Cobalis Corp Form 10QSB November 20, 2006

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

FORM 10-QSB

(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, 2006

[X] 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)

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 [X] 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

(IRS Employer Identification No.)

91-1868007

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. Index

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

COBALIS CORP. AND SUBSIDIARY

(A Development Stage Company) Consolidated Balance Sheet

	Sep	tember 30, 2006
	(u	naudited)
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 STOCKH	OLDERS' DEFICIT	
CURRENT LIABILITIES		
Accounts payable	\$	437,105
Accrued expenses	φ	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 P	Cumulative from November 21, 2000 (inception)	
	September 30,	September 30,	September 30,	September 30,	to
	2006	2005	2006	2005	September 30, 2006
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	· · · ·	``´´´	`´´´	, ,	· · ·
NET SALES	\$ -	\$ -	\$ -	\$ -	\$ 5,589
COST OF SALES					31,342
COST OF SALES	-	-	-	-	51,542
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	2 (1 (1 (2	010 501	5 116 710	1 505 714	25 116 472
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	(100.240)	(004.050)	(000 105)		(1 120 400)
INCOME (EXPENSE)	(100,340)	(224,858)) (232,135)	(382,025)	(4,130,409)
LOSS BEFORE PROVISION					

FOR

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 $\ensuremath{3}$

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 st Shares	tock 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	,		<u> </u>			,
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			02,001			02,001
from inception						-
(November 21, 2000) to March 31, 2001	-	-	-	-	(223,416) (223,416)
Delense et March 21						
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 -						
_						

	0	0				
April 2001 @ \$1.00	6,750	7	6,743	-	-	6,750
Issuance of common						
stock for cash - May						
2001 @ \$1.00	11,000	11	10,989	-	-	11,000
Issuance of common						
stock for website						
development -						
May 2001 @ \$1.00	17,000	17	16,983	-	-	17,000
Issuance of common						
stock for legal services						-
May 2001 @ \$1.00	1,000	1	999	-	-	1,000
Issuance of common						
stock for cash - June						
2001 @ \$1.00	23,500	24	23,476	-	-	23,500
Issuance of common						
stock for cash - July						
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 @	11 000	11	10.000			11.000
\$1.00	11,000	11	10,989	-	-	11,000
Issuance of stock						
options for services -			22,000			22,000
September 2001 Issuance of common	-	-	32,000	-	-	32,000
stock for cash - October						
2001 @ \$1.00	5 000	5	4 005			5 000
Issuance of common	5,000	5	4,995	-	-	5,000
stock for cash -						
December 2001 @						
\$1.00	30,000	30	29,970		_	30,000
Issuance of common	50,000	50	2),)10	-	-	50,000
stock for services -						
December 31, 2001 @						
\$1.00	33,000	33	32,967	_	_	33,000
Issuance of common			52,701			23,000
stock for services,						
related party -						
····· F···· J	117,500	118	117,382	-	-	117,500
	.,		,			.,2

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 -	20.000	20	20,000			40.000
February 2002 @ \$2.00	20,000	20	39,980	-	-	40,000
Issuance of common						
stock for cash - March	12 500	10	24.099			25 000
2002 @ \$2.00	12,500	12	24,988	-	-	25,000 211,269
Contributed capital Deferred compensation	-	-	211,269	(60,108)	-	(60,108)
Net loss	-	-	-	(00,108)	(1,144,249)	(1,144,249)
1101 1085	-	-	-	-	(1,144,249)	(1,144,249)
Dalamaa at Manah 21						
Balance al March M						
Balance at March 31, 2002 as restated	16 965 708	16 966	1 005 492	(60.108)	(1 367 665)	(405 315)
2002, as restated	16,965,708	16,966	1,005,492	(60,108)	(1,367,665)	(405,315)
2002, as restated	16,965,708	16,966	1,005,492	(60,108)	(1,367,665)	(405,315)
	16,965,708	16,966	1,005,492	(60,108)	(1,367,665)	(405,315)
2002, as restated Issuance of common	16,965,708 3,000	16,966	1,005,492	(60,108)	(1,367,665)	(405,315)
2002, as restated Issuance of common stock for services -				(60,108)	(1,367,665)	
2002, as restated Issuance of common stock for services - April 2002 @ \$2.00				(60,108)	(1,367,665)	
2002, as restated Issuance of common stock for services - April 2002 @ \$2.00 Issuance of common				(60,108)	(1,367,665)	
2002, as restated Issuance of common stock for services - April 2002 @ \$2.00 Issuance of common stock for cash - April	3,000	3	5,997	-	-	6,000
2002, as restated Issuance of common stock for services - April 2002 @ \$2.00 Issuance of common stock for cash - April 2002 @ \$1.00	3,000	3	5,997	-	-	6,000
2002, as restated Issuance of common stock for services - April 2002 @ \$2.00 Issuance of common stock for cash - April 2002 @ \$1.00 Issuance of common stock for cash - April 2002 @ \$2.00	3,000	3	5,997	(60,108) - -	(1,367,665) - -	6,000
2002, as restated Issuance of common stock for services - April 2002 @ \$2.00 Issuance of common stock for cash - April 2002 @ \$1.00 Issuance of common stock for cash - April 2002 @ \$2.00 Issuance of common	3,000 10,000	3	5,997 9,990	(60,108)	(1,367,665) - -	6,000 10,000
2002, as restated Issuance of common stock for services - April 2002 @ \$2.00 Issuance of common stock for cash - April 2002 @ \$1.00 Issuance of common stock for cash - April 2002 @ \$2.00 Issuance of common stock for cash - May	3,000 10,000 17,500	3 10 17	5,997 9,990 34,983	(60,108)	(1,367,665)	6,000 10,000 35,000
2002, as restated Issuance of common stock for services - April 2002 @ \$2.00 Issuance of common stock for cash - April 2002 @ \$1.00 Issuance of common stock for cash - April 2002 @ \$2.00 Issuance of common stock for cash - May 2002 @ \$1.00	3,000 10,000	3	5,997 9,990	(60,108)	(1,367,665)	6,000 10,000
2002, as restated Issuance of common stock for services - April 2002 @ \$2.00 Issuance of common stock for cash - April 2002 @ \$1.00 Issuance of common stock for cash - April 2002 @ \$2.00 Issuance of common stock for cash - May 2002 @ \$1.00 Issuance of common	3,000 10,000 17,500	3 10 17	5,997 9,990 34,983	(60,108)	(1,367,665)	6,000 10,000 35,000
2002, as restated Issuance of common stock for services - April 2002 @ \$2.00 Issuance of common stock for cash - April 2002 @ \$1.00 Issuance of common stock for cash - April 2002 @ \$2.00 Issuance of common stock for cash - May 2002 @ \$1.00 Issuance of common stock for cash - May	3,000 10,000 17,500 10,000	3 10 17 10	5,997 9,990 34,983 9,990	(60,108)	(1,367,665)	6,000 10,000 35,000 10,000
2002, as restated Issuance of common stock for services - April 2002 @ \$2.00 Issuance of common stock for cash - April 2002 @ \$1.00 Issuance of common stock for cash - April 2002 @ \$2.00 Issuance of common stock for cash - May 2002 @ \$1.00 Issuance of common stock for cash - May 2002 @ \$1.00	3,000 10,000 17,500	3 10 17	5,997 9,990 34,983	(60,108)	(1,367,665)	6,000 10,000 35,000
2002, as restated Issuance of common stock for services - April 2002 @ \$2.00 Issuance of common stock for cash - April 2002 @ \$1.00 Issuance of common stock for cash - April 2002 @ \$2.00 Issuance of common stock for cash - May 2002 @ \$1.00 Issuance of common stock for cash - May 2002 @ \$1.00 Issuance of common stock for cash - May 2002 @ \$2.00 Issuance of stock	3,000 10,000 17,500 10,000	3 10 17 10	5,997 9,990 34,983 9,990	(60,108)	(1,367,665)	6,000 10,000 35,000 10,000
2002, as restated Issuance of common stock for services - April 2002 @ \$2.00 Issuance of common stock for cash - April 2002 @ \$1.00 Issuance of common stock for cash - April 2002 @ \$2.00 Issuance of common stock for cash - May 2002 @ \$1.00 Issuance of common stock for cash - May 2002 @ \$1.00 Issuance of common stock for cash - May 2002 @ \$2.00 Issuance of stock options for services -	3,000 10,000 17,500 10,000	3 10 17 10	5,997 9,990 34,983 9,990 31,984	(60,108)	(1,367,665)	6,000 10,000 35,000 10,000 32,000
2002, as restated Issuance of common stock for services - April 2002 @ \$2.00 Issuance of common stock for cash - April 2002 @ \$1.00 Issuance of common stock for cash - April 2002 @ \$2.00 Issuance of common stock for cash - May 2002 @ \$1.00 Issuance of common stock for cash - May 2002 @ \$1.00 Issuance of common stock for cash - May 2002 @ \$2.00 Issuance of stock options for services - May 2002	3,000 10,000 17,500 10,000	3 10 17 10	5,997 9,990 34,983 9,990	(60,108)	(1,367,665)	6,000 10,000 35,000 10,000
2002, as restated Issuance of common stock for services - April 2002 @ \$2.00 Issuance of common stock for cash - April 2002 @ \$1.00 Issuance of common stock for cash - April 2002 @ \$2.00 Issuance of common stock for cash - May 2002 @ \$1.00 Issuance of common stock for cash - May 2002 @ \$1.00 Issuance of common stock for cash - May 2002 @ \$2.00 Issuance of stock options for services - May 2002 Contributed capital -	3,000 10,000 17,500 10,000	3 10 17 10	5,997 9,990 34,983 9,990 31,984 350,000	(60,108)	(1,367,665)	6,000 10,000 35,000 10,000 32,000 350,000
2002, as restated Issuance of common stock for services - April 2002 @ \$2.00 Issuance of common stock for cash - April 2002 @ \$1.00 Issuance of common stock for cash - April 2002 @ \$2.00 Issuance of common stock for cash - May 2002 @ \$1.00 Issuance of common stock for cash - May 2002 @ \$1.00 Issuance of common stock for cash - May 2002 @ \$2.00 Issuance of stock options for services - May 2002 Contributed capital - bonus expense	3,000 10,000 17,500 10,000	3 10 17 10	5,997 9,990 34,983 9,990 31,984		(1,367,665)	6,000 10,000 35,000 10,000 32,000
2002, as restated Issuance of common stock for services - April 2002 @ \$2.00 Issuance of common stock for cash - April 2002 @ \$1.00 Issuance of common stock for cash - April 2002 @ \$2.00 Issuance of common stock for cash - May 2002 @ \$1.00 Issuance of common stock for cash - May 2002 @ \$1.00 Issuance of stock options for services - May 2002 Contributed capital - bonus expense Issuance of common	3,000 10,000 17,500 10,000	3 10 17 10	5,997 9,990 34,983 9,990 31,984 350,000		(1,367,665)	6,000 10,000 35,000 10,000 32,000 350,000
2002, as restated Issuance of common stock for services - April 2002 @ \$2.00 Issuance of common stock for cash - April 2002 @ \$1.00 Issuance of common stock for cash - April 2002 @ \$2.00 Issuance of common stock for cash - May 2002 @ \$1.00 Issuance of common stock for cash - May 2002 @ \$1.00 Issuance of common stock for cash - May 2002 @ \$2.00 Issuance of stock options for services - May 2002 Contributed capital - bonus expense	3,000 10,000 17,500 10,000	3 10 17 10	5,997 9,990 34,983 9,990 31,984 350,000		(1,367,665)	6,000 10,000 35,000 10,000 32,000 350,000

Issuance of common stock for ash - June 2002 @ \$2.00 5,000 5 9,995 10,000 Issuance of common stock for ash - July 2002 @ \$1.00 5,000 10 99,990 5,000 Issuance of common stock for ash - August 2002 @ \$2.00 10,000 10 19,990 20,000 Issuance of common stock for ash - August 2002 @ \$2.00 10,000 10 19,990 20,000 Issuance of common stock for ash - Section 10,000 10 19,990 20,000 Issuance of common stock for ash - Section 10,000 10 19,990 20,000 Issuance of common stock for ash - Section 10,000 10 19,990 20,000 Issuance of common stock for ash - Section 10,000 50 99,950 100,000 Issuance of common stock for ash - Section 10,000 50 99,950 100,000 Issuance of common stock for ash - December 2002 @ 20,000 20 39,980 40,000 Issuance of common stock for ash - December 2002 @ 20,000 20 39,980 40,000 Issuance of common stock for ash - December 2002 @ 20,000 20 39,980 30,000 Issuance of common stock for services - December 2002 @ 52,00 15,000 15 29,985 30,000 Issuance of common stock for services - December 2002 @ 52,00 15,000 15 29,985 30,000 Issuance of common stock for services - December 2002 @ 52,00 15,000 15 29,985 30,000 Issuance of common stock for services - December 2002 @ 52,00 15,000 15 29,985 30,000 Issuance of common stock for services - December 2002 @ 52,00 15,000 15 29,985 30,000 Issuance of common stock for services - December 2002 @ 52,00 15,000 15 29,985 30,000 Issuance of common stock for services - December 2002 @ 52,00 15,000 15 29,985 30,000 Issuance of common stock for services - December 2002 @ 52,000 15,000 15 29,985 30,000 Issuance of common stock for services - December 2002 @ 52,000 15,000 15 29,985 30,000 Issuance of common stock for services		-	-				
2002 \$2,00 5,000 5 9,995 - - 10,000 Issuance of common stock for cash - August - 5,000 10,000 10 19,990 - - 20,000 Issuance of common stock for cash - August - 20,000 10,000 10 19,990 - - 20,000 Issuance of common stock for cash - Seguent and the august and the a	Issuance of common						
Issuance of common 5,000 5 4,995 - - 5,000 Issuance of common 5,000 10 19,990 - - 20,000 Issuance of common 5,000 10,000 10 19,990 - - 20,000 Issuance of common 5,000 10,000 10 19,990 - - 20,000 Issuance of stock 5,000 10,000 10 19,990 - - 20,000 Issuance of stock - - 250,000 (250,000) - - 20,000 Issuance of common - - 250,000 (250,000) - - - 100,000 Issuance of common of - - 250,000 20,000 20 39,980 - - 40,000 Issuance of common stock for services - - - 30,000 Issuance of common stock for services - - 30,000 Issuance of common stock for services - - 1,287,917 S2.00			_				
slock for eash - July 2002 @ \$1.00 5,000 5 4,995 5,000 Issuance of common stock for eash - August 2002 @ \$2.00 10,000 10 19,990 20,000 Issuance of common stock for eash - 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 eash - Second reash - Second		5,000	5	9,995	-	-	10,000
2002 @ \$1.00 5,000 5 4,995 - 5,000 Issuance of common stock for cash - August - 20,000 10,000 10 19,990 - - 20,000 Issuance of common stock for cash - September 2002 @ - 250,000 (250,000) - 20,000 Issuance of stock options below fair market value - - 250,000 (250,000) - - 20,000 Issuance of common stock for conversion of note - December 2002 - 250,000 (250,000) - - 100,000 Issuance of common stock for cash - December 2002 @ - 39,980 - - 40,000 Issuance of common stock for services - December 2002 @ - 30,000 39,980 - - 30,000 Issuance of common stock for services - December 2002 @ - - 30,000 1,887,917 - - 1,287,917 Contributed capital 292,718 - - 30,000 1,887,917 - - 1,287,917 Contributed capital 29,000 1,285,917 - - 1,287,917 - 1,287,917 -							
Issuance of common 3002 (# 32.00) 10,000) 10 19,990 - - 20,000 Issuance of common 52.00 10,000 10 19,990 - - 20,000 Issuance of stock 7 20,000 10,000 10 19,990 - - 20,000 Issuance of stock 7 250,000 (250,000) - - - options below fair 7 250,000 (250,000) - - - November 2002 - 250,000 (250,000) - - 100,000 Issuance of common 50,000 50 99,950 - - 40,000 Issuance of common 50,000 20 39,980 - - 40,000 Issuance of common 50,000 20,000 20,000 20,000 10 100,000 Issuance of common - 40,000 Issuance of common 50,000 15,000 15 29,985 - - 40,000 Issuance of common 50,000 15,000 1,285,917 -	•						
stock for each - August 2002 @ \$2.00 10,000 10 19,990 - - 20,000 Issuance of common stock for each - stock for each - 20,000 10,000 10 19,990 - - 20,000 Issuance of stock options below fair - - 20,000 - - 20,000 Issuance of stock options below fair - - 20,000 - - - 20,000 Issuance of common stock for conversion of note - December 2002 @ - - 20,000 20 99,950 - - 100,000 Issuance of common stock for cash - - - 30,000 20 20,000 20 40,000 15 29,985 - - 40,000 15 20,99,850 - - 30,000 15,000 15 29,985 - - 30,000 15 20,29,185 - - 30,000 15,000 15 29,29,18 - - 30,000 15,000 1,287,917 -<		5,000	5	4,995	-	-	5,000
2002 @ \$2.00 10,000 10 19,990 - - 20,000 Issuance of common september 2002 @ - - 20,000 Issuance of stock options below fair - - 20,000 Issuance of stock - - 250,000 (250,000) - - - November 2002 - - 250,000 (250,000) - - - Issuance of common - - 250,000 (250,000) - - - 100,000 Issuance of common - - 250,000 20,000 - - 100,000 10 Issuance of common - - 100,000 - - 100,000 Issuance of common - - 40,000 Issuance of common - - 30,000 Issuance of common - 52,00 1,28,917 - - </td <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td>							
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Issuance of common stock for exercise of options - December 2002 574,000 574 574,028 - - 574,602 Deferred compensation 60,108 60,108 60,108 60,108 Contributed capital 5,000 - - 5,000 Issuance of common 5,000 - - 5,000 stock for services - - 25,000 - - 25,000 Issuance of common 25,000 - - 25,000 - - 25,000 Issuance of common - 22,988 - - 23,000 - 23,000 - 23,000 - 23,000 - 23,000 - - 23,000 - - 23,000 - - 23,000 - - 23,000 - - 23,000 - - 23,000 - - 23,000 - - 23,000 - - 23,000 - - 23,000 - - 23,000 - - 23,000 - - <td< td=""><td>\$2.00</td><td>2,000,000</td><td>2,000</td><td>1,285,917</td><td>-</td><td>-</td><td>1,287,917</td></td<>	\$2.00	2,000,000	2,000	1,285,917	-	-	1,287,917
Issuance of common stock for exercise of options - December 2002 574,000 574 574,028 - - 574,602 Deferred compensation 60,108 60,108 60,108 60,108 Contributed capital 5,000 - - 5,000 Issuance of common 5,000 - - 5,000 stock for services - - 25,000 - - 25,000 Issuance of common 25,000 - - 25,000 - - 25,000 Issuance of common - 22,988 - - 23,000 - 23,000 - 23,000 - 23,000 - 23,000 - - 23,000 - - 23,000 - - 23,000 - - 23,000 - - 23,000 - - 23,000 - - 23,000 - - 23,000 - - 23,000 - - 23,000 - - 23,000 - - 23,000 - - <td< td=""><td>Contributed capital</td><td></td><td></td><td>292,718</td><td>-</td><td>-</td><td>292,718</td></td<>	Contributed capital			292,718	-	-	292,718
options - December 574,000 574 574,028 - - 574,602 Deferred compensation 60,108 60,108 60,108 60,108 Contributed capital 5,000 - - 5,000 Issuance of common 5,000 - - 5,000 Issuance of common 25,000 - - 25,000 Issuance of common 25,000 - - 25,000 Issuance of common 25,000 - - 25,000 Issuance of common 12 22,988 - - 23,000 Issuance of common 11,500 12 22,988 - - 23,000 Issuance of common 5,000 5 9,995 - - 10,000 Issuance of common 5,000 5 9,995 - - 10,000 Dog @ \$2.00 5,000 5 9,995 - - 10,000							
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Contributed capital 5,000 - - 5,000 Issuance of common stock for services - - 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 - - 23,000 - - 10,000 Deferred compensation 5,000 5 9,995 - - 10,000	Deferred compensation				60,108		
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 - - 23,000 2003 @ \$2.00 5,000 5 9,995 - - 10,000 Deferred compensation 54,000 - 54,000 - 54,000	-			5,000	-	-	
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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 - - 23,000 - - 10,000 2003 @ \$2.00 5,000 5 9,995 - - 10,000 Deferred compensation 54,000 - 54,000 - 54,000							
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 - 54,000				25.000	-	-	25.000
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 - 54,000	-			,,,,,,,			,000
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Deferred compensation 54,000 - 54,000		5 000	5	9 995	_	_	10,000
		5,000	5	,,,,,	54 000	_	
	-				57,000	(2 148 008)	
	1.001000					(_,110,000)	(2,110,000)

Balance at March 31,						
2003, as restated	19,732,708	19,733	4,193,962	(196,000)	(3,515,673)	502,022
2000, us restated	17,752,700	19,700	1,175,762	(1)0,000)	(0,010,070)	002,022
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						
Biogentech 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						
converstion 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

	-	-	•	
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	057 1 40	0.57	1 000 000	1 000 057
September 2004 @ 2.22	857,143	857	1,902,000	1,902,857
Issuance of common				
stock for services	4750	F	10 462	10.469
October 2004 @ \$2.20 Issuance of common	4,758	5	10,463	10,468
stock for services				
October 2004 @ \$2.55	375,000	375	955,875	956,250
Issuance of common	575,000	515	955,015	950,250
stock for services				
December 2004 @				
\$1.45	5,000	5	7,245	7,250
Issuance of common	2,000	5	7,213	1,230
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	00 (00	01	04.570	04.650
February 2005 @ \$1.05	80,628	81	84,578	84,659
Issuance of common				
stock for services	467 150	167	166 602	467 150
February 2005 @ \$1.00 Issuance of common	467,159	467	466,692	467,159
stock for services				
February 2005 @ \$0.96	350,000	350	335,650	336,000
1 coluary 2005 @ \$0.90	50,000	50	40,450	40,500
	50,000	50	т0,тJ0	40,500

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	5,000	5	5,775		7,000
stock for services					
March 2005 @ \$0.75	120,000	120	89,880		90,000
Issuance of common	120,000	120	0,000		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
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	24 620 628	24,631	12 022 750	(18 205 226)	(6 156 045)
2003	24,630,628	24,031	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	(105,000)	(105)	(115,055)		(111,000)
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	110.000	110	71 200		71.500
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	200,000	200	07,000		90,000
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	(4 - 0 - - - -		<i>/ · · · · · · · · · · · · · · · · · · ·</i>		/
stock previously issued	(150,000)	(150)	(143,850)		(144,000)
	100,000	100	47,900		48,000

Issuance of common stock for services					
August 2005 @ \$0.48					
Issuance of common					
stock for services					
September 2005 @	20.000	20	14050		15 000
\$0.50	30,000	30	14,970		15,000
Issuance of common					
stock for services					
September 2005 @	50,000	50	20.050		21,000
\$0.42 Issuance of common	50,000	50	20,950		21,000
stock for services					
September 2005 @					
\$0.50	75,000	75	37,425		37,500
Issuance of common	75,000	15	57,425		57,500
stock for services					
October 2005 @ \$0.53	220,000	220	115,280	(58,750)	56,750
Issuance of common			110,200	(00,700)	
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	225 000	225		(110,500)	207.000
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	02,000	02	07,730		07,000
stock for services					
March 2006 @ \$1.58	121,467	121	192,237		192,358
Issuance of common	121,407	121	172,237		172,550
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

	Euguri	ining. Cobul		IUGOD		
Repricing of warrants			301,155			301,155
Amortization of fair value of warrants issued to consultants			1,541,628			1,541,628
to consultants			1,541,020			1,541,020
Net loss					(6,603,454)	(6,603,454)
					(0,000,101)	(0,000,101)
Balance at March 31, 2006	27,366,387	27,366	16,377,254	(165,425)	(24,808,780)	(8,569,585)
Issuance of common stock for converstion of note payable and						
accrued interest April 2006	27,200	27	51,109			51,136
Issuance of common						
stock for services April	115 000	117	167.025			167.050
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	172,777	175	(1)5)			
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 Issuance of common stock for conversion of related party debt July	208,333	208	442,292			442,500
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
φ 0. 72	150,000	150	143,004	(94,000)		42,040

	-	-				
Issuance of common stock for cash						
September 2006 @	400.000	400	100 (00			200.000
\$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)
					(0,000,000)	(0,000,000,000)
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

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

Consolidate	Ju Dia	concines of Cash	1.10 %		
	Six Months Periods Ended September 30, September 30, 2006 2005			Cumulativefrom 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)	