

Edgar Filing: IR BIOSCIENCES HOLDINGS INC - Form 10QSB

IR BIOSCIENCES HOLDINGS INC  
Form 10QSB  
August 14, 2006

FORM 10-QSB  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D. C. 20549

(X) Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2006

or

( ) 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: 033-05384

IR BIOSCIENCES HOLDINGS, INC.

(Exact name of Registrant as specified in its charter)

DELAWARE	13-3301899
-----	-----
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

4021 N. 75th Street, Suite 201, Scottsdale, Arizona 85251

(Address of principal executive offices) Zip Code

Registrant's telephone number, including area code: (480) 922-3926

(Former name, former address and former fiscal year,

if changed since last report)

Indicate by check mark whether 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 twelve 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  
--- ---

The number of shares outstanding of Registrant's common stock as of August 4, 2006 was 69,624,851.

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## IR BIOSCIENCES HOLDINGS, INC. AND SUBSIDIARY

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### ITEM 1. FINANCIAL INFORMATION

IR BioSciences Holdings, Inc. and Subsidiary  
(A Development Stage Company)  
Condensed Consolidated Balance Sheet as of June 30, 2006  
(Unaudited)

	June 30, 2006
	-----
Assets	
Current assets	
Cash and cash equivalents	\$ 23,663
Prepaid services and other current assets (note 1)	17,370
	-----
Total current assets	41,033
Deposits and other assets (note 1)	2,260
Furniture and equipment, net of accumulated depreciation of \$7,744	16,819
	-----
Total assets	\$ 60,112
	=====
Liabilities and Deficiency in Stockholders' Equity	
Current liabilities	
Accounts payable and accrued liabilities (note 3)	\$ 779,795
Cash advance (note 4)	70,000
Note payable (note 5)	509,750
Warrant portion of penalty for late registration of shares - with registration rights (note 6)	258,986
Common stock portion of penalty for late registration of shares (note 6)	1,245,240
	-----
Total current liabilities	2,863,771
Commitments and Contingencies	
Deficiency in Stockholders' Equity	
Preferred stock, 0.001 par value:	

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10,000,000 shares authorized, no shares issued and outstanding	-
Common stock, \$0.001 par value; 100,000,000 shares authorized; 69,624,851 shares issued and outstanding at June 30, 2006 (note 7)	69,622
Additional paid-in capital (note 7)	9,546,403
Deficit Accumulated during the Development Stage	(12,419,684)
	-----
Total deficiency in stockholder's equity	(2,803,659)
	-----
Total liabilities and deficiency in stockholder's equity	\$ 60,112
	=====

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

F-1

IR BioSciences Holdings, Inc. and Subsidiary  
(A Development Stage Company)  
Condensed Consolidated Statements of Losses  
For the three months and six months  
ended June 30, 2006 and 2005,  
And for the period of inception  
(October 30, 2002) to June 30, 2006  
(Unaudited)

	For the Three Months Ended June 30, 2006	For the Three Months Ended June 30, 2005	For the Six Months Ended June 30, 2006	For the Six Months Ende June 30, 200
	-----	-----	-----	-----
Revenues	\$ --	\$ --	\$ --	\$ --
Operating expenses:				
Selling, general and administrative expenses	601,972	593,835	1,163,116	1,432,35
Merger fees and costs	--	--	--	--
Financing cost	--	1,493,256	--	1,493,25
Impairment of intangible asset costs	--	--	--	--
	-----	-----	-----	-----
Total operating expenses	601,972	2,087,091	1,163,116	2,925,61
Operating loss	(601,972)	(2,087,091)	(1,163,116)	(2,925,61
Other expense:				
Cost of penalty for late registration of shares	(994,574)	--	(438,601)	--
(Gain) loss from marketing to market - warrant portion of penalty for late registration of shares	(39,887)	--	(46,755)	--

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(Gain) loss from marketing to market - stock portion of penalty for late registration of shares	(124,524)	--	(72,101)	--
Interest (income) expense	15,057	341	14,891	1,311
Total other (income) expense	(1,143,928)	341	(542,566)	1,311
Income (loss) before income taxes	541,956	(2,087,432)	(620,550)	(2,926,922)
Provision for income taxes	--	--	--	--
Net income (loss)	\$ 541,956	\$ (2,087,432)	\$ (620,550)	\$ (2,926,922)
Net income (loss) per share - basic and diluted	\$ 0.01	\$ (0.03)	\$ (0.01)	\$ (0.04)
Weighted average shares outstanding basic and diluted	69,632,567	69,039,111	69,554,432	65,968,333

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

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IR Biosciences Holding, Inc. and Subsidiary  
(A Development Stage Company)  
Condensed Consolidated Statement of Stockholders' Equity (Deficit)  
From date of inception (October 30, 2002) to June 30, 2006  
(Unaudited)

	Common Stock		Additional	Deferr
	Shares	Amount	Paid-In Capital	Compensa
Balance at October 30, 2002 (date of inception)	--	\$ --	\$ --	--
Shares of common stock issued at \$0.0006 per share to founders for license of proprietary right in December 2002	16,612,276	16,612	(7,362)	
Shares of common stock issued at \$0.0006 per share to founders for services rendered in December 2002	1,405,310	1,405	(623)	
Shares of common stock issued at \$0.1671 per share to consultants for services rendered in December 2002	53,878	54	8,946	(9)

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Sale of common stock for cash at \$0.1671 per share in December 2002	185,578	186	30,815	
Net loss for the period from inception (October 30, 2002) to December 31, 2002	--	--	--	
Balance at December 31, 2002 (reflective of stock splits)	18,257,042	18,257	31,776	(9
Shares granted to consultants at \$0.1392 per share for services rendered in January 2003	98,776	99	13,651	
Sale of shares of common stock for cash at \$0.1517 per share in January 2003	329,552	330	49,670	
Shares granted to consultants at \$0.1392 per share for services rendered in March 2003	154,450	154	21,346	
Conversion of notes payable to common stock at \$0.1392 per share in April 2003	1,436,736	1,437	198,563	
Shares granted to consultants at \$0.1413 per share for services rendered in April 2003	14,368	14	2,016	
Sale of shares of common stock for cash at \$0.2784 per share in May 2003	17,960	18	4,982	
Sales of shares of common stock for cash at \$0.2784 per share in June 2003	35,918	36	9,964	
Conversion of notes payable to common stock at \$0.1392 per share in June 2003	718,368	718	99,282	
Beneficial conversion feature associated with notes issued in June 2003	--	--	60,560	
Amortization of deferred compensation	--	--	--	9
Costs of GPN Merger in July 2003	2,368,130	2,368	(123,168)	
Value of warrants issued with extended notes payable in October 2003	--	--	189,937	
Value of Company warrants issued in conjunction with fourth quarter notes payable issued October through December 2003	--	--	207,457	
Value of warrants contributed by founders in conjunction with fourth quarter notes payable issued October through December 2003	--	--	183,543	
Value of warrants issued for services in October through December 2003	--	--	85,861	
Net loss for the year ended December 31, 2003	--	--	--	
Balance at December 31, 2003	23,431,300	\$ 23,431	\$ 1,035,441	

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

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IR Biosciences Holding, Inc. and Subsidiary  
(A Development Stage Company)  
Condensed Consolidated Statement of Stockholders' Equity (Deficit)  
From date of inception (October 30, 2002) to June 30, 2006  
(Unaudited)

	Common Stock		Additional	Deferr
	Shares	Amount	Paid-In Capital	Compensa
Shares granted at \$1.00 per share pursuant to the Senior Note Agreement in January 2004	600,000	600	599,400	(600)
Shares issued at \$1.00 per share to a consultant for services rendered in January 2004	800,000	800	799,200	(800)
Shares issued to a consultant at \$0.62 per share for services rendered in February 2004	40,000	40	24,760	(24)
Shares issued to a consultant at \$0.40 per share for services rendered in March 2004	1,051,600	1,051	419,589	(420)
Shares issued to a consultant at \$0.50 per share for services rendered in March 2004	500,000	500	249,500	(250)
Shares sold for cash at \$0.15 per share in March, 2004	8,000	8	1,192	
Shares issued at \$0.50 per share to consultants for services rendered in March 2004	20,000	20	9,980	
Shares issued to a consultant at \$0.40 per share for services rendered in March 2004	2,000	2	798	
Shares issued to consultants at \$0.32 per share for services rendered in March 2004	91,600	92	29,220	
Shares to be issued to consultant at \$0.41 per share in April 2004 for services to be rendered through March 2005	--	--	--	(82)
Shares granted pursuant to the New Senior Note Agreement in April 2004	600,000	600	149,400	(150)
Shares issued to officer at \$0.32 per share for services rendered in April 2004	200,000	200	63,800	

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Conversion of note payable to common stock at \$0.10 per share in May 2004	350,000	350	34,650	
Beneficial Conversion Feature associated with note payable in May 2004	--	--	35,000	
Issuance of warrants to officers and founder for services rendered in May 2004	--	--	269,208	
Shares to a consultant at \$0.20 per share as a due diligence fee in May 2004	125,000	125	24,875	
Shares issued to a consultant at \$1.00 per share for services to be rendered over twelve months beginning May 2004	500,000	500	499,500	(500)
Beneficial Conversion Feature associated with notes payable issued in June 2004	--	--	3,000	
Issuance of warrants to note holders in April, May, and June 2004	--	--	17,915	
Issuance of warrants to employees and consultants for services rendered in April through June 2004	--	--	8,318	
Shares issued in July to a consultant at \$0.10 for services to be rendered through July 2005	250,000	250	24,750	(250)
Shares issued to a consultant in July and September at \$0.41 per share for services to be rendered through April 2005	200,000	200	81,800	
Shares issued to a consultant in September at \$0.12 to \$0.22 for services rendered through September 2004	127,276	127	16,782	

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

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IR Biosciences Holding, Inc. and Subsidiary  
(A Development Stage Company)  
Condensed Consolidated Statement of Stockholders' Equity (Deficit)  
From date of inception (October 30, 2002) to June 30, 2006  
(Unaudited)

Common Stock		Additional Paid-In Capital	Deferr Compensa
----- Shares	Amount		



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Shares issued in July to September 2004 as interest on note payable	300,000	300	35,700	
Issuance of warrants with notes payable in July and August 2004	--	--	72,252	
Accrued deferred compensation in August 2004 to a consultant for 100,000 shares at \$0.10 per share, committed but unissued	--	--	--	(10)
Shares issued in August 2004 at \$0.14 to a consultant for services to be performed through October 2004	100,000	100	13,900	(14)
Shares issued in August 2004 at \$0.125 per share for conversion of \$30,000 demand loan	240,000	240	29,760	
Shares issued in August 2004 at \$0.16 per share to a consultant for services provided	125,000	125	19,875	
Shares issued in October 2004 to employees at \$0.16 to \$0.25 per share	48,804	49	8,335	
Commitment to issue 100,000 shares of stock to a consultant at \$0.23 per share for services to be provided through September 2005	--	--	--	(23)
Sale of stock for cash in October at \$0.125 per share, net of costs of \$298,155	18,160,000	18,160	1,345,763	
Value of warrants issued with sale of common stock in October, net of costs	--	--	607,922	
Issuance of warrant to officer in October, 2004	--	--	112,697	
Issuance of stock to investment bankers in October 2004 for commissions earned	4,900,000	4,900	(4,900)	
Conversion of accounts payable to stock in October at \$0.125 per share	1,257,746	1,258	107,382	
Value of warrants issued with accounts payable conversions	--	--	48,579	
Conversion of demand loan to stock in October at \$0.11 per share	93,300	93	10,170	
Forgiveness of notes payable in October 2004	--	--	36,785	
Issuance of stock to officer and director at \$0.125 per share in October for conversion of liability	1,440,000	1,440	122,493	
Value of warrants issued with officer and director conversion of liabilities	--	--	56,067	
Conversion of debt and accrued interest to common stock at \$0.075 to \$0.125 per share	6,703,151	6,703	417,514	
Value of warrants issued with conversion				

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of debt	--	--	191,111	
Conversion of note payable in October into common stock at \$0.075 per share	67,613	68	4,932	
Issuance of warrants to note holders in October 2004	--	--	112,562	
Value of shares issued to CFO as compensation	100,000	100	34,900	
Value of warrants issued to members of advisory committees in November and December	--	--	16,348	
Beneficial conversion feature associated with notes payable	--	--	124,709	
Shares issued in error to be cancelled	(9,002)	(9)	9	
Amortization of deferred compensation through December 31, 2004	--	--	--	2,729
Loss for the year ended December 31, 2004	--	--	--	
Balance at December 31, 2004	62,423,388	62,423	7,922,943	(169)

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

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IR Biosciences Holding, Inc. and Subsidiary  
(A Development Stage Company)  
Condensed Consolidated Statement of Stockholders' Equity (Deficit)  
From date of inception (October 30, 2002) to June 30, 2006  
(Unaudited)

	Common Stock		Additional	Deferr
	Shares	Amount	Paid-In Capital	Compensa
	-----	-----	-----	-----
Sale of shares of common stock for cash at \$0.20 per share in Mar 2005 for warrant exercise, net of costs	6,600,778	6,600	1,184,256	
Value of warrants issued to members of advisory committees in March 2005	--	--	137,049	
Deferred compensation in Feb 2005 to a consultant for 50,000 shares of stock at \$0.65 per share.	--	--	--	(32)

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Warrants exercised at \$0.05 per share in June 2003	80,000	80	3,920	
Value of warrants issued to members of advisory committee in June 2005	--	--	70,781	
Value of warrants issued to investors and service providers in June 2005	--	--	32,991	
Issuance of 232,153 shares of common stock in July 2005 for conversion of notes payable	232,153	232	64,771	
Issuance of 100,000 shares of common stock in August 2005 to a consultant for services provided	100,000	100	9,900	
Value of warrants issued to advisory committee in September 2005 for services	--	--	20,491	
Amortization of deferred comp for the twelve months ended December, 2005	--	--	--	199
Value of warrants issued in October and December 2005 to investors and service providers	--	--	18,399	
Loss for the year ended December 31, 2005	--	--	--	
Balance at December 31, 2005	69,436,319	69,435	9,465,501	(2)
Issuance of 100,000 shares of common stock in March 2006 to an officer, previously accrued	100,000	100	41,316	
Value of warrants issued to advisory committee in March 2006 for services	--	--	8,399	
Amortization of deferred comp for the three months ended March 31, 2006	--	--	--	2
Loss for the three months ended March 31, 2006	--	--	--	
Balance at March 31, 2006	69,536,319	69,535	9,515,216	
Issuance of common stock in May 2006 To a consultant for services provided	34,464	34	16,164	
Conversion of accrued interest to common Stock at \$0.125 per share in May 2006	19,288	19	2,392	
Conversion of accrued interest to common Stock at \$0.125 per share in May 2006	16,324	16	2,025	
Conversion of accrued interest to common Stock at \$0.10 per share in May 2006	13,456	13	1,342	

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Common stock issued pursuant to the exercise Of warrants at \$0.09 per share in June 2006	5,000	5	445
Value of warrants issued to members of Advisory committee in June 2006	--	--	8,819
Income for three months ended June 30, 2006	--	--	--
Balance at June 30, 2006	69,624,851	69,622	9,546,403

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

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IR BioSciences Holdings, Inc. and Subsidiary  
(A Development Stage Company)  
Condensed Consolidated Statements of Cash Flows  
For the six months ended June 30, 2006 and 2005,  
and for the period of inception (October 30, 2002)  
to June 30, 2006  
(Unaudited)

	For the Six Months Ended June 30, 2006	For the Six Months Ended June 30, 2005
Cash flows from operating activities:		
Net loss	\$ (620,550)	\$ (2,926,929)
Adjustments to reconcile net loss to net cash used in operating activities:		
Non-cash compensation	45,926	426,279
Cost of penalty for late registration of shares - stock portion	(360,197)	--
Cost of penalty for late registration of shares - warrant portion	(78,404)	--
(Gain) loss from marking to market - stock portion of penalty for late registration of shares	(72,101)	--
(Gain) loss from marking to market - warrant portion of penalty for late registration of shares	(46,755)	--
Legal fees for note payable	10,125	--
Placement fees for note payable	40,000	--
Impairment of intangible asset	--	--
Interest expense	--	4,007
Amortization of discount on notes payable	--	--
Depreciation and amortization	3,882	1,202
Changes in operating assets and liabilities:		
Prepaid services and other assets	17,137	(2,000)
Accounts payable and accrued expenses	324,890	1,489,453

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Net cash used in operating activities	(736,047)	(1,007,988)
Cash flows from investing activities:		
Acquisition of property and equipment	(16,475)	--
Net cash used in investing activities	(16,475)	--
Cash flows from financing activities:		
Proceeds from notes payable and cash advances	509,875	--
Principal payments on notes payable and demand loans	--	(14,997)
Shares of stock sold for cash	--	1,190,857
Proceeds from exercise of warrant	450	4,000
Officer repayment of amounts paid on his behalf	--	--
Cash paid on behalf of officer	--	--
Net cash provided by financing activities	510,325	1,179,860
Net increase (decrease) in cash and cash equivalents	(242,197)	171,872
Cash and cash equivalents at beginning of period	265,860	970,114
Cash and cash equivalents at end of period	\$ 23,663	\$ 1,141,986

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

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IR BioSciences Holdings, Inc. and Subsidiary  
(A Development Stage Company)  
Condensed Consolidated Statements of Cash Flows  
For the six months ended June 30, 2006 and 2005,  
and for the period of inception (October 30, 2002)  
to June 30, 2006  
(Unaudited)

Supplemental disclosures of cash flow information

Cash paid during the period for:

Interest	\$ 438	\$ 1,486	\$ 43,9
Taxes	\$ --	\$ --	\$

Acquisition and capital restructure:

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Assets acquired	--	--	
Liabilities assumed	--	--	(120,7
Common stock retained	--	--	(2,3
Adjustment to additional paid-in capital	--	--	123,1
Organization costs	--	--	350,0
	-----	-----	-----
Total consideration paid	\$ --	\$ --	\$ 350,0
	=====	=====	=====
Common stock issued in exchange for proprietary rights	\$ --	\$ --	\$ 9,2
	=====	=====	=====
Common stock issued in exchange for services	\$ 16,198	\$ --	\$ 2,941,4
	=====	=====	=====
Common stock issued in exchange for previously incurred debt and accrued interest	\$ 5,807	\$ 65,003	\$ 1,066,4
	=====	=====	=====
Common stock issued in exchange as interest	\$ --	\$ --	\$ 36,0
	=====	=====	=====
Amortization of beneficial conversion feature	\$ --	\$ --	\$ 223,2
	=====	=====	=====
Stock options and warrants issued in exchange for services rendered	\$ --	\$ 249,821	\$ 772,3
	=====	=====	=====
Debt and accrued interest forgiveness from note holders	\$ --	\$ --	\$ 36,8
	=====	=====	=====
Common stock issued in satisfaction of amounts due to an Officer and a Director	\$ --	\$ --	\$ 180,0
	=====	=====	=====
Common stock issued in satisfaction of accounts payable	\$ --	\$ --	\$ 157,2
	=====	=====	=====
Deferred compensation to a consultant accrued in March 2005	\$ --	\$ --	\$ 2,630,7
	=====	=====	=====
Amortization of deferred compensation	\$ 2,760	\$ 171,624	\$ 202,4
	=====	=====	=====
Fair Value of common stock and warrants payable in connection with late filing of registration statement	\$ (994,574)	\$ 1,493,256	\$ 1,636,1
	=====	=====	=====
Gaining from marking to market - stock portion of penalty for late registration of shares	\$ (124,524)	\$ --	\$ (442,9
	=====	=====	=====
Gaining from marking to market - warrant portion of penalty for late registration of shares	\$ (39,887)	\$ --	\$ (294,5
	=====	=====	=====
Impairment of intangible asset	\$ --	\$ --	\$ 6,3
	=====	=====	=====
Issuance of stock to Officer, previously accrued	\$ 41,416	\$ --	\$ 41,4
	=====	=====	=====

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	=====	=====	=====
Value of warrants issued to members of advisory boards	\$ 17,219	\$ --	\$ 17,219
Consulting services received for note payable	\$ 9,750	\$ --	\$ 9,750

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

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IR BIOSCIENCES HOLDINGS, INC.  
(A DEVELOPMENT STAGE COMPANY)  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2006  
(Unaudited)

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

General  
-----

The accompanying unaudited condensed financial statements have been prepared in accordance with the instructions to Form 10-QSB, and therefore, do not include all the information necessary for a fair presentation of financial position, results of operations and cash flows in conformity with accounting principles generally accepted in the United States of America for a complete set of financial statements.

In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The results from operations for the three and six-month periods ended June 30, 2006 are not necessarily indicative of the results that may be expected for the year ended December 31, 2006. The unaudited condensed consolidated financial statements should be read in conjunction with the December 31, 2005 financial statements and footnotes thereto included in the Company's annual report on Form 10-KSB filed with the Securities and Exchange Commission on March 28, 2006 and Form 10-KSB/A filed with the Securities and Exchange Commission on March 31, 2006.

Business and basis of presentation  
-----

IR BioSciences Holdings, Inc. (the "Company," "we," or "us") formerly GPN Network, Inc. ("GPN") is currently a development stage company under the provisions of Statement of Financial Accounting Standards ("SFAS") No. 7. The Company, which was incorporated under the laws of the State of Delaware on October 30, 2002, is a biopharmaceutical company engaged in the research and development of potential drugs through its wholly owned subsidiary, ImmuneRegen BioSciences, Inc. Our goal is to develop therapeutics to be used for the protection of the body from exposure to radiation and other harmful agents, such as toxic chemicals and biological materials. Our current focus is on the development of two potential applications, Radilex and Viprovex. We are developing Radilex for use as a potential treatment for acute exposure to radiation. Viprovex is being developed for use in potential treatments of maladies caused by exposure to toxic chemicals, such as formalin, and biological

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agents, such as anthrax and avian influenza. Our research and development efforts are at a very early stage and Radilex and Viprovex have only undergone pre-clinical testing in mice. From its inception through the date of these financial statements, the Company has recognized no revenues and has incurred significant operating expenses.

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, ImmuneRegen BioSciences, Inc. Significant intercompany transactions have been eliminated in consolidation.

### Reclassification

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Certain reclassifications have been made to conform to prior periods' data to the current presentation. These reclassifications had no effect on reported losses.

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### Stock based compensation

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Effective January 1, 2006, the Company adopted SFAS No. 123 (revised), "Share-Based Payment" (SFAS 123(R)) utilizing the modified prospective approach. Prior to the adoption of SFAS 123(R) we accounted for stock option grant in accordance with APB Opinion No. 25, "Accounting for Stock Issued to Employees" (the intrinsic value method), and accordingly, recognized compensation expense for stock option grants.

Under the modified prospective approach, SFAS 123(R) applies to new awards and to awards that were outstanding on January 1, 2006 that are subsequently modified, repurchased or cancelled. Under the modified prospective approach, compensation cost recognized in the first six months of fiscal 2006 includes compensation cost for all share-based payments granted prior to, but not vested as of January 1, 2006, based on the grant-date fair value estimated in accordance with the original provisions of SFAS 123, and compensation cost for all share-based payments granted subsequent to January 1, 2006 based on the grant-date fair value estimated in accordance with the provisions of SFAS 123(R). Prior periods were not restated to reflect the impact of adopting the new standard.

As a result of adopting SFAS 123(R) on January 1, 2006, for the three and six months ended June 30, 2006, there was no effect on our income before taxes and net income as there were no stock options granted during this period, and there were no outstanding but unvested options or grants at December 31, 2005.

### Interim financial statements

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The accompanying balance sheet as of June 30, 2006, the statements of operations for the three and six months ended June 30, 2006 and 2005, and for the period of inception (October 30, 2002) to June 30, 2006, and the statements of cash flows for six months ended June 30, 2006 and 2005, and from the period of inception (October 30, 2002) to June 30, 2006 are unaudited. These unaudited interim financial statements include all adjustments (consisting of normal recurring accruals), which, in the opinion of management, are necessary for a fair presentation of the results of operations for the periods presented. Interim results are not necessarily indicative of the results to be expected for a full year.



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### Use of estimates

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The preparation of 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 disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported periods. Actual results could materially differ from those estimates.

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### Long-lived assets

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The Company accounts for its long-lived assets under the provision of Statements of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets To Be Disposed Of." The Company's long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Events relating to recoverability may include significant unfavorable changes in business conditions, recurring losses, or a forecasted inability to achieve break-even operating results over an extended period. The Company evaluates the recoverability of long-lived assets based upon forecasted undiscounted cash flows. Should an impairment in value be indicated, the carrying value of intangible assets will be adjusted, based on estimates of future discounted cash flows resulting from the use and ultimate disposition of the asset.

### Prepaid services and other current assets

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Prepaid services and other current assets at June 30, 2006 of \$17,370 consist of prepaid insurance in the amount of \$9,507.

### Deposits and other assets

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Deposits and other assets at June 30, 2006 consist of a deposit on leased office space in the amount of \$2,260.

### Furniture and equipment

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Furniture and equipment are valued at cost. Depreciation and amortization are provided over the estimated useful lives up to seven years using the straight-line method. The estimated service lives of property and equipment are as follows:

Computer equipment	3 years
Laboratory equipment	3 years
Furniture	7 years

The amounts depreciated for the three months ended June 30, 2006 and 2005 were \$1,941 and \$568, respectively. The amounts depreciated for the six months ended June 30, 2006 and 2005 were \$3,882 and \$738 respectively. The amount depreciated from the date of inception (October 30, 2002) through June 30, 2006 was \$7,744.

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### NOTE 2 - RELATED PARTY TRANSACTIONS

#### Consulting agreements

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In January 2006, the Company received correspondence from one of its founders stating that he would terminate his consulting contract if his specific requirements were not met. We subsequently accepted his termination effective February 1, 2006. During the three months ended June 30, 2006, the Company wrote-off the outstanding amount of \$2,847 which had been accrued pursuant to this consulting contract.

#### Cash Advance

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In March 2006, the Company received a cash advance from a Director in the amount of \$50,000. This advance bears interest at the rate of 12% per annum. During the three months ended March 31, 2006 and three months ended June 30, 2006, the Company accrued interest in the amount \$164 and \$1,660, respectively, on this advance. The Company anticipates converting this advance to a note payable during the quarter ending September 30, 2006.

### NOTE 3 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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Accounts payable and accrued liabilities consisted of the following at June 30, 2006:

Accounts payable and accrued liabilities	\$ 721,230
Accounts payable - shell company	34,926
Interest payable	15,938
Insurance financing payable	4,501
State income tax payable	3,200
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	\$ 779,795
	=====

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### NOTE 4 - CASH ADVANCES

In March 2006, the Company received a cash advance from a Director in the amount of \$50,000. This advance bears interest at the rate of 12% per annum. During the three months ended March 31, 2006 and three months ended June 30, 2006, the Company accrued interest in the amount \$164 and \$1,660, respectively, on this advance. The Company anticipates converting this advance to a note payable during the quarter ending September 30, 2006.

In June of 2006, the Company received a cash advance from an individual accredited investor in the amount of \$20,000. This advance bears interest at the rate of 12% per annum. During the three months ended June 30, 2006, the Company accrued interest in the amount of \$72 on this advance. The Company anticipates converting this advance to a note payable during the quarter ending September 30, 2006.

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### NOTE 5 - NOTES PAYABLE

On April 13, 2006, the Company entered into an unsecured Senior Promissory Note in the amount of \$500,000 with an accredited investor. Following the payment of commissions and expenses, the Company received net proceeds of approximately \$439,875. The outstanding principal amount of the note, plus interest at the rate of 12% per annum, is payable in cash on or before the earlier of (i) April 12, 2007 or (ii) the date upon which the Company sells any of its equity or debt securities in a financing transaction, or a series of financings, with gross proceeds equal to \$1,000,000; provided, however, that a subsequent financing transaction will not include (x) issuances of common stock to employees, (y) the exercise of any options to purchase shares of common stock that are outstanding as of the date hereof, or (z) the grant, issuance or exercise of options or common stock under the Company's stock, option, deferred stock and restricted stock plan for the purpose of satisfying the Company's payables. In an event of default, as defined in the note, the note shall become immediately due and payable, and during the continuation of an event of default, the Company must pay interest on the note in an amount equal to 2% per month until the event of default is cured or waived. During the three months ended June 30, 2006, the Company accrued interest in the amount of \$13,000 on this note. \$500,000

In June 2006, the Company issued a note payable in the amount of \$9,750 in exchange for consulting services. This note bears interest at the rate of 7% per annum. During the three months ended June 30, 2006, the Company accrued interest in the amount of \$41 on this note. 9,750

Total notes payable as of June 30, 2006 (excluding interest) \$509,750  
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### NOTE 6 - PENALTY FOR LATE REGISTRATION OF SHARES

During the three months ended March 31, 2006, the Company accrued the issuance of 1,383,600 shares of common stock and warrants to purchase an additional 544,800 shares of common stock pursuant to a penalty calculation with regard to the late registration of shares sold in a private placement in October 2004. During the three months ending June 30, 2006, the Company accrued no additional shares of common stock or warrants pursuant to the penalty calculation pending the conclusion of an agreement with the investors in the private placement of October 2004 to limit the number of shares and warrants which the Company is obligated to issue pursuant to the penalty calculation. The Company charged to operations \$456,588 and \$105,339, respectively, during the three months ended March 31, 2006 representing the fair value of these shares and warrants, respectively. During the three months ended March 31, 2006, the Company also marked to market the value of the 5,242,307 shares and warrants to purchase an additional 2,064,187 shares which were outstanding at December 31, 2005. This resulted in a charge to operations of \$52,423 and a credit to operations of \$6,868 for these previously outstanding shares and warrants, respectively. At March 31, 2006, the Company had obligations to issue an aggregate of 6,625,907 shares and warrants to purchase an additional 2,608,987 shares, respectively, and had charged to operations the amount of \$555,973 for the cost of issuance of shares and warrants. The Company also charged to operations the amount of \$52,423 as a loss from marking to market the outstanding stock portion of the penalty, and recognized a gain in the amount of \$6,868 representing marking to market the outstanding warrant portion of the penalty.

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In August 2006, the Company reached an agreement with the investors in the private placement of October 2004 which limits the number of warrants and shares which the Company is obligated to issue pursuant to the penalty calculation to an aggregate of 18% of the number of original shares and warrants issued in the

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October 2004 private placement. This agreement limits the number of shares and warrants issuable pursuant to the penalty calculation to an aggregate of 4,150,800 shares and warrants to purchase an additional 1,634,400 shares, respectively. This results in a decrease in the number of shares issuable of 2,475,107 (with a fair value of \$816,785) and a decrease in the number of warrant shares issuable of 974,587 (with a fair value of \$177,789). This results in a net realized gain of \$994,574 during the three months ended June 30, 2006. During the three months ended June 30, 2006, the Company also marked to market the value of the previously issued penalty shares and warrants, which resulted in realized gains of \$72,101 and \$46,755, respectively.

On July 10, 2006 the Company, pursuant to Rule 477 of Regulation C of the Securities Act of 1933, as amended, applied for an order granting the immediate withdrawal of its Registration Statement on Form SB-2. The registration statement was originally filed with the Securities and Exchange Commission on November 24, 2004, and amended by pre-effective amendments no. 1, 2, 3 and 4 on July 20, 2005, November 16, 2005, February 22, 2006 and April 7, 2006, respectively.

### NOTE 7 - EQUITY

#### Common stock

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In March 2006, the Company issued 100,000 shares of common stock to its Chief Financial Officer. These shares had been earned, and were accrued, during the year ended December 31, 2005.

In May 2006, the Company issued 34,464 shares of S-8 common stock at \$0.47 per share to a consultant for services provided. These shares were issued pursuant to a consulting agreement between the Company and the consultant dated April 1, 2004.

In May 2006, the Company issued 19,288 shares of common stock at \$0.125 per share to an investor for the conversion of accrued interest through March 31, 2005, the conversion date, per the terms of a convertible note dated November 1, 2002.

In May 2006, the Company issued 16,324 shares of common stock at \$0.125 per share to an investor for the conversion of accrued interest on a note dated September 26, 2003. By agreement in April 2004, interest accrued through November 10, 2004, the conversion date.

In May 2006, the Company issued 13,454 shares of common stock at \$0.10 per share to an investor for the conversion of accrued interest through October 15, 2004, the conversion date, per the terms of a convertible note dated December 12, 2003.

In June 2006, the Company issued 5,000 shares of common stock at \$0.09 per share for the exercise of warrants by an investor.

#### Warrants

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During the three months ended March 31, 2006, the Company issued warrants to purchase 61,500 shares of common stock at prices ranging from \$0.125 to \$1.00 to consultants for services performed. The Company valued these warrants using the Black-Scholes valuation model, and charged the amount of \$8,399 to operations during the three months ended March 31, 2006.

During the three months ended June 30, 2006, the Company issued warrants to purchase 84,653 shares of common stock at prices ranging from \$0.20 to \$1.00 to consultants for services performed. The Company valued these warrants using the Black-Scholes valuation model, and charged the amount of \$8,819 to operations during the three months ended June 30, 2006.

Also during the three months ended June 30, 2006, an investor exercised a warrant to purchase 5,000 shares of the Company's common stock at a price of \$0.09 per share.

Warrants outstanding do not include the warrants to be issued pursuant to the penalty for late registration of shares - see Note 4.

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The following table summarizes the changes in warrants outstanding and the related prices for the shares of the Company's common stock issued to non-employees of the Company. These warrants were granted in lieu of cash compensation for services performed or financing expenses and in connection with placement of convertible debentures.

Warrants Outstanding			Warrants Exercisable		
Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Remaining Contractual Life (years)
\$ .05-.10	514,780	2.89	\$ .05-.10	514,780	2.89
.125-.22	952,819	2.96	.125-.22	952,819	2.96
.25-.56	9,301,405	3.07	.25-.56	9,301,405	3.07
1.00	903,811	1.63	1.00	903,811	1.63
2.00	85,203	2.82	2.00	85,203	2.82
	11,758,018	2.94		11,758,018	2.94
	=====	=====		=====	=====

Transactions involving warrants are summarized as follows:

	Number of Shares (post-split)	Weighted Average Price Per Share (post-split)
Outstanding at December 31, 2005	11,616,865	.46
Granted	61,500	.67
Exercised	--	--
Cancelled or expired	--	--
Outstanding at March 31, 2006	11,678,365	.46
Granted	84,653	.67
Exercised	(5,000)	.09

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Canceled or expired	--	--
	-----	-----
Outstanding at June 30, 2006	11,758,018	.46
	=====	=====

The estimated value of the compensatory warrants granted to non-employees in exchange for services and financing expenses was determined using the Black-Scholes pricing model and the following assumptions:

	2006	2005
	----	----
Significant assumptions (weighted-average):		
Risk-free interest rate at grant date	4.5% to 4.75%	3.75%
Expected stock price volatility	73% to 75%	93% to 179%
Expected dividend payout	--	--
Expected option life-years (a)	3	3 to 5

### Options

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There were no options granted during the six months ended June 30, 2006

The following table summarizes the changes in options outstanding and the related prices for the shares of the Company's common stock issued to employees of the Company under a non-qualified employee stock option plan.

Options Outstanding			Options Exercisable		
-----			-----		
	Weighted Average Remaining Contractual Life (years)			Weighted Average Remaining Contractual Life (years)	
Exercise Prices	Number Outstanding	Contractual Life (years)	Weighted Average Exercise Price	Number Exercisable	Contractual Life (years)
-----	-----	-----	-----	-----	-----
\$25.00	63,212	3.75	\$25.00	63,212	3.75
0.31	1,000	4.45	0.31	1,000	4.45
0.33	103,030	4.11	0.33	103,030	4.11
0.44	150,000	3.84	0.44	150,000	3.84
	-----			-----	
	317,242			317,242	
	=====			=====	

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Transactions involving stock options issued to employees are summarized as follows:

	Number of Shares	Weighted Average Price Per Share
	-----	-----
Outstanding at December 31, 2005	317,242	\$ 5.30
Granted	--	--
Exercised	--	--
Expired	--	--
	-----	-----
Outstanding at March 31, 2006	317,242	\$ 5.30

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Granted	--	--
Exercise	--	--
Expired	--	--
-----		
Outstanding at June 30, 2006	317,242	\$ 5.30
	=====	=====

Shares and warrants issuable due to late filing of registration statement  
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During the three months ended March 31, 2006, the Company accrued the issuance of 1,383,600 shares of common stock and warrants to purchase an additional 544,800 shares of common stock pursuant to a penalty calculation with regard to the late registration of shares sold in a private placement in October 2004. During the three months ending June 30, 2006, the Company accrued no additional shares of common stock or warrants pursuant to the penalty calculation pending the conclusion of an agreement with the investors in the private placement of October 2004 to limit the number of shares and warrants which the Company is obligated to issue pursuant to the penalty calculation. The Company charged to operations \$456,588 and \$105,339, respectively, during the three months ended March 31, 2006 representing the fair value of these shares and warrants, respectively. During the three months ended March 31, 2006, the Company also marked to market the value of the 5,242,307 shares and warrants to purchase an additional 2,064,187 shares which were outstanding at December 31, 2005. This resulted in a charge to operations of \$52,423 and a credit to operations of \$6,868 for these previously outstanding shares and warrants, respectively. At March 31, 2006, the Company had obligations to issue an aggregate of 6,625,907 shares and warrants to purchase an additional 2,608,987 shares, respectively, and had charged to operations the amount of \$555,973 for the cost of issuance of shares and warrants. The Company also charged to operations the amount of \$52,423 as a loss from marking to market the outstanding stock portion of the penalty, and recognized a gain in the amount of \$6,868 representing marking to market the outstanding warrant portion of the penalty.

In August 2006, the Company reached an agreement with the investors in the private placement of October 2004 which limits the number of warrants and shares which the Company is obligated to issue pursuant to the penalty calculation to an aggregate of 18% of the number of original shares and warrants issued in the October 2004 private placement. This agreement limits the number of shares and warrants issuable pursuant to the penalty calculation to an aggregate of 4,150,800 shares and warrants to purchase an additional 1,634,400 shares, respectively. This results in a decrease in the number of shares issuable of 2,475,107 (with a fair value of \$816,785) and a decrease in the number of warrant shares issuable of 974,587 (with a fair value of \$177,789). This results in a net realized gain of \$994,574 during the three months ended June 30, 2006. During the three months ended June 30, 2006, the Company also marked to market the value of the previously issued penalty shares and warrants, which resulted in realized gains of \$72,101 and \$46,755, respectively.

On July 10, 2006 the Company, pursuant to Rule 477 of Regulation C of the Securities Act of 1933, as amended, applied for an order granting the immediate withdrawal of its Registration Statement on Form SB-2. The registration statement was originally filed with the Securities and Exchange Commission on November 24, 2004, and amended by pre-effective amendments no. 1, 2, 3 and 4 on July 20, 2005, November 16, 2005, February 22, 2006 and April 7, 2006, respectively.

NOTE 8 - SUBSEQUENT EVENTS

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On July 10, 2006 the Company, pursuant to Rule 477 of Regulation C of the Securities Act of 1933, as amended, applied for an order granting the immediate withdrawal of its Registration Statement on Form SB-2. The registration statement was originally filed with the Securities and Exchange Commission on November 24, 2004, and amended by pre-effective amendments no. 1, 2, 3 and 4 on July 20, 2005, November 16, 2005, February 22, 2006 and April 7, 2006, respectively.

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On July 14, 2006, pursuant to the term of his employment agreement our Board of Directors granted a one-time nonstatutory option to purchase 1,896,970 discretionary incentive stock options to our President and Chief Executive Officer, Michael K. Wilhelm, per his employment agreement. The options have a per share exercise price of \$0.231, 110% of the closing price on the date of the grant, and a term of five years. The options were granted in furtherance of a resolution by our Board on August 8, 2005 pursuant to which the options were to be granted at such time that the Company's 2003 Stock Plan is amended to authorize additional shares, which was effected by approval of our shareholders on June 28, 2006.

On July 14, 2006, we issued a warrant to our President and Chief Executive Officer, Michael K. Wilhelm, to purchase 300,000 shares at a price of \$0.25 per share for personal collateralizations for the benefit of our company extended on three notes totaling \$101,000 between October and November 2003. In addition, pursuant to the term of his employment agreement, we issued to our Chief Financial Officer, John N. Fermanis, 62,500 common stock purchase warrants. The warrants have a per share exercise price of \$0.158, 75% of the closing price on the date of issue, and expire five years after date of issuance.

Effective July 25, 2006, the Company entered into an unsecured senior promissory note in the amount of \$250,000 with an accredited investor. Following the payment of commissions and expenses, the Company received net proceeds of approximately \$210,000. Effective August 1, 2006, the Company converted two cash advances into unsecured senior promissory notes, in the respective amounts of \$50,000 and \$20,000, with individual accredited investors, one of whom was a Director. Following the payment of fees and expenses, the Company received net proceeds of approximately \$68,600. The outstanding principal amount of each note, plus interest at the rate of 12% per annum, is payable in cash on or before the earlier of (i) one year from the date of such note or (ii) the date upon which the Company sells any of its equity or debt securities in a financing transaction, or a series of financings, with gross proceeds equal to \$1,000,000 or more; provided, however, that a subsequent financing transaction will not include (x) issuances of common stock to employees of the Company, (y) the exercise of any options to purchase common stock of the Company that are outstanding as of the date hereof, or (z) the grant, issuance or exercise of options or common stock of the Company under the Company's stock, option, deferred stock and restricted stock plan for the purpose of satisfying the Company's payables.

In August 2006, the Company reached an agreement with the investors in the private placement of October 2004 which limits the number of warrants and shares which the Company is obligated to issue pursuant to the penalty calculation to an aggregate of 18% of the number of original number of shares and warrants issued in the October 2004 private placement. This agreement limits the number of shares and warrants issuable pursuant to the penalty calculation to an aggregate of 4,150,800 shares and warrants to purchase an additional 1,634,400 shares, respectively. See note 7.

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### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

#### Special Note Regarding Forward-looking Statements

Some of the statements under "Risk Factors," "Business" and elsewhere in this Quarterly Report on Form 10-QSB constitute forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance, or achievements expressed or implied by such forward-looking statements. Such factors include, among other things, those described under "Risk Factors" and elsewhere in this Quarterly Report on Form 10-QSB and in the "Risk Factors" section of our annual report on Form 10-KSB filed with the Securities and Exchange Commission on March 28, 2006 and Form 10-KSB/A filed with the Securities and Exchange Commission on March 30, 2006.

In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "could," "expects," "plans," "intends," "anticipates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of such terms or other comparable terminology.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of such statements. We are under no duty to update any of the forward-looking statements after the date of this report.

The following information should be read in conjunction with the financial statements and the notes thereto. The analysis set forth below is provided pursuant to applicable Securities and Exchange Commission regulations and is not intended to serve as a basis for projections of future events.

#### Overview

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IR BioSciences Holdings, Inc. is a biopharmaceutical company engaged in the research and development of potential drugs through its wholly owned subsidiary, ImmuneRegen BioSciences, Inc. Our goal is to develop therapeutics to be used for the protection of the body from exposure to radiation and other harmful agents, such as toxic chemicals and biological materials.

Our drug development efforts are based on patents for the use of Sar9, Met (02)11-Substance P, an analog of the naturally occurring human neuropeptide Substance P. We use the generic name Homspera to refer to the synthetic Sar9, Met (02)11-Substance P peptide. All of our research and development efforts are early, pre-clinical stage and Homspera has only undergone exploratory studies to evaluate its biological activity in small animals.

Our current focus is on the development of two potential applications based on the use of Sar9, Met (02)11-Substance P, Radilex and Viprovex. We are developing Radilex for use as a potential treatment for acute exposure to radiation. Viprovex is being developed for use in potential treatments of maladies caused by exposure to toxic chemicals, such as formalin, and biological agents, such as anthrax and avian influenza. To date we have sponsored seven studies and co-sponsored three radiation studies all of which were conducted utilizing rodents and have conducted limited preclinical studies with regard to the development of Viprovex.

We have filed patent applications and provisional patent applications, where applicable, for the use of the active ingredient Sar9, Met

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(02)11-Substance P in applications that we are researching. We own two issued U.S. and two issued foreign patents and two pending Patent Cooperation Treaty (PCT) applications, nine pending U.S. provisional patent applications and 16 pending foreign provisional patent applications.

Our potential drug candidates, Radilex and Viprovex and other technologies based on the use of Homspera, are at early stages of development and may not be shown to be safe or effective and may never receive regulatory approval. Neither Radilex nor Viprovex nor our technologies based on the use of Homspera have yet been tested in large animals or humans. There is no guarantee that regulatory authorities will ever permit large animal or human testing of Radilex, Viprovex or any other potential products derived from Homspera. Even if such testing is permitted, none of Radilex, Viprovex or any other potential drug candidates, if any, derived from Homspera may be successfully developed or shown to be safe or effective.

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The results of our pre-clinical studies and clinical trials may not be indicative of future clinical trial results. A commitment of substantial resources to conduct time-consuming research, pre-clinical studies and clinical trials will be required if we are to develop any commercial applications using Homspera or any derivatives thereof. Delays in planned patient enrollment in our future clinical trials may result in increased costs, program delays or both. None of our potential applications or technologies may prove to be safe or effective in clinical trials. Approval of the FDA, or other regulatory approvals, including export license permissions, may not be obtained and even if successfully developed and approved, our potential applications may not achieve market acceptance. Any potential applications resulting from our programs may not be successfully developed or commercially available for a number of years, if at all.

To date, we have not obtained regulatory approval for or commercialized any applications based on the use of Homspera or any of its derivatives. We have incurred significant losses since our inception and we expect to incur annual losses for at least the next three years as we continue with our drug research and development efforts.

### RESULTS OF OPERATIONS FOR THE THREE MONTH PERIODS ENDED JUNE 30, 2006 AND JUNE 30, 2005

#### Revenue -----

We have not generated any revenues from operations from our inception. We believe we will begin earning revenues from operations during calendar year 2009 as we transition from a development stage company.

#### Sales, General, and Administrative Expenses -----

Sales, general, and administrative expenses ("SG&A") were \$601,972 for the three months ended June 30, 2006, an increase of \$8,137 or approximately 1% compared to SG&A of \$593,835 during the three months ended June 30, 2005. The decrease is primarily due to lower costs of non-cash compensation. For the three months ended June 30, 2006, this amount consisted primarily of officer compensation of \$97,250, research and development of \$21,619, legal and accounting fees of \$152,822, other consulting fees of \$75,951, payroll and related costs of \$40,267, public relations and marketing of \$22,526, and non-cash compensation costs of \$8,819.

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The Company expects SG&A to increase during the coming twelve months as we continue to build out the Company's infrastructure and to develop the Company's line of potential products.

### Interest (Income)/Expense (net)

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Interest expense (net) was \$15,057 for the three months ended June 30, 2006, an increase of \$14,716 or approximately 4,315% compared to interest expense of \$341 for the three months ended June 30, 2005. Interest expense was increased because the Company entered into notes payable during the three months ended June 30, 2006.

The Company expects interest expense to remain at low levels during the coming twelve months.

### Net Loss

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For the reasons stated above and a one-time adjustment to Other Income for \$1,158,985 relating to the cost of penalty for late registration of shares our net gain for the three months ended June 30, 2006 was \$541,956, or \$0.01 per share an increase of \$2,629,388 or approximately 126% compared to a net loss of \$2,087,432 for the three months ended June 30, 2005.

Our independent certified public accountants have stated in their report included in SEC Form 10-KSB/A that we have incurred a net loss and negative cash flows from operations of \$4,591,107 and \$1,884,113, respectively, for the year ended December 31, 2005. This loss, in addition to a lack of operational history, raises substantial doubt about our ability to continue as a going concern. In the absence of significant revenue and profits, and since we do not expect to generate significant revenues in the foreseeable future, we, in order to fund operations, will be completely dependent on additional debt and

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equity financing arrangements. There is no assurance that any financing will be sufficient to fund our capital expenditures, working capital and other cash requirements for the fiscal year ending December 31, 2006. No assurance can be given that any such additional funding will be available or that, if available, can be obtained on terms favorable to us. If we are unable to raise needed funds on acceptable terms, we will not be able to develop or enhance our products, take advantage of future opportunities or respond to competitive pressures or unanticipated requirements. A material shortage of capital will require us to take drastic steps such as reducing our level of operations, disposing of selected assets or seeking an acquisition partner. If cash is insufficient, we will not be able to continue operations.

The Company expects losses to increase during the coming twelve months. The Company does not expect to begin to generate revenue in the coming twelve months, and our costs are likely to increase as continue our research and development efforts on our early, pre-clinical stage products and build out our corporate infrastructure.

### Shares and warrants issuable due to late filing of registration statement

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During the three months ended March 31, 2006, the Company accrued the issuance of 1,383,600 shares of common stock and warrants to purchase an

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additional 544,800 shares of common stock pursuant to a penalty calculation with regard to the late registration of shares sold in a private placement in October 2004. During the three months ending June 30, 2006, the Company accrued no additional shares of common stock or warrants pursuant to the penalty calculation pending the conclusion of an agreement with the investors in the private placement of October 2004 to limit the number of shares and warrants which the Company is obligated to issue pursuant to the penalty calculation. The Company charged to operations \$456,588 and \$105,339, respectively, during the three months ended March 31, 2006 representing the fair value of these shares and warrants, respectively. During the three months ended March 31, 2006, the Company also marked to market the value of the 5,242,307 shares and warrants to purchase an additional 2,064,187 shares which were outstanding at December 31, 2005. This resulted in a charge to operations of \$52,423 and a credit to operations of \$6,868 for these previously outstanding shares and warrants, respectively. At March 31, 2006, the Company had obligations to issue an aggregate of 6,625,907 shares and warrants to purchase an additional 2,608,987 shares, respectively, and had charged to operations the amount of \$555,973 for the cost of issuance of shares and warrants. The Company also charged to operations the amount of \$52,423 as a loss from marking to market the outstanding stock portion of the penalty, and recognized a gain in the amount of \$6,868 representing marking to market the outstanding warrant portion of the penalty.

In August 2006, the Company reached an agreement with the investors in the private placement of October 2004 which limits the number of warrants and shares which the Company is obligated to issue pursuant to the penalty calculation to an aggregate of 18% of the number of original shares and warrants issued in the October 2004 private placement. This agreement limits the number of shares and warrants issuable pursuant to the penalty calculation to an aggregate of 4,150,800 shares and warrants to purchase an additional 1,634,400 shares, respectively. This results in a decrease in the number of shares issuable of 2,475,107 (with a fair value of \$816,785) and a decrease in the number of warrant shares issuable of 974,587 (with a fair value of \$177,789). This results in a net realized gain of \$994,574 during the three months ended June 30, 2006. During the three months ended June 30, 2006, the Company also marked to market the value of the previously issued penalty shares and warrants, which resulted in realized gains of \$72,101 and \$46,755, respectively.

On July 10, 2006 the Company, pursuant to Rule 477 of Regulation C of the Securities Act of 1933, as amended, applied for an order granting the immediate withdrawal of its Registration Statement on Form SB-2. The registration statement was originally filed with the Securities and Exchange Commission on November 24, 2004, and amended by pre-effective amendments no. 1, 2, 3 and 4 on July 20, 2005, November 16, 2005, February 22, 2006 and April 7, 2006, respectively.

RESULTS OF OPERATIONS FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2006 AND JUNE 30, 2005

Revenue  
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We have not generated any revenues from operations from our inception. We believe we will begin earning revenues from operations during calendar year 2009 as we transition from a development stage company.

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Selling, general and administrative expenses  
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Selling, general and administrative expenses were \$1,163,116 for the six months ended June 30, 2006 which is a decrease of \$269,239 or 19% compared to SG&A of \$1,432,355 for the six months ended June 30, 2005. The decrease is primarily due to lower costs of non-cash compensation. This expense is primarily comprised of non-cash compensation of \$17,219, legal and accounting fees of \$348,579, payroll and related costs of \$68,952, consulting fees of \$129,068, public relations and marketing costs of \$45,142, research and development costs of \$116,035, and officer's compensation of \$190,500.

Interest expense (net)  
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Interest expense was \$14,891 for the six months ended June 30, 2006, an increase of \$13,573 compared to interest expense of \$1,318 for the six months ended June 30, 2005. Interest expense was increased because the Company entered into notes payable during the three months ended June 30, 2006.

The Company expects interest expense to remain at low levels during the coming twelve months.

Net loss  
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For the reasons above, primarily lower SG&A expenses and the one-time adjustment for the late registration penalty, the net loss for the six months ended June 30, 2006 was \$620,550, a decrease of \$2,306,379 or 79% compared to a net loss of \$2,926,929 for the six months ended June 30, 2005.

Shares and warrants issuable due to late filing of registration statement  
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During the three months ended March 31, 2006, the Company accrued the issuance of 1,383,600 shares of common stock and warrants to purchase an additional 544,800 shares of common stock pursuant to a penalty calculation with regard to the late registration of shares sold in a private placement in October 2004. During the three months ending June 30, 2006, the Company accrued no additional shares of common stock or warrants pursuant to the penalty calculation pending the conclusion of an agreement with the investors in the private placement of October 2004 to limit the number of shares and warrants which the Company is obligated to issue pursuant to the penalty calculation. The Company charged to operations \$456,588 and \$105,339, respectively, during the three months ended March 31, 2006 representing the fair value of these shares and warrants, respectively. During the three months ended March 31, 2006, the Company also marked to market the value of the 5,242,307 shares and warrants to purchase an additional 2,064,187 shares which were outstanding at December 31, 2005. This resulted in a charge to operations of \$52,423 and a credit to operations of \$6,868 for these previously outstanding shares and warrants, respectively. At March 31, 2006, the Company had obligations to issue an aggregate of 6,625,907 shares and warrants to purchase an additional 2,608,987 shares, respectively, and had charged to operations the amount of \$555,973 for the cost of issuance of shares and warrants. The Company also charged to operations the amount of \$52,423 as a loss from marking to market the outstanding stock portion of the penalty, and recognized a gain in the amount of \$6,868 representing marking to market the outstanding warrant portion of the penalty.

In August 2006, the Company reached an agreement with the investors in the private placement of October 2004 which limits the number of warrants and shares which the Company is obligated to issue pursuant to the penalty calculation to an aggregate of 18% of the number of original shares and warrants issued in the October 2004 private placement. This agreement limits the number of shares and warrants issuable pursuant to the penalty calculation to an

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aggregate of 4,150,800 shares and warrants to purchase an additional 1,634,400 shares, respectively. This results in a decrease in the number of shares issuable of 2,475,107 (with a fair value of \$816,785) and a decrease in the number of warrant shares issuable of 974,587 (with a fair value of \$177,789). This results in a net realized gain of \$994,574 during the three months ended June 30, 2006. During the three months ended June 30, 2006, the Company also marked to market the value of the previously issued penalty shares and warrants, which resulted in realized gains of \$72,101 and \$46,755, respectively.

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### PLAN OF OPERATIONS

We expect to continue to incur increasing operating losses for the foreseeable future, primarily due to our continued research and development activities attributable to Radilex, Viprovex or any other proposed product, if any, derived from Homspera and general and administrative activities.

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### Product Research and Development

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We incurred an expense of \$116,035 for the six months ended June 30, 2006 in research and development activities related to the development of Radilex and Viprovex versus an expense of \$25,419 for the six months ended June 30, 2005. Due to our liquidity and limited cash available, our spending on research and development activities was limited. From our inception in October 2002, we have spent \$422,829 in research and development activities. These costs only include the manufacture and delivery of our drug by third party manufacturers and payments to Contract Research Organizations for consulting related to our studies and costs of performing such studies. Significant costs relating to research and development, such as consulting fees for Drs. Witten and Siegel, among others, have been classified in consulting fees for consistency of financial reporting.

We anticipate that during the next 12 months we will increase our research and development spending to a total of approximately \$3,500,000 in an effort to further develop Radilex and Viprovex. If we are unable to raise additional capital, our research and development activities may be lessened. The drug development, clinical trial and regulatory process is lengthy, expensive and uncertain and subject to numerous risks.

The basis for our research and development efforts in regard to the potential uses of Homspera is derived from observations made during research funded by the Air Force Office of Scientific Research in early 1994 by our co-founders Dr. Mark Witten and Dr. David Harris. During this research it was observed that the exposure of animals to jet fuel (JP-8) resulted in pathological changes in the lungs and immune systems of those exposed. Based on the results of these studies, we believe that the administration of Sar9, Met(O2)11-Substance P prevented and reversed the effects of JP-8 jet fuel exposure in the lungs, as well as protected and regenerated the immune system. However, there is no guarantee that our interpretation of the results of these studies will prove to be accurate after further testing.

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Further, we believe that Sar9, Met(O2)11-Substance P, Homspera, may also be used to treat the effects on the body caused by exposure to radiation, as well as, some toxic chemicals and harmful biological materials, including respiratory viruses. We continue to explore the multiple potential capabilities of Sar9, Met (O2)11-Substance P and to better understand the mechanisms by which this compound can potentially provide protection against gamma radiation, respiratory viruses and chemical and biological agents.

Our major research and development projects include:

Research and Development for the use of Radilex in  
Radiological Exposure Applications.  
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On January 14, 2004, we received a Pre-Investigational New Drug Application (PIND) number for the use of Radilex (PIND No. 63,255) in the treatment of acute radiation syndrome.

To date we have sponsored seven studies and co-sponsored three radiation studies all of which were conducted utilizing rodents to determine dose response to radiation, the maximum efficacious dose of Radilex, the impact on survival and to distinguish survival response between aerosol delivery versus intra muscular delivery. In each of these studies mice were exposed to varying levels of radiation. In the opinion of management, these studies have demonstrated in C57BL/6 mouse model studies that Radilex-treated mice exhibited survival rates of up to 50% at 90 days post-radiation exposure to an otherwise lethal dose of whole body ionizing radiation. Additionally, we believe the results indicated that these mice had normal immune system function at the 90-day post-radiation time point compared to longitudinal control mice. If these results can be reproduced in further studies, including large animal studies, we believe that our treatment could potentially increase an individual's chance of survival in the event of exposure to radiation. There is not assurance that our interpretation of the results of the studies will prove to be accurate after further testing.

Research and Development for the use of Viprovex in Chemical and  
Biological Exposure Applications.  
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On November 29, 2005 we applied for a PIND from the Department of Health and Human Services (HHS) for the use of Viprovex in the treatment of avian influenza. The PIND number for the use of Viprovex in treating avian flu was issued on December 19, 2005 (PIND No. 73,709). We applied for a PIND from the HHS for the use of Viprovex in treating chemical exposure on November 28, 2005.

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We are researching the efficacy of Viprovex as a potential treatment for exposure to various chemical agents, including formalin, and biological agents, including influenza and anthrax. In addition to our early pilot studies, we have recently completed three studies on anthrax, one on avian influenza. We believe the results of these studies indicated the potential effects of Viprovex on the immune system, including protection and replenishment, increased cytokines that reflect system activation, enhanced phagocytotic activity, potential dendritic cell/T cell activation, inhibition of apoptosis and increased T cell mitogenesis. It is the opinion of management that these results may underlie the potential ability of Viprovex to enhance flu therapies, minimize the respiratory impact of influenza infection and augment the

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capability of vaccination to induce a protective immune response. There is not assurance that our interpretation of the results of the studies will prove to be accurate after further testing.

If product development or approval does not occur as scheduled our time to reach market will be lengthened and our costs will substantially increase. Additionally, we may be requested to expand our findings to gather additional data or we may not achieve the desired results. If so, we may have to design new protocols and conduct additional studies. This will increase our costs and delay the time to market for Radilex for use as a possible therapeutic for exposure to acute radiation and Viprovex for use as a the potential treatment for exposure to chemical and biological agents. Any of these occurrences would have a material negative impact on our business and our liquidity as it may cause us to seek additional capital sooner than expected and allow our competitors to successfully enter the market ahead of us.

### OFF-BALANCE SHEET ARRANGEMENTS

There were no off-balance sheet arrangements as of June 30, 2006.

### REVENUES

We have not generated any revenues from operations from our inception. We believe we will begin earning revenues from operations during calendar year 2009 as we transition from a development stage company.

### COSTS AND EXPENSES

From our inception through June 30, 2006, we have incurred losses of \$12,419,685. These expenses were associated principally with equity-based compensation to employees and consultants, cost of penalty for late registration of shares, product development costs and professional services.

### LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2006, we had current assets of \$41,033 consisting of cash of \$23,663 and other current assets of \$17,370. At June 30, 2006, we also had current liabilities of \$2,863,771, consisting of accounts payable and accrued liabilities of \$779,795, notes payable of \$579,750 and accrued cost of penalty for late registration of shares of \$1,504,226. This resulted in net working capital deficit at June 30, 2006 of \$2,822,739. During the six months ended June 30, 2006, the Company used cash in operating activities of \$736,047. From the date of inception (October 30, 2002) to June 30, 2006, the Company has had a net loss of \$12,419,684 and has used cash of \$4,694,505 in operating activities.

We have never generated revenue. There is no guarantee that our business model will be successful, or that we will be able to generate sufficient revenue to fund future operations. As a result, we expect our operations to continue to use net cash, and that we will be required to seek additional debt or equity financings during the coming quarters. Since inception, we have financed our operations through debt and equity financing. While we have raised capital to meet our working capital and financing needs in the past, additional financing is required in order to meet our current and projected cash flow deficits from operations and development of our product line. We met our cash requirements from our inception through June 30, 2006 via the private placement of \$3,263,902 net of costs of our common stock, \$1,195,307 of this was from the exercise of common stock purchase warrants net of costs. An additional \$1,478,378 was received from the issuance of notes payable, net of repayments.



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In March 2006, the Company received a cash advance from a Director in the amount of \$50,000. This advance bears interest at the rate of 12% per annum. During the three months and twelve months ended June 30, 2006, the Company accrued interest in the amount \$164 and \$1,660, respectively, on this advance. The Company anticipates converting this advance to a note payable during the quarter ending September 30, 2006.

In June of 2006, the Company received a cash advance from an individual accredited investor in the amount of \$20,000. This advance bears interest at the rate of 12% per annum. During the three months ended June 30, 2006, the Company accrued interest in the amount of \$72 on this advance. The Company anticipates converting this advance to a note payable during the quarter ending September 30, 2006.

Pursuant to our employment agreement with Michael Wilhelm, our President and Chief Executive Officer, dated December 16, 2002, we paid an annual salary of \$125,000 and \$175,000 to Mr. Wilhelm during the first and

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second years of his employment, respectively. Thereafter we paid through August 10, 2005, an annual salary of \$250,000. On August 10, 2005, we entered into a new employment agreement with Mr. Wilhelm. The new employment agreement calls for a salary at the rate of \$275,000 per annum and provides for bonus incentives. Mr. Wilhelm's salary is payable in regular installments in accordance with the customary payroll practices of our company.

Pursuant to our employment agreement with John Fermanis, our Chief Financial Officer, dated February 15, 2005, we paid an annual salary of \$60,000 until the company completed a financing of \$500,000 or more. This occurred on March 4, 2005 when the company completed a Tender Offer for warrants totaling \$1,211,000 net of fees. From March 4, 2005, until December 31, 2005, we paid an annual salary of \$85,000. Thereafter, we will pay an annual salary of \$98,000 for the second year ending December 31, 2006 and an annual salary of \$112,000 for the third year ending December 31, 2007. Mr. Fermanis' salary is payable in regular installments in accordance with the customary payroll practices of our company.

Since our inception, we have been seeking additional third-party funding. During such time, we have retained a number of different investment banking firms to assist us in locating available funding; however, we have not yet been successful in obtaining any of the long-term funding needed to make us into a commercially viable entity. During the period from October 2004 to June 2006, we were able to obtain financing of \$3,590,136 from a series of private placements of our securities (which resulted in net proceeds to us of \$3,263,902). Based on our current plan of operations all of our current funding is expected to be depleted by the end of August 2006. If we are not successful in generating sufficient liquidity from operations or in raising sufficient capital resources, it would have a material adverse effect on our business, results of operations, liquidity and financial condition.

While we have successfully raised capital to meet our working capital and financing needs in the past through debt and equity financings, additional financing will be required in order to implement our business plan and to meet our current and projected cash flow deficits from operations and development. There can be no assurance that we will be able to consummate future debt or equity financings in a timely manner on a basis favorable to us, or at all. If we are unable to raise needed funds on acceptable terms, we will not be able to develop or enhance our products, take advantage of future opportunities or respond to competitive pressures or unanticipated requirements. A material

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shortage of capital will require us to take drastic steps such as reducing our level of operations, disposing of selected assets or seeking an acquisition partner. If cash is insufficient, we will not be able to continue operations. Until such time, if at all, as we receive adequate funding, we intend to continue to defer payment of all of our obligations which are capable of being deferred, which actions have resulted in some vendors demanding cash payment for their goods and services in advance, and other vendors refusing to continue to do business with us. In the event that we are successful in obtaining third-party funding, we do not expect to generate a positive cash flow from our operations for at least several years, if at all, due to anticipated expenditures for research and development activities, administrative and marketing activities, and working capital requirements and expect to continue to attempt to raise further capital through one or more further private placements. Based on our operating expenses and anticipated research and development activities, we believe that we will require an additional \$5 million to meet our expenses over the next 12 months.

### Acquisition or Disposition of Plant and Equipment

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We did not dispose or acquire any significant property, plant or equipment during the second quarter ended June 30, 2006. We do not anticipate the sale of any significant property, plant or equipment during the next twelve months.

### Number of Employees

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From our inception through the period ended June 30, 2006, we have relied on the services of outside consultants for services and currently have four full-time employees. Our full-time employees are Michael K. Wilhelm, our Chief Executive Officer; John N. Fermanis, our Chief Financial Officer; and, the third and fourth serve in administrative roles. In order for us to attract and retain quality personnel, we anticipate we will have to offer competitive salaries to future employees. We do not anticipate our employment base will significantly change during the next twelve months, other than the addition of one senior level appointment to the position of Senior Vice President of Scientific Development. As we continue to expand, we will incur additional cost for personnel. This projected increase in personnel is dependent upon our generating revenues and obtaining sources of financing. There is no guarantee that we will be successful in raising the funds required or generating revenues sufficient to fund the projected increase in the number of employees.

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### Trends, Risks and Uncertainties

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We have sought to identify what we believe to be the most significant risks to our business, but we cannot predict whether, or to what extent, any of such risks may be realized nor can we guarantee that we have identified all possible risks that might arise. Investors should carefully consider all of such risk factors before making an investment decision with respect to our Common Stock.

### RISK FACTORS

Other than with respect to the following risk factors, which have been updated and restated in their entirety below, there have been no material changes from the risk factors disclosed in the "Risk Factors" section of our the "Risk

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Factors" section of our annual report on Form 10-KSB filed with the Securities and Exchange Commission on March 28, 2006 and Form 10-KSB/A filed with the Securities and Exchange Commission on March 30, 2006.

### RISKS RELATED TO OUR FINANCIAL RESULTS

WE HAVE LIMITED CASH RESOURCES, AN ACCUMULATED DEFICIT, ARE NOT CURRENTLY PROFITABLE AND EXPECT TO INCUR SIGNIFICANT EXPENSES IN THE NEAR FUTURE.

As of June 30, 2006, we had a working capital deficit of \$2,822,739. This amount consists of cash of \$23,662 and current assets of \$17,370, accounts payable and accrued current liabilities of \$779,795, including notes payable \$579,750 and an accrued current liability of \$1,504,226 related to a penalty for the late registration of the securities sold in our October 2004 private placement. We anticipate settling this late registration penalty in additional shares of common stock and warrants to purchase additional shares of common stock. If this non-cash liability were to be removed from our working capital position as of June 30, 2006, we would have a working capital deficit of \$1,318,513. We have incurred a substantial net loss for the period from our inception in October 2002 to June 30, 2006, and are currently experiencing negative cash flow. We expect to continue to experience negative cash flow and operating losses through at least 2009 and possibly thereafter. As a result, we will need to generate significant revenues to achieve profitability.

WE MAY FAIL TO BECOME AND REMAIN PROFITABLE OR WE MAY BE UNABLE TO FUND OUR CONTINUING LOSSES, IN WHICH CASE OUR BUSINESS MAY FAIL.

We are focused on product development and have not generated any revenue to date. We do not believe we will begin earning revenues from operations until the calendar year 2009 as we transition from a development stage company. We have incurred operating losses since our inception. Our net gain for the six months ended June 30, 2006 was \$541,956 due to the penalty share adjustment. As of June 30, 2006, we had an accumulated deficit of \$12,419,684.

WE WILL BE REQUIRED TO RAISE ADDITIONAL CAPITAL TO FUND OUR OPERATIONS. IF WE CANNOT RAISE NEEDED ADDITIONAL CAPITAL IN THE FUTURE, WE WILL BE REQUIRED TO CEASE OPERATIONS.

Based on our current plans, we believe our existing financial resources, and interest earned thereon, will be sufficient to meet our operating expenses and capital requirements through August 2006. However, changes in our research and development plans or other events affecting our operating expenses may result in the expenditure of such cash before that time. We estimate that we will require approximately \$5 million over the next 12 months in order to finance our research and development efforts, fund operating expenses, pursue regulatory clearances and prosecute and defend our intellectual property rights. We may seek such additional funding through public or private financing or through collaborative arrangements with strategic partners.

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You should be aware that in the future:

- o we may not obtain additional financial resources when necessary or on terms favorable to us, if at all; and
- o any available additional financing may not be adequate.

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If we cannot raise additional funds when needed, or on acceptable terms, we will not be able to continue our drug discovery efforts. We require substantial working capital to fund our operations. Since we do not expect to generate significant revenues in the foreseeable future, in order to fund operations, we will be completely dependent on additional debt and equity financing arrangements. There is no assurance that any financing will be sufficient to fund our capital expenditures, working capital and other cash requirements beyond August 2006. Our working capital deficit as of June 30, 2006 was \$1,318,513 net of the accrual of securities pursuant to the penalty provision of our October 2004 private placement. No assurance can be given that any such additional funding will be available or that, if available, can be obtained on terms favorable to us. If we are unable to raise needed funds on acceptable terms, we will not be able to develop or enhance our products, take advantage of any future opportunities or respond to competitive pressures or unanticipated requirements. A material shortage of capital will require us to take drastic steps such as reducing our level of operations, disposing of selected assets or seeking an acquisition partner. If cash is insufficient, we will not be able to continue operations.

### ITEM 3. CONTROLS AND PROCEDURES

#### (a) Evaluation of disclosure controls and procedures.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file under the Exchange Act is accumulated and communicated to our management, including our principal executive and financial officers, as appropriate to allow timely decisions regarding required disclosure.

As of the end of the period covered by this Quarterly Report, we conducted an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of our disclosure controls and procedures (as defined in Rule 13a-15(e) or Rule 15d-15(e) of the Exchange Act). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of June 30, 2006, such disclosure controls and procedures were effective in ensuring that required information will be disclosed on a timely basis in our periodic reports filed under the Exchange Act.

#### (b) Changes in internal controls

There have been no changes in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rule 13a-15 or 15d-15 under the Exchange Act that occurred during the quarter ended June 30, 2006 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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## PART II - OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

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The Company is not a party to any material legal proceedings. Please refer to the Company's report on Form 10-K/A Amendment No. 1 for 2005 regarding litigation and claims as of December 31, 2005.

### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

In June 2006, the Company issued 5,000 shares of common stock at \$0.09 per share for the exercise of warrants by an investor.

On December 12, 2003, the Company entered into a \$20,000 promissory note bearing 8% interest per year to an individual accredited investor. On October 15, 2004 in accordance with the terms of the promissory note, accrued interest of \$1,354 was converted into 13,454 shares of our common stock releasing the Company from any further obligation under the note. From the date of the note's conversion, these shares were accrued for by the Company and the certificate representing the shares was issued in May 2006. No general solicitation or advertising was undertaken in connection with the offer and sale of the Note. The investor represented to the Company that the investor was purchasing the Note for the investor's own account and not with a present view towards the distribution thereof. In addition, the investor acknowledged and agreed that the Note and the underlying securities had not been registered under the Securities Act and may not be offered or sold unless subsequently registered and/or offered, sold or transferred pursuant to an exemption from the registration requirements. Therefore, the Company believes that the securities were offered and sold in reliance upon exemptions from registration pursuant to Section 4(2) under the Securities Act of 1933, as amended, and Rule 506 promulgated thereunder.

On September 26, 2003, the Company entered into a \$30,000 promissory note bearing 8% interest per year to an individual accredited investor. On November 10, 2004 in accordance with an agreement with the investor, accrued interest of \$2,041 was converted into 16,324 shares of our common stock releasing the Company from any further obligation under the note. From the date of the note's conversion, these shares were accrued for by the Company and the certificate representing the shares was issued in May 2006. No general solicitation or advertising was undertaken in connection with the offer and sale of the Note. The investor represented to the Company that the investor was purchasing the Note for the investor's own account and not with a present view towards the distribution thereof. In addition, the investor acknowledged and agreed that the Note and the underlying securities had not been registered under the Securities Act and may not be offered or sold unless subsequently registered and/or offered, sold or transferred pursuant to an exemption from the registration requirements. Therefore, the Company believes that the securities were offered and sold in reliance upon exemptions from registration pursuant to Section 4(2) under the Securities Act of 1933, as amended, and Rule 506 promulgated thereunder.

On November 1, 2002, the Company entered into a \$15,000 convertible promissory note bearing 8% interest per year to an individual accredited investor. On March 31, 2005 in accordance with the terms of the promissory note, accrued interest of \$2,410 was converted into 19,288 shares of our common stock releasing the Company from any further obligation under the note. From the date of the note's conversion, these shares were accrued for by the Company and the certificate representing the shares was issued in May 2006. No general solicitation or advertising was undertaken in connection with the offer and sale of the Note. The investor represented to the Company that the investor was purchasing the Note for the investor's own account and not with a present view towards the distribution thereof. In addition, the investor acknowledged and agreed that the Note and the underlying securities had not been registered under the Securities Act and may not be offered or sold unless subsequently registered and/or offered, sold or transferred pursuant to an exemption from the registration requirements. Therefore, the Company believes that the securities

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were offered and sold in reliance upon exemptions from registration pursuant to Section 4(2) under the Securities Act of 1933, as amended, and Rule 506 promulgated thereunder.

During the three months ended March 31, 2006, the Company accrued the issuance of 1,383,600 shares of common stock and warrants to purchase an additional 544,800 shares of common stock pursuant to a penalty calculation with regard to the late registration of shares sold in a private placement in October 2004. During the three months ending June 30, 2006, the Company accrued no additional shares of common stock or warrants pursuant to the penalty calculation pending the conclusion of an agreement with the investors in the private placement of October 2004 to limit the number of shares and warrants which the Company is obligated to issue pursuant to the penalty calculation. The Company charged to operations \$456,588 and \$105,339, respectively, during the three months ended March 31, 2006 representing the fair value of these shares and warrants, respectively. During the three months ended March 31, 2006, the Company also

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marked to market the value of the 5,423,307 shares and warrants to purchase an additional 2,064,187 shares which were outstanding at December 31, 2005. This resulted in a charged to operations of \$52,423 and a credit to operations of \$6,868 for these previously outstanding shares and warrants, respectively. At March 31, 2006, the Company had obligations to issue an aggregate of 6,625,907 shares and warrants to purchase an additional 2,608,987 shares, respectively, and had charged to operations the amount of \$555,973 for the cost of issuance of shares and warrants. The Company also charged to operations the amount of \$52,423 as a loss from marking to market the outstanding stock portion of the penalty, and recognized a gain in the amount of \$6,868 representing marking to market the outstanding warrant portion of the penalty.

During the three months ended March 31, 2006 we have accrued the issuance of 84,653 common stock purchase warrants to members of our Bioterrorism Advisory Board and Scientific Advisory Board for participation during the quarter. These warrants were issued pursuant to the terms of their respective agreements with us. The exercise prices of these warrants range from \$0.125 to \$1.00 per share. The warrants expire three years after date of issuance. The warrants will bear a restrictive legend regarding the sale or transfer of such or the underlying securities. The warrants were issued in reliance upon exemptions from registration pursuant to Section 4(2) under the Securities Act of 1933, as amended, and Rule 506 promulgated thereunder. There were less than 35 investors and each investor had such knowledge and experience in financial and business matters that the investor was capable of evaluating the merits and risks of investing in the warrants. No general solicitation or advertising was undertaken in connection with the offer and sale of these shares. Each investor was also provided with access to our Exchange Act reports including our annual report on Form 10-KSB and our quarterly reports on Form 10-QSB.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

### ITEM 4: SUBMISSION OF MATTERS TO A VOTE OF SECURITIES HOLDERS

On June 28, 2006, we held our 2005 Annual Meeting of Stockholders (the "Stockholder Meeting"). At the Stockholder Meeting, our shareholders voted to:

- (i) elect Hal N. Siegel as director and to re-elect Michael K. Wilhelm and Theodore E. Staahl as directors;

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Which was approved by a vote of 30,536,006 votes for and 6,300 votes against, 9,606,806 votes withheld, 9,463,931 abstained votes and 20,002,585 were broker non-votes;

- (ii) approve an amendment to our Certificate of Incorporation, as amended, to increase the number of authorized shares of Common Stock from 100,000,000 to 250,000,000;

Which was approved by a vote of 40,130,228 votes for and 1,302,912 votes against, 0 votes withheld, 8,179,903 abstained votes and 20,002,585 were broker non-votes;

- (iii) approve an amendment to our 2003 Stock Option, Deferred Stock and Restricted Stock Plan (the "Plan") to increase the number of shares of our Common Stock reserved and available for issuance under the Plan from 3,600,000 to 20,000,000; and

Which was approved by a vote of 30,944,255 votes for and 10,431,210 votes against, 0 votes withheld, 8,237,578 abstained votes and 20,002,585 were broker non-votes;

- (iv) ratify the appointment of Russell Bedford Stefanou Mirchandani LLP as the Company's independent public accountants for the fiscal year ending December 31, 2006;

Which was approved by a vote of 32,198,656 votes for and 8,803,306 votes against, 0 votes withheld, 8,611,081 abstained votes and 20,002,585 were broker non-votes.

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### ITEM 5: OTHER INFORMATION

ImmuneRegen BioSciences Asia PTE. LTD.

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ImmuneRegen BioSciences Asia PTE. LTD. ("ImmuneRegen Asia"), a Singaporean company, is an affiliate of IR BioSciences Holdings, Inc. Approximately 94% of the company is owned equally between our Chief Executive Officer and Chairman, Michael K. Wilhelm, and our former Director and co-founder, Mark Witten. IR BioSciences Holdings, Inc. holds less than 1% ownership in the company.

ImmuneRegen Asia has not conducted any business since its creation in May 2004. On March 23, 2006, per shareholder and Board approval, ImmuneRegen Asia was struck off the register of companies and dissolved. A notice of such action was published in the Governmental Gazette on April 7, 2006.  
Withdrawal from Registration

On July 10, 2006 the Company, pursuant to Rule 477 of Regulation C of the Securities Act of 1933, as amended, applied for an order granting the immediate withdrawal of its Registration Statement on Form SB-2. The registration statement was originally filed with the Securities and Exchange Commission on November 24, 2004, and amended by pre-effective amendments no. 1, 2, 3 and 4 on July 20, 2005, November 16, 2005, February 22, 2006 and April 7, 2006, respectively.

Unsecured senior promissory notes

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Effective July 25, 2006, the Company entered into an unsecured senior promissory note in the amount of \$250,000 with an accredited investor. Following the payment of commissions and expenses, the Company received net proceeds of approximately \$210,000. Effective August 1, 2006, the Company converted two cash advances into unsecured senior promissory notes, in the respective amounts of \$50,000 and \$20,000, with individual accredited investors, one of whom was a Director. Following the payment of fees and expenses, the Company received net proceeds of approximately \$68,600. The outstanding principal amount of each note, plus interest at the rate of 12% per annum, is payable in cash on or before the earlier of (i) one year from the date of such note or (ii) the date upon which the Company sells any of its equity or debt securities in a financing transaction, or a series of financings, with gross proceeds equal to \$1,000,000 or more; provided, however, that a subsequent financing transaction will not include (x) issuances of common stock to employees of the Company, (y) the exercise of any options to purchase common stock of the Company that are outstanding as of the date hereof, or (z) the grant, issuance or exercise of options or common stock of the Company under the Company's stock, option, deferred stock and restricted stock plan for the purpose of satisfying the Company's payables.

Agreement to limit the number of shares and warrants issuable pursuant to the penalty calculation for late registration

In August 2006, the Company reached an agreement with the investors in the private placement of October 2004 which limits the number of warrants and shares which the Company is obligated to issue pursuant to the penalty calculation to an aggregate of 18% of the number of original number of shares and warrants issued in the October 2004 private placement. This agreement limits the number of shares and warrants issuable pursuant to the penalty calculation to an aggregate of 4,150,800 shares and warrants to purchase an additional 1,634,400 shares, respectively.

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### ITEM 6. EXHIBITS

#### (a) Exhibits

- 31.1 Certification of Chief Executive Officer pursuant to Item 601(b)(31) of Regulation S-B, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer pursuant to Item 601(b)(31) of Regulation S-B, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certifications of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.\*
- 32.2 Certifications of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.\*

o \* This exhibit shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 or



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otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, whether made before or after the date hereof and irrespective of any general incorporation language in any filings.

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### SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on August 14, 2006.

IR BioSciences Holdings, Inc.

By: /s/ Michael K. Wilhelm

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Michael K. Wilhelm  
President, Chief Executive Officer

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