Cobalis Corp
Form 10KSB/A
August 05, 2005

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

AMENDMENT NO. 1 TO

FORM 10-KSB

(X)ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended March 31, 2005

( )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: 000-49620

Cobalis Corp.

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

Nevada	91-1868007
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2445 McCabe Way, Suite 150, Irvine, California 92614
(Address of principal executive offices)

(949) 757-0001
(Issuer's Telephone Number)

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practical date. As of July 7, 2005 there were 25,279,756 shares of the issuer's $.001 par value common stock issued and outstanding.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 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 the past 90 days. Yes (X) No ( )

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. ( )

State issuer's revenues for its most recent fiscal year: $434.
State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold, or the average bid and asked price of such common equity, as of a specified date within the past 60 days. (See definition of affiliate in Rule 12b-2 of the Exchange Act.) As of July 8, 2005, approximately $5,890,114.63.

Documents incorporated by reference. There are no annual reports to security holders, proxy information statements, or any prospectus filed pursuant to Rule 424 of the Securities Act of 1933 incorporated herein by reference.

Transitional Small Business Disclosure format (check one): ( ) Yes (X) No

The financial statements for the year ended March 31, 2004 and the period from November 21, 2000 (inception) to March 31, 2004 included in the filing are unaudited and this 10KSB is considered 'deficient' under the Commission's rules and regulations. We have engaged our current auditor, Kabani & Company, Inc., to reaudit the aforementioned financial statements and intend to file a second amended Form 10KSB with financials that comply with the Commission's rules and regulations.

PART I

ITEM 1. DESCRIPTION OF BUSINESS.

We are a development stage company dedicated to the development and commercialization of anti-allergy medications. We anticipate that our initial patented product, PreHistin (TM), will create a unique niche within the allergy relief category. We hope to further our operations by selling our initial product, PreHistin (TM), which we believe can prevent allergy symptoms by mitigating histamines from being over-produced. We hope to obtain the appropriate regulatory approvals and market our product in the United States and abroad, though there is no guarantee that we will be able to do so.

OUR SUBSIDIARY. BioGentec, which has become our wholly-owned subsidiary as described above, was incorporated in Nevada on November 21, 2000. We anticipates that our initial patented product, PreHistin (TM), (formerly Allertin), will create a unique niche within the allergy relief category. In November 2000, BioGentec acquired all the assets of Allergy Limited, LLC, including their intellectual property, which does business as Gene Pharmaceuticals, LLC. Gene Pharmaceuticals, LLC Limited sponsored the clinical research for PreHistin (TM) formula from 1989 through 2000 and secured the first U.S. patent, in 1992 and BioGentec secured the second U.S. patent in 2001. References herein to our subsidiary may be construed as our activities and operations, in that all of our activities are conducted through this subsidiary.

OUR PRODUCT. We believe that our initial product, PreHistin (TM), is chemically

distinct from most allergy medications currently on the market, as it works to prevent allergy symptoms by mitigating histamines from being over-produced, as opposed to conventional of antihistamine products that are reacting to the overproduction. Essentially a "pre-histamine", we believe that PreHistin (TM) will also be differentiated from current allergy medications as it lacks the sedating and other side effect that are common to current medications. PreHistin (TM) is a preventative system for seasonal and year round allergies, both outdoor (i.e., pollen) and indoor (i.e., dust, pet dander, mold), triggered by the most common allergens. This 21-day regimen of flavored lozenges was demonstrated in clinical studies to have a persistence of effect lasting months.

We believe that effectiveness of PreHistin (TM) is due to modulating the production of immunoglobulin E (IgE) to prevent the immune system from overproducing histamines in reaction to the presence of allergens. By mitigating this process, we expect that the symptoms associated with indoor and outdoor allergies can be prevented from occurring. Effectively, the terminology for this product is "prehistamine". We believe that the products currently addressing allergy relief are virtually all histamine reactive and have varying side effects, which are a source of frustration for allergy sufferers. We believe that PreHistin (TM), a patented and unique cobalamin complex formula, has preventative effectiveness, with no known side effects, has no negative drug interactions and no upper dosage limit. We believe that PreHistin (TM) will be cost competitive relative to the long lasting relief and benefits desired by the vast majority of allergy sufferers.

PreHistin (TM) is an immunomodulation ("anti-IgE") product. Immunoglobulin E (IgE) is an antibody that mediates allergic diseases such as allergic rhinitis, allergic asthma and atopic dermatitis. In the 1990's, research was completed relative to IgE and allergies/asthma. Using this past research to develop PreHistin (TM), we believe this product will offer the sufferers of allergic rhinitis (airborne allergies) the effectiveness that comes from IgE reduction and histamine production mitigation using a sublingual lozenge, i.e., one that is placed under

the tongue to deliver the medication into the body. We believe that behind PreHistin (TM), there is over 25 years of scientific research and testing completed by leading allergists and immunologists. The first of two double blind, placebo-controlled studies required by the FDA was completed and validated the safety and efficacy of this new approach. The protocol for the balance of the Phase III trials has been developed; after we have completed the trials, we will submit our application for FDA over-the-counter medication approval. Domestically, PreHistin (TM) is in Phase III clinical trials as of March 2004. This phase is generally considered the last step in clinical drug development before submission of a New Drug Application (NDA) requesting marketing approval from the FDA and similar regulatory agencies outside the USA. We anticipate that the planned cost of our product to the consumer will be well within the over the counter allergy medication category's acceptable range.

Additionally, we plan to conduct pharmacokinetics and animal studies on the final clinical formulation in Q305.

We have also submitted an Investigational New Drug application (IND) to the FDA which has been assigned the IND number 68,994. The FDA has reviewed our Phase 3 study protocols and indicated that we are "safe to proceed" with the trials. Our regulatory team and our clinical research organization (CRO), CEDRA Clinical Research, of Austin Texas are working with the Division of Pulmonary and Allergy

Drug Products at the FDA to complete the Phase 3 study protocol.

As of November 29, 2004, we successfully completed enrollment of 715 patients at 8 clinical investigation sites and have conducted and completed a 6-week Phase III Clinical Study for our product. To ensure statistical validation, the study required the enrollment of a minimum of 624 patients. Under the guidance of Dr. Lyndon Mansfield, our Senior Medical Advisor, the clinical investigators, who are all Board Certified or Fellows in Allergy and Immunology, have conducted a 6-week study of the ability of PreHistin(TM) to mitigate the onset of the symptoms of seasonal allergies. The study is a Phase III, randomized, double-blind, placebo-controlled, parallel group study evaluating patients with moderate to moderately severe allergic rhinitis (hay fever).

In the second quarter of 2005, we anticipate having study results which we will submit to the FDA. Additional research will be conducted prior to our being able to obtain market approval. Following completion of our Phase III Clinical Trials we will seek FDA approval to market PreHistin (TM) as an Over-The-Counter (OTC) medication for pre-seasonal use to mitigate the onset of symptoms of seasonal and perennial allergies. Additionally, we plan to conduct pharmacokinetics and animal studies on the final clinical formulation.

Although we cannot predict with any certainty if or when the studies will be completed (a situation that could negatively impact our ability to earn revenues), we expect that all of the above studies will be essentially completed by the end of the first quarter of 2006. The FDA has the power and authority to halt our clinical trials, in particular if they determine that the patients' safety is at an unjustifiably high risk.

Human clinical trials are very expensive and difficult to design and implement, in part because they are subject to rigorous regulatory requirements. The clinical trial process is also time-consuming. We estimate that balance of the required clinical Phase III trials of our product candidates will be completed in or around first quarter of 2006. Failure of the trials can occur as a result of cost overruns or other financial considerations. Furthermore, failure can occur at any stage of the trials, and we could encounter problems that cause us to abandon or repeat clinical trials.

Internationally, we are working through the various regulatory bodies in targeted countries to determine if we will be seeking approval of PreHistin (TM) as an over-the-counter ("OTC") or prescription medication, or approval of Prevahist, a revised formula to be a nutritional supplement.

INVESTIGATIONAL PRODUCT. Cyanocobalamin is a synthetic form of vitamin B12 and one of a class of molecules known as cobalamins. Cobalamins are believed to be the only molecules in the human body that contain cobalt. Cobalt is necessary for all cellular replication. Each active lozenge will contain 3300 ig (3.3 mg) of pharmaceutical grade cyanocobalamin. This Cyanocobalamin, USP is described in the USP, FCC and Pharmacopoeia of Europe. It is shipped from: DSM Nutritional Products, Inc., 45 Waterview Blvd., Parsippany, NJ 07054-1298 USA. See: http://www.nutraaccess.com/productDoc/pds/pds_0429155. pdf for product data sheet. Cyanocobalamin, USP is an FDA approved drug. Cyanocobalamin has a long shelf life, of about 60 months. According to the USDA (US Department of Agriculture) over 49% of all US population is B-12 deficient.

With respect to cobalamin, we believe that "based on a review of data involving high dose intakes, that there appear to be essentially no risks of adverse effects to the general population even at the current ninety-fifth percentile of intake (approximately 37 ig /day) (IOM/NAS 1998)". Christine J. Lewis, Ph.D., Director, Center for Food Safety and Applied Nutrition, FDA. (www.cfsan.fda.gov/~dms/ds-ltr12.html).

OUR SUPPLIERS. We believe that the active ingredients needed to produce our proposed product are readily available through several manufacturers, domestically and internationally, including major pharmaceutical corporations. Aventis Pharma is a primary source for us and we will expect to have a variety of suppliers as we enter various international markets and, should we be able to begin commercial production of our product, we anticipate we will be able to determine the most efficient and cost effective manufacturing source. We do not have a written agreement with Aventis Pharma, however, we believe we would be able to obtain the ingredients needed to produce our product from other sources should Aventis Pharma cease to be a source of ingredients for us.

OUR CHANNELS OF DISTRIBUTION. We do not currently produce or distribute our products for sale; however, once we are able to commence commercial production, we plan to outsource the manufacturing and distribution operations to proven manufacturers and distributors in these areas. Our primary intended distribution strategy is to license the manufacturing and/or distribution to a major US Pharmaceutical Manufacturer, who has a significant existing distribution infrastructure and contracts, and a detail force to efficiently effect widespread coverage to all major retail and independent pharmacies, as well as health-food stores and specialty retailers. We further anticipate the option of using a combination of pharmaceutical wholesalers-distributors as well as selling directly to retailers, depending on the terms of any license agreement secured with a major pharmaceutical marketing partner, particularly those with internal distribution systems. From a sales perspective, we would plan to utilize key sales leaders and to engage a broker network to minimize overhead and gain nationwide coverage from proven sales professionals. We also anticipate that our product will be sold by independent pharmacies through the pharmaceutical wholesalers' networks. We anticipate that internationally, each market and country will be a unique set of logistics, depending on whether that country classifies the product as a supplement or a medicine, whether we are entering the market directly or using a partner (and the extent of the partnership arrangement) and the distinct dynamics of the marketplace.

MANUFACTURING. We have identified and engaged a certified good manufacturing practices ("GMP") manufacturer to produce the Phase III trial medications as well as the first runs of the retail version of the product. The domestic manufacturer selected is FDA approved and able to accommodate the anticipated demand. In addition, we are considering various manufacturers around the world to accommodate demand and/or meet critical regulatory requirements to distribute this product within a given country.

MATERIAL CONTRACTS. In 2000, BioGentec purchased the patent underlying our principal product (formerly known as "Immun-Eeze"), along with pending international patent applications, and certain other tangible assets and related trademarks, copyrights and customer lists from Gene Pharmaceuticals, LLC, (controlled by the managing member Ernest Armstrong, who is also a director and Vice President of Business Development at Cobalis), for minimum royalty payments plus royalties tied to future sales. In August 2002, the parties agreed to postpone the payment of royalties in exchange for 250,000 options to purchase BioGentec's common stock at $1.10 per share. In December 2002, the parties agreed to supersede the terms of the August 2002 addendum by amending the original agreement to include an additional payment of 2,000,000 shares of BioGentec's common stock at $2.00 per share, plus a one point five percent (1.5%) royalty on the gross sales of any B12-containing product. In March 2004, we agreed to further amend the original underlying agreement and the terms of the royalty provision in the underlying agreement. In the future some of the language and the terms in the March 2004 agreement may be modified subject to amendment by all parties upon mutual written agreement.

OUR INTELLECTUAL PROPERTY. Our success depends in part upon our ability to preserve our current intellectual property rights and those we may acquire in the future. Our success will also depend in part on our ability to operate without infringing the proprietary rights of other parties. However, we may rely on certain proprietary technologies, trade secrets, and know-how that are not patentable or protectable by other means.

Our patents cover the delivery and use of cobalamin for seasonal and year-round allergies (allergic rhinitis) and asthma. The patents are:

Granted Patents:

Country	Patent No.	Title
United States	6,255,294	"Cyanocobalamin Treatment in Allergic Disease"
United States	5,135,918	"Method for Reducing Reagenic Antibody Levels (IgE)"
Australia	771,728	"Cyanocobalamin Treatment in Allergic Disease"

Pending Patents:

Country	Application No.	Title
European Union	99968194.3	"Cyanocobalamin Treatment in Allergic Disease"
Canada	2,358,054	"Cyanocobalamin Treatment in Allergic Disease"
Japan	P2002-533399A	"Cyanocobalamin Treatment in Allergic Disease"
Mexico	2001-006297	"Cyanocobalamin Treatment in Allergic Disease"
International	PCT/US99/31092	"Cyanocobalamin Treatment in Allergic Disease"

Because we believe that our patents are the only patents to date related to the subject, the claims are broad.

In 2004, we engaged Gemini Partners to perform an independent appraisal on our patents. On April, 30, 2004, Gemini Partners completed an Intellectual Property Valuation Analysis on our U.S. patents # 5,135,918 and # 6,255,294 and concluded that the cost of purchasing or producing a substitute asset with the same utility as our U.S. patents can be reasonably estimated at $6,500,000. We paid Gemini Partners to appraise our patents. As appraisals are subject to many varying factors and patent appraisals vary depending on the company and individual conducting the appraisal, we cannot guarantee the aforementioned appraisal is an accurate indication of the true value of our patents. In fact, our auditors have valued the patents for purposes of our financial statements at

$680,464

Although we believe that the subject matter covered by our patents and pending patent applications has been developed independently and does not infringe on the patents of others, there can be no assurance that the technology does not and will not infringe on the patents of others. In the event of infringement, we could, under certain circumstances, be required to modify our infringing product or process or obtain a license. There can be no assurance that we would be able to do either of those things in a timely manner or at all, and failure to do so could harm us and our business. In addition, there can be no assurance that we will have the financial or other resources necessary to enforce a patent infringement or proprietary rights violation action or to defend ourselves against such actions brought by others. If any of the products or processes we have developed infringe upon the patent or proprietary rights of others, we could, under certain circumstances, be enjoined or become liable for damages, which would harm our business.

TRADEMARKS. We currently use or propose to use the trademarks or trade names Cobalis, PreHistin (TM), Pre-Histamine (TM) and Prevahist (TM) to distinguish our brands from others. We hope to obtain registration for our trademarks for our proposed products in the future. Current status of trademark applications:

Country	Trademark	Application No.	Filed
United States	COBALIS	78378186	03/03/04
United States	PREHISTIN	78378191	03/03/04
Australia	PREHISTIN	10588099	05/31/05
South Korea	PREHISTIN	40-2004-39638	08/30/04

Obtaining a trademark will grant us the exclusive right to use or license such trademarks and will substantially assist us in the protection of our brand name and image. Once obtained, we will regard the license to use any trademarks we acquire and any other proprietary rights in and to the trademarks as assets in the marketing of our products and we will actively seek to protect them against infringement. If we establish our brand, we may also create an enforcement program to control the sale of counterfeit products in the United States and in major markets abroad. We believe that any trade names and trademarks developed can be helpful in garnering broad market awareness of our products and will be significant in marketing our products. Therefore, we propose to adopt a policy of vigorous defense of our trademarks against infringement under the laws of the United States and other countries.

In November 2003, a trademark infringement and unfair competition suit filed by Biogen Idec MA Inc. ("Biogen"), against us in the U.S. District Court for the District of Massachusetts, file # C.A. 03-123-5 PBS. A default judgment was entered against us on February 9, 2004 and subsequently on or about March 22, 2004, we and Biogen agreed to settle the dispute. On April 14, 2004, Biogen undertook to file a motion for stay of consideration of its motion for entry of default judgment and prepared a consent judgment to be filed with the court. Pursuant to the consent judgment, we are enjoined from using "Biogentec" or "Biogentech" or any phonetic equivalent, and consented to change our corporate name to Cobalis Corp. and to discontinue all uses of the trade name and trademarks and domain names containing "Biogentech," or "Biogentec" and transfer the rights to any domain names we may own containing "Biogentech" or "Biogentec" to Biogen as soon as practicable. On July 6, 2004, we filed a Certificate of Amendment to our corporate articles in Nevada to effect our name change to Cobalis Corp. We believe we have complied with our agreement with Biogen.

WEBSITES. We have developed a corporate site, www.cobalis.com, targeted to the investor, corporate and health professional community which describes the science behind our flagship allergy prevention product, PreHistin (TM). In addition, the site contains information that we believe is of value to the consumer, the allergy sufferer. We intend to update the site continuously to include the latest news and information about PreHistin (TM), as well as our upcoming Phase III clinical trials program.

We are also planning to create a comprehensive website primarily targeted to consumers, which will include interactive features for allergy sufferers as well as detailed updates as PreHistin (TM) comes closer to being made available to the consumer market. We plan to have both sites translated into multiple languages to engage the international health professional, reflect local regulations and consumer communities.

Under current domain name registration practices, no one else can obtain a domain name identical to ours, but someone might obtain a similar name, or the identical name with a different suffix, such as ".org", or with a country designation. The regulation of domain names in the United States and in foreign countries is subject to change, and we could be unable to prevent third parties from acquiring domain names that infringe or otherwise decrease the value of our domain names.

We currently own the following domain names: cobalis.com, cobalis.net, prehistin.com, prehistin.net, prevahist.com, prevahist.net, alleratin.com, biogentec.com and prehistin.com.au.

TARGET MARKET. Our PreHistin (TM) product will be targeted to those individuals who suffer from allergic diseases, including seasonal allergies, perennial allergies and other allergic diseases and conditions. We believe that allergy sufferers are constantly seeking relief from their symptoms and a "new approach" to address those symptoms if their current approach is not working or if they would prefer an approach that is geared more towards prevention of allergy symptoms than to treating these symptoms with powerful and often uncomfortable antihistamines. If we are able to complete the development of our product and raise sufficient funds, we are planning to execute a fully integrated marketing campaign including broadcast and print advertising, direct mail and an aggressive public relations campaign, educating consumers, health professionals, corporate human resources personnel and caregivers on the product and driving retail sales of PreHistin (TM) once our Phase III Clinical Trials are complete, and we receive anticipated approval from the US FDA to market PreHistin (TM) with a claim that PreHistin (TM) will prevent the onset of allergy symptoms.

In addition to the initial formula of PreHistin (TM), we plan to test, and gain approval for, alternative delivery mechanisms for the same drug. The mechanisms that will be tested include liposomal sprays, liquid drops, quick dissolve tablets and quick dissolve strips, among others, which we hope will result in 3 to 7 products in the PreHistin (TM) line. We are also developing clinical trial protocols to gain supplemental indications for this drug, such as sinusitis, migraine, allergic asthma and pediatric cases of each, and, upon FDA approval, as a treatment for allergic rhinitis. We are planning to launch one to two new products per year, either from our development pipeline or through acquisition or licensing of late stage development products.

We intend to launch marketing campaigns directly to retail pharmacy chains and work collaboratively with retailers via co-marketing, co-branding and in-store promotions that will build brand awareness and assist in educating the consumer. Further, we intend to create and implement significant programs into the corporate health and wellness community to bring the benefits of PreHistin (TM) to the workplace, as we believe that productivity suffers from work days lost to allergy suffering. We believe that our product works very differently (in

advance of allergy symptoms to prevent their onset) from what consumers have learned to expect from any other products (which only treat allergy symptoms) in the category, making it critical that consumer education be woven in to all aspects of the marketing program.

OUR MARKETING STRATEGY. We believe that PreHistin (TM) can capture market share with its unique focus on preventing the symptoms of allergic rhinitis. We believe that this technology (mediation of IgE synthesis) and unique approach to allergy symptoms reduction makes the upcoming PreHistin (TM) launch newsworthy, and will help us to leverage a cost-effective publicity campaign. From a consumer advertising perspective, we are planning, domestically, to execute a targeted, market campaign once we receive approval from the US FDA to commence marketing of PreHistin (TM), ensuring the product is in market prior to the prime ragweed hay fever season. This program is scheduled to be afull national release, depending on the terms of any distribution licensing agreement secured with an intended major US pharmaceutical marketing partner.

Conclusion of a major licensing agreement with a leading pharmaceutical company would greatly accelerate our ability to come to market on a national basis more quickly and with greater efficiency than would be achieved by independently marketing the product ourselves. We have now begun negotiations with several major pharmaceutical companies and we expect to continue such discussions through the balance of our Phase III Clinical Trials period leading to an expected agreement with one such company in late 2005 or early 2006.

We anticipate completion of the Phase III Clinical Trials during late 2005, with a market roll out in 2006, providing enough time to implement a widespread consumer education campaign prior to the allergy season. Once the market launches are completed, we expect that we will work closely with our marketing partner to fine-tune a media and publicity plan, as well as the price point and message, to hopefully allow us to accelerate nationwide and international distribution.

THE INTERNATIONAL MARKETPLACE. Internationally, we are working to gain approval for a supplement version of our allergy prevention formula, PreHistin (TM), in Canada, capitalizing on the new regulations that we believe will allow supplements to make strong marketing claims, provided they are supported with scientific evidence. We believe that our formula, as explained above, has sufficient science to validate its effectiveness, so we hope to gain approval in the Canadian market. We are exploring similar opportunities in several countries throughout the world. As the markets for this opportunity are uncovered, we plan to aggressively market and distribute PreHistin (TM), and/or Prevahist (TM), by developing in-house resources, creating a joint venture and/or authorizing a product licensing, marketing and distribution agreement. Currently, we have no such agreements in place, nor do we have in-house resources. We are considering distribution of PreHistin (TM) in various countries throughout the world. Internationally, we are in discussions with companies in Australia, Japan, Korea, Canada, Mexico, New Zealand, Indonesia, South Africa and the EU, to operate as partners in working PreHistin (TM) through their regulatory processes and launching it to a broad network of retailers and physicians. However, we have not yet entered into written agreements with such parties and negotiations are in their infancy, with the exception of discussions with a potential distributor for Australia, New Zealand and South Africa, with whom we are at an advanced stage of negotiations. We are evaluating a variety of marketing, manufacturing and distribution scenarios to determine the most effective and efficient channels to facilitate the product's worldwide growth.

We have identified a boutique pharmaceutical distributor in Australia that

currently markets and distributes the leading nasal spray product for nasal congestion in Australia. We are currently in discussions to finalize a long-term distribution agreement which we believe will lead to distribution of PreHistin (TM) in Australia through the leading 2,500 - 3,500 retail pharmacies over the coming 24 months, with product being made available to consumers in late 2005 or early 2006. We are currently preparing to secure Australian TGA (Therapeutic Goods Administration) approval to have PreHistin (TM) approved as a `listed medication' for OTC sales in Australia. The primary ingredient in PreHistin (TM) (cyanocobalamin) is already on the approvable list of the TGA, and we believe we will obtain TGA listing approval prior to December 2005.

OUR COMPETITION. The market for allergy relief preparations which we intend to enter is characterized by intense competition from products that treat allergy symptoms. Although the mechanism of action of our product is to prevent the onset of allergy symptoms, the marketplace today is comfortable with the available treatments. We will be competing against well-capitalized, established pharmaceutical companies which currently market products which are intended to treat and reduce the symptoms of allergic disease. As these are NOT equivalent or functionally similar to those products we intend to market, we see the primary task of achieving positive market uptake to be consumer education that prevention is a preferred route to treatment.

We estimate that prices of drug products are significantly affected by competitive factors and tend to decline as competition increases, including the introduction of low priced generics. In addition, we believe that numerous companies are developing or may, in the future, engage in the development of products that could be theoretically competitive with our proposed products, although we believe that our extensive safety profile, lack of side effects and preventive mechanism of action will provide significant positive differentiation from all treatment products on the market or expected to be introduced. We will seek to enhance our competitive position by distinguishing our product as a preventative allergy treatment from those that mitigate symptoms once they occur, and strongly emphasize our safety, absence of side effects and low cost compared to the daily cost of daily symptomatic treatments.

There are numerous companies that currently sell proprietary allergy preparations. We estimate that those holding the majority of market share in this industry are Schering-Plough HealthCare Products Inc., Pfizer Inc., Aventis Pharmaceuticals Inc. and GlaxoSmithKline, as well as others. Many of these competitors have established histories of operation and have greater financial resources than we have, enabling them to finance acquisition and development opportunities, to pay higher prices for the same opportunities or to develop and support their own operations. In addition, many of these companies have greater name recognition. These companies might be willing to sacrifice profitability to capture a greater portion of the market for similar products, or pay higher prices than we would for the same expansion and development opportunities. Consequently, we may encounter significant competition in our efforts to achieve our internal growth objectives.

In our estimation, the vast majority of the allergy products currently on the market are antihistamines which attack allergy symptoms after the histamines impact the body. We believe that the mechanism of effect for PreHistin (TM) is completely different in that it prevents the over production of histamines and, therefore, prevents the allergy symptoms caused by airborne allergens. Therefore, we hope to create a niche product and distinguish ourselves from our

competitors in that manner.

We believe that PreHistin (TM) can enjoy success because it is a different type of product than what is currently available. We also believe that our proposed product addresses the concerns and desires of the consumer in that, in our estimation it has no side effects while offering a long lasting, preventative solution to allergy symptoms. Schering-Plough's product Claritin (R) is, by far, the market leader as an OTC medicine (as it was as a prescription medication). Although we are not yet selling our product, and therefore occupy no competitive position with regard to the market for allergy relief preparations, we believe that PreHistin (TM) has the ability to gain a significant market share from consumers that have tried and/or currently use, Claritin due to the efficacy and the benefits.

GOVERNMENT REGULATION. We believe that we will experience minimal direct costs and effects of compliance with environmental laws and other such federal, state and local regulations, in that we intend to outsource all manufacturing and distribution operations to companies that comply with Good Manufacturing Practice ("GMP") Regulations and other applicable laws and regulations. We believe we are otherwise in compliance with existing or probable governmental regulations on our business, which include regulations relative to the approval of our products for sale as a nutritional supplements, over-the-counter medications or prescription medications.

FDA APPROVAL. Government regulation in the United States is a significant factor in the production and marketing of new drugs. The FDA must approve all new over-the-counter and prescription drugs, which includes any new use for a substance even if previously used safely for a different purpose. In the U.S., companies are subject to rigorous requirements in order to engage in the human clinical testing that must be conducted to gain approval for a drug. To begin clinical testing, a company must comply with mandatory procedures and safety standards established by the FDA and apply to the FDA for consent. The application requires a summary of previous work carried out on drug characterization, toxicity and safety, as well as an in-depth description of the proposed clinical trials, which occur in following three phases:

- Phase I trials are designed to measure the early safety profile and the pattern of drug distribution and metabolism.
- Phase II trials are aimed at determining preliminary efficacy and optimal dosage, and to expand the evidence regarding safety.
- Phase III trials are conducted to provide enough data for statistical evaluation of efficacy and safety.

We believe that Cyanocobalamin, the primary active ingredient of PreHistin (TM), has been extensively studied and has an excellent safety record. In addition, we also believe that Cyanocobalamin has no upper dosage limit, has no known side effects and has no known negative drug interactions. Our Phase III clinical studies on PreHistin (TM) began during the final quarter of 2004 after receiving approval by the FDA for a prophylaxis study.

OUR RESEARCH AND DEVELOPMENT. During each of the last two fiscal years, we have had no expenditures for research and development activities, as all of our research and development to date was completed prior to fiscal year 2001. Because our product is not yet in production, there are no costs borne by customers.

FUTURE PRODUCTS. In addition to PreHistin (TM), we plan on developing and

marketing additional related products, however, our current focus is on PreHistin(TM). Other products are in various stages of development and hopefully will provide a continuous stream of corporate growth for the next several years. We believe that as revenues and profits increase, the research and development expense percentage will remain constant, hopefully enabling us to capture opportunities to acquire products, technology and/or companies that assimilate in to the overall corporate strategy.

We have additional products in development using the PreHistin (TM) technology. We anticipate niche extension products through supplemental uses, such as for children, seniors, allergic asthma sufferers, sufferers of atopic asthma (over 40% of all asthmas is estimated to be atopic in origin), atopic dermatitis (100% of dermatitis is atopic) and atopic migraine (over 60% of all migraine is estimated to be atopic in genesis), animals and others, and additional patented delivery mechanisms, such as a patch, liposome spray and other methods. We hope that as we can increase our brand recognition in the consumer marketplace, as we hope that expanding our product line will increase revenues.

DISCUSSIONS TO ACQUIRE INNOFOOD/MODOFOOD: On July 28, 2003, we entered into a Stock Exchange Agreement ("Agreement") with InnoFood Inc. ("InnoFood") wherein we agreed, among other things, to provide InnoFood with funding totaling $5,000,000 in exchange for, among other things, 100% interest in InnoFood. InnoFood is owner of certain rights to a proprietary food processing technology developed by Modofood S.P.A. ("Modofood") of Brescia, Italy. The agreement provided that we were to have the exclusive distribution rights (through the acquisition of InnoFood) of Modofood's proprietary food sterilization and preservation technology for North America, Central America, South America and Japan, as well as the exclusive rights to negotiate on behalf of Modofood for Southeast Asia, including Taiwan, China and Indonesia.

The completed purchase of InnoFood was not to occur until the $5,000,000 funding was delivered. Under the Agreement, we were obligated to provide InnoFood with the funding on or before December 31, 2003. Due to what we consider to be significant breaches by InnoFood, we were unwilling to provide the required funding by the December 31, 2003 deadline. We did provide InnoFood with $2,220,000. We have confirmed that $1,850,000 of the funds provided to InnoFood were sent to Modofood. InnoFood originally entered into a Licensing Agreement with Modofood to market and distribute Modofood's food processing technology and had certain financial obligations under that agreement. On October 17, 2003, we entered into a Letter of Understanding ("LOU") with InnoFood to restructure the relationship. However, we believe that InnoFood may have misled our management regarding certain material matters. As a result, the definitive agreements referenced in the LOU were never prepared and parties did not finalize the matters referenced in the LOU.

On January 8, 2004, InnoFood sent us a letter attempting to terminate the original InnoFood Agreement and the October 17, 2003, LOU. InnoFood claimed that we breached both the Agreement and the LOU by failing to provide the funding provided for under those agreements. With the letter of termination, InnoFood delivered a signed Promissory Note agreeing to pay back $2,160,000 (net of $60,000 interest InnoFood charged to us for non-payments). The Promissory Note accrues interest at 10% and is due and payable on or before January 15, 2009. As of March 24, 2004, we have not accepted the terms of this Promissory Note and are still in negotiation stage with InnoFood regarding the purchase or some other mutually acceptable resolution. We believe that InnoFood breached not only

the InnoFood Agreement but also the LOU. We intend to vigorously pursue InnoFood, but have not determined whether or not we will file a lawsuit against

InnoFood. We are also in discussions with directly with Modofood, the technology licensor, regarding a potential resolution. If needed, we may also consider pursuing legal action against Modofood if we are unable to resolve these matters informally with either company. In the meantime, we have attempted to resolve this dispute without court intervention. As of March 31, 2005, we fully reserved the $2,220,000 acquisition deposits due to uncertainty of the collections. We are vigorously pursuing all legal avenues with our legal counsel in Italy. However, if we are unable to arrive at a satisfactory resolution, we may need to expend additional resources to litigate this matter.

FACILITIES. Our executive, administrative and operating offices are located at 2445 McCabe Way, Suite 150, Irvine, California, 92614, which represent our only facilities. We have a lease for this space which runs for three years through March 31, 2006, with 5,455 square feet of space at a cost of $10,365.50 per month. On April 1, 2005 our lease increased to $11,445 per month. We believe these facilities are adequate for our current and projected requirements as we intend to outsource all manufacturing and distribution.

ITEM 2. DESCRIPTION OF PROPERTY.

PROPERTY HELD BY US. As of the date specified in the following table, we held the following property:

Property	March 31, 2005	March 31, 2004
Cash and Equivalents	$1,169	$76,181
Property and Equipment, net	$45,044	$63,510

OUR FACILITIES. Our executive, administrative and operating office is located at 2445 McCabe Way, Suite 150, Irvine, CA 92614. We have a three year lease for these premises, which through March 31, 2006. The premises consist of 5,455 square feet of space at a cost of $10,365.50 per month. On April 1, 2005 our lease increased to $11,445 per month. We believe that our facilities are adequate for our needs and that additional suitable space will be available on acceptable terms as required. We do not own any real estate.

ITEM 3. LEGAL PROCEEDINGS.

The following are legal actions pending against us and those we contemplate entering into at this time:

FORMER LEASED OFFICE SPACE: We are a defendant in a suit brought by our former landlord for breach of lease agreement and alleged unpaid rent in the County of Orange, Superior Court of California, Case #03CC02904. We believe that the landlord breached the rental agreement and as such, we do not owe any unpaid rent. Further, we believe that our security deposit and other collateral will be sufficient to cover this claim should an adverse ruling result, even though we anticipate a favorable outcome to this suit. In addition, we are in the process of submitting cross-claims for damages incurred and are also appealing the Court's recent ruling denying Arbitration per the parties' Arbitration Agreement. The landlord obtained a writ of attachment in the amount of $58,840, which remains contested, and the landlord's Motion for Summary Judgment was denied. However, to reflect this contingency, we have accrued $60,000 for a potential judgment in this case.

INNOFOOD/MODOFOOD: On July 28, 2003, we entered into a Stock Exchange Agreement

("Agreement") with InnoFood Inc. ("InnoFood") wherein we agreed, among other things, to provide InnoFood with Funding totaling $5,000,000 in exchange for, among other things, 100% interest in InnoFood and a 49% interest in ModoFood S.P.A. The completed purchase of InnoFood was not to occur until the $5,000,000 funding was delivered. Under the Agreement, we were obligated to provide InnoFood with the funding on or before December 31, 2003. Due to what we consider to be significant breaches by InnoFood, we were unwilling to provide the required funding by the December 31,

2003 deadline. We did provide InnoFood with $2,220,000. We have confirmation that $1,850,000 of the funds provided to InnoFood was sent to Modofood S.P.A., an Italian company ("Modofood"). InnoFood originally entered into a Licensing Agreement with Modofood to market and distribute Modofood's food processing technology. On October 17, 2003, we entered into a Letter of Understanding ("LOU") with InnoFood to restructure the relationship between ourselves and InnoFood. We believe that InnoFood may have misled our management regarding certain material matters. As a result, the definitive agreements were never prepared and parties did not finalize the matters referenced in the LOU.

On January 1, 2004, InnoFood sent us a letter attempting to terminate the original InnoFood Agreement and the October 17, 2003 LOU. InnoFood claimed that we breached both the Agreement and the LOU by failing to provide the funding called for under those agreements. With the letter of termination, InnoFood delivered a signed Promissory Note agreeing to pay back $2,160,000 (net of $60,000 interest InnoFood charged to us for non-payments). The Promissory Note accrues interest at 10% and is due and payable on or before January 15, 2009. We believe that this Promissory Note represents an acknowledgment of InnoFood's debt to us. As of March 31, 2005, we have not accepted the terms of this Promissory Note, and negotiation with InnoFood regarding the purchase has stalled.

We believe that InnoFood breached not only the InnoFood Agreement but also the LOU. We intend to vigorously pursue InnoFood, but have not determined whether or not we will file a lawsuit against InnoFood. We are also in discussions with Modofood, the technology licensor, regarding potential resolution directly with that company. If needed, we may also consider pursuing legal action against Modofood if we are unable to resolve these matters informally with either company.

CONSUMER SURVEY CENTER DISPUTE. A suit was filed against us and our President by Consumer Survey Center, Inc. ("CSC"). CSC is apparently claiming that we owe $34,900 for services allegedly provided by CSC for market research and product pricing research services. CSC is also claiming that our President, Chaslav Radovich, personally guaranteed the debt. The suit was filed on December 17, 2003 in the Superior Court of California, County of San Mateo for breach of contract. CSC has accepted 23,850 shares of the Company's stock for the debt. These shares were issued and delivered to CSC in May of 2004.

GRYPHON MASTER FUND, LP. On November 8, 2004, Gryphon Master Fund, LP, one of our selling security holders, filed a lawsuit against us in United States District Court, Northern District of Texas, Dallas Division. The lawsuit seeks repayment of the $600,000 convertible note payable, accrued interest on the convertible note payable within the prescribed period, penalties for failing to register the shares underlying the conversion of the convertible note payable, attorneys fees and court costs. We are attempting to negotiate a resolution. As of March 31, 2005, Gryphon asserts that we have accrued $1,503,658 related to this matter. We dispute this amount due in part to having provided Gryphon with

305,000 forebearance shares to offset accrued interest and penalties. The value of these forebearance shares is estimated to be $692,500, thus reducing the accrued total to $811,158.

GEMINI PARTNERS, INC. V. COBALIS CORP. On or about December 8, 2004, Gemini Partners, Inc., filed a complaint in the Superior Court of Orange County, California, against us for Breach of Contract, Promissory Estoppel, Common Counts and Quantum Meruit. Gemini Partners, Inc., is claiming that we failed and refused to pay for services related to our patent valuation. On or about January 27, 2005, Gemini Partners, Inc., filed a Request for Default claiming that we had not responded to the complaint within the statutorily allotted period. It is unclear whether the default was entered. Gemini Partners is claiming damages in an amount less than $25,000. We have accrued $25,000 related to this matter. As of April 11, 2005 we paid Gemini Partners in full.

JAMES LUCE. We believe there is potential litigation involving James Luce, a former officer of Biogentec, Inc., who believes he is due certain sums and/or stock under his employment contract. He has also indicated that he intends to bring suit against us unless the matter is resolved to his satisfaction. However, due to Linda Burkett information which has surfaced regarding InnoFood, we believe that we might now take legal action against James Luce, InnoFood, ModoFood and all their directors.

ITEM 4. SUBMISSION OF MATTERS TO VOTE OF SECURITY HOLDERS

Not applicable.

PART II

ITEM 5. MARKET PRICE FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

REPORTS TO SECURITY HOLDERS. We are a reporting company with the Securities and Exchange Commission, or SEC. The public may read and copy any materials filed with the SEC at the SEC's Public Reference Room at 450 Fifth Street N.W., Washington, D.C. 20549. The public may also obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The address of that site is http://www.sec.gov.

PRICES OF COMMON STOCK. We participate in the OTC Bulletin Board, an electronic quotation medium for securities traded outside of the Nasdaq Stock Market, and prices for our common stock are published on the OTC Bulletin Board under the trading symbol "BGTH". This market is extremely limited and the prices quoted are not a reliable indication of the value of our common stock.

Approximately seventeen (17) professional market makers hold themselves out as willing to make a market in our common stock. Following is information about the range of high and low bid prices for our common stock for each fiscal quarter since our stock commenced trading. These quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not necessarily represent actual transactions.

QUARTER ENDED	HIGH BID QUOTATION	LOW BID QUOTATION
9/30/02*	$ .01	$ .01
12/31/02*	$ .05	$ .05
3/31/03 *	$ .01	$ .01
6/30/03*	$ .05	$ .05
9/30/03	$ 3.80	$ 3.75
12/31/03	$ 3.50	$ 3.50
03/31/04	$ 1.90	$ 1.55
06/30/04	$ 1.35	$ 1.35
09/30/04	$ 3.25	$ 2.40
12/31/04	$ 1.25	$ 1.20
03/31/05	$ 0.62	$ 0.57
06/30/05	$ 0.57	$ 0.42

* Quoted market price prices are for shares of our stock prior to the reverse-merger with Biogentec effective July 2, 2003.

COMMON STOCK. We are authorized to issue 50,000,000 shares of $.001 par value common stock and 5,000,000 shares of $.001 par value preferred stock. As of July 7, 2005, there were 336 record holders of our common stock and there were 25,279,756 shares of our common stock issued and outstanding. There are no other outstanding options or warrants to purchase securities convertible into, shares of our common stock, except for the following:

PREFERRED STOCK. There were 1,000 shares of our preferred stock issued and Outstanding to Gryphon Master Fund, which among other preferences and designations is convertible into shares of our common stock. Based on opinion letters provided to Gryphon, we consider these shares to have been converted into 416,000 shares of Common A shares for which we have issued a legal opinion for 216,785 shares on December 8, 2004 and we believe that Gryphon has already sold this entire position in the open market.

OPTIONS. We have 5,400,000 exercisable options to purchase shares of our common stock currently outstanding, of which 225,000 were issued in 2001, 825,000 were issued in 2002, and 4,250,000 were issued in 2004.

In February 2004, we agreed to grant Mr. Ernest Armstrong, one of our officers, directors and principal shareholders, 1,200,000 options to purchase shares of our common stock. In addition, St. Petka Trust, our majority shareholder, agreed to transfer to Mr. Armstrong 1,000,000 options to purchase shares of our common stock that St. Petka Trust owns.

WARRANTS. We issued 90,000 warrants on September 15, 2003 to Gryphon. There are also warrants attached to shares of the preferred stock issued to Gryphon which are convertible to 104,167 shares of our common stock. In July 2004 we issued 1,000,000 warrants to purchase shares of our common stock at $1.75 per share to Martin Marion and 1,000,000 warrants to purchase shares of our common stock at $1.75 per share to Bojan Cosic, both of whom are our employees. These warrants are partially vested with three years vesting period. In October 2004, we issued 1,000,000 warrants to purchase shares of our common stock at $1.75 per share to DLZ for consulting services. In September 2004, we issued 50,000 warrants to purchase shares of our common stock at $1.00 per share to Kevin Pickard for accounting services rendered to us. In January 2005, we issued 250,000 warrants to purchase shares of our common stock at $1.75 per share to Lawrence May, one of our directors.

RECENT SALES OF UNREGISTERED SECURITIES.

In January 2005, we issued 1,250 shares to Catherine Posey for consulting services related to clinical trials. We also issued 75,000 shares to Jason Lyons for consulting services. In February 2005, we issued 30,000 shares to Tejeda & Tejeda, Inc. and 25,000 shares to Ibis Consulting Group for consulting services. We also issued 100,000 shares to Lawrence May, our board member for related consulting services. We also issued 15,000 shares to Sean Mulhearn and 15,000 shares to Melinda Mulhearn for consulting services related to the manufacture of our product, and 200,000 shares to the Wells Group for consulting services related to financial public relations. We also issued 150,000 shares to Cyndel & Co, Inc. for consulting services. We are in dispute with Cyndel & Co. Inc. over not performing and planning to cancel/rescind these shares. In March 2005, we issued 48,000 shares to Seth Shaw for consulting services, 12,000 shares to David Hovey, Jr. for consulting services, 60,000 shares to Sean Mulhearn for consulting services and 37,500 to Tejeda & Tejeda Inc. for consulting services. These shares were all issued in reliance on that exemption from registration under Section 4(2) of the Act, as transactions not involving any public offering. The shares were issued to these consultants as compensation for their services to us, and who by virtue of those relationships, were familiar with our business and were able to assess the risks and merits of the investment.

DIVIDENDS. There have been no cash dividends declared on our common stock. Dividends are declared at the sole discretion of our Board of Directors. Equity Compensation Plans. We have the following plan in place which was approved in 2002.

PLAN CATEGORY	NUMBER OF SECURITIES TO BE ISSUED UPON EXERCISE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS (A)	WEIGHTED-AVERAGE EXERCISE PRI OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS(B)
Equity compensation plans approved by security holders	N/A	N/A
Equity compensation plans not approved by security holders	2,350,000	$1.62
Total	2,350,000	$1.62

Penny stock regulation. Shares of our common stock will probably be subject to

rules adopted by the Securities and Exchange Commission that regulate broker-dealer practices in connection with transactions in "penny stocks". Penny stocks are generally equity securities with a price of less than $5.00, except for securities registered on certain national securities exchanges or quoted on the Nasdaq system, provided that current price and volume information with respect to transactions in those securities is provided by the exchange or system. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from those rules, deliver a standardized risk disclosure document prepared by the Securities and Exchange Commission, which contains the following:

- a description of the nature and level of risk in the market for penny stocks in both public offerings and secondary trading;
- a description of the broker's or dealer's duties to the customer and of the rights and remedies available to the customer with respect to violation to such duties or other requirements of securities' laws;
- a brief, clear, narrative description of a dealer market, including "bid" and "ask" prices for penny stocks and the significance of the spread between the "bid" and "ask" price;
- a toll-free telephone number for inquiries on disciplinary actions;
- definitions of significant terms in the disclosure document or in the conduct of trading in penny stocks; and
- such other information and is in such form, including language, type, size and format, as the Securities and Exchange Commission shall require by rule or regulation.

Prior to effecting any transaction in penny stock, the broker-dealer also must provide the customer the following:

- the bid and offer quotations for the penny stock;
- the compensation of the broker-dealer and its salesperson in the transaction;
- the number of shares to which such bid and ask prices apply, or other comparable information relating to the depth and liquidity of the market for such stock; and
- monthly account statements showing the market value of each penny stock held in the customer's account.

In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from those rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written acknowledgment of the receipt of a risk disclosure statement, a written agreement to transactions involving penny stocks, and a signed and dated copy of a written suitably statement. These disclosure requirements may have the effect of reducing the trading activity in the secondary market for a stock that becomes subject to the penny stock rules. Holders of shares of our common stock may have difficulty selling those shares because our common stock will probably be subject to the penny stock rules.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION OR PLAN OF OPERATION.

The financial statements for the year ended March 31, 2004 and the period from November 21, 2000 (inception) to March 31, 2004 included in the filing are

unaudited and this 10KSB is considered 'deficient' under the Commission's rules and regulations. We have engaged our current auditor, Kabani & Company, Inc., to reaudit the aforementioned financial statements and intend to file a second amended Form 10KSB with financials that comply with the Commission's rules and regulations.

THIS FOLLOWING INFORMATION SPECIFIES CERTAIN FORWARD-LOOKING STATEMENTS OF MANAGEMENT OF THE COMPANY. FORWARD-LOOKING STATEMENTS ARE STATEMENTS THAT ESTIMATE THE HAPPENING OF FUTURE EVENTS ARE NOT BASED ON HISTORICAL FACT. FORWARD-LOOKING STATEMENTS MAY BE IDENTIFIED BY THE USE OF FORWARD-LOOKING TERMINOLOGY, SUCH AS "MAY", "SHALL", "COULD", "EXPECT", "ESTIMATE", "ANTICIPATE", "PREDICT", "PROBABLE", "POSSIBLE", "SHOULD", "CONTINUE", OR SIMILAR TERMS, VARIATIONS OF THOSE TERMS OR THE NEGATIVE OF THOSE TERMS. THE FORWARD-LOOKING STATEMENTS SPECIFIED IN THE FOLLOWING INFORMATION HAVE BEEN COMPILED BY OUR MANAGEMENT ON THE BASIS OF ASSUMPTIONS MADE BY MANAGEMENT AND CONSIDERED BY MANAGEMENT TO BE REASONABLE. OUR FUTURE OPERATING RESULTS, HOWEVER, ARE IMPOSSIBLE TO PREDICT AND NO REPRESENTATION, GUARANTY, OR WARRANTY IS TO BE INFERRED FROM THOSE FORWARD-LOOKING STATEMENTS.

THE ASSUMPTIONS USED FOR PURPOSES OF THE FORWARD-LOOKING STATEMENTS SPECIFIED IN THE FOLLOWING INFORMATION REPRESENT ESTIMATES OF FUTURE EVENTS AND ARE SUBJECT TO UNCERTAINTY AS TO POSSIBLE CHANGES IN ECONOMIC, LEGISLATIVE, INDUSTRY, AND OTHER CIRCUMSTANCES. AS A RESULT, THE IDENTIFICATION AND INTERPRETATION OF DATA AND OTHER INFORMATION AND THEIR USE IN DEVELOPING AND SELECTING ASSUMPTIONS FROM AND AMONG REASONABLE ALTERNATIVES REQUIRE THE EXERCISE OF JUDGMENT. TO THE EXTENT THAT THE ASSUMED EVENTS DO NOT OCCUR, THE OUTCOME MAY VARY SUBSTANTIALLY FROM ANTICIPATED OR PROJECTED RESULTS, AND, ACCORDINGLY, NO OPINION IS EXPRESSED ON THE ACHIEVABILITY OF THOSE FORWARD-LOOKING STATEMENTS. NO ASSURANCE CAN BE GIVEN THAT ANY OF THE ASSUMPTIONS RELATING TO THE FORWARD-LOOKING STATEMENTS SPECIFIED IN THE FOLLOWING INFORMATION ARE ACCURATE, AND WE ASSUME NO OBLIGATION TO UPDATE ANY SUCH FORWARD-LOOKING STATEMENTS.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our Management's Discussion and Analysis of Financial Condition and Results of Operations section discusses our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, we evaluate our estimates and judgments, including those related to revenue recognition, accrued expenses, financing operations, and contingencies and litigation. We base our estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The most significant accounting estimates inherent in the preparation of our financial statements include estimates as to the appropriate carrying value of certain assets and liabilities which are not readily apparent from other sources, primarily valuation of patent costs and stock-based compensation. The methods, estimates and judgments we use in applying these most critical accounting policies have a significant impact on

the results we report in our consolidated financial statements.

OVERVIEW

BioGentec Incorporated ("BG"), a private Nevada corporation, was incorporated on November 21, 2000 according to the laws of Nevada, under the name St Petka, Inc. On May 4, 2001, St. Petka, Inc. formally changed its name to BioGentec Incorporated. On July 2, 2003, BG was merged into Togs for Tykes Acquisition Corp. ("TTYK"), a wholly owned subsidiary formed for the purpose of acquiring BG. On July 6, 2004, BioGentech Corp. changed its name to Cobalis Corp. As allowed under SFAS 141, "Business Combinations" ("SFAS 141"), we designated a date of convenience of the closing for accounting purposes as June 30, 2003. Under the terms of the merger agreement, all of BG's outstanding common stock (19,732,705 shares of $0.001 par value stock) wase exchanged for 19,732,705 shares newly issued shares of $0.001 par value stock of Cobalis Corp. common stock. This transaction was consummated with the filing of the Articles of Merger with the State of Nevada on July 2, 2003. BG shareholders then effectively controlled approximately 95% of the issued and outstanding common stock of Cobalis. Since the shareholders of BG obtained control of Cobalis, according to SFAS 141, this acquisition was treated as a recapitalization for accounting purposes, in a manner similar to reverse acquisition accounting.

GOING CONCERN

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation as a going concern. We incurred a net loss of $8,101,014 for the year ended March 31, 2005 and as of March 31, 2005, we had a working capital deficit of $6,039,751 and a stockholder deficit of $6,156,945. In addition, as of March 31, 2005, we have not developed a substantial source of revenue. These conditions raise substantial doubt as to our ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or amounts and classification of liabilities that might be necessary should we be unable to continue as a going concern.

We are currently attempting to raise additional debt and equity financing for operating purposes and expect to begin selling our product in Australia in late 2005.

We require substantial capital to pursue our operating strategy, which includes commercialization of our products, and we currently have limited cash for operations. Until we can obtain revenues sufficient to fund working capital needs and additional research and development costs necessary to obtain the regulatory approvals for commercialization, we will be dependent upon external sources of financing.

We believe that actions presently being taken to revise our operating and financial requirements provide the opportunity for us to continue as a going concern. There can be no assurances that sufficient financing will be available on terms acceptable to us, or at all. If we are unable to obtain such financing, we will be forced to scale back operations, which could have an adverse effect on our financial condition and results of operations.

CRITICAL ACCOUNTING POLICY AND ESTIMATES

Our Management's Discussion and Analysis of Financial Condition and Results of Operations section discusses our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, management evaluates its estimates and judgments, including those related to revenue recognition, accrued expenses, financing operations, and contingencies and litigation. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The most significant accounting estimates inherent in the preparation of our consolidated financial statements include estimates as to the appropriate carrying value of certain assets and liabilities which are not readily apparent from other sources, primarily valuation of patent costs and stock-based compensation. The methods, estimates and judgments we use in applying these most critical accounting policies have a significant impact on the results we report in our consolidated financial statements.

Patent Cost Valuation. The determination of the fair value of certain acquired assets and liabilities is subjective in nature and often involves the use of significant estimates and assumptions. Determining the fair values and useful lives of intangible assets especially requires the exercise of judgment. While there are a number of different generally accepted valuation methods to estimate the value of intangible assets acquired, we primarily use the weighted-average probability method outlined in SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This method requires significant management judgment to forecast the future operating results used in the analysis. In addition, other significant estimates are required such as residual growth rates and discount factors. The estimates we have used are consistent with the plans and estimates that we use to manage our business, based on available historical information and industry averages. The judgments made in determining the estimated useful lives assigned to each class of assets acquired can also significantly affect our net operating results.

Stock-based Compensation. We record stock-based compensation to outside consultants at fair market value in general and administrative expense. We do not record expense relating to stock options granted to employees with an exercise price greater than or equal to market price at the time of grant. We report pro-forma net loss and loss per share in accordance with the requirements of SFAS 123 and 148. This disclosure shows net loss and loss per share as if we had accounted for our employee stock options under the fair value method of those statements. Pro-forma information is calculated using the Black-Scholes pricing method at the date of grant. This option valuation model requires input of highly subjective assumptions. Because our employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing model does not necessarily provide a reliable single measure of fair value of our employee stock options.

Estimate of Litigation-based Liability. We are a defendant in certain claims and litigation in the ordinary course of business. We accrue liabilities relating to these lawsuits on a case-by-case basis. We generally accrue attorney fees and interest in addition to the liability being sought. Liabilities are adjusted on a regular basis as new information becomes available. We consult with our attorneys to determine the viability of an expected outcome. The actual amount

paid to settle a case could differ materially from the amount accrued.

LIQUIDITY AND CAPITAL RESOURCES

The financial statements for the year ended March 31, 2004 and the period from November 21, 2000 (inception) to March 31, 2004 included in the filing are unaudited and this 10KSB is considered 'deficient' under the Commission's rules and regulations. We have engaged our current auditor, Kabani & Company, Inc., to reaudit the aforementioned financial statements and intend to file a second amended Form 10KSB with financials that comply with the Commission's rules and regulations.

We had a cash and cash equivalents of $1,169 at March 31, 2005. Our total current assets at March 31, 2005 equal to $1,169. We also had the following long term assets: $45,044 in property and equipment, net, $2,298 in net website development costs, and $680,464 represented by net value of our patents and $40,000 in deposits. Our total assets as of March 31, 2005 were $768,975.

Our total current liabilities were $6,040,920 at March 31, 2005, which was represented by a cash overdraft of $11,941, accounts payable of $326,819 and accrued expenses of $2,208,084, due to related parties of $2,862,357, warrant liability of $31,719, and convertible note payable of $600,000. Our liabilities exceeded our assets by $5,271,945 as of March 31, 2005.

We have financed our operations primarily through cash generated from related party debt financing and from the private placement sales of equity securities, as well as issuing a convertible debenture. During the year ended March 31, 2005, we received an additional $1,440,192 from a related party and issued 838,476 shares of our common stock that were registered in Form S-8 as payment for certain accounts payable, past due salaries to certain related parties and amounts due to consultants.

Our cash used in investing activities was $5,094 for the year ended March 31, 2005, as compared to $2,146,612 for the year ended March 31, 2004, a decrease of $2,141,518. In fiscal 2004, we made an acquisition deposit of $2,220,000 related to our InnoFood acquisition.

Our net cash provided by financing activities was $1,452,133 for the year ended March 31, 2005 compared to $3,302,350 for the year ended March 31, 2004. The decrease of $1,850,217 is primarily due to the proceeds received in fiscal 2004 from the sale a preferred stock ($885,000), convertible debentures and notes payable ($1,815,000) offset by an increase in funding from a related party of approximately $900,000.

RESULTS OF OPERATIONS FOR THE YEAR ENDED MARCH 31, 2005 AS COMPARED TO THE YEAR ENDED MARCH 31, 2004

REVENUES AND COST OF SALES

We had no significant revenues for the year ended March 31, 2005 and March 31, 2004 as we are undertaking a Phase III clinical trial in order to obtain FDA approval of PreHistin (TM) as an over the counter drug. Our net revenues were $434 less $2,500 for cost of sales for a gross loss of $2,066 for the year ended March 31, 2005 as compared net sales of $4,708 less $12,402 for cost of sales for a gross loss of $7,694 for the year ended March 31, 2004.

OPERATING EXPENSES

Our operating expenses for the year ended March 31, 2005 were $6,402,505 compared to $4,554,669 for the year ended March 31, 2004. For both periods, we incurred expenses for two major purposes: i) ongoing development of our PreHistin (TM) product and related product management and ii) general management and fund raising efforts. For the year ended March 31, 2005, this amount was represented by $81,702 in depreciation and amortization, $3,631,692 in professional fees, $274,084 in salary and wages, $133,104 in rent expense, $1,913,449 in marketing and research, and $368,474 in other operating expenses,

as compared to the year ended March 31, 2004, where we had $116,158 in depreciation and amortization, $738,257 in professional fees, $789,383 in salary and wages, $125,680 in rent expense, $150,083 in marketing and research, an impairment loss of $2,331,522 and $303,586 in other operating expenses. Our operating expenses increased during the year ended March 31, 2005 as compared to the year ended March 31, 2004 principally as a result of the increase in professional fees, which include payments for accounting, legal and shareholder relations and the increase in marketing and research from our Phase III clinical trials offset by a decrease in impairment expense. A significant portion of the professional fees were paid by issuing shares of our stock. The value of these services was based on the market value of our stock at the measurement date. In fiscal 2004 we took and impairment expense related to the write off of the acquisition deposit to InnoFood and the writedown of the value of one of our patents.

Interest expense and financing costs for the year ended March 31, 2005 were $1,806,862 compared to $1,350,617 for the year ended March 31, 2004. The increase is due to the interest on the convertible note payable, the demand note payable and the advances from related parties. Interest expense and financing costs also includes the amortization of debt issue costs and debt discounts and penalties for not registering shares underlying the conversion of the convertible note payable and convertible preferred stock. During the year March 31, 2005, we fully amortized the debt discount and debt issue costs associated with the $600,000 convertible note payable due to the lawsuit filed by the holder of the convertible note payable. However, we dispute the note holder's assertion based on the issuance of 305,000 forebearance shares to Gryphon, the note holder, to offset penalties and interest, which in our opinion reduces the total to $811,158. We are currently litigating the matter and have filed a countersuit in response to Gryphon's suit as described above.

The change in the fair value in the warrant liability relates to the decrease in the value of the detachable warrants issued in connection with the convertible note payable and convertible preferred stock. Due to the decrease of our stock price, the fair value of these warrants has decreased resulting in the decrease of the warrant liability.

OUR PLAN OF OPERATION FOR THE NEXT TWELVE MONTHS.

Over the next 12 months, we plan to continue moving forward with the completion of the Phase III clinical trials of our allergy prevention product, PreHistin (TM), followed immediately by submission of an application to the FDA for marketing approval of PreHistin (TM) as an over the counter ("OTC") allergy medication. We hope to receive approval from the FDA in 2006, enabling our marketing launch in the United States of the product for the 2006 allergy season. We estimate the cost to complete the Phase III clinical trials and the submission of the application to the FDA for marketing approval will be approximately $3,000,000.

While continuing with the US FDA approval process, we are working to finalize the international launch strategy in the primary global markets. Discussions are progressing with potential joint venture partners for marketing, manufacturing, regulatory approval and distribution throughout the world, the most advanced of which are with companies in Australia and Japan. In addition to seeking approval from the FDA for the primary indication of seasonal allergic rhinitis (hay fever) for PreHistin (TM), we plan to conduct additional studies to validate the viability of approval for supplemental indications and alternative delivery mechanisms. The tests will be a combination of clinical trials and laboratory analyses.

In addition to seeking approval from the FDA for the primary indication of seasonal allergic rhinitis (hay fever) for PreHistin (TM), we plan to conduct additional studies to validate the viability of approval for supplemental indications and alternative delivery mechanisms. The tests will be a combination of clinical trials and laboratory analyses.

We are also actively pursuing the acquisition and development of products that we hope will enable us to leverage our resources. Areas of focus are OTC pharmaceutical products and nutritional supplements.

As of March 31, 2005, we had a cash of $1,169. To fully execute our business plan for the next 12 months, we will need to raise additional funds in order to complete the Phase III clinical trials, submit the PreHistin (TM) application to the United States FDA and execute a marketing launch of the PreHistin (TM) product. We will also need to raise funds to execute studies for the further development of the PreHistin (TM) product line and to complete the acquisition of additional products. Along with our investment bankers, we plan to raise these funds through private and institution or other equity offerings. We may attempt to secure other loans from lending institutions or other sources. There is no guarantee that we will be able to raise additional funds through offerings or other sources. If we are unable to raise funds, our ability to continue with product development will be hindered.

Other than the research and development related to our PreHistin (TM) product, we do not plan to engage in any other research and development unless we are able to raise additional funds. We do not anticipate any significant hiring over the next 12 months.

OFF-BALANCE SHEET ARRANGEMENTS

There are no off balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

ITEM 7. FINANCIAL STATEMENTS

The financial statements required by Item 7 are presented in the following order:

COBALIS CORP. AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2005 AND 2004
AND FROM NOVEMBER 21, 2000 (INCEPTION) TO MARCH 31, 2005

Contents

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders of
Cobalis Corp.
Irvine, California

We have audited the accompanying consolidated balance sheets of Cobalis Corp. (formerly Biogentech Corp.) and subsidiary as of March 31, 2005, and the related consolidated statements of operations, stockholders' deficit, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cobalis and subsidiary as of March 31, 2005, and the results of its operations and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has losses from operations, has not generated significant revenue, and has a working capital deficiency. These factors raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Kabani & Company, Inc.
Certified Public Accountants

Huntington Beach, California
June 20, 2005

^

COBALIS CORP. AND SUBSIDIARY
(FORMERLY BIOGENTECH CORP.)
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED BALANCE SHEET

	March 31, 2005
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 1,169
TOTAL CURRENT ASSETS	1,169
PROPERTY AND EQUIPMENT, net of accumulated depreciation of $68,576	45,044
WEBSITE DEVELOPMENT COSTS, net of accumulated amortization of $32,309	2,298
PATENTS, net of accumulated amortization of $224,851	680,464

DEPOSIT	40,000
TOTAL ASSETS	$ 768,975

LIABILITIES AND STOCKHOLDERS' DEFICIT

CURRENT LIABILITIES	
Cash overdraft	$ 11,941
Accounts payable	326,819
Accrued expenses	2,208,084
Due to related parties	2,862,357
Warrant liability	31,719
Convertible note payable	600,000
TOTAL CURRENT LIABILITIES	6,040,920
CONVERTIBLE PREFERRED STOCK (dividends on arrears of $112,500)	885,000
COMMITMENTS AND CONTINGENCIES	-
STOCKHOLDERS' DEFICIT	
Common stock; $0.001 par value; 50,000,000 shares authorized; 24,630,628 shares issued and outstanding	24,631
Additional paid-in capital	12,023,750
Deficit accumulated during the development stage	(18,205,326)
TOTAL STOCKHOLDERS' DEFICIT	(6,156,945)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 768,975

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

COBALIS CORP. AND SUBSIDIARY
(FORMERLY BIOGENTECH CORP.)
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended March 31, 2005	March 31, 2004	Cumulat Novem 2000 (inc March
		(unaudited)	(una
NET SALES	$ 434	$ 4,708	$
COST OF SALES	2,500	12,402	
GROSS PROFIT (LOSS)	(2,066)	(7,694)	
OPERATING EXPENSES:			
Professional fees	3,631,692	738,257	
Salary and wages	274,084	789,383	
Rent expense	133,104	125,680	
Marketing and research	1,913,449	150,083	
Depreciation and amortization	81,702	116,158	
Impairment expense	-	2,331,522	
Other operating expenses	368,474	303,586	
TOTAL OPERATING EXPENSES	6,402,505	4,554,669	
LOSS FROM OPERATIONS	(6,404,571)	(4,562,363)	
OTHER INCOME (EXPENSE)			
Interest expense and financing costs	(1,806,862)	(1,350,617)	
Change in fair value of warrant liability	110,419	209,341	
TOTAL OTHER INCOME (EXPENSE)	(1,696,443)	(1,141,276)	
LOSS BEFORE PROVISION FOR INCOME TAXES	(8,101,014)	(5,703,639)	
PROVISION FOR INCOME TAXES	-	-	
NET LOSS	(8,101,014)	(5,703,639)	
PREFERRED STOCK DIVIDENDS	75,000	922,500	
NET LOSS ATTRIBUTED TO COMMON STOCKHOLDERS	$ (8,176,014)	$ (6,626,139)	$
NET LOSS PER SHARE:			
BASIC AND DILUTED	$ (0.36)	$ (0.32)	$
WEIGHTED AVERAGE SHARES OUTSTANDING:			
BASIC AND DILUTED	22,458,344	20,630,593	

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

COBALIS CORP. AND SUBSIDIARY
(FORMERLY BIOGENTECH CORP.)
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
FOR THE PERIOD FROM NOVEMBER 21, 2000 (INCEPTION) TO MARCH 31, 2005

(Information presented from inception to March 31, 2004 is unaudited)

	Common stock		Additional paid-in
	Shares	Amount	capital
Balance at inception (November 21, 2000)	-	$ -	$ -
Issuance of founder's shares in exchange for property and equipment	16,300,000	16,300	-
Issuance of common stock for cash - November 2000 @ $1.00	30,000	30	29,970
Issuance of common stock for cash - December 2000 @ $1.00	15,000	15	14,985
Issuance of common stock for cash - February 2001 @ $1.00	12,000	12	11,988
Issuance of common stock for cash - March 2001 @ $1.00	125,000	125	124,875
Issuance of common stock for services - March 2001 @ $1.00	10,000	10	9,990
Contributed capital	-	-	62,681
Net loss for the period from inception (November 21, 2000) to March 31, 2001	-	-	-
Balance at March 31, 2001, as restated	16,492,000	16,492	254,489
Issuance of common stock for cash - April 2001 @ $1.00	10,000	10	9,990
Issuance of common stock for telephone equipment - April 2001 @ $1.00	6,750	7	6,743
Issuance of common stock for cash - May 2001 @ $1.00	11,000	11	10,989
Issuance of common stock for website development - May 2001 @ $1.00	17,000	17	16,983
Issuance of common stock for legal services - May 2001 @ $1.00	1,000	1	999
Issuance of common stock for cash - June 2001 @ $1.00	23,500	24	23,476
Issuance of common stock for cash - July 2001 @ $1.00	20,000	20	19,980
Issuance of common stock for cash - August 2001 @ $1.00	25,000	25	24,975
Issuance of common stock for services, related party - September 2001 @ $1.00	65,858	66	65,792
Issuance of common stock for cash - September 2001 @ $1.00	15,000	15	14,985
Issuance of common stock for services - September 2001 @ $1.00	11,000	11	10,989
Issuance of stock options for services - September 2001	-	-	32,000
Issuance of common stock for cash - October 2001 @ $1.00	5,000	5	4,995
Issuance of common stock for cash - December 2001 @ $1.00	30,000	30	29,970
Issuance of common stock for services - December 31, 2001 @ $1.00	33,000	33	32,967

Issuance of common stock for services, related party – December 2001 @ $1.00	117,500	118	117,382
Issuance of common stock for prepaid advertising – December 2001 @ $1.00	15,600	15	15,585
Issuance of common stock for property and equipment – January 2002 @ $3.00	1,000	1	2,999
Issuance of common stock for services, related party – January 2002 @ $1.00	33,000	33	32,967
Issuance of common stock for cash – February 2002 @ $2.00	20,000	20	39,980
Issuance of common stock for cash – March 2002 @ $2.00	12,500	12	24,988
Contributed capital	–	–	211,269
Deferred compensation	–	–	–
Net loss	–	–	–
Balance at March 31, 2002, as restated	16,965,708	16,966	1,005,492
Issuance of common stock for services – April 2002 @ $2.00	3,000	3	5,997
Issuance of common stock for cash – April 2002 @ $1.00	10,000	10	9,990
Issuance of common stock for cash – April 2002 @ $2.00	17,500	17	34,983
Issuance of common stock for cash – May 2002 @ $1.00	10,000	10	9,990
Issuance of common stock for cash – May 2002 @ $2.00	16,000	16	31,984
Issuance of stock options for services – May 2002	–	–	350,000
Contributed capital – bonus expense	–	–	50,000
Issuance of common stock for cash – June 2002 @ $1.00	5,000	5	4,995
Issuance of common stock for cash – June 2002 @ $2.00	5,000	5	9,995
Issuance of common stock for cash – July 2002 @ $1.00	5,000	5	4,995
Issuance of common stock for cash – August 2002 @ $2.00	10,000	10	19,990
Issuance of common stock for cash – September 2002 @ $2.00	10,000	10	19,990
Issuance of stock options below fair market value – November 2002	–	–	250,000
Issuance of common stock for conversion of note – December 2002 @ 2.00	50,000	50	99,950
Issuance of common stock for cash – December 2002 @ $2.00	20,000	20	39,980
Issuance of common stock for services – December 2002 @ $2.00	15,000	15	29,985
Issuance of common stock for patents – December 2002 @ $2.00	2,000,000	2,000	1,285,917
Contributed capital			292,718
Issuance of common stock for exercise of options – December 2002	574,000	574	574,028
Deferred compensation			
Contributed capital			5,000
Issuance of common stock for services – January 2003			25,000
Issuance of common stock for cash February 2003 @ $2.00	11,500	12	22,988
Issuance of common stock for cash March 2003 @ $2.00	5,000	5	9,995
Deferred compensation			
Net loss			
Balance at March 31, 2003, as restated	19,732,708	19,733	4,193,962
Issuance of common stock for cash April 2003 @ $2.00	70,000	70	139,930
Issuance of common stock for cash May 2003 @ $2.00	30,000	30	59,970
Acquisition by Biogentech Corp of ("Togs for Tykes")	1,032,000	1,032	(101,032)
Issuance of common stock for penalties January 2004 @ $2.80	135,000	135	377,865
Issuance of common stock for services February 2004 @ $2.20	100,000	100	219,900
Issuance of common stock for services February 2004 @ $1.85	20,000	20	36,980
Value of beneficial converstion feature of convertible debenture issued in September 2003			346,870
Fair value allocated to warrant liability for detachable warrants issued with preferred stock			(181,849)
Dividend on preferred stock			885,000
Deferred compensation			
Net loss			

Balance at March 31, 2004	21,119,708	21,120	5,977,596
Issuance of common stock for penalties May 2004 @ $1.85	170,000	170	314,330
Issuance of common stock for services June 2004 @ $1.75	10,000	10	17,490
Issuance of common stock for conversion of debt June 2004 @ $1.60	371,317	371	593,736
Issuance of common stock for services July 2004 @ $1.35	7,489	8	10,101
Issuance of common stock for services July 2004 @ $1.10	75,000	75	82,425
Issuance of common stock for services August 2004 @ $0.75	100,000	100	74,900
Conversion of debt to common stock September 2004 @ 2.22	857,143	857	1,902,000
Issuance of common stock for services October 2004 @ $2.20	4,758	5	10,463
Issuance of common stock for services October 2004 @ $2.55	375,000	375	955,875
Issuance of common stock for services December 2004 @ $1.45	5,000	5	7,245
Issuance of common stock for services December 2004 @ $1.30	63,676	63	82,715
Issuance of common stock for services January 2005 @ $1.05	1,250	1	1,312
Issuance of common stock for services January 2005 @ $1.18	75,000	75	88,425
Issuance of common stock for services February 2005 @ $1.10	155,000	155	170,345
Issuance of common stock for services February 2005 @ $1.06	100,000	100	105,900
Issuance of common stock for services February 2005 @ $0.95	30,000	30	28,470
Issuance of common stock for services February 2005 @ $1.05	80,628	81	84,578
Issuance of common stock for services February 2005 @ $1.00	467,159	467	466,692
Issuance of common stock for services February 2005 @ $0.96	350,000	350	335,650
Issuance of common stock for financing costs March 2005 @ $0.81	50,000	50	40,450
Issuance of common stock for services March 2005 @ $0.80	5,000	5	3,995
Issuance of common stock for services March 2005 @ $0.75	120,000	120	89,880
Issuance of common stock for services March 2005 @ $0.68	37,500	38	25,462
Fair value of warrants issued to consultants			553,715
Net loss			
Balance at March 31, 2005	24,630,628	$ 24,631	$12,023,750

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

Cobalis Corp. and Subsidiary
(formerly Biogentech Corp.)
(A Development Stage Company)
Consolidated Statements of Cash Flows

	Year Ended		Cumulative from November 21, 200 (inception) to
	March 31, 2005	March 31, 2004	March 31, 2005

		(unaudited)	(unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$(8,101,014)	$ (5,703,639)	$ (17,320,326
Adjustment to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization expense	81,702	116,158	434,365
Common stock issued for services	2,643,986	257,000	3,208,344
Common stock issued for penalty	314,500	378,000	692,500
Common stock issued for financing costs	40,500	-	40,500
Change in value of warrant liability	(110,419)	(209,341)	(319,760
Amortization of debt issue costs	67,882	15,618	83,500
Exercise of stock options for services	-	-	26,960
Amortization of discounts on notes	492,137	24,363	790,128
Issuance of stock options/warrants for services	553,715	-	960,715
Capital contribution - bonus (related party)	-	-	50,000
Amortization of prepaid advertising	-	-	15,600
Amortization of deferred compensation	-	196,000	250,000
Discount on common stock issued for settlement of debt	-	-	50,000
Impairment expense	-	2,331,522	2,331,522
Changes in assets and liabilities:			-
Prepaid expenses and other assets	11,619	(8,133)	-
Inventory	5,903	97	6,250
Accounts payable	214,864	94,988	735,209
Accrued expenses	1,948,857	947,084	2,895,941
Amounts due to related parties	313,717	478,436	1,437,840
Net cash used in operating activities	(1,522,051)	(1,081,817)	(3,630,712
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment	(1,562)	(25,937)	(87,569
Increase in patent costs	-	-	(24,711
Change in restricted cash	-	100,000	-
Merger fees and costs	-	-	-
Increase in acquisition deposits	-	(2,220,000)	(2,220,000
Increase in other deposits	-	-	(40,000
Increase in capitalized website	(3,532)	(675)	(18,097
Net cash used in investing activities	(5,094)	(2,146,612)	(2,390,377
CASH FLOWS FROM FINANCING ACTIVITIES:			
Change in cash overdraft	11,941		11,941
Payment on contract	-	-	(161,000
Proceeds from advances - related party	1,455,692	563,650	2,324,949
Proceeds from issuance of notes payable	-	1,215,000	1,215,000
Proceeds from sale of common stock	-	200,000	806,500
Proceeds from sale of preferred stock	-	885,000	885,000
Proceeds from convertible debenture	-	600,000	600,000
Capital contribution	-	-	571,668
Payment of debt issue costs	-	(83,500)	(83,500
Payments on advances - related party	(15,500)	(77,800)	(148,300
Net cash provided by financing activities	1,452,133	3,302,350	6,022,258
NET INCREASE (DECREASE) IN CASH AND			

CASH EQUIVALENTS	(75,012)	73,921	1,169
CASH AND CASH EQUIVALENTS, Beginning of period	76,181	2,290	-
CASH AND CASH EQUIVALENTS, End of period	$ 1,169	$ 76,211	$ 1,169
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Interest paid	$ -	$ -	$ -
Income taxes paid	$ -	$ -	$ -

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

COBALIS CORP. AND SUBSIDIARY
(FORMERLY BIOGENTECH CORP.)
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:(UNAUDITED)

FOR THE PERIOD FROM NOVEMBER 21, 2000 (INCEPTION) TO MARCH 31, 2003

The Company issued 16,300,000 shares of its common stock at par, as founder's shares, for property and equipment, totaling $16,300, upon formation of the Company.

The Company issued a note payable as consideration for the purchase of patents and inventory valued at $1,086,536 and $6,250, respectively. The Company recorded a $2,843,464 discount on note payable relating to the issuance of the note.

The Company issued 10,000 shares of its common stock for consulting services totaling $10,000, which represented the fair market value on the date of issuance.

During the period from November 21, 2000 (inception) to March 31, 2002, R&R, a shareholder of the Company, advanced the Company cash and also paid certain expenses directly on behalf of the Company totaling $273,950. The Company has

recorded these transactions as a contribution to capital as of March 31, 2001.

The Company issued 6,750 shares of its common stock valued at $6,750 for telephone equipment, which represented the fair market value on the date of issuance.

The Company issued 17,000 shares of its common stock valued at $17,000 for website development costs, which represented the fair market value on the date of issuance.

The Company issued 45,000 shares of its common stock valued at $45,000 for legal and consulting services provided, which represented the fair market value on the date of issuance.

The Company issued 216,358 shares of its common stock valued at $1.00 per share or $216,358 as consideration for past and future consulting services provided by a related party, which represented the fair market value on the date of issuance. This resulted in the Company recording $60,108 of deferred compensation as of March 31, 2002.

The Company issued 15,600 shares of its common stock valued at $15,600 for prepaid advertising expense, which represents the fair market value on the date of issuance.

During January 2002, the Company issued 1,000 shares of its common stock for property and equipment with a fair value of $3,000.

The Company issued 64,000 options to officers of the Company, to purchase its common stock at $0.50 per share for services rendered totaling $32,000. The Company's common stock had a fair market value of $1.00 per share on the date of issuance.

As of March 31, 2003, the Company has fully amortized the remaining balance of deferred compensation in the amount of $60,108 resulting from the issuance of common shares for future consulting services.

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

COBALIS CORP. AND SUBSIDIARY
(FORMERLY BIOGENTECH CORP.)
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES (CONTINUED):

The Company issued 18,000 shares of its common stock valued at $36,000 for consulting services provided, which represented the fair market value on the date of issuance.

During the year ended March 31, 2003, R&R advanced the Company cash and also paid certain expenses directly on behalf of the Company totaling $292,718. The

Company has recorded these transactions as a contribution to capital as of March 31, 2003.

On May 5, 2002, a related party transferred 25,000 shares of the Company's common stock valued at $50,000 to an employee of the Company as a bonus. The fair market value on the date of issuance was $2.00 per share. The Company has recorded this transaction as a contribution to capital and salary expense as of March 31, 2003.

During September 2002, a shareholder loaned the Company $50,000, which was convertible into 50,000 shares of the Company's common stock. The fair market value of the common stock was $2.00 per share; therefore, the Company recorded a $50,000 expense relating to this note. Subsequently, on December 31, 2002, the note holder converted the $50,000 promissory note into 50,000 shares of the Company's common stock.

During May 2002, the Company granted stock options to three consultants to purchase a total of 300,000 shares at an exercise price of $1.00 per share. The options vest immediately on the execution date of the consulting agreement. At the date of the grant, the fair value of the common stock was $2.00 per share. The Company valued these options under the Black-Scholes model with a total valuation of approximately $350,000, which was included in the statements of operations for the year ended March 31, 2003.

Three employees exercised 574,000 stock options as consideration for the forgiveness of $574,602 of accrued salaries to these three employees.

On December 19, 2002, the Company issued 2,000,000 shares of its common stock valued at $1,287,917 in lieu of payment in full under the contract payable totaling $1,287,917.

On November 5, 2002, the Company entered into an employment agreement with its new Chief Operating Officer ("COO"). The COO received 500,000 options to purchase 500,000 shares of the Company's common stock an exercise price totaling the lesser of $2.00 per share or 75% of the fair market value of the Company's common stock on date of grant. As of November 5, 2002, the fair market value of the Company's common stock was $2.00 per share; therefore, the exercise price of the stock options issued was $1.50 per option. The Company recognized deferred compensation relating to these options and is amortizing the expense over the vesting period. During the year ended March 31, 2003, the Company recognized $54,000 of expense relating to these options. However, due to the fact that COO's employment was terminated for cause in July of 2004 all these options are canceled.

On December 27, 2002, the Company entered into an employment agreement with its Chief Financial Officer ("CFO") on a part-time basis. This agreement became effective on January 2, 2003. The CFO was granted 25,000 fully vested options to purchase 25,000 shares of the Company's common stock with an exercise price of $1.00 per share during January 2003. The fair market value of the common stock was $2.00 per share; therefore, during January 2003, the Company recognized $25,000 of compensation expense upon issuance.

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

COBALIS CORP. AND SUBSIDIARY
(FORMERLY BIOGENTECH CORP.)
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES (CONTINUED):

FOR THE YEAR ENDED MARCH 31, 2004 (UNAUDITED)

In September 2003, the Company sold a convertible debenture with detachable warrants. The Company calculated the value of the warrants and the convertible feature of the debenture utilizing the Black-Scholes model. The $169,630 value of the warrants is included in the warrant liability due to registration rights in accordance with EITF 00-19. The $346,870 value of the beneficial conversion debenture was charged to additional paid-in capital.

The Company issued 135,000 shares of its common stock valued at $378,000 for a penalty associated with its convertible debenture, which represented the fair market value on the date of issuance.

The Company issued 120,000 shares of its common stock valued at $257,000 for consulting services and employee bonus.

FOR THE YEAR ENDED MARCH 31, 2005

The Company issued 170,000 shares of its common stock valued at $314,500 for a penalty associated with its convertible debenture, which represented the fair market value on the date of issuance.

The Company issued 2,062,460 shares of its common stock valued at $2,643,986 for consulting services and employee salary and bonuses.

The Company issued 50,000 shares of its common stock valued at $40,500 for financing costs.

The Company issued 1,228,460 shares of its common stock in exchange for debt totaling $2,496,964.

COBALIS CORP. AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2005 AND 2004 AND THE PERIOD
FROM NOVEMBER 21, 2000 (INCEPTION) TO MARCH 31, 2005

(INFORMATION FROM INCEPTION TO MARCH 31, 2004 IS UNAUDITED)

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Line of Business

BioGentec Incorporated ("BG"), a private Nevada corporation, was incorporated on November 21, 2000 according to the laws of Nevada, under the name St. Petka, Inc. On May 4, 2001, BG formally changed its name to BioGentec Incorporated. On July 2, 2003, BG was merged into Togs for Tykes Acquisition Corp.("TTYK"), a wholly owned subsidiary formed for the purpose of acquiring BG. TTAC is the wholly owned subsidiary of the registrant, Cobalis Corp. (formerly Biogentech Corp. and formerly Togs for Tykes, Inc.) (the "Company" or "Cobalis"). As allowed under SFAS 141, the Company designated a date of convenience of the closing for accounting purposes as June 30, 2003. Under the terms of the merger agreement, all of BG's outstanding common stock (19,732,705 shares of $0.001 par value stock) was exchanged for 19,732,705 shares newly issued shares of $0.001 par value stock of Cobalis' common stock. At the date of the transaction, Cobalis had 5,532,000 shares of common stock outstanding of which 4,500,000 will be cancelled as part of the transaction. The Company changed its corporate name to Cobalis Corp. with the filing of a Certificate of Amendment to our corporate articles in Nevada on July 6, 2004.

This transaction was consummated with the filing of the Articles of Merger with the State of Nevada on July 2, 2003 BG shareholders then effectively controlled approximately 95% of the issued and outstanding common stock of Cobalis. Since the shareholders of BG obtained control of Cobalis, according to FASB Statement No. 141 - "BUSINESS COMBINATIONS," this acquisition has been treated as a recapitalization for accounting purposes, in a manner similar to reverse acquisition accounting. In accounting for this transaction:

- BG is deemed to be the purchaser and surviving company for accounting purposes. Accordingly, its assets and liabilities are included in the balance sheet at their historical book values and the results of operations of BG have been presented for the comparative prior period; and

- Control of the net assets and business of Cobalis was acquired for accounting purposes effective June 30, 2003. This transaction has been accounted for as a purchase of the assets and liabilities of Cobalis by BG as of June 30 2003. The historical cost of the net assets acquired was $0 and $100,000 cash was paid for costs and fees associated with the merger.

The Company is a biotechnology company that has purchased the intellectual property rights (including related patents) to market Immun-Eeze, a dietary supplement, which is a natural alternative to over-the-counter and prescription medications. Immun-Eeze is effective in alleviating allergies and their accompanying symptoms. Immun-Eeze has been reformulated (the reformulation is included in the patent) and will be marketed under the name PreHistin (TM), previously "Allertin". The Company is currently a development stage company under the provisions of Statement of Financial Accounting Standards ("SFAS") No. 7 as it has not generated significant revenue.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in

conformity with in accordance with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company as a going concern. The Company has incurred a net loss of $8,101,014 for the year ended March 31, 2005 and as of March 31, 2005, the Company had a working capital deficiency of $6,039,751 and a stockholder deficit of $6,156,945. In addition, as of March 31, 2005, the Company has not developed a substantial source of revenue.

These conditions raise substantial doubt as to the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

The Company is currently attempting to raise additional debt and equity financing for operating purposes and expects to begin selling its product in Australia in 2006.

The Company requires substantial capital to pursue its operating strategy, which includes commercialization of its products, and currently has limited cash for operations. Until the Company can obtain revenues sufficient to fund working capital needs and additional research and development costs necessary to obtain the regulatory approvals for commercialization, the Company will be dependent upon external sources of financing.

There can be no assurances that sufficient financing will be available on terms acceptable to the Company, or at all. If the Company is unable to obtain such financing, the Company will be forced to scale back operations, which could have an adverse effect on the Company's financial condition and results of operations. These factors raise substantial doubt about the Company's ability to continue as a going concern.

Management believes that actions presently being taken to revise the Company's operating and financial requirements provide the opportunity for the Company to continue as a going concern.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Cobalis and its wholly owned subsidiary, BioGentec Inc. The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. All inter-company accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. As of March 31, 2005, the Company used estimates in determining the realization of its accounts receivable and inventory, capitalization and amortization of web development costs and patents, and fair value of equity instruments issued for services. Actual results could differ from these estimates.

Fair Value of Financial Instruments

For certain of the Company's consolidated financial instruments, including cash and cash equivalents, accounts payable, accrued expenses, and due to related parties, the carrying amounts approximate fair value due to their short maturities. The amounts shown for convertible debentures and notes payable also approximate fair value because current interest rates and terms offered to the Company for similar debt are substantially the same.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, the Company defines cash equivalents as all highly liquid debt instruments purchased with a maturity of three months or less, plus all certificates of deposit.

Concentration of Credit Risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist of cash and cash equivalents and accounts receivables. The Company places its cash with high quality financial institutions and at times may exceed the FDIC $100,000 insurance limit. The Company extends credit based on an evaluation of the customer's financial condition, generally without collateral. Exposure to losses on receivables is principally dependent on each customer's financial condition. The Company monitors its exposure for credit losses and maintains allowances for anticipated losses, as required.

Inventory

Inventory, consisting primarily of sample products used for marketing purposes, is carried at the lower of cost or market utilizing the first-in, first-out method. The company has no inventory as of March 31, 2005.

Property and Equipment

Property and equipment are stated at cost and are depreciated using the straight-line method over their estimated useful lives of 3 to 7 years for various classes of assets. Expenditures for maintenance and repairs are charged to operations as incurred while renewals and betterments are capitalized. Gains and losses on disposals are included in the results of operations.

The estimated service lives of property and equipment are as follows:
Furniture and fixtures: 7 years Computer equipment: 3 to 5 years

FOR THE YEARS ENDED MARCH 31, 2005 AND 2004 AND THE PERIOD
FROM NOVEMBER 21, 2000 (INCEPTION) TO MARCH 31, 2005

(INFORMATION FROM INCEPTION TO MARCH 31, 2004 IS UNAUDITED)

Research and Development

The Company incurs costs in the research and development of a dietary supplement, Alleratin (TM). All costs relating to phases I and II clinical trials were incurred before acquisition of the patents. Phase III and other research and development costs are charged to expense as incurred. For the years ended March 31, 2005 and 2004 and the period form November 21, 2000 (inception) to March 31, 2005, the Company incurred $1,912,054, $66,871 and $2,003,807, respectively, in research and development expenses.

Website Development Costs

Website development costs are for the development of the Company's Internet website. These costs have been capitalized when acquired and installed, and are being amortized over three years. The Company accounts for these costs in accordance with EITF 00-2, "Accounting for Website Development Costs," which specifies the appropriate accounting for costs incurred in connection with the development and maintenance of websites. Amortization expense totaled $7,809, 9,000, and $32,309, respectively, for the years ended March 31, 2005 and 2004 and the period from November 21, 2000 (inception) to March 31, 2005.

Patent Costs

Patent costs are carried at cost less accumulated amortization, which is calculated on a straight-line basis, over the estimated economic life of the patent. In accordance with SFAS No. 142, "Goodwill and Other Intangible Assets," the Company evaluates intangible assets and other long-lived assets (including patent costs) for impairment, at least on an annual basis and whenever events or changes in circumstances indicate that the carrying value may not be recoverable from its estimated future cash flows. Recoverability of intangible assets and other long-lived assets is measured by comparing their net book value to the related projected undiscounted cash flows from these assets, considering a number of factors including past operating results, budgets, economic projections, market trends and product development cycles. If the net book value of the asset exceeds the related undiscounted cash flows, the asset is considered impaired, and a second test is performed to measure the amount of impairment loss. During the year ended March 31, 2004, the Company recognized an impairment expense of $111,522 related to one of its patents as it determined that this patent had no future value based on its assessment of expected future cash flows to be generated by this patent and the results of an independent appraisal done in April 2004. Amortization expense related to these patents for the years ended March 31, 2005 and 2004 and the period from November 21, 2000 (inception) to March 31, 2005 was $53,865, $87,306, and $333,480, respectively. Projected amortization expense approximates $54,000, $49,000, $49,000, $49,000 and $49,000, respectively, for each of the five years ended March 31, 2010. Weighted average life of the remaining patent approximated 16.7 years.

Revenue Recognition

The Company will recognize revenue from product sales when shipment of product to the customer has been made, which is when title passes. The Company will

estimate and record provisions for rebates, sales returns and allowances in the period the sale is recorded. Shipping and handling charges are included in gross sales, with the related costs included in selling, general and administrative expenses. For the years ended March 31, 2005 and 2004, the Company had not generated any significant revenue.

Impairment of Long-Lived Assets

In accordance with SFAS Nos. 142 and 144, long-lived assets to be held and used are analyzed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. SFAS No. 142 relates to assets with an indefinite life where as SFAS 144 relates to assets that can be amortized and the life determinable. The Company evaluates at each balance sheet date whether events and circumstances have occurred that indicate possible impairment. If there are indications of impairment, the Company uses future undiscounted cash flows of the related asset or asset grouping over the remaining life in measuring whether the assets are recoverable. In the event such cash flows are not expected to be sufficient to recover the recorded asset values, the assets are written down to their estimated fair value. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value of asset less the cost to sell.

Stock Based Compensation

SFAS No. 123, "Accounting for Stock-Based Compensation," establishes and encourages the use of the fair value based method of accounting for stock-based compensation arrangements under which compensation cost is determined using the fair value of stock-based compensation determined as of the date of grant and is recognized over the periods in which the related services are rendered. The statement also permits companies to elect to continue using the current intrinsic value accounting method specified in Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," to account for stock-based compensation. The Company has elected to use the intrinsic value based method and has disclosed the pro forma effect of using the fair value based method to account for its stock-based compensation issued to employees. For options granted to employees where the exercise price is less than the fair value of the stock at the date of grant, the Company recognizes an expense in accordance with APB 25. For non-employee stock based compensation the Company recognizes an expense in accordance with SFAS No. 123 and values the equity securities based on the fair value of the security on the date of grant. For stock-based awards the value is based on the market value for the stock on the date of grant and if the stock has restrictions as to transferability a discount is provided for lack of tradability. Stock option awards are valued using the Black-Scholes option-pricing model.

If the Company had elected to recognize compensation expense based upon the fair value at the grant date for awards under the Stock Option Plan consistent with the methodology prescribed by SFAS No. 123 and SFAS No. 148, the Company's net loss and loss per share would be reduced to the pro forma amounts indicated below for the years ended March 31, 2005 and 2004:

	2005	2004
Net loss attributed to common stockholders		
As reported	$ (8,176,014)	$ (6,626,139)
Compensation recognized under APB 25	-	-
Compensation recognized under SFAS 123	-	(2,177,776)
Pro forma	$ (8,176,014)	$ (8,803,915)
Basic and diluted loss per common share		
As reported	$ (0.36)	$ (0.32)
Pro forma	$ (0.36)	$ (0.43)

The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions for 2005 and 2004:

	2005	2004
Risk-free interest rate:	N/A	4.1%
Dividend yields:	N/A	0%
Volatility factors:	N/A	75%
Weighted average expected life of the option:	N/A	3.5 years.

In February 2004, the Company's majority shareholder, St. Petka Trust, granted 1,000,000 options to an employee of the Company. The Company accounted for the transactions between St. Petka Trust and this employee in accordance with Staff Bulletin Board (SAB) 5T, "Accounting for Expenses or Liabilities Paid by Principal Stockholder(s)" which requires the Company to record expense for services paid by the stockholder for the benefit of the Company. Since the strike price of the options is higher than the market price of the Company's stock on the date of the grant, no expense was recorded in accordance with APB 25. The fair value of the options approximates $989,898 under the SFAS 123 which is included in the calculation of the pro forma net loss.

During the year ended March 31, 2005, the Company issued 3,300,000 warrants to consultants with a weighted average exercise price of $1.75. The warrants vest over a period ranging from immediately to three years. The fair value of these warrants amounted to $1,501,364 which is being amortized to expense over the terms of the consulting agreements. During the year ended December 31, 2004, the Company recognized an expense of $553,715 related to these warrants.

Advertising and Marketing Costs

Advertising costs are expensed as incurred and included in operating expenses. For the years ended March 31, 2005 and 2004 and for the period from November 21, 2000 (inception) to March 31, 2005, advertising costs were $1,395, $150,083, and $333,318, respectively.

Income Taxes

The Company accounts for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes." Deferred taxes are provided on the liability method whereby deferred tax assets are recognized for deductible temporary differences, and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Loss Per Share

The Company reports earnings (loss) per share in accordance with SFAS No. 128, "Earnings per Share." Basic earnings (loss) per share is computed by dividing income (loss) available to common shareholders by the weighted average number of common shares available. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. Diluted earnings (loss) per share has not been presented since the effect of the assumed conversion of options and warrants to purchase common shares would have an anti-dilutive effect. The Company has excluded all outstanding options, warrants, and convertible note payable and preferred stock from the calculation of diluted net loss per share because these securities are anti-dilutive. As of March 31, 2005 and 2004, the Company has approximately

5,844,167 and 3,260,834 common stock equivalents, respectively. In addition, as of March 31, 2005, 716,667 shares of common stock are issuable upon the conversion of the convertible note payable and convertible preferred stock.

Comprehensive Loss

SFAS No. 130, "Reporting Comprehensive Income," establishes standards for the reporting and display of comprehensive income and its components in the financial statements. For the years ended March 31, 2005 and 2004 and the period from November 21, 2000 (inception) to March 31, 2005, the Company has no items that represent comprehensive income and, therefore, has not included a schedule of comprehensive income in the financial statements.

Discount on Convertible Note Payable and Preferred Stock

Discounts on convertible note payable and preferred stock are the relative fair values attributed to the detachable warrants issued and the value of the beneficial conversion features associated with the convertible note payable and preferred stock. These discounts are accounted for in accordance with Emerging Issues Task Force ("EITF") 00-27, "Application of Issue No. 98-5 to Certain Convertible Instruments" issued by the American Institute of Certified Public Accountants.

Warrant Liability

Pursuant to EITF 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock", the Company has recorded the relative fair value of warrants issued with registration rights on the Convertible Debenture and the Convertible Preferred Stock in the amount of $31,719 as a short-term liability until the Company has obtained an effective registration statement for these shares.

Additionally, the Company is required to report a value of the warrant as a fair market value and record the fluctuation to the fair value of the warrant liability to current operations. The fair value decreased by $110,419 and $209,341 during the years ended March 31, 2005 and 2004, respectively, and such amount has been included in other income.

Recently Issued Accounting Pronouncements

In November 2004, the FASB issued SFAS No. 151, entitled Inventory Costs -- An Amendment of ARB No. 43, Chapter 4. SFAS No. 151 amends the guidance in ARB No.

43, Chapter 4, entitled Inventory Pricing [June 1953], to clarify the accounting for "abnormal amounts" of idle facility expense, freight, handling costs, and wasted material [spoilage]. Before revision by SFAS No. 151, the guidance that existed in ARB No. 43 stipulated that these type items may be "so abnormal" that the appropriate accounting treatment would be to expense these costs as incurred [i.e., these costs would be current-period charges]. SFAS No. 151 requires that these type items be recognized as current-period charges without regard to whether the "so abnormal" criterion has been met. Additionally, SFAS No. 151 requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. The adoption of SFAS 151 did not impact the consolidated financial statements.

In December 2004, the FASB issued SFAS No. 152, entitled Accounting for Real Estate Time-Sharing Transactions -- An Amendment of FASB Statements No. 66 and 67. SFAS No. 152 amends SFAS No. 66 to reference the financial accounting and reporting guidance for real estate time-sharing transactions that is provided in AICPA Statement of Position 04-2. SFAS No. 152 also amends SFAS No. 67 to state that the guidance for (a) incidental operations and (b) costs incurred to sell real estate projects does not apply to real estate time-sharing transactions. The accounting for those operations and costs is subject to the guidance of SOP 04-2. This statement is effective for financial statements for fiscal years beginning after June 15, 2005. The adoption of SFAS 152 did not impact the consolidated financial statements.

In December 2004, the FASB issued SFAS No. 153, entitled Exchanges of Nonmonetary Assets -- An Amendment of APB Opinion No.29. SFAS No. 153 amends Opinion 29 to eliminate the exception for nonmonetary exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. The adoption of SFAS 153 did not impact the consolidated financial statements.

In December 2004, the FASB issued SFAS No. 123 (Revised), entitled Share-Based Payment. This revised Statement eliminates the alternative to use APB Opinion No. 25's intrinsic value method of accounting that was provided in SFAS No. 123 as originally issued. Under Opinion 25, issuing stock options to employees generally resulted in recognition of no compensation cost. This Statement requires entities to recognize the cost of employee services received in exchange for awards of equity instruments based on the grant-date fair value of those awards. For public companies that file as a small business issuer, this Statement is effective as of the beginning of the first interim or annual reporting period that begins after December 15, 2005. The adoption of SFAS 123 (Revised) will not impact the consolidated financial statements as the Company has not granted any equity instruments to employees.

In May 2005, the FASB issued SFAS No. 154, entitled Accounting Changes and Error Corrections--a replacement of APB Opinion No. 20 and FASB Statement No. 3. This Statement replaces APB Opinion No. 20, Accounting Changes, and FASB Statement

No. 3, Reporting Accounting Changes in Interim Financial Statements, and changes the requirements for the accounting for and reporting of a change in accounting principle. This Statement applies to all voluntary changes in accounting principle. It also applies to changes required by an accounting pronouncement in the unusual instance that the pronouncement does not include specific transition provisions. Opinion 20 previously required that most voluntary changes in accounting principle be recognized by including in net income of the period of the change the cumulative effect of changing to the new accounting principle. This Statement requires retrospective application to prior periods' financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. This Statement defines retrospective application as the application of a different accounting principle to prior accounting periods as if that principle had always been used or as the adjustment of previously issued financial statements to reflect a change in the reporting entity. This Statement also redefines restatement as the revising of previously issued financial statements to reflect the correction of an error. The adoption of SFAS 154 did not impact the consolidated financial statements.

NOTE 2 - ACQUISITION OF CERTAIN ASSETS

On November 22, 2000, the Company entered into an asset purchase agreement to acquire certain tangible and intangible assets from Gene Pharmaceuticals, LLC, formerly known as Allergy Limited, LLC ("GP LLC"), an unrelated company. As consideration, the Company agreed to pay a $150,000 down payment, as well as royalty payments calculated as a percentage of gross sales of the product known as "Immune-Eeze," occurring on or after January 1, 2001. The royalty payments were to be computed and payable quarterly, beginning with the quarter ended March 31, 2001, at the greater of the:

(i) Buyers Minimum Royalty Obligation;
(ii) rate of 6% of annual gross sales on the first $50,000,000 in gross sales; and
(iii) rate of 3% of annual gross sales on all gross sales in excess of $50,000,000.

The Company's minimum royalty obligation to GP LLC in the event that gross sales in any quarter did not meet certain threshold amounts would total $3,930,000. The minimum guaranteed purchase price was payable through 2022.

Gross sales are defined as all payments received by the Company on worldwide sales of all products containing Vitamin B12 including, but not limited to, sales of all products in pediatric doses and for use by domestic animals.

Per the asset purchase agreement, the Company had the option to buy the patent outright with no royalty or future minimum royalty payments for the following:

$5,000,000 through June 30, 2002; $6,000,000 from July 1, 2002 to June 30, 2003; $7,000,000 from July 1, 2003 to June 30, 2004; or $8,000,000 thereafter.

The tangible and intangible assets purchased resulted in the recording of $6,250 of inventory, $1,080,286 of patents as of November 22, 2000, and, since the minimum royalty payments did not include interest, the Company has recorded a discount on the contract payable totaling $2,843,464, using an interest rate of 15.5%, which was being amortized over the life of the payable.

Per the asset purchase agreement, the Company has secured the rights to two patents, which were valued at their fair market values as of the date of purchase. The patents are for the introduction of, or "delivery" of, Cyanocobalamin, via a lozenge, and cover the various forms of B12 used to provide relief from allergy and bronchial asthma symptoms. The U.S. patent expires in 2019. Under certain circumstances, this term could be extended by up to 5 years for regulatory delays involving the FDA under the Hatch-Waxman Act, 35 U.S.C. $156. Additional U.S. and foreign patents covering the use of lozenges delivering B12 for allergic diseases are in effect until 2019. Amortization was calculated on a straight-line basis over the shorter of the remaining economic life or estimated lives of the patents.

Recognition of contingent royalty payments above the guaranteed purchase price will be expensed in the period they are incurred.

As of March 31, 2002, the Company was in default on the minimum guaranteed payments. On April 20, 2002, payments relating to the minimum guaranteed purchase price were extended without penalty until May 31, 2002, at which time the first payment was due and payable. On June 1, 2002, the Company again defaulted on the agreement.

Per the asset purchase agreement, in event of default on any of the royalty or minimum royalty payments to the seller and such default is not cured with in 120 days, all purchased assets would revert back to GP LLC.

On December 19, 2002, GP LLC and the Company entered into a new memorandum of agreement whereby they amended the terms of the original asset purchase agreement whereby the purchase price shall be as follows:

a) the sum of all amounts previously paid by the Company under the asset purchase agreement totaling $161,000;
b) the outstanding contractual obligation for minimum royalty payments be settled for the issuance of 2,000,000 shares of the Company's common stock valued; and
c) a royalty calculated at 1.5% of the gross sales of the product, as defined above.

Royalty payments shall commence to accrue on December 19, 2002, and will be computed and payable quarterly. For the years ended March 31, 2005 and 2004 and the period from November 21, 2000 (inception) to March 31, 2005, no royalty expense was accrued due to insignificant amount of sales for the periods.

As a result, the Company satisfied its indebtedness to GP LLC, and reduced its future royalty obligation related to the patents in exchange for the 2,000,000 shares of the Company's common stock.

Also see Note 12 as the Company has restated its consolidated financial statements as a result of changes in the way it has accounted for this transaction with GP LLC.

NOTE 3 - PROPERTY AND EQUIPMENT

The cost of property and equipment at March 31, 2005 consisted of the following:

Furniture and fixtures	$ 71,500
Office equipment	42,120
	113,620
Less accumulated depreciation and amortization	(68,576)
	$ 45,044

Depreciation expense for the years ended March 31, 2005 and 2004 and the period from November 21, 2000 (inception) to March 31, 2005 was $20,028, $19,852, and $68,576, respectively.

NOTE 4 - ACCRUED EXPENSES

Accrued expenses at March 31, 2005 consisted of the following:

Accrued clinical trials payable	$ 1,117,998
Accrued penalties payable	710,000
Accrued interest payable	168,658
Accrued legal settlement	60,000
Accrued legal fees	25,000
Other	126,428
	$ 2,208,084

NOTE 5 - DUE TO RELATED PARTIES

Due to related parties at March 31, 2005 consists of the following:

R&R Holdings, Inc. a)	$ 2,634,648
Chaslav Radovich b)	31,250
Other officers/executives c)	196,459
	$ 2,862,357

(a) On January 1, 2001, the Company entered into a consulting contract with R&R Development, Inc. DBA R&R Holdings, Inc. ("R&R") whereby they would provide managerial consulting services to the Company at the rate of $125,000 per year and the rate shall increase to $135,000 per year when and if the Company completes a merger with a public shell company. R&R is also a shareholder of the Company. As of March 31, 2005, the Company had accrued $343,642 of consulting fees relating to this agreement.

R&R advances the Company cash from time to time. As of March 31, 2005, the Company owed R&R $1,943,050 related to these advances. The Company has accrued interest on these advances at a rate of 10% per annum. Accrued interest at March 31, 2005 related to these advances totaled $147,309.

In September 2003, R&R advanced the Company an additional amount of $170,000 at the rate of 10% per annum. These funds were specifically to provide the Company with additional financing with regard to the InnoFood transaction. (See Note 9) Accrued interest at March 31, 2005 related to this advance was $30,647.

The amount of 2,634,648 represents the combined total advanced to Cobalis Corp. from St Petka Trust, RR Holdings Inc., and Silver Mountain Promotions Inc; all of which are beneficially owned by Radul Radovich, chairman of the board.

(b) The Company currently owes its Chief Executive Officer $31,250 in past due compensation. The Company is accruing salary to its CEO at an annual rate of $125,000. During the year ended March 31, 2005, the Company issued to its CEO 251,651 shares of common stock for past due salary of $248,250, interest accrued on paid due salary of $18,034 and a bonus of $50,000.

(c) The Company currently owes other current and former executives a total of $196,459 in past due compensation.

NOTE 6 - CONVERTIBLE NOTE PAYABLE

In September 2003, the Company sold a $600,000, three-year, 8% convertible note payable to Gryphon Master Fund, LP, which is convertible into shares of the Company's common stock at the initial conversion price of $2.00 per share. This price is subject to adjustment should the Company issue shares of its common stock at a price less than $1.75 per share. The convertible note payable was sold with detachable three-year warrants to purchase 90,000 shares of the Company's common stock at $2.90 per share. The warrant exercise price is also subject to adjustment based on sales of the Company's common stock below the current fair market value on the contract date.

The fair value of these warrants totaling $169,630 was computed using the Black-Scholes model under the following assumptions: (1) expected life of 3 years; (2) volatility of 104%, (3) risk free interest of 4.39% and (4) dividend rate of $0%. In addition, since this debt is convertible into equity at the option of the note holder at beneficial conversion rates, an embedded beneficial conversion feature was recorded as a debt discount and amortized using the effective interest method over the life of the debt in accordance with Emerging Issues Task Force No. 00-27, "Application of Issue No. 98-5 to Certain

Convertible Instruments." Since the intrinsic value of the beneficial conversion feature and relative fair value of the warrants exceeds the proceeds of the convertible debt, the amount of the discount assigned to the beneficial conversion feature and warrants is limited to the amount of the net proceeds of the convertible debt. Therefore, the Company recorded a discount of $516,500 (consisting of relative fair value of the warrants of $169,630 and beneficial conversion features of $346,870), the net proceeds received by the Company after the debt discount of $83,500. For the year ended March 31, 2004, the Company recorded the amortization of discount in the amounts of $24,363 as interest expense using the effective interest method. During the year ended March 31, 2005, the Company fully amortized the debt discount associated with the $600,000 convertible note payable due to the lawsuit filed by the holder of the convertible note payable. See Note 11.

The Company also entered into a registration rights agreement whereby the Company agreed to file a valid registration statement with the Securities and Exchange Commission to register the shares of common stock underlying the Convertible Debentures and Debenture Warrants. Pursuant to EITF 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock", the relative fair value of the warrants has been recorded as a short-term liability until the Company has obtained an effective registration statement for these shares. If the Company does not file such an effective registration statement within 30 days of the closing date, or October 8, 2003, the Company is subject to penalties as follows: 1% of the principal amount of the funding for the first 30 day period in which the Company fails to file such registration statement, and 2% for each 30 day period thereafter. At March 31, 2005, the Company had not filed such a registration statement and accordingly is currently subject to a penalty of approximately $210,000.

In addition, the Company is required to report a value of the warrant as a fair value and record the fluctuation to the fair value of the warrant liability to current operations. During years ended March 31, 2005 and 2004, the decrease of the relative fair value of the warrants approximated $68,675 and $87,259, respectively. The relative fair value of the warrants approximated $13,696 as of March 31, 2005.

Per the terms of the note agreement, in the event of default, the Company is subject to accrue interest at a default rate of 18% from the date of the default. As of March 31, 2005, Company had accrued interest of $168,658 related to this convertible note payable. In addition, the Company is obligated to remit 125% of the outstanding note balance or $150,000 upon the acceleration of repayment by the holder.

In January 2004, the Company issued 135,000 shares of its common stock to the

note holder, who agreed not to exercise any or all of its rights or remedies upon default stated in the note agreement until April 30, 2004. The Company had not cured the defaults upon the due date. In May 2004, the Company entered into a Forbearance Agreement with this note holder. Under the terms of the agreement, the Company agreed to issue 170,000 shares of its common stock to this note holder as forbearance fee in order for it not to exercise the rights and remedies upon default stated in the note agreement until the earlier of (1) September 30, 2004 or (2) such date that further event of default stated in the note agreement and the forbearance agreement. The Company accrued $692,500 as interest expense related to these issuances during the year ended March 31, 2004.

This convertible debenture is presented in the accompanying balance sheet as a current liability as the Company has not made required interest payment on this convertible debenture which is an event of default that give the holder the right to call the convertible debenture.

A rollforward of the convertible note payable is as follows:

Balance, March 31, 2003	$ -
Issuance of convertible debenture	600,000
Original discounts recorded on convertible debenture	(516,500)
Amortization of discounts	24,363
Balance, March 31, 2004	$ 107,863
Amortization of discounts	492,137
Balance, December 31, 2004	$ 600,000

The Company capitalized $83,500 of debt issues costs that is being amortized over the life of the Convertible Note. During the year ended March 31, 2004, the Company amortized $15,618 relating to debt issue costs. During the year ended March 31, 2005, the Company fully amortized the debt issue costs associated with the $600,000 convertible note payable due to the lawsuit filed by the holder of the convertible note payable. See Note 12.

NOTE 7 - CONVERTIBLE PREFERRED STOCK

In September 2003, the Company sold 1,000 shares of its 7.5% convertible preferred stock (the "Convertible Preferred Stock") for $1,000,000, less direct issuance costs of $115,000, which were netted against the proceeds of the offering. The Convertible Preferred Stock carries voting rights equivalent to the number of shares of common stock into which it can be converted, and has liquidation preference of $1,000 per share. The Convertible Preferred Stock is

convertible into shares of the Company's common stock at the initial conversion price of $2.40 per share. This price is subject to change should the Company issue shares of its common stock at a price less than $1.75 per share. Included with the Convertible Preferred Stock were detachable three-year warrants to purchase 104,167 shares of the Company's common stock at the price of $2.90 per share (the "Preferred Warrants"). The warrant exercise price is also subject to adjustment based on sales of the Company's common stock below the current fair market value on the contract date.

The fair value of these warrants totaling $181,849 was computed using the Black-Scholes model under the following assumptions: (1) expected life of 3 years; (2) volatility of 112%, (3) risk free interest of 4.1% and (4) dividend rate of $0%. In addition, since this convertible preferred stock is convertible into equity at the option of the stockholder at beneficial conversion rates, an embedded beneficial conversion feature was recorded as a discount to additional paid in capital in accordance with Emerging Issues Task Force No. 00-27, "Application of Issue No. 98-5 to Certain Convertible Instruments." Since the intrinsic value of the beneficial conversion feature and relative fair value of the warrants exceeds the proceeds of the convertible debt, the amount of the discount assigned to the beneficial conversion feature and warrants is limited to the amount of the proceeds of the convertible preferred stock. The discount was recorded as a preferred stock dividend at the date of issuance. The Company recognized $885,000 of preferred dividends related to the discount.

Pursuant to EITF 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock", approximately $181,849, the relative fair value of the warrants, has been recorded as a short-term liability until the Company has obtained an effective registration statement for these shares.

If the Company does not file such an effective registration statement within 30 days of the closing date, or October 25, 2003, the Company is subject to penalties as follows: 1% of the value of the shares and the warrants paid by the purchaser for the first 30 day period in which the Company fails to file such registration statement, and 2% for each 30 day period thereafter. At March 31, 2005, the Company had not filed such a registration statement and accordingly is currently subject to a penalty of $350,000.

In addition, the Company is required to report a value of the warrant as a fair value and record the fluctuation to the fair value of the warrant liability to current operations. During the years ended March 31, 2005 and 2004, the decrease of the relative fair value of the warrants approximated $41,744 and $122,082, respectively. The relative fair value of the warrants approximated $18,023 as of March 31, 2005.

As of March 31, 2005, the Company has not declared any preferred dividends and there was $112,500 of dividends in arrears related to the 1,000 share of convertible preferred stock.

Pursuant to the Amended and Restated Articles of Incorporation, the Company is authorized to issue up to 5,000,000 shares of preferred stock. The Company has designated the issuance of a series of Preferred Stock to be called the "7.5% Convertible Preferred Stock." The total number of shares of Convertible Preferred Stock that the Company shall have the authority to issue is 1,000. Each share of the Convertible Preferred Stock has a par value of $0.001 per share. The holder of each share of the Convertible Preferred Stock shall be entitled to the number of votes equal to the number of shares of common stock into which such share of Convertible Preferred Stock could be converted for purposes of determining the shares entitled to vote at any regular, annual or special meeting of shareholders of the Company.

NOTE 8 - STOCKHOLDERS' DEFICIT

Preferred Stock

The Company has authorized 5,000,000 shares of $0.001 par value preferred stock of which 1,000 have been designated at Convertible Preferred Stock (see Note 7).

Common Stock

The Company has authorized 50,000,000 shares of $0.001 par value common stock.

The Company entered into a consulting agreement and agreed to issue to the consultant 100,000 share on each of the following dates: August 1, 2004, February 1, 2005 and July 31, 2005. The Company also agreed to issue to this consultant 200,000 warrants with an exercise price of $1.75 per share on each of the following dates: November 1, 2004, May 1, 2005 and July 31, 2005. As of March 31, 2005, the Company has recognized a liability of $49,344 related to these unissued shares and warrants.

Stock Options

In 2002, the Company adopted a Stock Option Plan (the "Plan") initially reserving an aggregate of 1,250,000 shares of the Company's common stock (the "Available Shares") for issuance pursuant to the exercise of stock options, which may be granted to employees and consultants to the Company. The Plan options were subsequently increased to 2,000,000 shares. The Company is in the

process of amending the stock option plan to increase the number of shares authorized to be issued.

The Plan provides for the granting at the discretion of the Board of Directors of both qualified incentive stock options and non-qualified stock options. Consultants may receive only non-qualified stock options. The maximum term of the stock options are three to five years and generally vest proportionately throughout the term of the option.

Transactions under the Plans during the years ended March 31, 2004 and 2005 are summarized as follows:

The following table summarizes the options outstanding:

	Stock Option Plan	Weighted Average Exercise Price
Balance, March 31, 2003	1,150,000	$ 1.22
Granted	1,200,000	$ 2.00
Exercised	-	$ -
Canceled	-	$ -
Balance, March 31, 2004	2,350,000	$ 1.62
Granted	-	$ -
Exercised	-	$ -
Canceled	-	$ -
Balance, March 31, 2005	2,350,000	$ 1.62
Exercisable at March 31, 2005	2,350,000	$ 1.22

The weighted average remaining contractual life of options outstanding issued under the Plan is 2.18 years at March 31, 2005. The exercise price for the options outstanding under the Plan at March 31, 2005 are as follows:

Number of Options	Exercise Price

625,000	$1.00
25,000	$1.10
500,000	$1.50
1,200,000	$2.00
2,350,000	

For options granted during the year ended March 31, 2004 where the exercise price was greater than the stock price at the date of the grant, the weighted-average fair value of such options was $0.99 and the weighted-average exercise price of such options was $2.00. No options were granted during the year ended March 31, 2004 where the exercise price was equal to or less than the stock price at the date of grant. In addition to the 1,200,000 options granted by the Company during the year ended March 31, 2004, the Company's majority stockholder also granted an employee an option to purchase 1,000,000 of its shares at an exercise price of $2.00. The pro forma expense related to these 1,000,000 options is included in the pro forma disclosure in Footnote No. 1.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of employee stock options.

Warrants

The Company has issued warrants in connection with the issuance of a convertible debenture and convertible preferred stock. The following table summarizes the warrants outstanding:

	Warrants	Weighted-Average Exercise Price
Balance, March 31, 2003	-	$ -
Granted	194,167	$ 2.89
Exercised	-	$ -
Canceled	-	$ -
Balance, March 31, 2004	194,167	$ 2.89
Granted	3,300,000	$ 1.75
Exercised	-	$ -
Canceled	-	$ -
Balance, March 31, 2005	3,494,167	$ 1.80
Exercisable at March 31, 2005	3,494,167	$ 1.80

The fair value for these warrants was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average

assumptions for the years ended March 31, 2005 and 2004, respectively: risk-free interest rate of 3.50% and 4.23%; dividend yields of 0% and 0%; volatility factors of the expected market price of the Company's common stock of 108% and ranging from 110% to 180%; and a weighted average expected life 2 to 3 years and 1 to 3 years.

The weighted average remaining contractual life of warrants outstanding is 3.91 years at March 31, 2005. The exercise price for the warrants outstanding at March 31, 2005 are as follows:

Number of Warrants	Exercise Price
3,300,000	$1.75
90,000	$2.88
104,167	$2.90
3,494,167	

During the year ended March 31, 2005, the Company issued 3,300,000 warrants to consultants with a weighted average exercise price of $1.75. The warrants vest over a period ranging from immediately to three years. The fair value of these warrants amounted to $1,501,364 which is being amortized to expense over the terms of the consulting agreements. During the year ended December 31, 2004, the Company recognized an expense of $553,715 related to these warrants.

NOTE 9 - IMPAIRMENT EXPENSE

On July 28, 2003, the Company entered into a definitive agreement (the "InnoFood Agreement") to acquire InnoFood, Inc. ("InnoFood"), owner of certain rights to a proprietary food processing technology developed by Modofood S.P.A. of Brescia, Italy. The agreement provided the Company exclusive distribution rights (through the acquisition of InnoFood) of Modofood's proprietary food sterilization and preservation technology for North America, Central America, South America and Japan, as well as the exclusive rights to negotiate on behalf of Modofood for Southeast Asia, including Taiwan, China and Indonesia.

Under the terms of the agreement, InnoFood shareholders would receive one share of the Company's common stock and one warrant to purchase one share of the Company's common stock for every twelve (12) shares of InnoFood common stock. InnoFood shareholders were also to receive one InnoFood preferred share for

every 1,200 InnoFood common shares. The agreement called for the Company to infuse $5 million of working capital prior to December 31, 2003.

Prior to December 31, 2003, the Company has advanced InnoFood the sum of $2,220,000.

On October 17, 2003 the Company entered into a Letter of Understanding ("LOU") with InnoFood to restructure the relationship between the Company and InnoFood. The Company believed that InnoFood may have misled the Company's management regarding certain material matters. As a result, the definitive agreements were never prepared and parties did not finalize the matters referenced in the LOU.

On January 8, 2004, InnoFood sent the Company a letter explaining that InnoFood was terminating the original InnoFood agreement and the October 17, 2003 LOU. InnoFood claimed that the Company breached both the original Agreement and the LOU by failing to provide the funding provided for under those agreements. With the letter of termination, InnoFood delivered a signed Promissory Note agreeing to pay back the $2,160,000 (net of interest of $60,000 InnoFood charged to the Company for non-payments). The Promissory Note accrues interest at 10% and is due and payable on or before January 15, 2009. As of June 30, 2005, the Company has not yet accepted the terms of this promissory note and is still in negotiation with InnoFood regarding the purchase.

The Company believes that InnoFood breached not only the original InnoFood Agreement but also the LOU. The Company intends to vigorously pursue InnoFood and all other responsible parties, but has not determined whether it will file suit against InnoFood and any other parties. The Company may also consider pursuing legal action against Modofood S.P.A.; if it is unable to resolve these matters informally through negotiations now taking place. In the meantime, the Company is attempting to resolve this dispute without court intervention.

Since the Company believes that InnoFood breached the original agreement and the LOU, it did not fund the additional $2,780,000 which was to be used by InnoFood as working capital to expand its operations to be able to generate an operating profit. Due to the lack of funding received by InnoFood by the Company or another party, the Company believes that InnoFood's current financial condition is not sufficient to be able to repay the Promissory Note InnoFood issued to the Company. As a result, the Company has written off the entire amount of the acquisition deposit paid to InnoFood in the amount of $2,220,000.

As more fully disclosed in Note 1, the Company also recorded an impairment charge of $111,522 related to the writedown of one of its patents.

NOTE 10 - INCOME TAXES

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial statement

purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax liabilities and assets as of March 31, 2005 are as follows:

Deferred tax assets:	
Federal net operating loss	$ 3,703,000
State net operating loss	383,000
Equity instruments issued for compensation/services	1,295,000
Accrued compensation	229,000
Impairment expense	888,000
	6,498,000
Total deferred tax assets	
Less valuation allowance	(6,498,000)
	$ --

During the years ended March 31, 2005 and 2004, the valuation allowance increased by $3,021,000 and $2,193,000, respectively.

At March 31, 2005, the Company had federal and state net operating loss ("NOL") carryforwards of approximately $10,949,000 and $5,157,000, respectively, which include federal and state NOL in the amount of approximately $4,200,000 and $1,662,000 respectively, from Biogentec, Inc., prior to the effective date of the reverse merger on July 2, 2003. Federal NOLs could, if unused, expire in varying amounts in the years 2020 through 2025. State NOLs, if unused, could expire in varying amounts from 2005 through 2010.

The reconciliation of the effective income tax rate to the federal statutory rate for the years ended March 31, 2005 and 2004 is as follows:

	2005	2004
Federal income tax rate	(34.0%)	(34.0%)
State tax, net of federal benefit	(6.0%)	(6.0%)
Equity instruments issued for Compensation/services	12.8%	4.4%
Accrued compensation	0.2%	3.7%
Impairment expense	0.0%	16.4%
Increase in valuation allowance	27.0%	15.5%
Effective income tax rate	0.0%	0.0%

The full realization of the tax benefit associated with the carryforward depends predominantly upon the Company's ability to generate taxable income during the carryforward period. The allowable amount of the net operating loss carryforwards and the year availability are subject to change of ownership limitations under Internal Revenue Code Section 382.

FOR THE YEARS ENDED MARCH 31, 2005 AND 2004 AND THE PERIOD
FROM NOVEMBER 21, 2000 (INCEPTION) TO MARCH 31, 2005

(INFORMATION FROM INCEPTION TO MARCH 31, 2004 IS UNAUDITED)

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Litigation

Gryphon Master Fund, LP v. Cobalis Corp.: On November 8, 2004, the Gryphon Master Fund, LP filed a lawsuit against the Company in United States District Court, Northern District of Texas, Dallas Division. The lawsuit seeks repayment of the $600,000 convertible note payable, accrued interest on the convertible note payable, penalties for failing to register the shares underlying the conversion of the convertible note payable, attorney fees and court costs. As of March 31, 2005, the Gryphon asserts that the Company has accrued $1,503,658 related to this matter. However, the Company disputes this assertion based on the issuance of 305,000 forebearance shares to Gryphon to offset penalties and interest, reducing the total in the Company's opinion to $811,158. The matter is currently in litigation via a countersuit initiated by the Company in response to Gryphon's suit as described above.

Burkett v. Cobalis, et al.: On January 5, 2005, Linda Burkett filed a complaint in the Superior Court of Orange County, California against, among others, Cobalis Corp. and Innofood. Cobalis Corp. was included as a defendant in the following causes of action: Breach of Contract; Money Lent; Money Had and Received; Conversion; Fraud; and Negligent Misrepresentation. In essence, Ms. Burkett is claiming that she "loaned" all named defendants $250,000 and that the funds were never paid back. It appears that the funds were sent directly to Innofood and that Cobalis Corp. was added as a defendant under the theory that Cobalis Corp. somehow allegedly benefited from the funds. Ms. Burkett is claiming various damages, including, but not limited to, repayment of funds, interest and related economic damages. In February 2005, Cobalis Corp. was dismissed as a defendant in this matter due to not being involved or knowing anything about this loan transaction.

Gemini Partners, Inc. v. Cobalis Corp.: On or about December 8, 2004, Gemini Partners, Inc., filed a complaint in the Superior Court of Orange County, California, against Cobalis Corp. for Breach of Contract, Promissory Estoppel, Common Counts and Quantum Meruit. Gemini Partners, Inc., is claiming that Cobalis Corp. failed and refused to pay for services related to Cobalis Corp.'s patent valuation. On or about January 27, 2005, Gemini Partners, Inc., filed a Request for Default claiming that Cobalis Corp. had not responded to the complaint within the statutorily allotted period. It is unclear whether the default was entered. Gemini Partners is claiming damages in an amount less than $25,000. The Company has accrued $25,000 in the accompanying consolidated balance sheet related to this matter. As of April 11, 2005 we paid Gemini Partners in full.

Lease Dispute: In March 2003, the Company vacated its office space. The landlord then filed suit against the Company in the County of Orange, Superior Court of California, for unpaid rent. The Company believes that the landlord breached the agreement and, as such, the Company does not believe it owes any unpaid rent. The landlord holds a sufficient security deposit to cover the disputed amount. The landlord also recently obtained a writ of attachment in the amount of $58,840. The Company has accrued a liability of $60,000 for potential unfavorable outcome.

In the ordinary course of business, the Company is generally subject to claims,

complaints, and legal actions. At March 31, 2005, management believes that the Company is not a party to any action which would have a material impact on its financial condition, operations, or cash flows.

COBALIS CORP. AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2005 AND 2004 AND THE PERIOD
FROM NOVEMBER 21, 2000 (INCEPTION) TO MARCH 31, 2005

(INFORMATION FROM INCEPTION TO MARCH 31, 2004 IS UNAUDITED)

Leases

The Company currently leases its corporate office under an operating lease that expires in March 2006. The Company has paid a security deposit of $40,000 per the terms of the lease agreement.

Rent expense for the years ended March 31, 2005 and 2004 and for the period from November 22, 2000 (inception)to March 31, 2005, was $133,104, $125,680, and $416,363, respectively.

Future minimum lease payments applicable to non-cancelable operating leases as of March 31, 2005, are as follows:

	Operating Leases
Year ending March 31, 2006	137,466
Net Minimum Lease Payments	$ 137,466

Common Shares Issued For Loan Collateral

During July 2003, the Company was negotiating with a lender in Germany for a loan in the amount of approximately $2,400,000. On July 31, 2003, the Company issued 3,000,000 shares of its restricted common stock as collateral for this loan. This transaction was never completed, there was no consideration to serve as basis for a transaction, and the Company is in the process of attempting to cancel the share certificate. These shares were canceled in August 2004.

NOTE 12 - RESTATEMENT OF PRIOR YEAR FINANCIAL STATEMENTS

As discussed in Note 2, the Company entered into agreements with GP LLC to purchase certain patents and other assets. The Company previously had valued the patents based on the present value of the minimum contractual obligations using a 6% discount rate. Per the December 19, 2002 agreement, the Company issued to GP LLC 2,000,000 shares of the Company's common stock in exchange for the minimum contractual payments. At the time the Company valued the transaction based on the deemed current value of the Company's common stock, which resulted

in the Company increasing the carrying value of the patents by $1,658,378. The Company's stock was not publicly traded so the Company valued its stock at $2.00 per share which was the most recent price that the Company had sold shares for cash. After this increase in the value of patents, the patents carrying value was $3,905,832. At March 31, 2003, the patents were appraised at $3,850,000 which resulted in the Company writing down the value of the patents by $55,832.

The Company has restated its previously issued consolidated financial statements to reflect using a discount rate of 15.5% rather than 6% to value the minimum contractual obligations and to value the 2,000,000 shares of common stock issued in the December 19, 2002 transaction at the carrying value of the contractual obligation that was exchanged for the shares rather than at the deemed current value of the shares at the date of issuance.

In addition, the Company did not amortize the value of its patents. The accompanying consolidated financial statements have been restated to reflect the amortization of the Company's patents over the estimated useful life of the patents using the straight line method. Amortization expense for the years ended March 31, 2001, 2002 and 2003 was $20,458, $84,690 and $87,161, respectively.

The effects of the restatement are as follows:

	As previously filed	As restated
March 31, 2001		
Patents	$ 2,222,744	$ 1,100,756
Accumulated amortization of patents	$ -	$ 20,458
Contract payable	$ 2,206,422	$ 1,092,530
Total Stockholders' equity	$ 76,117	$ 47,565
Net loss	$ (194,864)	$ (223,416)
March 31, 2002		
Patents	$ 2,246,005	$ 1,124,017
Accumulated amortization of patents	$ -	$ 105,148
Contract payable	$ 2,259,533	$ 1,176,802
Total Stockholders' deficit	$ (260,911)	$ (405,315)
Net loss	$ (1,028,397)	$ (1,144,249)
March 31, 2003		
Patents	$ 3,850,000	$ 1,125,466
Accumulated amortization of patents	$ -	$ 192,309
Total Stockholders' equity	$ 3,418,865	$ 502,022
Net loss	$ (2,087,652)	$ (2,148,008)

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS.

There have been no changes in or disagreements with our accountants that are required to be disclosed pursuant to Item 304 of Regulation S-B except for the following:

On December 1, 2004, our independent auditor, Stonefield Josephson, Inc., Certified Public Accountants, notified us of certain errors contained in the quarterly report on Form 10-QSB for the period ended September 30, 2004 as filed on November 24, 2004. That report was filed prior to Stonefield Josephson completing their review and contained several errors, including the following:

- the valuation of certain warrants and common stock granted to non-employees were computed incorrectly and consequently the related expense amount was incorrectly recorded;
- information contained in the SAFS 148 disclosure was incorrect and the required information for the three months ended September 30, 2004 was not presented in the Form 10-QSB;
- the fair value of warrants granted to outside consultants should be amortized over the service period instead of the vesting period in accordance with SFAS 123;
- Note 8 regarding Restatement of Prior Year Financial Statements should have included the restated information for the three months ended September 30, 2003; and
- we did not disclose that its independent auditors had not reviewed the financial statements pursuant to Statement on Auditing Standards No. 100, Interim Financial Information (SAS 100).

We filed an amended report on Form 10-QSB/A for that period on December 9, 2004. In that amended report, we corrected the items listed above. In addition, that amended report was reviewed by Stonefield Josephson, Inc. prior to filing.

On July 15, 2005, we filed our annual report on Form 10-KSB for the fiscal year ended March 31, 2005 without the permission of Stonefield Josephson, Inc., our former auditor, due to a fee dispute with Stonefield Josephson, Inc. Our annual report erroneously included a report dated July 20, 2005, which purported to be from Stonefield Josephson, Inc., implying that additional auditing procedures had been performed by that firm, when that had not occurred. Therefore, this amended annual report is being filed to remove the Stonefield Josephson report.

Stonefield Josephson has notified us that it has withdrawn its report dated July 8, 2004 on the Company's 2004 and 2003 financial statements and its report dated May 23, 2003 on the Company's 2003 and 2002 financial statements, effective immediately. Stonefield Josephson also notified us that reliance should not be placed on the aforementioned reports on any related financial statements.

During 2003, we changed our fiscal year end from December 31 to March 31.

ITEM 8A. CONTROLS AND PROCEDURES.

(a) Evaluation of disclosure controls and procedures. We maintain controls and procedures designed to ensure that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. Based upon their evaluation of those controls and procedures performed, our chief executive officer and the principal financial officer concluded that our disclosure controls and procedures were adequate.

(b) Changes in internal controls. There were no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of the evaluation of those controls by the chief executive officer and principal financial officer.

PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS.

EXECUTIVE OFFICERS AND DIRECTORS. Our directors and principal executive officers are as specified on the following table:

Name	Age	Position
Chaslav Radovich	45	Chief Executive Officer, President, Secretary, Treasurer and a Director
Radul Radovich	82	Director
Ernest Armstrong	45	Vice President of Business Development, Director
Kevin Prendiville	50	Director
Lawrence May	56	Director

RADUL "RUDY" RADOVICH, CHAIRMAN OF THE BOARD OF DIRECTORS. Mr. Radovich, age 82, has been a Senior Project Manager and Project Head for several multi-billion dollar projects with Ciba-Geigy (Novartis), British Petroleum, Parsons, Narmco, Page Engineering and others. His leadership and focus on deliverable results enabled Mr. Radovich to complete each project as scoped, on time and within budget, driving customer satisfaction and profitability in line with projections. His extensive and diverse experience equipped him to provide consulting services to several Fortune 100 corporations. Radovich has been Chairman of R & R Holdings, Inc., a private investment banking company, for over 15 years. He earned an MSME at University of Belgrade, Yugoslavia. Mr. Radul Radovich is not an officer or director of any other reporting company.

CHASLAV "CHAS" RADOVICH, PRESIDENT, CHIEF EXECUTIVE OFFICER AND A DIRECTOR. Mr. Radovich, age 45, was Founder and CEO of Best Electronics, Inc., from 1986 through 1992. Best Electronics was a wholesaler-distributor of computer memory and peripheral products for companies including Intel, NEC, Toshiba, Motorola and Texas Instruments. From inception, Best Electronics, Inc. was profitable and Mr. Radovich grew earnings by more than 24% per year, while strategically expanding the staff to 25. Since 1992, he has been an independent investor and investment banker with R & R Holdings, Inc. Over the last ten years, Mr. Radovich has raised well over $100 million for private and public companies and played an instrumental role in taking many of them public, including Healthstar, Pharmaprint, Logon America and AimSmart. Mr. Radovich is not an officer or director of any other reporting company.

ERNEST ARMSTRONG, VICE PRESIDENT-BUSINESS DEVELOPMENT AND A DIRECTOR. Mr. Armstrong, age 45, as CEO of Gene Pharmaceuticals, LLC, has overseen clinical research on allergic rhinitis products and out-licensed medical technology for us. From 1991 through 1996, Mr. Armstrong was Founder and President of Broncorp, Inc., a research-based pharmaceutical company focused on drug-delivery technologies and on developing treatments for asthma and allergy. He was an Associate Professor of International Business at Dai-Ichi Economics College, Fukuoka, Japan 1998-1991. Armstrong speaks seven languages and previously lived in Canada, France, Guatemala, Italy, Japan and Switzerland. His education

includes: BA-International Marketing and core courses for BS in Biology, Humboldt State University, Arcata, California; BA-French, University of Aix-en-Provence, France; MBA-San Francisco State University. Mr. Armstrong is not an officer or director of any other reporting company.

ALSO ON OUR BOARD OF DIRECTORS:

KEVIN J. PRENDIVILLE, M.D., F.A.C.S. Dr. Prendiville is a Diplomate of the American Board of Ophthalmology and a Fellow of the American College of Surgeons. Since 1986, he has operated a thriving ophthalmology practice in Cottonwood and Sedona, Arizona, specializing in small incision cataract surgery, cosmetic and functional eyelid surgery as well as excimer laser vision correction. Dr. Prendiville also serves as Medical Director for the Cottonwood/Verde Valley Eye Surgery Center and, since 1989, has held numerous medical leadership positions at Verde Valley Medical Center in Cottonwood. Dr. Prendiville is not an officer or director of any other reporting company.

LAWRENCE A. MAY, M.D. Dr. May brings extensive medical and entrepreneurial experience to our Board of Directors. He has served as the medical director for Physician Therapeutics since 2003. From 1997 to 2003, Dr. May served as an executive vice president for Herbalife, and was the chairman of its medical advisory board. Prior to that, Dr. May was in private medical practice since 1979. Dr. May earned his M.D. degree in 1974, and his Bachelor's degree in Economics in 1970, both at Harvard University. Dr. May was also licensed by the National Board of Medical Examiners in 1977. Dr. May is not an officer or director of any other reporting company.

Chaslav Radovich is the son of Radul Radovich. There are no orders, judgments, or decrees of any governmental agency or administrator, or of any court of competent jurisdiction, revoking or suspending for cause any license, permit or other authority to engage in the securities business or in the sale of a particular security or temporarily or permanently restraining any of our officers or directors from engaging in or continuing any conduct, practice or employment in connection with the purchase or sale of securities, or convicting such person of any felony or misdemeanor involving a security, or any aspect of the securities business or of theft or of any felony. Nor are any of the officers or directors of any corporation or entity affiliated with us so enjoined.

OUR MEDICAL ADVISORY BOARD. Our Medical Advisory Board consists of nine doctors, preeminent in the fields of allergy and immunology, as well as an attorney with extensive education in immunology, biochemistry and intellectual property law. These physicians and medical research scientists are associated with top healthcare institutions throughout the country and have long term experience in allergy and immunology as well as managing and conducting clinical trials. Several of the advisory board members have previously contributed their scientific and medical expertise to the research and development of the company's foundation product, as well as products in our development pipeline.

The members of this advisory board are:

JAMES M. BRODSKY, RPH, ND, HMD, CHIEF RESEARCHER. Dr. Brodsky is a facilitating professor at the University of Southern California School of Pharmacy. He has been on the teaching staff at the University of the Pacific Pharmacology Department and at Santa Ana College he taught Pharmacy Terminology. He has published numerous articles on natural medicine and is a recognized speaker on Natural Medicine. Dr. Brodsky has been the owner/pharmacist of Villa Park

Pharmacy for over 25 years. Dr. Brodsky has been a member of the American Pharmaceutical Association, the California Pharmaceutical Association, the Orange County Pharmaceutical Association and the American Naturopathic Medical Association.

LYNDON E. MANSFIELD, MD, PRINCIPAL INVESTIGATIVE PHYSICIAN. Dr. Mansfield, a key medical advisor and the Principal Investigative Physician for BioGentec Inc. since 1992, has conducted many allergy related clinical research studies for major pharmaceutical companies and was instrumental in preparing and presenting the prior trial results for Prehistin(TM)to the FDA. Education: Temple University, Thomas Jefferson Medical University - Doctor of Medicine. Residency: Pediatrics - Brooke Army Medical Center. Board Certifications: Pediatrics, Allergy and Clinical Immunology, Diagnostic Laboratory Immunology/Clinical Lab, Immunology. Professional Societies: Fellow, American Academy Allergy & Immunology Allergy & Immunology, Fellow, American College of Allergists, Association of Medical Laboratory Immunologists.

ALVIN J. AUBRY, MD. EDUCATION: Tulane University School of Public Health - Master of Public Health, Tulane University School of Medicine - Doctor of Medicine, Straight Pediatrics at Brooke Army Medical Center - Internship. Residency: Pediatrics - Madigan Army Medical Center. Fellowship: Allergy & Immunology, Fitzsimmons Army Medical Center. Board Certifications: American Board of Pediatrics, American Board of Allergy & Immunology.

RICHARD E. DANZIGER M.D., PH.D. Education: George Washington University - M.D., University of Alberta - Ph.D., Dartmouth College - BA. Board Certifications: American Board of Pediatrics - Diplomate, American Board of Allergy & Immunology - Diplomate. Publications: Wagner, C.J.; Danziger, R.E. and Nelson, H.S. "Relation Between Positive Small Air Ions, Weather Fronts and Pulmonary Function in Patients with Bronchial Asthma. Annals of Allergy 51 (4): 430-435. 1983. Fortner, B.R.; Danziger, R.E.; Rabinowitz, P.S. and Nelson, H.S. The effect of ascorbic acid on cutaneous and nasal response to histamine and allergen. J. Allergy Clinical Immunology. (69) 484--488. 1982. Numerous additional publications and presentations.

STANLEY GOLDSTEIN, M.D. Education: Yeshiva University - B.A., New York Medical College - M.D. Internship: Long Island Jewish Hillside Medical Center - Pediatric Internship. Residency: Long Island Jewish Hillside Medical Center - Pediatric Residency, Long Island Jewish Hillside Medical Center - Senior Resident in Pediatrics. Faculty Appointments: State University of N.Y. - Assistant Clinical Instructor, Long Island Jewish Hillside Medical Center - Director of Allergy Clinic, The Long Island College Hospital - Research Coordinator and Attending Department of Allergy & Immunology. Board Certifications: American Board of Pediatrics, American Board of Allergy & Immunology, and American Board of Pediatric Pulmonary. Publications: Goldstein, S., Rose, JO., Sutton, PL., Koup, JR., Jusko, WJ., and Middleton, E., Jr.: The Pharmacokinetics of Prednisone and Its Metabolite Prenisolone in Pregnant Asthmatics, J. Allergy Clinical Immunology Vol. 63, No. 3, March 1979, p. 219. Goldstein, S., Mueller, U., Wypysch, J., Reisman, R., and Arbesdman, C.: Treatment of Ragweed Sensitive Patients with Ragweed Fraction A conjugated to D-glutamic Acid: D-Lysine (FA:DGL). J. Allergy Clinical Immunology, Vol. 65, No. 3, March 1980. Numerous additional publications.

LEWIS JOSEPH KANTER, M.D. Education: University of California - B.S. Biological Sciences, Georgetown University School of Medicine - M.D. Internship: Pediatrics - National Naval Medical Center. Residency: Pediatrics - National Naval Medical Center. Board Certifications: American Board of Pediatrics - Board Certified,

America Board of Allergy and Immunology (A Conjoint Board of the American Board of Pediatrics and American Board of Internal Medicine) - Board Certified. Faculty Appointments: Uniformed Services University of Health Sciences, Assistant Professor of Pediatrics and Assistant Professor in Internal Medicine, University of California at Los Angeles School of Medicine, Clinical faculty. Publications: Nedocromil in the Outpatient Management of Asthma, Arch Fam Med 1995' 4:835-842. Inhaled Fluticasone Propionate in the Treatment of Asthma, Advances in Therapy Jan/Feb 1997, Vol. 14. No. 1. Inhaled Corticosteriods for Asthma Therapy, Epitomes-Allergy & Immunology, Western Journal of Medicine Nov. 1997, Vol. 167, No. 5; 343-346. Numerous additional publications and presentations.

ANITA M. KIRKPATRICK, PH.D. Education: University of San Diego School of Law - Juris Doctor Degree, Massachusetts Institute of Technology Sloan School of Management - Master's Degree in Management of Technology, University of New Mexico School of Medicine - Ph.D. in the Medical Sciences (Biochemistry), New Mexico Highlands University M.S. in Chemistry, Mount St. Mary's College/San Diego State College - B.S. in Chemistry. Certification and Licensure: California State License in Clinical Chemistry, Certified Specialist in Immunology, American Society of Clinical Pathologists. Professional Societies: American Association for Clinical Chemistry, American Chemical Society; San Diego Section, American Society of Clinical Pathology, American Society for Microbiology, American Intellectual Property Law Association, California Association for Medical Laboratory Technology, San Diego County Bar Association, San Diego Intellectual Property Law Association, Licensing Executives Society. Joseph T. Morgan, M.D. Education: University of Colorado School of Medicine, M.D. Internship: Good Samaritan Hospital - General Rotating Internship, Pediatric Residency: St. Joseph's Hospital, University of Colorado Medical Center, University of Colorado Medical Center - Chief Resident in Pediatrics. Board Certification: The American Board of Pediatrics.

MICHAEL J. NOONAN, M.D. Education: University of Nebraska - B.S. Pre-Medicine, University of Nebraska College of Medicine - M.D., University of Oregon. Internship: Emanuel Hospital - Rotating Internship. Residency: University of Oregon Medical Center - Pediatric, Fellowship: National Jewish Hospital - Allergy & Immunology, Oregon Health Sciences University - Allergy Immunology Fellowship. Board Certifications: American Board of Pediatrics, American Board of Allergy & Immunology. Faculty Appointments: Department of Pediatrics, Oregon Health Sciences University - Associate Clinical Professor. Publications: Asthma, Allergy & Immunology, Vol. 10, No 4 1996. Noonan MJ, Chervinsky P, Wolfe J, Liddles R, Kellerman DJ, Crescenzi KL; Does Related Response to Inhaled Flutisone Propionate in Patients with Methacholine-Induced Bronchial Hyper responsiveness: A Double-Blind, Placebo-Controlled Study. Journal of Asthma Vo1. 35(2), 1998. Numerous additional Publications and Research Interests.

CHARLES JAY SIEGEL, M.D. Education: University of Wisconsin-Madison, Medical College of Wisconsin - M.D. Internship: Children's Mercy Hospital - Pediatrics. Residency: Children's Mercy Hospital - Pediatrics. Fellowship: Children's Mercy Hospital, University of Kansas Medical Center. Board Certifications: National Board of Medical Examiners, American Board of Pediatrics, and American Board of Allergy & Immunology. Honors: Board of Regents, American College of Allergy, Asthma, & Immunology - 1993-1995, Executive Committee American College of Allergy, Asthma, & Immunology - 1994-1995, Chairman CME Committee of The American College of Allergy Asthma & Immunology - 1997-2001, Chairman Re-certification Committee of The American College of Allergy Asthma & Immunology, Chairman Pharmaceutical Symposia Committee American College of Allergy Asthma & Immunology, and Program committee 1997-2000 The American College of Allergy Asthma & Immunology. Publications: Author of numerous articles.

There are no orders, judgments, or decrees of any governmental agency or administrator, or of any court of competent jurisdiction, revoking or suspending for cause any license, permit or other authority to engage in the securities business or in the sale of a particular security or temporarily or permanently restraining any of our officers or directors from engaging in or continuing any conduct, practice or employment in connection with the purchase or sale of securities, or convicting such person of any felony or misdemeanor involving a security, or any aspect of the securities business or of theft or of any felony, nor are any of the officers or directors of any corporation or entity affiliated with us so enjoined.

Our directors will serve until the next annual meeting of stockholders. Our executive officers are appointed by our Board of Directors and serve at the discretion of the Board of Directors.

AUDIT COMMITTEE AND FINANCIAL EXPERT. We do not have an audit committee, nor do we have a financial expert on our Board of Directors as that term is defined by Item 401(e)2.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE. Section 16(a) of the Securities Act of 1934 requires our directors, executive officers, and any persons who own more than 10% of a registered class of our equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission. SEC regulation requires executive officers, directors and greater than 10% stockholders to furnish us with copies of all Section 16(a) forms they file. Based solely on our review of the copies of such forms received by us, or written representations from certain reporting persons, we believe that during the fiscal year ended March 31, 2005 our executive officers, directors, and greater than 10% stockholders complied with all applicable filing requirements, with the exception of Kevin Prendiville, one of our directors.

CODE OF ETHICS. We have not adopted a code of ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. We are in the process of preparing and adopting a code of ethics.

ITEM 10. EXECUTIVE COMPENSATION

Any compensation received by our officers, directors, and management personnel will be determined from time to time by our Board of Directors. Our officers, directors, and management personnel will be reimbursed for any out-of-pocket expenses incurred on our behalf.

Summary Compensation Table. The table set forth below summarizes the annual and long-term compensation for services in all capacities to us payable to our chief executive officer and our other executive officers during the fiscal years ending March 31, 2004 and March 31, 2005. Our Board of Directors may adopt an incentive stock option plan for our executive officers which would result in additional compensation.

		Annual Compensation			Long Term Compe	
Name and Principal Position	Year	Salary ($)	Bonus ($)	Other Annual Compensation ($)	Awards	
					Restricted Stock Awards ($)	Securitie Underlyin Options/SARs
Chaslav Radovich - President, Secretary	2004	125,000	None	None	None	None
	2005	125,000 (1)	50,000 shares (1)	None	None	None
Ernest Armstrong- Vice President of Business Development	2004	100,000	None	None	None	None
	2005	100,000	None	None	None	None
James Luce, former Chief Operating Officer, Chief Marketing Officer	2004	150,000	None	None	None	None
	2005	150,000	None	None	None	None

(1) Mr. Radovich was issued 93,750 shares in lieu of employee wages and 50,000 shares as an employee bonus. Mr. Radovich is owed $31,250 in accrued salary for the period from December 31, 2004 to March 31, 2005

(2) (insert info about options issuable to Armstrong/Gene Pharmaceuticals, if terms are available)

COMPENSATION OF DIRECTORS. Our current directors who are also our employees receive no extra compensation for their service on our board of directors. In January 2005, we issued 250,000 warrants to purchase shares of our common stock at $1.75 per share to Lawrence May, one of our directors.

COMPENSATION OF OFFICERS. As of July 7, 2005, our officers have received no other compensation for their services provided to us, except as described in the table above.

EMPLOYMENT CONTRACTS. The President of our subsidiary (previously the Executive Vice President) entered into an employment agreement dated November 22, 2000, amended on December 31, 2001, which pays an annual salary of up to $125,000 and certain bonuses. As of March 31, 2005, we have a payable to our President totaling $31,250. In mid 2004, our president was issued 107,901 shares of our common stock in satisfaction of $154,500 of past due compensation plus interest. With the additional issuance of 93,750 shares of S-8 stock issued in February 2005, our president's salary has been paid in full through December 31, 2005; we have accrued the $31,250 owed him through March 31, 2005.

Ernest Armstrong agreed to serve as our Vice President of Business Development in conjunction with BioGentec's purchase of the patent underlying our principal

product (formerly known as "Immun-Eeze") in 2000 from Gene Pharmaceuticals, LLP. Mr. Armstrong receives a salary of $100,000 annually.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The following table sets forth certain information regarding the beneficial ownership of our common stock as of July 7, 2005, by each person or entity known by us to be the beneficial owner of more than 5% of the outstanding shares of common stock, each of our directors and named executive officers, and all of our directors and executive officers as a group. The percentages in the table assume that the selling security holders will not sell any of their shares which are being registered in this registration statement.

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Owner
Common Stock	Chaslav Radovich 2445 McCabe Way, Suite 150 Irvine, CA, 92614	557,851 shares (1) President, Secretary, Treasurer and Director
Common Stock	St. Petka Trust 46 Calle Fresno San Clemente, CA, 92672	9,183,889 shares (2)
Common Stock	Radul Radovich 46 Calle Fresno San Clemente, CA, 92672	9,277,055 shares (2) Director
Common Stock	Silver Mountain Promotions 6446 Silver Dawn Lane Las Vegas, NV, 89118	92,833 shares (2)
Common Stock	R&R Holdings 46 Calle Fresno	333 shares (2)