services - September 2001	-	-	32,000	-	-	32,000
Issuance of common stock for cash - October 2001 @ \$1.00	5,000	5	4,995	-	-	5,000
Issuance of common stock for cash - December 2001 @ \$1.00	30,000	30	29,970	-	-	30,000
Issuance of common stock for services - December 31, 2001 @ \$1.00	33,000	33	32,967	-	-	33,000
Issuance of common stock for services, related party -	117,500	118	117,382	-	-	117,500

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December 2001 @ \$1.00						
Issuance of common stock for prepaid advertising -						
December 2001 @ \$1.00	15,600	15	15,585	-	-	15,600
Issuance of common stock for property and equipment -						
January 2002 @ \$3.00	1,000	1	2,999	-	-	3,000
Issuance of common stock for services, related party -						
January 2002 @ \$1.00	33,000	33	32,967	-	-	33,000
Issuance of common stock for cash -						
February 2002 @ \$2.00	20,000	20	39,980	-	-	40,000
Issuance of common stock for cash - March 2002 @ \$2.00	12,500	12	24,988	-	-	25,000
Contributed capital	-	-	211,269	-	-	211,269
Deferred compensation	-	-	-	(60,108)	-	(60,108)
Net loss	-	-	-	-	(1,144,249)	(1,144,249)
Balance at March 31, 2002, as restated	16,965,708	16,966	1,005,492	(60,108)	(1,367,665)	(405,315)
Issuance of common stock for services -						
April 2002 @ \$2.00	3,000	3	5,997	-	-	6,000
Issuance of common stock for cash - April 2002 @ \$1.00	10,000	10	9,990	-	-	10,000
Issuance of common stock for cash - April 2002 @ \$2.00	17,500	17	34,983	-	-	35,000
Issuance of common stock for cash - May 2002 @ \$1.00	10,000	10	9,990	-	-	10,000
Issuance of common stock for cash - May 2002 @ \$2.00	16,000	16	31,984	-	-	32,000
Issuance of stock options for services - May 2002	-	-	350,000	-	-	350,000
Contributed capital - bonus expense	-	-	50,000	-	-	50,000
Issuance of common stock for cash - June 2002 @ \$1.00	5,000	5	4,995	-	-	5,000

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Issuance of common stock for cash - June 2002 @ \$2.00	5,000	5	9,995	-	-	10,000
Issuance of common stock for cash - July 2002 @ \$1.00	5,000	5	4,995	-	-	5,000
Issuance of common stock for cash - August 2002 @ \$2.00	10,000	10	19,990	-	-	20,000
Issuance of common stock for cash - September 2002 @ \$2.00	10,000	10	19,990	-	-	20,000
Issuance of stock options below fair market value - November 2002	-	-	250,000	(250,000)	-	-
Issuance of common stock for conversion of note - December 2002 @ 2.00	50,000	50	99,950	-	-	100,000
Issuance of common stock for cash - December 2002 @ \$2.00	20,000	20	39,980	-	-	40,000
Issuance of common stock for services - December 2002 @ \$2.00	15,000	15	29,985	-	-	30,000
Issuance of common stock for patents - December 2002 @ \$2.00	2,000,000	2,000	1,285,917	-	-	1,287,917
Contributed capital			292,718	-	-	292,718
Issuance of common stock for exercise of options - December 2002	574,000	574	574,028	-	-	574,602
Deferred compensation				60,108		60,108
Contributed capital			5,000	-	-	5,000
Issuance of common stock for services - January 2003			25,000	-	-	25,000
Issuance of common stock for cash February 2003 @ \$2.00	11,500	12	22,988	-	-	23,000
Issuance of common stock for cash March 2003 @ \$2.00	5,000	5	9,995	-	-	10,000
Deferred compensation				54,000	-	54,000
Net loss				-	(2,148,008)	(2,148,008)

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Balance at March 31, 2003, as restated	19,732,708	19,733	4,193,962	(196,000)	(3,515,673)	502,022
Issuance of common stock for cash April 2003 @ \$2.00	70,000	70	139,930	-	-	140,000
Issuance of common stock for cash May 2003 @ \$2.00	30,000	30	59,970	-	-	60,000
Acquisition by Biogenetech Corp of ("Togs for Tykes")	1,032,000	1,032	(101,032)	-	-	(100,000)
Issuance of common stock for penalties January 2004 @ \$2.80	135,000	135	377,865	-	-	378,000
Issuance of common stock for services February 2004 @ \$2.20	100,000	100	219,900	-	-	220,000
Issuance of common stock for services February 2004 @ \$1.85	20,000	20	36,980	-	-	37,000
Value of beneficial conversion feature of convertible debenture issued in September 2003			346,870	-	-	346,870
Fair value allocated to warrant liability for detachable warrants issued with preferred stock			(181,849)	-	-	(181,849)
Dividend on preferred stock			885,000	-	(885,000)	-
Deferred compensation				196,000	-	196,000
Net loss				-	(5,703,639)	(5,703,639)
Balance at March 31, 2004	21,119,708	21,120	5,977,596	-	(10,104,312)	(4,105,596)
Issuance of common stock for penalties May 2004 @ \$1.85	170,000	170	314,330	-	-	314,500
Issuance of common stock for services June 2004 @ \$1.75	10,000	10	17,490	-	-	17,500
Issuance of common stock for conversion of debt June 2004 @ \$1.60	371,317	371	593,736	-	-	594,107

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Issuance of common stock for services July 2004 @ \$1.35	7,489	8	10,101	10,109
Issuance of common stock for services July 2004 @ \$1.10	75,000	75	82,425	82,500
Issuance of common stock for services August 2004 @ \$0.75	100,000	100	74,900	75,000
Conversion of debt to common stock September 2004 @ 2.22	857,143	857	1,902,000	1,902,857
Issuance of common stock for services October 2004 @ \$2.20	4,758	5	10,463	10,468
Issuance of common stock for services October 2004 @ \$2.55	375,000	375	955,875	956,250
Issuance of common stock for services December 2004 @ \$1.45	5,000	5	7,245	7,250
Issuance of common stock for services December 2004 @ \$1.30	63,676	63	82,715	82,778
Issuance of common stock for services January 2005 @ \$1.05	1,250	1	1,312	1,313
Issuance of common stock for services January 2005 @ \$1.18	75,000	75	88,425	88,500
Issuance of common stock for services February 2005 @ \$1.10	155,000	155	170,345	170,500
Issuance of common stock for services February 2005 @ \$1.06	100,000	100	105,900	106,000
Issuance of common stock for services February 2005 @ \$0.95	30,000	30	28,470	28,500
Issuance of common stock for services February 2005 @ \$1.05	80,628	81	84,578	84,659
Issuance of common stock for services February 2005 @ \$1.00	467,159	467	466,692	467,159
Issuance of common stock for services February 2005 @ \$0.96	350,000	350	335,650	336,000
	50,000	50	40,450	40,500

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Issuance of common stock for financing costs March 2005 @ \$0.81						
Issuance of common stock for services March 2005 @ \$0.80	5,000	5	3,995			4,000
Issuance of common stock for services March 2005 @ \$0.75	120,000	120	89,880			90,000
Issuance of common stock for services March 2005 @ \$0.68	37,500	38	25,462			25,500
Fair value of warrants issued to consultants			553,715			553,715
Net loss					(8,101,014)	(8,101,014)
Balance at March 31, 2005	24,630,628	24,631	12,023,750	-	(18,205,326)	(6,156,945)
Cancelation of common stock previously issued	(105,000)	(105)	(113,895)			(114,000)
Issuance of common stock for services April 2005 @ \$0.59	100,000	100	58,900			59,000
Issuance of common stock for services April 2005 @ \$0.62	162,500	162	100,587			100,749
Issuance of common stock for services May 2005 @ \$0.60	39,836	40	23,862			23,902
Issuance of common stock for services June 2005 @ \$0.65	110,000	110	71,390			71,500
Issuance of common stock for services June 2005 @ \$0.45	200,000	200	89,800			90,000
Issuance of common stock for services July 2005 @ \$0.60	10,000	10	5,990			6,000
Issuance of common stock for services July 2005 @ \$0.61	125,000	125	76,125			76,250
Issuance of common stock for interest July 2005 @ \$0.61	50,000	50	30,450			30,500
Cancelation of common stock previously issued	(150,000)	(150)	(143,850)			(144,000)
	100,000	100	47,900			48,000

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Issuance of common stock for services August 2005 @ \$0.48					
Issuance of common stock for services September 2005 @ \$0.50	30,000	30	14,970		15,000
Issuance of common stock for services September 2005 @ \$0.42	50,000	50	20,950		21,000
Issuance of common stock for services September 2005 @ \$0.50	75,000	75	37,425		37,500
Issuance of common stock for services October 2005 @ \$0.53	220,000	220	115,280	(58,750)	56,750
Issuance of common stock for prepaid interest October 2005 @ \$0.58	125,000	125	72,375	(72,500)	-
Issuance of common stock for conversion of debt October 2005 @ \$1.75	150,000	150	262,350		262,500
Issuance of common stock for services November 2005 @ \$0.78	822,706	823	644,847	(26,700)	618,970
Issuance of common stock for services January 2006 @ \$1.54	335,000	335	515,165	(119,500)	396,000
Issuance of common stock for services February 2006 @ \$1.42	62,000	62	87,738		87,800
Issuance of common stock for services March 2006 @ \$1.58	121,467	121	192,237		192,358
Issuance of common stock for conversion of notes payable and accrued interest March 2006	105,250	105	173,557		173,662
Cancelation of common stock previously issued	(3,000)	(3)	(4,797)		(4,800)
Amortization of prepaid expenses				112,025	112,025
Value of warrants issued with debt			131,365		131,365

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Repricing of warrants			301,155			301,155
Amortization of fair value of warrants issued to consultants			1,541,628			1,541,628
						-
Net loss				(6,603,454)		(6,603,454)

Balance at March 31, 2006	27,366,387	27,366	16,377,254	(165,425)	(24,808,780)	(8,569,585)
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Issuance of common stock for conversion of note payable and accrued interest April 2006	27,200	27	51,109			51,136
Issuance of common stock for services April 2006 @ \$1.46	115,000	115	167,835			167,950
Issuance of common stock for cashless exercise of warrants	192,997	193	(193)			-
Issuance of common stock for services May 2006 @ \$1.37	150,000	150	204,450	(165,600)		39,000
Issuance of common stock for conversion of accounts payable May 2006 @ \$1.28	111,416	112	142,501			142,613
Issuance of common stock for conversion of preferred stock July 2006 @ \$2.12	208,333	208	442,292			442,500
Issuance of common stock for conversion of related party debt July 2006 @ \$1.30	3,995,806	3,996	5,190,558			5,194,554
Issuance of common stock for services July 2006 @ \$0.99	30,000	30	29,820	(14,850)		15,000
Issuance of common stock for conversion of convertible note debt July 2006 @ \$1.01	200,000	200	201,800			202,000
Issuance of common stock for services August 2006 @ \$0.97	20,000	20	19,380			19,400
Issuance of common stock for services September 2006 @ \$0.92	156,000	156	143,684	(94,000)		49,840

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Issuance of common stock for cash September 2006 @ \$0.50	400,000	400	199,600	200,000
Amortization of prepaid expenses			213,340	213,340
Value of warrants issued with debt			72,677	72,677
Fair value of vested stock options issued to employees			590,592	590,592
Fair value of warrants issued for extension of debt			15,307	15,307
Amortization of fair value of warrants issued to consultants			704,160	704,160
				-
Net loss			(5,348,854)	(5,348,854)
Balance at September 30, 2006 (unaudited)	32,973,139	\$ 32,973	\$ 24,552,826	\$ (226,535)
				\$ (30,157,634)
				\$ (5,798,370)

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

COBALIS CORP. AND SUBSIDIARY
(A Development Stage Company)
Consolidated Statements of Cash Flows

	Six Months Periods Ended		Cumulative from
	September 30, 2006	September 30, 2005	November 21, 2000 (inception) to September 30, 2006
	(unaudited)	(unaudited)	(unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	\$ (5,348,854)	\$ (1,977,739)	\$ (29,272,634)
Adjustment to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization expense	31,277	46,283	558,541
Common stock issued for services	291,190	290,901	5,137,513
Common stock issued for penalty	-	-	692,500
Common stock issued for financing costs	-	30,500	71,000
Change in value of warrant liability	-	(26,342)	