

ARBIOS SYSTEMS INC  
Form 10QSB  
August 14, 2007

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

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**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 June 30, 2007

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 000-32603

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**ARBIOS SYSTEMS, INC.**

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

Delaware  
(State or other jurisdiction of incorporation or  
organization)

91-1955323  
(I.R.S. Employer Identification No.)

1050 Winter Street, Suite 1000, Waltham, MA  
(Address of principal executive offices)

02451  
(Zip Code)

(781) 839-7293  
(Issuer's telephone number)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No .

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

On July 31, 2007, there were 25,502,461 shares of common stock, \$.001 par value per share, issued and outstanding.

Transitional Small Business Disclosure Format (Check one): Yes  No



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**PART I - FINANCIAL INFORMATION****ITEM 1. Condensed Financial Statements.**

**ARBIOS SYSTEMS, INC.**  
(A Development Stage Company)  
**CONDENSED BALANCE SHEETS**

	June 30, 2007 (Unaudited)	December 31, 2006*
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 4,800,258	\$ 2,054,280
Prepaid expenses	62,548	147,163
Total current assets	4,862,806	2,201,443
Net property and equipment	59,403	73,110
Patent rights, net of accumulated amortization of \$124,134 and \$113,894, respectively	142,533	152,773
Other assets	35,817	62,827
Total assets	\$ 5,100,559	\$ 2,490,153
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable	\$ 482,859	\$ 310,162
Accrued expenses	533,045	132,073
Total current liabilities	1,015,904	442,235
Long term contract obligations	250,000	-
Accrued warrant liability	-	763,654
Total liabilities	1,265,904	1,205,889
Stockholders' equity		
Preferred stock, \$.001 par value; 5,000,000 shares authorized: none issued and outstanding		
	-	-
Common stock, \$.001 par value; 60,000,000 shares authorized; 25,144,086 and 17,460,181 shares issued and outstanding at June 30, 2007 and December 31, 2006, respectively		
	25,144	17,460
Additional paid-in capital	20,683,374	14,507,939
Deficit accumulated during the development stage	(16,873,863)	(13,241,135)
Total stockholders' equity	3,834,655	1,284,264
Total liabilities and stockholders' equity	\$ 5,100,559	\$ 2,490,153

\* Balance sheet information at December 31, 2006 is derived from audited financial statements.

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



**ARBIOS SYSTEMS, INC.**  
(A Development Stage Company)  
**CONDENSED STATEMENTS OF OPERATIONS**  
(Unaudited)

	For the three months ended June 30,		For the six months ended June 30,		Inception to June 30, 2007
	2007	2006 (Restated)	2007	2006 (Restated)	
Revenues	\$ -	\$ -	\$ -	\$ -	\$ 320,966
<b>Operating expenses:</b>					
General and administrative	770,325	712,350	1,626,156	1,456,414	9,948,245
Research and development	529,011	445,363	1,560,004	811,553	7,373,180
Total operating expenses	1,299,336	1,157,713	3,186,160	2,267,967	17,321,425
Loss before other income (expense)	(1,299,336)	(1,157,713)	(3,186,160)	(2,267,967)	(17,000,459)
<b>Other income (expense):</b>					
Change in fair value of warrant liability	-	210,124	-	210,124	
Interest income	56,264	47,387			