

IR BIOSCIENCES HOLDINGS INC  
Form 10-Q  
August 14, 2008

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

FORM 10-Q

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

For the quarterly period ended June 30, 2008

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  
(State or Other Jurisdiction of Incorporation  
or Organization)

13-3301899  
(I.R.S. Employer Identification No.)

8767 E. Via De Ventura, Suite 190,  
Scottsdale, AZ  
(Address of Principal Executive Offices)

85258  
(Zip Code)

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

\_\_\_\_\_  
N/A  
(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  No

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

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

The number of shares outstanding of Registrant's common stock as of August 7, 2008 was 11,662,916.

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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 Sheets as of June 30, 2008 (unaudited)  
And December 31, 2007

| Assets  | June 30,<br>2008<br>(unaudited) | December 31,<br>2007 |
|---|---------------------------------|----------------------|
| Current assets  |                                 |                      |
| Cash and cash equivalents   | \$ 813,015                      | \$ 221,120           |
| Cash – Restricted   | 203,125                         | -                    |
| Prepaid services and other current assets (Note 1)  | 31,229                          | 84,691               |
| Salary advance (Note 1)   | 700                             | 2,025                |
| <b>Total current assets</b>   | <b>1,048,069</b>                | <b>307,836</b>       |
| Deposits and other assets (Note 1)  | 7,128                           | 7,128                |
| Furniture and equipment, net of accumulated depreciation of \$35,144 and \$27,158 (Note 2)  | 31,882                          | 38,271               |
| <b>Total assets</b>   | <b>\$ 1,087,079</b>             | <b>\$ 353,235</b>    |
| Liabilities and Stockholders' Deficit   |                                 |                      |
| Current liabilities   |                                 |                      |
| Accounts payable and accrued liabilities (Note 4)   | \$ 661,799                      | \$ 932,609           |
| <b>Total current liabilities</b>  | <b>661,799</b>                  | <b>932,609</b>       |
| Notes payable, net of discount of \$188,962 (Note 5)  | 2,811,038                       | -                    |
| <b>Total liabilities</b>  | <b>3,472,837</b>                | <b>932,609</b>       |
| Commitments and Contingencies   | -                               | -                    |
| Stockholders' Deficit   |                                 |                      |
| Preferred stock, \$0.001 par value; 10,000,000 shares authorized, no shares issued and outstanding  | -                               | -                    |
| Common stock, \$0.001 par value; 100,000,000 shares authorized; 11,601,754 shares and 11,432,254 (post reverse split, does not include 120 shares issued on August 1, 2008 for rounding) issued and outstanding at June 30, 2008 and December 31, 2007 respectively | 11,601                          | 11,432               |

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|  |              |              |
|--|--------------|--------------|
| Common stock subscribed (Note 6)                 | 29,198       | 153,000      |
| Additional paid-in capital                       | 18,438,475   | 18,005,332   |
| Deficit accumulated during the development stage | (20,865,032) | (18,749,138) |
| Total stockholders' deficit                      | (2,385,758)  | (579,374)    |
| Total liabilities and stockholders' deficit      | \$ 1,087,079 | \$ 353,235   |

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

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IR BioSciences Holdings, Inc. and Subsidiary  
(A Development Stage Company)  
Condensed Consolidated Statements of Losses  
for the three and six months ended June 30, 2008 and 2007,  
and for the period of inception (October 30, 2002) to June 30, 2008  
(Unaudited)

|   | For the Three Months Ended<br>June 30, |                | For the Six Months Ended<br>June 30, |                | For the<br>Period<br>October 30,<br>2002 to<br>June 30,<br>2008 |
|---|--|----------------|--------------------------------------|----------------|---|
|   | 2008                                   | 2007           | 2008                                 | 2007           |   |
| Revenues  | \$ -                                   | \$ -           | \$ -                                 | \$ -           | \$ -  |
| Operating expenses:   |  |                |                                      |                |   |
| Selling, general and administrative expenses  | 834,512                                | 1,141,908      | 2,011,419                            | 2,016,018      | 18,097,360  |
| Merger fees and costs   | -                                      | -              | -                                    | -              | 350,000   |
| Financing cost  | -                                      | -              | -                                    | -              | 90,000  |
| Impairment of intangible asset costs  | -                                      | -              | -                                    | -              | 6,393   |
| Total operating expenses  | 834,512                                | 1,141,908      | 2,011,419                            | 2,016,018      | 18,543,753  |
| Operating loss  | (834,512)                              | (1,141,908)    | (2,011,419)                          | (2,016,018)    | (18,543,753)  |
| Other expense:  |  |                |                                      |                |   |
| Cost of penalty for late registration of shares   | -                                      | -              | -                                    | -              | 2,192,160   |
| (Gain) loss from marking to market - warrant portion of penalty for late registration of shares | -                                      | -              | -                                    | -              | (378,198)   |
| (Gain) loss from marketing to market - stock portion of penalty for late registration of shares | -                                      | -              | -                                    | -              | (760,058)   |
| Interest (income) expense, net  | 58,148                                 | (26,812)       | 104,475                              | (47,678)       | 1,256,831   |
| Total other (income) expense  | 58,148                                 | (26,812)       | 104,475                              | (47,678)       | 2,310,735   |
| Income (loss) before income taxes   | (892,660)                              | (1,115,096)    | (2,115,894)                          | (1,968,340)    | (20,854,488)  |
| Provision for income taxes  | -                                      | -              | -                                    | (8,115)        | (10,544)  |
| Net (loss)  | \$ (892,660)                           | \$ (1,115,096) | \$ (2,115,894)                       | \$ (1,976,455) | \$ (20,865,032)   |
| Net (loss) per share - basic and diluted  | \$ (0.08)                              | \$ (0.10)      | \$ (0.18)                            | \$ (0.17)      | \$ (3.21)   |

|   |            |            |            |            |           |
|---|------------|------------|------------|------------|-----------|
| Weighted average shares<br>outstanding (post reverse stock<br>split)- basic and diluted | 11,600,451 | 11,432,254 | 11,481,627 | 11,411,968 | 6,498,489 |
|---|------------|------------|------------|------------|-----------|

The accompanying notes are an integral part of these unaudited 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, 2008  
(Unaudited)

|  | Common Stock |        | Paid-In | Additional   | Stock      | Common      | Total  |
|--|--------------|--------|---------|--------------|------------|-------------|--------|
|  | Shares       | Amount | Capital | Deferred     | Subscribed | Accumulated |        |
|  |              |        |         | Compensation |            | Deficit     |        |
| Balance at<br>October 30, 2002<br>(date of<br>inception)   | -            | \$ -   | \$ -    | \$ -         | \$ -       | \$ -        | \$ -   |
| Shares of<br>common stock<br>issued at \$0.006<br>per share to<br>founders for<br>license of<br>proprietary right<br>in December<br>2002 | 1,661,228    | 1,661  | 7,589   | -            | -          | -           | 9,250  |
| Shares of<br>common stock<br>issued at \$0.006<br>per share to<br>founders for<br>services rendered<br>in December<br>2002               | 140,531      | 141    | 641     | -            | -          | -           | 782    |
| Shares of<br>common stock<br>issued at \$1.671<br>per share to<br>consultants for<br>services rendered<br>in December<br>2002            | 5,388        | 5      | 8,995   | (9,000)      | -          | -           | -      |
| Sale of common<br>stock for cash at<br>\$1.671 per share<br>in December<br>2002  | 18,558       | 19     | 30,982  | -            | -          | -           | 31,001 |

|  |   |   |   |   |          |          |
|--|---|---|---|---|----------|----------|
| Net loss for the period from inception (October 30, 2002) to December 31, 2002 | - | - | - | - | (45,918) | (45,918) |
|--|---|---|---|---|----------|----------|

|   |           |    |       |    |        |    |         |    |   |    |          |    |         |
|---|-----------|----|-------|----|--------|----|---------|----|---|----|----------|----|---------|
| Balance at December 31, 2002 (reflective of stock splits) | 1,825,704 | \$ | 1,826 | \$ | 48,207 | \$ | (9,000) | \$ | - | \$ | (45,918) | \$ | (4,885) |
|---|-----------|----|-------|----|--------|----|---------|----|---|----|----------|----|---------|

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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, 2008  
(Unaudited)  
(Continued)

|  |         |     |         |   |   |   |         |
|--|---------|-----|---------|---|---|---|---------|
| Shares granted to consultants at \$1.392 per share for services rendered in January 2003 | 9,878   | 10  | 13,740  | - | - | - | 13,750  |
| Sale of shares of common stock for cash at \$1.517 per share in January 2003             | 32,955  | 33  | 49,967  | - | - | - | 50,000  |
| Shares granted to consultants at \$1.392 per share for services rendered in March 2003   | 15,445  | 15  | 21,485  | - | - | - | 21,500  |
| Conversion of notes payable to common stock at \$1.392 per share in April 2003           | 143,674 | 144 | 199,856 | - | - | - | 200,000 |
| Shares granted to consultants at \$1.413 per share for services rendered in April 2003   | 1,437   | 1   | 2,029   | - | - | - | 2,030   |
| Sale of shares of common stock for cash at \$2.784 per share in May 2003                 | 1,796   | 2   | 4,998   | - | - | - | 5,000   |
| Sales of shares of common stock for cash at \$2.784 per                                  | 3,592   | 4   | 9,996   | - | - | - | 10,000  |

|   |         |     |           |       |   |   |           |
|---|---------|-----|-----------|-------|---|---|-----------|
| share in June 2003  |         |     |           |       |   |   |           |
| Conversion of notes payable to common stock at \$1.392 per share in June 2003   | 71,837  | 72  | 99,928    | -     | - | - | 100,000   |
| Beneficial conversion feature associated with notes issued in June 2003   | -       | -   | 60,560    | -     | - | - | 60,560    |
| Amortization of deferred compensation   | -       | -   | -         | 9,000 | - | - | 9,000     |
| Costs of GPN Merger in July 2003  | 236,813 | 237 | (121,036) | -     | - | - | (120,799) |
| Value of warrants issued with extended notes payable in October 2003  | -       | -   | 189,937   | -     | - | - | 189,937   |
|   |         |     |           |       |   |   | -         |
| Value of Company warrants issued in conjunction with fourth quarter notes payable issued October through December 2003          | -       | -   | 207,457   | -     | - | - | 207,457   |
| Value of warrants contributed by founders in conjunction with fourth quarter notes payable issued October through December 2003 | -       | -   | 183,543   | -     | - | - | 183,543   |
| Value of warrants issued for services   | -       | -   | 85,861    | -     | - | - | 85,861    |

in October  
through  
December 2003

Net loss for the  
twelve month  
period ended  
December 31,  
2003

- - - - - (1,856,702) (1,856,702)

-

Balance at  
December 31,  
2003

2,343,130 \$ 2,343 \$ 1,056,529 \$ - \$ - \$ (1,902,620) \$ (843,748)

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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, 2008  
(Unaudited)  
(Continued)

|   |         |     |         |           |   |   |        |
|---|---------|-----|---------|-----------|---|---|--------|
| Shares granted at \$10.00 per share pursuant to the Senior Note Agreement in January 2004 | 60,000  | 60  | 599,940 | (600,000) | - | - | -      |
| Shares issued at \$10.00 per share to a consultant for services rendered in January 2004  | 80,000  | 80  | 799,920 | (800,000) | - | - | -      |
| Shares issued to a consultant at \$6.20 per share for services rendered in February 2004  | 4,000   | 4   | 24,796  | (24,800)  | - | - | -      |
| Shares issued to a consultant at \$4.00 per share for services rendered in March 2004     | 105,160 | 105 | 420,535 | (420,640) | - | - | -      |
| Shares issued to a consultant at \$5.00 per share for services rendered in March 2004     | 50,000  | 50  | 249,950 | (250,000) | - | - | -      |
| Shares sold for cash at \$1.50 per share in March, 2004                                   | 800     | 1   | 1,199   | -         | - | - | 1,200  |
| Shares issued at \$5.00 per share to consultants for services rendered in March 2004      | 2,000   | 2   | 9,998   | -         | - | - | 10,000 |

|  |        |    |         |           |   |   |          |
|--|--------|----|---------|-----------|---|---|----------|
| Shares issued to a consultant at \$4.00 per share for services rendered in March 2004                              | 200    | 0  | 800     | -         | - | - | 800      |
| Shares issued to consultants at \$3.20 per share for services rendered in March 2004                               | 9,160  | 9  | 29,303  | -         | - | - | 29,312   |
| Shares to be issued to consultant at \$4.10 per share in April 2004 for services to be rendered through March 2005 | -      | -  | -       | (82,000)  | - | - | (82,000) |
| Shares granted pursuant to the New Senior Note Agreement in April 2004   | 60,000 | 60 | 149,940 | (150,000) | - | - | -        |
| Shares issued to officer at \$3.20 per share for services rendered in April 2004                                   | 20,000 | 20 | 63,980  | -         | - | - | 64,000   |
| Conversion of Note Payable to common stock at \$1.00 per share in May 2004   | 35,000 | 35 | 34,965  | -         | - | - | 35,000   |

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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, 2008  
(Unaudited)  
(Continued)

|  |        |    |         |           |   |   |         |
|--|--------|----|---------|-----------|---|---|---------|
| Beneficial Conversion Feature associated with note payable in May 2004   | -      | -  | 35,000  | -         | - | - | 35,000  |
| Issuance of warrants to officers and founder for services rendered in May 2004                                       | -      | -  | 269,208 | -         | - | - | 269,208 |
| Shares to a consultant at \$2.00 per share as a due diligence fee in May 2004  | 12,500 | 13 | 24,988  | -         | - | - | 25,000  |
|  | 50,000 | 50 | 499,950 | (500,000) | - | - | -       |
| Shares issued to a consultant at \$10.00 per share for services to be rendered over twelve months beginning May 2004 |        |    |         |           |   |   |         |
| Beneficial Conversion Feature associated with notes payable issued in June 2004                                      | -      | -  | 3,000   | -         | - | - | 3,000   |
| Issuance of warrants to note holders in April, May, and June 2004  | -      | -  | 17,915  | -         | - | - | 17,915  |

|  |        |    |        |          |   |   |        |
|--|--------|----|--------|----------|---|---|--------|
| Issuance of warrants to employees and consultants for services rendered in April through June 2004                     | -      | -  | 8,318  | -        | - | - | 8,318  |
| Shares issued in July to a consultant at \$1.00 for services to be rendered through July 2005                          | 25,000 | 25 | 24,975 | (25,000) | - | - | -      |
| Shares issued to a consultant in July and September at \$4.10 per share for services to be rendered through April 2005 | 20,000 | 20 | 81,980 | -        | - | - | 82,000 |
| Shares issued to a consultant in September at \$1.20 to \$2.20 for services rendered through September 2004            | 12,728 | 13 | 16,896 | -        | - | - | 16,909 |
| Shares issued in July to September 2004 as interest on note payable  | 30,000 | 30 | 35,970 | -        | - | - | 36,000 |
| Issuance of warrants with notes payable in July and August 2004  | -      | -  | 72,252 | -        | - | - | 72,252 |

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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, 2008  
(Unaudited)  
(Continued)

|  |        |    |        |          |   |   |          |
|--|--------|----|--------|----------|---|---|----------|
| Accrued deferred compensation in August 2004 to a consultant for 10,000 shares at \$1.00 per share, committed but unissued | -      | -  | -      | (10,000) | - | - | (10,000) |
| Shares issued in August 2004 at \$1.40 to a consultant for services to be performed through October 2004                   | 10,000 | 10 | 13,990 | (14,000) | - | - | -        |
| Shares issued in August 2004 at \$1.25 per share for conversion of \$30,000 demand loan                                    | 24,000 | 24 | 29,976 | -        | - | - | 30,000   |
| Shares issued in August 2004 at \$1.60 per share to a consultant for services provided.                                    | 12,500 | 13 | 19,988 | -        | - | - | 20,000   |
| Shares issued to employees at \$1.60 to \$2.50 per share   | 4,880  | 5  | 8,379  | -        | - | - | 8,384    |
| Commitment to issue 10,000 shares of stock to a consultant at \$2.30 per share for services to be                          | -      | -  | -      | (23,000) | - | - | (23,000) |

|   |           |       |           |   |   |   |           |
|---|-----------|-------|-----------|---|---|---|-----------|
| provided through<br>September 2005  |           |       |           |   |   |   |           |
| Sale of stock for<br>cash in October at<br>\$1.25 per share,<br>net of costs of<br>\$298,155  | 1,816,000 | 1,816 | 1,362,107 | - | - | - | 1,363,923 |
| Value of warrants<br>issued with sale of<br>common stock in<br>October, net of<br>costs       | -         | -     | 607,922   | - | - | - | 607,922   |
| Issuance of<br>warrant to officer<br>in October   | -         | -     | 112,697   | - | - | - | 112,697   |
| Issuance of stock<br>to investment<br>bankers in<br>October 2004 for<br>commissions<br>earned | 490,000   | 490   | (490)     | - | - | - | -         |
| Conversion of<br>accounts payable<br>to stock in<br>October at \$1.25<br>per share            | 125,775   | 126   | 108,514   | - | - | - | 108,640   |
| Value of warrants<br>issued with<br>accounts payable<br>conversions                           | -         | -     | 48,579    | - | - | - | 48,579    |
| Conversion of<br>demand loan to<br>stock in October at<br>\$1.10 per share                    | 9,330     | 9     | 10,254    | - | - | - | 10,263    |
| Forgiveness of<br>notes payable in<br>October 2004  | -         | -     | 36,785    | - | - | - | 36,785    |

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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, 2008  
(Unaudited)

|  |         |     |         |   |   |   |         |
|--|---------|-----|---------|---|---|---|---------|
| Issuance of stock to officer and director at \$1.25 per share in October for conversion of liability | 144,000 | 144 | 123,789 | - | - | - | 123,933 |
| Value of warrants issued with officer and director conversion of liabilities                         | -       | -   | 56,067  | - | - | - | 56,067  |
| Conversion of debt and accrued interest to common stock at \$0.75 to \$1.25 per share                | 670,315 | 670 | 423,547 | - | - | - | 424,217 |
| Value of warrants issued with conversion of debt   | -       | -   | 191,111 | - | - | - | 191,111 |
| Conversion of Note Payable of \$5,000 plus accrued interest of \$71                                  | 6,761   | 7   | 4,993   | - | - | - | 5,000   |
| Issuance of warrants to note holders in October 2004   | -       | -   | 112,562 | - | - | - | 112,562 |
| Value of shares issued to CFO as compensation  | 10,000  | 10  | 34,990  | - | - | - | 35,000  |
| Value of warrants issued to members of advisory  | -       | -   | 16,348  | - | - | - | 16,348  |

|  |           |          |              |              |      |                |             |           |
|--|-----------|----------|--------------|--------------|------|----------------|-------------|-----------|
| committees in<br>November and<br>December                                      |           |          |              |              |      |                |             |           |
| Beneficial<br>conversion feature<br>associated with<br>notes payable           | -         | -        | 124,709      | -            | -    | -              | -           | 124,709   |
| Shares issued in<br>error to be<br>cancelled                                   | (900)     | (1)      | 1            | -            | -    | -              | -           | 0         |
| Amortization of<br>deferred<br>compensation<br>through<br>December 31,<br>2004 | -         | -        | -            | 2,729,454    | -    | -              | -           | 2,729,454 |
| Loss for the<br>twelve months<br>ended December<br>31, 2004                    | -         | -        | -            | -            | -    | (5,305,407)    | (5,305,407) |           |
| Balance at<br>December 31,<br>2004   | 6,242,339 | \$ 6,242 | \$ 7,979,124 | \$ (169,986) | \$ - | \$ (7,208,027) | \$ 607,353  |           |

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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, 2008  
(Unaudited)

|  |         |     |           |          |   |   |           |
|--|---------|-----|-----------|----------|---|---|-----------|
| Sale of shares of common stock for cash at \$2.00 per share in March 2005 for warrant exercise, net of costs | 660,078 | 660 | 1,190,196 | -        | - | - | 1,190,856 |
| Value of warrants issued to members of advisory committees in March 2005                                     | -       | -   | 137,049   | -        | - | - | 137,049   |
| Deferred compensation in February 2005 to a consultant for 5,000 shares of common stock at \$6.50 per share. | -       | -   | -         | (32,500) | - | - | (32,500)  |
| Warrants exercised at \$0.50 per share in June 2003  | 8,000   | 8   | 3,992     | -        | - | - | 4,000     |
| Value of warrants issued to members of advisory committee in June 2005                                       | -       | -   | 70,781    | -        | - | - | 70,781    |
| Value of warrants issued to investors and service providers in June 2005                                     | -       | -   | 32,991    | -        | - | - | 32,991    |
| Issuance of 23,215 shares of   | 23,215  | 23  | 64,980    | -        | - | - | 65,003    |

|  |           |          |              |            |      |                 |                |  |
|--|-----------|----------|--------------|------------|------|-----------------|----------------|--|
| common stock in July 2005 for conversion of notes payable                                      |           |          |              |            |      |                 |                |  |
| Issuance of 10,000 shares of common stock in August 2005 to a consultant for services provided | 10,000    | 10       | 9,990        | -          | -    | -               | 10,000         |  |
| Value of warrants issued to advisory committee in September 2005 for services                  | -         | -        | 20,491       | -          | -    | -               | 20,491         |  |
| Amortization of deferred comp for the twelve months ended December, 2005                       | -         | -        | -            | 199,726    | -    | -               | 199,726        |  |
| Value of warrants issued in October and December 2005 to investors and service providers       | -         | -        | 18,399       | -          | -    | -               | 18,399         |  |
| Loss for the year ended December 31,2005   | -         | -        | -            | -          | -    | (4,591,107)     | (4,591,107)    |  |
|  | 6,943,632 | \$ 6,943 | \$ 9,527,993 | \$ (2,760) | \$ - | \$ (11,799,134) | \$ (2,266,958) |  |

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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, 2008  
(Unaudited)

|   |        |    |        |       |   |   |        |
|---|--------|----|--------|-------|---|---|--------|
| Issuance of 10,000 shares to officer, previously accrued                        | 10,000 | 10 | 41,406 | -     | - | - | 41,416 |
| Value of warrants issued to members of advisory committee in March 2006         | -      | -  | 8,399  | -     | - | - | 8,399  |
| Amortization of deferred compensation for the three months ended March 31, 2006 | -      | -  | -      | 2,760 | - | - | 2,760  |
| Issuance of common stock in May 2006 to a consultant for services provided      | 3,446  | 3  | 16,194 | -     | - | - | 16,197 |
| Conversion of accrued interest to common stock at \$1.25 per share in May, 2006 | 1,929  | 2  | 2,409  | -     | - | - | 2,411  |
| Conversion of accrued interest to common stock at \$1.25 per share in May, 2006 | 1,632  | 2  | 2,039  | -     | - | - | 2,041  |
| Conversion of accrued interest to common stock at \$1.00 per share in May, 2006 | 1,345  | 1  | 1,354  | -     | - | - | 1,355  |

|   |           |       |           |   |       |   |           |
|---|-----------|-------|-----------|---|-------|---|-----------|
| Common stock issued pursuant to the exercise of warrants at \$0.90 per share in June 2006 | 500       | 1     | 450       | - | -     | - | 450       |
| Value of warrants issued to members of advisory committee in June 2006                    | -         | -     | 8,820     | - | -     | - | 8,820     |
| Value of warrants issued to members of advisory committee in September 2006               | -         | -     | 3,495     | - | -     | - | 3,495     |
| Value of warrants issued to officers  | -         | -     | 50,874    | - | -     | - | 50,874    |
| Issuance of penalty Common Stock, previously accrued                                      | 415,080   | 415   | 871,250   | - | -     | - | 871,665   |
| Issuance of penalty warrants, previously accrued  | -         | -     | 182,239   | - | -     | - | 182,239   |
| Value of options issued to officer  | -         | -     | 78,802    | - | -     | - | 78,802    |
| Value of warrants issued to members of advisory committee in December 2006                | -         | -     | 1,974     | - | -     | - | 1,974     |
| Issuance of Common Stock for cash   | 3,426,625 | 3,427 | 4,610,122 | - | -     | - | 4,613,549 |
| Common stock to be issued as  | -         | -     | (5,483)   | - | 5,483 | - | -         |

commission for  
equity fund  
raising

|                                       |   |   |         |   |   |   |         |
|---------------------------------------|---|---|---------|---|---|---|---------|
| Value of options<br>issued to officer | - | - | 185,472 | - | - | - | 185,472 |
|---------------------------------------|---|---|---------|---|---|---|---------|

|                                      |   |   |        |   |   |   |        |
|--------------------------------------|---|---|--------|---|---|---|--------|
| Value of shares<br>issued to officer | - | - | 32,120 | - | - | - | 32,120 |
|--------------------------------------|---|---|--------|---|---|---|--------|

|   |            |    |        |    |            |             |             |    |       |    |              |    |           |
|---|------------|----|--------|----|------------|-------------|-------------|----|-------|----|--------------|----|-----------|
| Loss for the year<br>ended December<br>31, 2006 | -          | -  | -      | -  | -          | (1,486,046) | (1,486,046) |    |       |    |              |    |           |
|   | 10,804,190 | \$ | 10,804 | \$ | 15,619,928 | \$          | -           | \$ | 5,483 | \$ | (13,285,180) | \$ | 2,351,035 |

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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, 2008  
(Unaudited)

|  |         |     |         |   |         |   |         |
|--|---------|-----|---------|---|---------|---|---------|
| Common stock issued as commission for equity fund raising              | 548,260 | 548 | 4,935   | - | (5,483) | - | -       |
| Common stock issued to consultant in January 2007 at \$1.50 per share  | 29,804  | 30  | 44,676  | - | -       | - | 44,706  |
| Common stock issued to consultants in January 2007 at \$1.55 per share | 40,000  | 40  | 61,960  | - | -       | - | 62,000  |
| Common stock issued to consultants in January 2007 at \$1.50 per share | 10,000  | 10  | 14,990  | - | -       | - | 15,000  |
| Value of options issued to officer in January, February and March 2007 | -       | -   | 471,457 | - | -       | - | 471,457 |
| Value of options issued to employee in January 2007                    | -       | -   | 5,426   | - | -       | - | 5,426   |
| Value of warrants issued to consultant in April 2007                   | -       | -   | 166,998 | - | -       | - | 166,998 |
| Value of options issued to employees in                                | -       | -   | 996,133 | - | -       | - | 996,133 |

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July 2007

|   |   |   |         |   |   |   |         |
|---|---|---|---------|---|---|---|---------|
| Value of options issued to directors in July 2007 | - | - | 537,833 | - | - | - | 537,833 |
|---|---|---|---------|---|---|---|---------|

|   |   |   |        |   |   |   |        |
|---|---|---|--------|---|---|---|--------|
| Value of options issued to consultants in July 2007 | - | - | 80,996 | - | - | - | 80,996 |
|---|---|---|--------|---|---|---|--------|

|   |   |   |   |   |        |   |        |
|---|---|---|---|---|--------|---|--------|
| Common stock to be issued for consulting services in 2008 at \$1.10 per share | - | - | - | - | 33,000 | - | 33,000 |
|---|---|---|---|---|--------|---|--------|

|   |   |   |   |   |         |   |         |
|---|---|---|---|---|---------|---|---------|
| Common stock to be issued for finders fee in 2008 at \$1.20 per share | - | - | - | - | 120,000 | - | 120,000 |
|---|---|---|---|---|---------|---|---------|

|   |            |    |        |    |            |             |             |    |         |    |              |    |           |
|---|------------|----|--------|----|------------|-------------|-------------|----|---------|----|--------------|----|-----------|
| Loss for the year ended December 31, 2007 | -          | -  | -      | -  | -          | (5,463,958) | (5,463,958) |    |         |    |              |    |           |
|   | 11,432,254 | \$ | 11,432 | \$ | 18,005,332 | \$          | -           | \$ | 153,000 | \$ | (18,749,138) | \$ | (579,374) |

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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, 2008  
(Unaudited)

|   |         |     |         |   |           |   |         |
|---|---------|-----|---------|---|-----------|---|---------|
| Common stock issued for consulting services previously accrued      | 30,000  | 30  | 32,970  | - | (33,000)  | - | -       |
| Common stock issued for finders fee previously accrued              | 100,000 | 100 | 119,900 | - | (120,000) | - | -       |
| Common stock to be issued for interest payment at \$0.488 per share | -       | -   | -       | - | 19,276    | - | 19,276  |
| Value of warrants issued to consultant in April 2007                | -       | -   | 38,599  | - | -         | - | 38,599  |
| Value of warrants issued pursuant to convertible debt agreement     | -       | -   | 226,754 | - | -         | - | 226,754 |
| Value of options issued to advisory board                           | -       | -   | 3,729   | - | -         | - | 3,729   |
| Value of options issued to employee in January 2007                 | -       | -   | 1,357   | - | -         | - | 1,357   |
| Value of options issued to consultants in July 2007                 | -       | -   | 3,497   | - | -         | - | 3,497   |

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|   |            |           |               |      |           |                 |                |
|---|------------|-----------|---------------|------|-----------|-----------------|----------------|
| Loss for the three months ended March 31, 2008                                    | -          | -         | -             | -    | -         | (1,223,234)     | (1,223,234)    |
|   | 11,562,254 | \$ 11,562 | \$ 18,432,138 | \$ - | \$ 19,276 | \$ (19,972,372) | \$ (1,509,396) |
| Common stock issued for interest payment at \$0.488 per share                     | 39,500     | 40        | 19,237        | -    | (19,276)  | -               | -              |
| Common stock to be issued for interest payment at \$0.699 per share               | -          | -         | -             | -    | 19,726    | -               | 19,726         |
| Common stock to be issued for interest payment at \$0.699 per share               | -          | -         | -             | -    | 1,972     | -               | 1,972          |
| Common stock subscribed pursuant to the exercise of warrants at \$0.375 per share | -          | -         | -             | -    | 7,500     | -               | 7,500          |
| Value of options issued to employee in January 2007                               | -          | -         | 1,357         | -    | -         | -               | 1,357          |
| Value of options issued to consultants in July 2007                               | -          | -         | 3,497         | -    | -         | -               | 3,497          |
| Value of options issued to employees in March 2008                                | -          | -         | 1,220         | -    | -         | -               | 1,220          |
| Value of options issued to a Director in March 2008                               | -          | -         | 19,625        | -    | -         | -               | 19,625         |
| Value of warrants issued  | -          | -         | (38,599)      | -    | -         | -               | (38,599)       |

to consultant in  
 April 2007,  
 cancelled per  
 agreement

|   |            |           |               |      |           |                 |                |
|---|------------|-----------|---------------|------|-----------|-----------------|----------------|
| Loss for the three<br>months ended<br>June 30, 2008 | -          | -         | -             | -    | -         | (892,660)       | (892,660)      |
| Balance at June<br>30, 2008                         | 11,601,754 | \$ 11,602 | \$ 18,438,475 | \$ - | \$ 29,198 | \$ (20,865,032) | \$ (2,385,758) |

The accompanying notes are an integral part of these unaudited 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, 2008 and 2007,  
And For the Period of Inception (October 30, 2002) to June 30, 2008  
(Unaudited)

|   | For the Six Months Ended<br>June 30, |                | For the<br>Period<br>October 30,<br>2002 to<br>June 30,<br>2008 |
|---|--------------------------------------|----------------|---|
|   | 2008                                 | 2007           | 2008  |
| Cash flows from operating activities:   |                                      |                |   |
| Net loss  | \$ (2,115,894)                       | \$ (1,976,455) | \$ (20,865,032)   |
| Adjustments to reconcile net loss to net cash used in operating activities:                     |                                      |                |   |
| Non-cash compensation   | 61,782                               | 564,168        | 6,870,141   |
| Cost of penalty for late registration of shares - stock portion                                 | -                                    | -              | 1,631,726   |
| Cost of penalty for late registration of shares - warrant portion                               | -                                    | -              | 560,434   |
| (Gain) loss from marking to market - stock portion of penalty for late registration of shares   | -                                    | -              | (760,058)   |
| (Gain) loss from marking to market - warrant portion of penalty for late registration of shares | -                                    | -              | (378,198)   |
| Legal fees for note payable   | -                                    | -              | 20,125  |
| Placement fees for note payable   | -                                    | -              | 65,000  |
| Impairment of intangible asset  | -                                    | -              | 6,393   |
| Interest expense  | -                                    | -              | 156,407   |
| Amortization of discount on notes payable   | 37,792                               | -              | 1,044,727   |
| Amortization of cash held in escrow   | 46,875                               | -              | 46,875  |
| Depreciation and amortization   | 7,986                                | 6,109          | 60,501  |
| Changes in operating assets and liabilities:  |                                      |                |   |
| Deposits  | -                                    | -              | (4,868)   |
| Prepaid services and other assets   | 25,962                               | -              | (15,988)  |
| Accounts payable and accrued expenses   | (229,836)                            | 177,543        | 948,527   |
| Salary advance  | 1,325                                | (2,475)        | (700)   |
| Net cash used in operating activities   | (2,164,008)                          | (1,231,110)    | (10,613,988)  |
| Cash flows from investing activities:   |                                      |                |   |
| Acquisition of property and equipment   | (1,597)                              | (7,614)        | (67,026)  |
| Net cash used in investing activities   | (1,597)                              | (7,614)        | (67,026)  |
| Cash flows from financing activities:   |                                      |                |   |
| Proceeds from notes payable   | 2,750,000                            | -              | 4,703,375   |
| Principal payments on notes payable and demand loans  | -                                    | -              | (1,094,747)   |
| Shares of stock sold for cash   | -                                    | -              | 7,873,451   |
| Proceeds from exercise of warrant   | 7,500                                | -              | 11,950  |

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|  |            |              |            |
|--|------------|--------------|------------|
| Officer repayment of amounts paid on his behalf      | -          | -            | 19,880     |
| Cash paid on behalf of officer                       | -          | -            | (19,880)   |
| Net cash provided by financing activities            | 2,757,500  | -            | 11,494,029 |
| Net increase (decrease) in cash and cash equivalents | 591,895    | (1,238,724)  | 813,015    |
| Cash and cash equivalents at beginning of period     | 221,120    | 2,752,103    | -          |
| Cash and cash equivalents at end of period           | \$ 813,015 | \$ 1,513,379 | \$ 813,015 |

The accompanying notes are an integral part of these unaudited 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, 2008 and 2007,  
And For the Period of Inception (October 30, 2002) to June 30, 2008  
(Unaudited)  
(continued)

|   | For the Six Months Ended<br>June 30, |            | For the<br>Period<br>October 30,<br>2002 to<br>June 30,<br>2008 |
|---|--------------------------------------|------------|---|
|   | 2008                                 | 2007       |   |
| <b>Supplemental disclosures of cash flow information:</b>                         |                                      |            |   |
| <b>Cash paid during the period for:</b>   |                                      |            |   |
| Interest  | \$ 40,998                            | \$ -       | \$ 127,051  |
| Taxes   | \$ -                                 | \$ 8,115   | \$ 8,115  |
| <b>Acquisition and capital restructure:</b>                                       |                                      |            |   |
| Assets acquired   | -                                    | -          | -   |
| Liabilities assumed   | -                                    | -          | (120,799)   |
| Common stock retained   | -                                    | -          | (2,369)   |
| Adjustment to additional paid-in capital  | -                                    | -          | 123,168   |
| Organization costs  | -                                    | -          | 350,000   |
| Total consideration paid  | \$ -                                 | \$ -       | \$ 350,000  |
| Common stock issued in exchange for proprietary rights                            | \$ -                                 | \$ -       | \$ 9,250  |
| Common stock issued in exchange for services                                      | \$ 33,000                            | \$ 77,000  | \$ 3,210,483  |
| Common stock issued in exchange for previously incurred debt and accrued interest | \$ -                                 | \$ -       | \$ 1,066,401  |
| Common stock issued in exchange as interest                                       | \$ 19,276                            | \$ -       | \$ 55,276   |
| Amortization of beneficial conversion feature                                     | \$ -                                 | \$ -       | \$ 223,269  |
| Stock options and warrants issued in exchange for services rendered               | \$ 61,782                            | \$ 457,300 | \$ 3,440,274  |
| Debt and accrued interest forgiveness from note holders                           | \$ -                                 | \$ -       | \$ 36,785   |
| Common stock issued in satisfaction of amounts due to an Officer and a Director   | \$ -                                 | \$ -       | \$ 180,000  |
| Common stock issued in satisfaction of accounts payable                           | \$ -                                 | \$ -       | \$ 157,219  |

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|   |    |         |    |        |                |
|---|----|---------|----|--------|----------------|
| Deferred compensation to a consultant accrued in March 2005   | \$ | -       | \$ | -      | \$ 2,630,761   |
| Amortization of deferred compensation   | \$ | -       | \$ | -      | \$ 202,486     |
| Fair value of common stock and warrants in payable in connection with late filing of registration statement | \$ | -       | \$ | -      | \$ 3,684,664   |
| Gain from marking to market - stock portion of penalty for late registration of shares                      | \$ | -       | \$ | -      | \$ (1,124,255) |
| Gain from marking to market - warrant portion of penalty for late registration of shares                    | \$ | -       | \$ | -      | \$ (456,603)   |
| Impairment of intangible asset  | \$ | -       | \$ | -      | \$ 6,393       |
| Issuance of stock to Officer, previously accrued  | \$ | -       | \$ | -      | \$ 41,416      |
| Value of warrants issued to members of advisory board   | \$ | -       | \$ | -      | \$ 22,688      |
| Services for note payable   | \$ | -       | \$ | -      | \$ 9,750       |
| Issuance of shares for accounts payable   | \$ | -       | \$ | 44,706 | \$ 44,706      |
| Stock issued as commission for equity fund raising  | \$ | 120,000 | \$ | 5,483  | \$ 125,483     |
| Value of warrants issued for financing  | \$ | 226,754 | \$ | -      | \$ 226,754     |
| Value of shares to be issued for interest payment   | \$ | 21,698  | \$ | -      | \$ 21,698      |

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

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IR BIOSCIENCES HOLDINGS, INC.  
(A DEVELOPMENT STAGE COMPANY)  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2008  
(Unaudited)

Note 1 - Summary Of Accounting Policies

General

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q, 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, 2008 are not necessarily indicative of the results that may be expected for the year ended December 31, 2008. The unaudited condensed consolidated financial statements should be read in conjunction with the December 31, 2007 financial statements and footnotes thereto included in the Company's annual report on SEC Form 10-KSB filed with the Securities and Exchange Commission on March 31, 2008 10-KSB.

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 development-stage biopharmaceutical company. Through our wholly owned subsidiary, ImmuneRegen BioSciences, Inc., the Company is engaged in the research and development of potential drugs. The Company's goal is to develop therapeutics to be used for the protection of the body from exposure to harmful agents such as toxic chemicals and radiation, as well as, biological agents, including influenza and anthrax. The Company's research and development efforts are at a very early stage and Radilex and Viprovex, the Company's potential drug candidates, 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 inter-company transactions have been eliminated in consolidation.

In July 2003, the Company effected a 1-for-20 reverse stock split of its common stock. In April 2004, the Company effected a 2-for-1 forward split of its common stock. On July 10, 2008, the Company effected a 1-for-10 reverse stock split of its common stock and simultaneously reduced its total authorized shares of common stock to 100,000,000. Par value remained unchanged as a result of the July 2008 stock split and reduction of authorized shares. Accordingly, the effect of the reverse-split has been presented in the accompanying financial statement and footnote disclosures.

Reclassification

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

Stock based compensation

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 nine months of fiscal 2006 includes compensation cost for all share-based payments granted prior to, but not yet 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.

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IR BIOSCIENCES HOLDINGS, INC.  
(A DEVELOPMENT STAGE COMPANY)  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2008  
(Unaudited)

A summary of option activity under the Plan as of June 30, 2008, and changes during the period ended are presented below:

|                                  | Options   | Weighted<br>Average<br>Exercise Price |
|----------------------------------|-----------|---------------------------------------|
| Outstanding at December 31, 2007 | 1,601,421 | \$ 2.92                               |
| Issued                           | 39,747    | 1.21                                  |
| Exercised                        | -         | -                                     |
| Forfeited or expired             | -         | -                                     |
| Outstanding at June 30, 2008     | 1,641,168 | \$ 2.88                               |
| Non-vested at June 30, 2008      | 3,625     | \$ 1.12                               |
| Exercisable at June 30, 2008     | 1,637,543 | \$ 2.89                               |

Aggregate intrinsic value of options outstanding and exercisable at June 30, 2008 was \$0. Aggregate intrinsic value represents the difference between the Company's closing stock price on the last trading day of the fiscal period, which was \$0.80 as of June 30, 2008, and the exercise price multiplied by the number of options outstanding. As of June 30, 2008, total unrecognized stock-based compensation expense related to stock options was \$3,445. The total fair value of options vested during the three and six months ended June 30, 2008 was \$25,699 and \$34,282, respectively.

## Interim financial statements

The accompanying balance sheet as of June 30, 2008, the statements of operations for the three and six months ended June 30, 2008 and 2007, and for the period of inception (October 30, 2002) to June 30, 2008, and the statements of cash flows for six months ended June 30, 2008 and 2007, and from the period of inception (October 30, 2002) to June 30, 2008 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.

## Use of estimates

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.

## Long-lived assets

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.

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## Prepaid services and other current assets

Prepaid services and other current assets consist of the following:

|                   | June 30,<br>2008 | December<br>31, 2007 |
|-------------------|------------------|----------------------|
| Prepaid insurance | \$ 11,448        | \$ 29,502            |
| Prepaid expenses  | 19,781           | 55,189               |
|                   | \$ 31,229        | \$ 84,691            |

## Salary Advance

The Company has made an advance of salary to one employee in the amount of \$700 and \$2,025 as of June 30, 2008 and December 31, 2007, respectively.

## Deposits and other assets

Deposits and other assets consist of a deposit on leased office space in the amount of \$7,128 as of June 30, 2008 and December 31, 2007.

## Restricted Cash

The Company has cash in the amount of \$250,000 held in escrow pursuant to the Securities Purchase Agreement that was entered into in January 2008, \$175,000 was placed into escrow on January 3, 2008 and an additional \$75,000 was placed into escrow on June 12, 2008. These funds are amortized on a straight-line basis over a 24 month period. From January 2008 until May 2008, the monthly amortization expense was \$7,292. With the addition of the additional \$75,000 into escrow, monthly amortization expense increased to \$10,417 until January 2010 when it decreases to \$3,125 until May 2010. As of June 30, 2008, a total of \$46,875 of amortization expense was recognized, resulting in a balance in the restricted cash escrow account of \$203,125.

## Note 2 – Furniture and equipment

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 |

Depreciation expense for the six months ended June 30, 2008 and 2007 was \$7,986 and \$6,109, respectively. The amount depreciated from the date of inception (October 30, 2002) through June 30, 2008 was \$60,501. Company's furniture and equipment consists of the following:

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|                               | June 30,<br>2008 | December<br>31, 2007 |
|-------------------------------|------------------|----------------------|
| Office Equipment              | \$ 60,878        | \$ 59,282            |
| Office furniture and fixtures | 6,148            | 6,147                |
|                               | 67,026           | 65,429               |
| Accumulated depreciation      | (35,144)         | (27,158)             |
| Total                         | \$ 31,882        | \$ 38,271            |

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## Note 3 - Related Party Transactions

## Credit Cards

The Company has a line of credit with Bank of America for \$35,000. Our Chief Executive Officer co-signs this line of credit. At June 30, 2008 the Company had an outstanding balance on the line of credit of \$26,172.

The Company has an additional line of credit with Bank of America for \$25,000. Our Chief Executive Officer co-signs this line of credit. At June 30, 2008 the Company had an outstanding balance on the line of credit of \$13,720.

## Note 4 - Accounts Payable And Accrued Liabilities

Accounts payable and accrued liabilities consisted of the following:

|  | June 30, 2008 | December 31,<br>2007 |
|--|---------------|----------------------|
| Accounts payable and accrued liabilities | \$ 580,568    | \$ 852,411           |
| Accounts payable - shell company         | 34,926        | 34,926               |
| Credit cards payable                     | 39,891        | 36,765               |
| Interest payable                         | 3,214         | 3,215                |
| Accrued payroll                          | -             | 2,092                |
| State income tax payable                 | 3,200         | 3,200                |
|  | \$ 661,799    | \$ 932,609           |

## Note 5 - Notes Payable

On June 12, 2008 the Company sold an additional \$1,000,000 of convertible debentures (the "Second Closing") to YA Global Investments, L.P. (the "Buyer"). The Convertible Debentures were sold pursuant to a Securities Purchase Agreement dated as of January 3, 2008 (the "Agreement") providing for the issuance of (i) convertible debentures in an aggregate principal amount up to \$3,000,000 (collectively, the "Convertible Debentures") which are convertible into shares (the "Conversion Shares") of the Company's common stock, par value \$.001 per share (the "Common Stock"), and (ii) warrants (the "Warrants") to purchase 750,000 shares (post reverse-split) of Common Stock (the "Warrant Shares").

The initial closing of the Agreement occurred on January 3, 2008, at which time the Company sold to the Buyer \$2 million of the Convertible Debentures and the Warrants (the "First Closing"), and at the Second Closing the Company exercised its option to sell and issue to the Buyer an additional \$1 million of the Convertible Debentures. Obligations under the Convertible Debentures are guaranteed by ImmuneRegen BioSciences, Inc., the Company's wholly-owned subsidiary (the "Guarantor"). The Company's obligations under the Convertible Debentures are secured by (i) all of the assets and property of the Guarantor pursuant to a Security Agreement, and (ii) by Patent Collateral of the Company and the Guarantor in accordance with a Patent Security Agreement by and among the Company, the Buyer and the Guarantor.

The Convertible Debentures sold in the First Closing and Second Closing mature on December 31, 2010 and May 31, 2011, respectively, unless extended by the holder, and accrue interest at the rate of 8% per annum. Interest is payable in cash quarterly on the last day of each calendar quarter beginning on March 31, 2008, or at the Company's option if "Equity Conditions" (as defined in the debenture) are satisfied, it may be paid by the issuance of Common Stock. The Convertible Debentures are convertible at any time at the option of the holder into shares of the Company's Common Stock at a price equal to \$2.00 per share (post reverse-split). On or after December 31, 2009 or if the Company's fails to achieve certain milestones based on preclinical studies and submission of a Investigational New Drug Application, as set forth in the Convertible Debenture, the conversion price of the Convertible Debentures becomes the lower of (i) \$2.00 per share (post reverse-split) or (ii) 80% of the lowest daily volume weighted average price during the five trading days immediately preceding conversion.

The Company may redeem a portion or all amounts outstanding under the Convertible Debentures prior to May 31, 2011 provided that certain conditions to redemption have been satisfied. The Company may force a conversion of the Convertible Debentures into Common Stock, provided that specified conditions have been satisfied. Holders of the Convertible Debentures are subject to limitations on their right to convert the Convertible Debentures, or receive shares of Common Stock as payment of interest, if after giving effect to such conversion or receipt of shares, the holder would be deemed to beneficially own more than 9.99% of the Company's then outstanding Common Stock. Upon the occurrence of certain events of default defined in the Convertible Debentures, including the Company's failure to pay the holder any amount of principal, interest, or other amounts when due, the full principal amount of the Convertible Debentures, together with interest and other amounts due, become immediately due and payable in cash, provided however, that holder may request payment of such amounts in Common Stock of the Company.

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In the event the Company effects any “fundamental transaction” as defined in the Convertible Debentures, including a merger or consolidation of the Company or sale of more than 50% of its assets, the holder may (i) require the redemption of all amounts owed, including principal, accrued and unpaid interest and any other charges; (ii) require the conversion of the Convertible Debentures into shares of common stock and other securities, cash and property; or (iii) in the case of a merger or consolidation, require the surviving entity to issue to the holder a convertible debenture with a principal amount equal to the Convertible Debentures then held by the holder, plus all accrued and unpaid interest and other amounts, and with the same terms and conditions as the Convertible Debentures.

The Company placed \$175,000 into an escrow account upon the First Closing and an additional \$75,000 into escrow upon the Second Closing. The funds in escrow will be used to compensate the Buyer’s investment manager for monitoring and managing the Buyer’s purchase and investment. These funds are amortized on a straight-line basis over a 24 month period. From January 2008 until May 2008, the monthly amortization expense was \$7,292. With the addition of the additional \$75,000 into escrow, monthly amortization expense increased to \$10,417 until January 2010 when it decreases to \$3,125 until May 2010. As of June 30, 2008, a total of \$46,875 of amortization expense was recognized, resulting in a balance in the restricted cash escrow account of \$203,125.

The Company agreed to pay a \$20,000 structuring fee to the Buyer’s investment manager. In addition, for the period from January 3, 2008 through 30 days after all amounts owed to the Buyer under the Convertible Debentures have been paid, the officers and directors of the Company agreed not to sell, transfer, pledge, or otherwise encumber or dispose of any securities of the Company except in accordance with the volume limitations set forth in Rule 144(e) of the General Rules and Regulations under the Securities Act of 1933, as amended.

The Warrants have an exercise price, subject to adjustments, of \$2.50 per share (post reverse-split) and are exercisable at any time on or prior to December 31, 2012. The Warrants provide a right of cashless exercise if, at the time of exercise, there is no effective registration statement registering the resale of the shares underlying the Warrants. Holders of the Warrants are subject to limitations on their right to exercise the Warrants, if after giving effect to the exercise, a holder and its affiliates would be deemed to beneficially own more than 9.99% of the Company’s then outstanding Common Stock.

The Buyer has a right of first refusal on any future funding that involves the issuance of the Company’s capital stock for so long as a portion of the Convertible Debentures is outstanding.

On July 18, 2008 the Buyer agreed to waive application of the provisions of debentures it holds pursuant to the amendment to the Company’s Certificate of Incorporation. Further, the Company agreed to increase the share reserve as defined in the debenture. In addition, the Company and the Buyer have agreed to amend the debentures to reduce the conversion price of the debenture from \$2.00 (post reverse-split) to \$1.70 (post reverse-split).

During the three months ended June 30, 2008, the Company accrued interest in the amount of \$39,452 and \$3,945 on the notes issued in the First Closing and Second Closing, respectively. The Company paid \$19,726 of the accrued interest on the note from the First Closing in cash, and the remaining \$19,726 will be paid in shares of common stock. The Company paid \$1,973 of the accrued interest on the note from the Second Closing in cash, and the remaining \$1,973 will be paid in shares of common stock. As of June 30, 2008, the shares of common stock have not been issued and the interest in the amount of \$21,699 is shown as common stock subscribed on the Company’s balance

sheet at June 30, 2008.

Pursuant to the Purchase Agreement, the Company issued warrants to acquire 750,000 additional shares (post reverse-split) of common stock. These warrants were valued using the guidance of EITF 00-27, resulting in a value of \$226,754. The value of these warrants was taken as a discount to the convertible note, and will be amortized over the three year life of the note. As of June 30, 2008, the remaining discount to the convertible notes payable is \$188,962.

#### Note 6 - Equity

##### Common stock

In July 2003, the Company effected a 1-for-20 reverse stock split of its common stock. In April 2004, the Company effected a 2-for-1 forward split of its common stock. On July 10, 2008, the Company effected a 1-for-10 reverse stock split of its common stock and simultaneously reduced its authorized shares of common stock to 100,000,000; par value remained unchanged. Accordingly, the effect of the reverse-split has been presented in the accompanying financial statement and footnote disclosures.

In March 2008, the Company agreed to issue 39,500 shares (post reverse-split) of common stock to a note holder for accrued interest in the amount of \$19,276. These shares were not issued as of March 31, 2008 and the value of the shares in the amount of \$19,276 was recorded in common stock subscribed at March 31, 2008. During the three months ended June 30, 2008, the Company issued the 39,500 shares (post reverse-split) of common stock.

In June 2008, the Company agreed to issue 28,220 shares (post reverse-split) of common stock to a note holder for accrued interest in the amount of \$19,726. These shares were not issued as of June 30, 2008 and the fair value of these shares of \$19,726 has been recorded as common stock subscribed at June 30, 2008.

In June 2008, the Company agreed to issue 2,822 shares (post reverse-split) of common stock to a note holder for accrued interest in the amount of \$1,973. These shares were not issued as of June 30, 2008 and the fair value of these shares of \$1,973 has been recorded as common stock subscribed at June 30, 2008.

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## Warrants

In April 2007, the Company issued warrants to purchase 500,000 shares (post reverse-split) of common stock to a consultant. The warrants vest 75,000 (post reverse-split) immediately and 17,708 (post reverse-split) every month for the next two years. Pursuant to an agreement dated June 6, 2008, the Company cancelled 336,458 of these common stock purchase warrants (post reverse-split) that were previously outstanding. The Company credited to operations the amount of \$38,599, representing the value of the warrants that vested during the three months ended March 31, 2008.

In January 2008, the Company issued warrants to purchase 750,000 shares (post reverse-split) of common stock pursuant to a financing agreement. These warrants were valued using the guidance of EITF 00-27, resulting in a value of \$226,754. The value of these warrants was taken as a discount to the convertible note, and will be amortized over the three year life of the note. As of June 30, 2008, the remaining discount to the convertible notes payable is \$188,962.

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) | Exercise Price       | Number Exercisable | Weighted Average Remaining Contractual Life (years) |
| \$ 0.50-1.00         | 36,580             | 0.56  | \$ 0.50-1.00         | 36,580             | 0.56  |
| 1.25-2.20            | 181,473            | 2.30  | 1.25-2.20            | 181,473            | 2.30  |
| 2.30-5.60            | 3,587,718          | 3.03  | 2.30-5.60            | 3,587,718          | 3.03  |
| 10.00                | 62,411             | 0.48  | 10.00                | 62,411             | 0.48  |
| 20.00                | 655                | 1.07  | 20.00                | 655                | 1.07  |
|                      | 3,868,837          | 2.93  |                      | 3,868,837          | 2.93  |

Transactions involving warrants are summarized as follows:

|                                  | Number of Shares (post-split) | Weighted Average Price Per Share (post-split) |
|----------------------------------|-------------------------------|---|
| Outstanding at December 31, 2007 | 3,516,064                     | \$ 3.60                                       |
| Granted                          | 750,000                       | 2.50  |
| Exercised                        | -                             | -   |

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|                               |           |    |      |
|-------------------------------|-----------|----|------|
| Cancelled or expired          | (33,268)  |    | 4.27 |
| Outstanding at March 31, 2008 | 4,232,796 | \$ | 3.43 |
| Granted                       | -         |    | -    |
| Exercised                     | (20,000)  |    | 0.38 |
| Cancelled or expired          | (343,959) |    | 3.12 |
| Outstanding at June 30, 2008  | 3,868,837 | \$ | 3.75 |

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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:

|   | 2008                | 2007   |
|---|---------------------|--------|
| Significant assumptions (weighted-average): |                     |        |
| Risk-free interest rate at grant date       | 4.25%               | 4.75%  |
| Expected stock price volatility             | 82.54 to<br>93.11 % | 87.71% |
| Expected dividend payout                    | -                   | -      |
| Expected warrant life-years                 | 3 to 5              | 3 to 5 |

## Options

In March 2008, the Company issued options to purchase 25,000 shares (post reverse-split) of common stock a director. These options vested in 30 days. The Company valued these options at \$19,625. The Company charged to operations the amount of \$19,625, the value of the vested options during the three months ended June 30, 2008.

In March 2008, the Company issued options to purchase 1,500 shares (post reverse-split) of common stock to an employee. Options to purchase 50% or 750 shares (post reverse-split) vest in 30 days and options to purchase the remaining 50% or 750 (post reverse-split) shares vest twelve months. The Company valued these options at \$976. The amount will be charged to operations as the options vest.

In March 2008, the Company issued options to purchase 1,500 shares (post reverse-split) of common stock to an employee. Options to purchase 50% or 750 shares (post reverse-split) vest in 30 days and options to purchase the remaining 50% or 750 shares (post reverse-split) vest twelve months. The Company valued these options at \$976. The amount will be charged to operations as the options vest.

In March 2008, the Company issued options to purchase 11,747 shares (post reverse-split) of common stock to a member of the Company's advisory board. These options vest upon issuance. The Company charged to operations the amount of \$3,729, the value of the vested options during the three months ended March 31, 2008.

The following table summarizes the changes in options outstanding and the related prices for the shares of the Company's common stock.

| Options Outstanding |                    |   | Options Exercisable |                    |   |
|---------------------|--------------------|---|---------------------|--------------------|---|
| Exercise Prices     | Number Outstanding | Weighted Average Remaining Contractual Life (years) | Exercise Price      | Number Exercisable | Weighted Average Remaining Contractual Life (years) |
| \$ 0.60-2.20        | 1,408,000          | 7.26  | \$ 0.60-2.20        | 1,404,375          | 7.28  |
| 2.30-2.50           | 201,444            | 3.02  | 2.30-2.50           | 201,444            | 3.02  |
| 3.10                | 100                | 2.45  | 3.10                | 100                | 2.45  |

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|        |           |      |        |           |      |
|--------|-----------|------|--------|-----------|------|
| 3.30   | 10,303    | 2.14 | 3.30   | 10,303    | 2.14 |
| 4.40   | 15,000    | 2.00 | 4.40   | 15,000    | 2.00 |
| 250.00 | 6,321     | 1.75 | 250.00 | 6,321     | 1.75 |
|        | 1,641,168 |      |        | 1,637,543 |      |

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Options not vested are not exercisable.

Transactions involving stock options issued are summarized as follows:

|                                  | Number of<br>Shares | Weighted<br>Average<br>Price Per<br>Share |
|----------------------------------|---------------------|---|
| Outstanding at December 31, 2007 | 1,601,421           | \$ 2.92                                   |
| Granted                          | 39,747              | 1.21                                      |
| Exercised                        | -                   | -   |
| Expired                          | -                   | -   |
| Outstanding at March 31, 2008    | 1,641,168           | \$ 2.88                                   |
| Granted                          | -                   | -   |
| Exercised                        | -                   | -   |
| Expired                          | -                   | -   |
| Outstanding at June 30, 2008     | 1,641,168           | \$ 2.88                                   |
| Non-vested at June 30, 2008      | 3,625               | \$ 1.12                                   |
| Exercisable June 30, 2008        | 1,637,543           | \$ 2.89                                   |

#### Note 7 - Subsequent Events

##### Issuance of Shares for Interest

On July 2, 2008 we issued 28,220 restricted shares of common stock to YA Global Investments, L.P. (“YA Global”), who is an accredited investor, for accrued interest on a \$2 million convertible debenture through June 30, 2008 of \$19,726. The securities 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.

On July 2, 2008 we issued 2,822 restricted shares of common stock to YA Global, who is an accredited investor, for accrued interest on a \$1 million convertible debenture through June 30, 2008 of \$1,973. The securities 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.

##### Warrant Exercise

In July 2008, five investors exercised warrants to purchase an aggregate of 30,000 shares of the Company’s common stock at a price of \$0.375 per share.

##### 1-for-10 Reverse Stock Split

On July 10, 2008, the Company filed an amendment with the Delaware Secretary of State to its Certificate of Incorporation, as amended, (the “Amended Certificate”) effectuating a 1-for-10 reverse stock split and a reduction in the

number of authorized shares of Common Stock to 100,000,000 shares. The Amended Certificate and the reverse stock split were described in the Company's Proxy Statement filed with the SEC on May 9, 2008. As previously reported in the Company's Current Report on Form 8-K filed with the SEC on July 22, 2008, the Amended Certificate, including the reverse stock split, was approved by the stockholders at the Company's annual meeting held on June 25, 2008.

On August 1, 2008 the Company issued an aggregate of 120 common shares to holders of fractional shares in order to bring their number of shares held to the next whole number of shares. Additionally, in conjunction with the reverse stock split, our trading symbol on the Over-The-Counter Bulletin Board was changed to IRBS.

#### Restructure With Regard to Debentures Held By YA Global

On July 18, 2008 YA Global agreed to waive application of the provisions of debentures it holds pursuant to the amendment to the Company's Certificate of Incorporation. Further, we have agreed to increase the share reserve as defined in the debenture. In addition, the Company and YA Global have agreed to amend the debentures to reduce the conversion price of the debenture from \$2.00 to \$1.70.

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Purchase Agreement with Funds Managed by Brencourt Advisors, LLC

On August 8, 2008, the Company entered into a Securities Purchase Agreement (the "Purchase Agreement") with certain funds for which Brencourt Advisors, LLC is the investment manager (the "Buyers"), pursuant to which the Buyers agreed to purchase from the Company (i) up to \$5 million of 10% subordinated secured convertible debentures (the "Convertible Debentures"), which shall be convertible into shares of the Company's common stock, par value \$0.001 per share (the "Common Stock") and (ii) warrants to acquire up to 2,500,000 additional shares of Common Stock (the "Warrants") (the "Financing"). The Warrants are exercisable after the six month and one day anniversary from the date of issuance and have a term of exercise equal to five years.

The closing of the Financing occurred on August 8, 2008, at which time the Company sold to the Buyers \$5 million of the Convertible Debentures and the Warrants. Obligations under the Convertible Debentures are guaranteed by ImmuneRegen BioSciences, Inc., the Company's wholly-owned subsidiary (the "Guarantor"). The Company's obligations under the Convertible Debentures are secured by (i) all of the assets and property of the Guarantor pursuant to a Security Agreement by and between the Company and the Guarantor in favor of the Buyers; and (ii) by Patent Collateral of the Company and the Guarantor in accordance with a Patent Security Agreement by and among the Company, the Buyers and the Guarantor. The security interests granted to the Buyers are subject to and subordinated to the senior security interests granted by the Company and Guarantor to YA Global Investments, L.P. Notwithstanding the subordinated security interests granted to the Buyers, the Company is permitted to pay and the Buyers may receive any regularly scheduled payment of principal, interest, liquidated damages, buy-in compensation or other amounts due and payable on the Financing.

The Convertible Debentures mature on August 8, 2013, unless extended by the holders, and accrue interest at the rate of 10% per annum. Interest is payable in cash quarterly on the last day of each calendar quarter beginning on September 30, 2008, or at the Company's option (i) if "Equity Conditions" (as defined in the Convertible Debentures) are satisfied, it may be paid by the issuance of Common Stock or (ii) by issuance of a 0% interest convertible debenture with a five year term of exercise and a minimum conversion price of \$0.30 per share. The Company was required to prepay interest for the first and last quarters of the term of the Convertible Debentures. The Convertible Debentures are convertible at any time at the option of the holders into shares of the Company's Common Stock at a price equal to \$1.55 per share.

At any time after the six-month anniversary of the issuance of the Convertible Debentures, the Company may redeem a portion or all amounts outstanding under the Convertible Debentures prior to August 8, 2013 provided that certain conditions to redemption have been satisfied. The Company may force a conversion of the Convertible Debentures into Common Stock, provided that specified conditions have been satisfied. Holders of the Convertible Debentures are subject to limitations on their right to convert the Convertible Debentures, or receive shares of Common Stock as payment of interest, if after giving effect to such conversion or receipt of shares, the holder would be deemed to beneficially own more than 9.98% of the Company's then outstanding Common Stock. Upon the occurrence of certain events of default defined in the Convertible Debentures, including the Company's failure to pay the holder any amount of principal, interest, or other amounts when due, the full principal amount of the Convertible Debentures, together with interest and other amounts due, become immediately due and payable in cash at the "Mandatory Default Amount" as defined in the Convertible Debentures.

In the event the Company effects any “Fundamental Transaction” as defined in the Convertible Debentures, including a merger or consolidation of the Company, completion of a tender offer or exchange offer, or sale of substantially all of its assets, the holder has the right to receive, upon any subsequent conversion of the Convertible Debentures, the same kind and amount of securities, cash and/or property that the holder would have been entitled to receive upon the occurrence of the Fundamental Transaction if it held one share of Common Stock for each conversion share of Common Stock (the “Alternate Consideration”). In addition, any successor to the Company or surviving entity shall issue to the holder a convertible debenture with a principal amount equal to the Convertible Debentures then held by the holder, plus all accrued and unpaid interest and other amounts, and with the same terms and conditions as the Convertible Debentures including the right to convert into the Alternate Consideration.

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The Warrants have an exercise price, subject to adjustments, of \$2.00 per share and are exercisable at any time on or after February 8, 2009 and prior to February 8, 2014. The Warrants provide a right of cashless exercise if, at the time of exercise, there is no effective registration statement registering the resale of the shares underlying the Warrants. To the extent not previously exercised, the Warrants will automatically be exercised via cashless exercise on February 8, 2014. Holders of the Warrants are subject to limitations on their right to exercise the Warrants, if after giving effect to the exercise, a holder and its affiliates would be deemed to beneficially own more than 4.99% of the Company's then outstanding Common Stock.

If, at anytime beginning from the 6 month anniversary date of the Purchase Agreement, the Company fails to satisfy the current public information requirements under Rule 144, the Company is required to pay to the Buyers an amount in cash equal to 2% of the aggregate subscription amount of the Buyers' securities on the day of such failure and on every 30th day, bearing interest at the rate of 1.5% per month, until it is cured or such information is not required. Subject to any prior rights granted to YA Global Investments, L.P., the Buyers have a right to participate in up to an amount equal to 50% of any subsequent financing that involves the issuance of the Company's capital stock or indebtedness for so long as the Convertible Debentures are outstanding. The Buyers also have registration rights in that it may include the shares issued and issuable pursuant to the Convertible Debentures and Warrants in certain registration statements filed by the Company.

Waiver and Amendment of YA Debentures and Warrants and Issuance of Additional Warrants

The Company previously issued to YA Global a Secured Convertible Debenture dated January 3, 2008 in the principal sum of \$2 million and a Secured Convertible Debenture dated June 12, 2008 in the principal sum of \$1 million (collectively, the "YA Convertible Debentures") pursuant to a Securities Purchase Agreement dated January 3, 2008 (the "YA Agreement"), which are previously reported in the Company's Form 8-K Current Reports filed with the SEC on January 9, 2008 and June 12, 2008, respectively. The YA Convertible Debentures are convertible into shares of the Company's Common Stock (the "YA Conversion Shares"). Pursuant to the YA Agreement, the Company also issued to YA Global warrants (the "YA Warrants") to purchase 7,500,000 shares of Common Stock (the "YA Warrant Shares"). On August 8, 2008, in consideration for YA Global's consent to the Company conducting and closing the Financing, the Company and YA Global agreed to amend the YA Convertible Debentures to increase the annual interest rate from 8% to 10% and adjust the Conversion Price to \$1.50 (the "Amended Debentures"). Additionally, under the Amended Debentures, YA Global may elect on or after December 31, 2009 to have the Company redeem up to \$1.5 million of the YA Global Debentures as well as the payment of a redemption premium of 20% of the principal amount redeemed. The Company may also pay the interest on the Amended Debentures, at the Company's option, in cash, 0% interest convertible debentures with a five year term of exercise and a minimum conversion price of \$0.30 per share, or, subject to the satisfaction of certain specified equity conditions, in shares of the Company's Common Stock. All overdue accrued and unpaid interest to be paid on the Amended Debentures shall be subject to a late fee at an interest rate equal to the lesser of 18% per annum or the maximum rate permitted by applicable law that accrues daily until all overdue amounts are paid in full.

In addition, the Company and YA Global agreed to amend the YA Warrants to adjust the exercise price of the warrants to \$2.00 (the "YA Warrant Amendment") and to reduce the YA Warrant Shares to 750,000 pursuant to the terms of the YA Warrants as a result of the Company's 1 for 10 reverse stock split described above. The Company also agreed to issue to YA Global additional warrants to purchase an additional 750,000 shares of Common Stock on

or before December 31, 2012 (the “Expiration Date”) at an exercise price of \$2.00, subject to adjustment (the “YA Additional Warrants”). Holders of the YA Additional Warrants are limited in their right to exercise the YA Additional Warrants if, upon giving effect to such exercise, it would cause the aggregate number of shares of Common Stock beneficially owned by the holder and its affiliates to exceed 9.99% of the outstanding shares of the Common Stock following such exercise, except within 60 days of the Expiration Date. The YA Additional Warrants provide a right of cashless exercise if, at the time of exercise, there is no effective registration statement registering the resale of the shares underlying the warrants.

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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-Q 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-Q and in the "Risk Factors" section of our annual report on SEC Form 10-KSB filed with the Securities and Exchange Commission on March 31, 2008.

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

IR BioSciences Holdings, Inc. is a development-stage biotechnology company. Through our wholly-owned subsidiary ImmuneRegen BioSciences, Inc., we are engaged in the research and development of potential drug candidates, Homspera® and its derivatives, Radilex® and Viprovex®. Although containing the identical active ingredient Homspera, we defined Radilex and Viprovex as derivatives of Homspera due to the potential difference in formulations and indications for use. Our goals include developing these potential drug candidates to be used as possible countermeasures for homeland security threats, including radiological, chemical and biological agents, and to meet the commercial need for similar beneficial effects in conditions such as radiation therapy, influenza, anthrax and potentially other microbial ailments. We have discovered activities of Homspera that may potentially open additional commercialization opportunities in areas such as human adult stem cell stimulation, vaccine adjuvants, which stimulate the immune system above that of a stand-alone vaccine, and wound healing.

Our patents, patent applications and continued research are partially derived from discoveries made during research studies related to the function of Substance P, which is found in the body and has a large number of actions. These studies were funded by the Air Force Office of Scientific Research (AFOSR) in the early 1990s and were conducted by research scientists, including our co-founders Drs. Mark Witten and David Harris. In the course of research on Substance P, scientists created a number of synthetic analogues, structural derivatives with slight chemical differences, for study. One of these, which we have named Homspera, is the basis for our drug development efforts and our intellectual property. All of our research and development efforts are at the pre-clinical stage and Homspera has only undergone exploratory studies to evaluate its biological activity in small animals. There can be no assurance that our interpretation of study results will prove to be accurate after further testing, and our beliefs regarding the potential uses of our drug candidates may never materialize.

Our current focus is to develop Homspera for regenerating or strengthening the human immune system, in part, through stimulating human adult stem cells. It is the belief of our management that the stem cell activity exhibited by Homspera underlies some of the effects previously reported in potential applications like treatment for radiation exposure and infectious disease using Homspera derivatives Radilex and Viprovex, respectively, which are described below. Recent studies have evaluated the effects of Homspera on human adult stem cell activity. Additionally, ongoing studies are being performed to evaluate the efficacy of Homspera as a potential product to increase the healing rate of wounds.

We are researching Radilex for use as a potential treatment for acute exposure to radiation. We believe that Radilex, if developed, may be an acceptable candidate to be marketed to governmental agencies for procurement. Further, we believe that a commercial market may exist for the use of Radilex as it relates to the treatment of radiation-induced side effects of cancer treatments, either as a stand-alone treatment or as a co-therapeutic agent to be used with other therapies.

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Viprovox is being researched by us for use in potential treatments of exposure to biological agents, such as infectious disease, which include influenza and anthrax. We believe that Viprovox, if developed, can be used in potential applications for sale to governments for the treatment of exposure to anthrax and pandemic influenza. In addition, we believe that potential commercial opportunities may exist for the treatment of seasonal influenza and other viral or bacterial infections, either as a stand-alone drug or as an adjuvant to other existing drugs. Ongoing studies are being performed to evaluate the efficacy of Viprovox as a vaccine adjuvant to enhance immune response to a given dose of vaccine. Based on early studies on Homspera and existing literature on Substance P, we are also researching the efficacy of Viprovox as a potential treatment for exposure to chemical agents, such as formalin.

To date we have submitted preliminary study data to the U.S. Food and Drug Administration (FDA) and have been issued two Pre-Investigational New Drug (PIND) numbers, one for the potential use of Radilex in the treatment of acute radiation syndrome and the other for the potential use of Viprovox in the treatment of avian influenza. We have contracted with an FDA regulatory consultant to assist us in our preparation and submission of an Investigational New Drug application (IND), a necessary prerequisite to human clinical studies, which can only follow after the FDA's allowance of our IND.

We have filed patent applications directed to various methods of using and compositions comprising Substance P analogues. We presently own at least five issued patents, including at least two issued U.S. patents and at least three issued foreign patents, one of which has been registered in nine countries in the European Union. We also have at least 61 pending patent applications, including at least 10 pending U.S. utility patent applications, at least 10 pending U.S. provisional applications, at least 4 pending international patent applications, and at least 37 pending foreign patent applications. All inventions embodied in these applications and issued patents have been assigned to the company by the inventors.

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

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. It is possible that partnerships and/or licensing agreements will not develop during the preclinical and/or clinical stages of development, if at all. Delays in planned patient enrollment in our future clinical trials may result in increased costs, program delays or both. None of our potential 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, using 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, 2008 and June 30, 2007

Revenue

We have not generated any revenues from operations from our inception. We believe we will begin earning revenues from operations during calendar year 2010 as we transition from a development stage company.

#### Sales, General, and Administrative Expenses

SG&A expenses were \$2,011,419 for the six months ended June 30, 2008, a decrease of \$4,599, which is less than 1%, compared to SG&A expenses of \$2,016,018 during the six months ended June 30, 2007. Higher costs for research and development, payroll and related expenses and financing costs were offset by lower costs for non-cash compensation. For the six months ended June 30, 2008, this amount consisted primarily of research and development costs of \$426,372, payroll and related expenses of \$617,910, inclusive of an incentive bonus of \$90,750 in cash for Michael K. Wilhelm, C.E.O. per the terms of his employment agreement, financing costs of \$116,875, legal and accounting fees of \$344,903, consulting and professional fees of \$162,835, travel and entertainment expenses of \$91,961 inclusive of costs relating to the annual shareholders' meeting and facilities expenses of \$61,076.

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 potential drugs and therapeutics.

#### Interest Expense (net)

Interest expense (net) was \$58,148 for the three months ended June 30, 2008, an increase of \$84,960 or approximately 317% compared to interest income of \$26,812 for the three months ended June 30, 2007. Interest expense increased during the three months ended June 30, 2008 due to interest costs relating to the securities purchase agreement with YA Global Investments, L.P. in first quarter of 2008 and a subsequent securities purchase agreement with YA Global Investments on June 12, 2008.

The Company expects interest expense to increase approximately 166% per quarter beginning in the third quarter as we sell additional debt securities to YA Global Investments L.P. or other investors.

#### Net Loss

For the reasons stated above our net loss for the three months ended June 30, 2008 was \$892,660 or \$0.08 per share (post reverse-split), an increase of \$222,436 or approximately 20% compared to a net loss of \$1,115,096 for the three months ended June 30, 2007.

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Results of Operations for the Six Month Periods Ended June 30, 2008 and June 30, 2007

Revenue

We have not generated any revenues from operations from our inception.

Sales, General, and Administrative Expenses

SG&A expenses were \$2,011,419 for the six months ended June 30, 2008, a decrease of \$4,599, which is less than 1%, compared to SG&A expenses of \$2,016,018 during the six months ended June 30, 2007. Higher costs for research and development, payroll and related expenses and financing costs were offset by lower costs for non-cash compensation. For the six months ended June 30, 2008, this amount consisted primarily of research and development costs of \$426,372, payroll and related expenses of \$617,910, inclusive of an incentive bonus of \$90,750 in cash for Michael K. Wilhelm, C.E.O. per the terms of his employment agreement, financing costs of \$116,875, legal and accounting fees of \$344,903, consulting and professional fees of \$162,835, travel and entertainment expenses of \$91,961 inclusive of costs relating to the annual shareholders' meeting and facilities expenses of \$61,076.

Interest Expense (net)

Interest expense (net) was \$104,475 for the six months ended June 30, 2008, an increase of \$152,153 or approximately 319% compared to interest income of \$47,678 for the six months ended June 30, 2007. Interest expense increased during the six months ended June 30, 2008 due to interest costs relating to the securities purchase agreement with YA Global Investments, L.P. in first quarter of 2008 and a subsequent securities purchase agreement with YA Global Investments on June 12, 2008.

Net Loss

For the reasons stated above our net loss for the six months ended June 30, 2008 was \$2,115,894 or \$0.18 per share, an increase of \$139,439 or approximately 7% compared to a net loss of \$1,976,455 for the six months ended June 30, 2007.

Going Concern

Our independent certified public accountants have stated in their report included in our annual report on SEC Form 10-KSB filed with the Securities and Exchange Commission on March 31, 2008 that we have incurred a net loss and negative cash flows from operations of \$5,463,958 and \$2,456,038, respectively, for the year ended December 31, 2007. 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 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, 2008. 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.

#### 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 Homspera, Radilex, Viprovex or any other proposed product, if any, derived from Homspera and general and administrative activities.

The preliminary results of our pre-clinical studies using Homspera, Radilex or Viprovex may not be indicative of results that will be obtained from subsequent studies or from more extensive trials. Further, our pre-clinical or clinical trials may not be successful, and we may not be able to obtain the required regulatory approvals in a timely fashion, or at all.

#### Product Research and Development

We incurred expenses of \$426,372 for the six months ended June 30, 2008 in research and development activities related to the development of Homspera, Radilex and Viprovex versus expenses of \$234,467 for the six months ended June 30, 2007. From our inception in October 2002, we have spent \$1,994,558 on 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 and consultants for consulting related to our studies and costs of performing such studies. Significant costs relating to research and development, such as compensation for Dr. Siegel, have been classified in officers' salaries for consistency of financial reporting.

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We anticipate that during the next 12 months we will increase our research and development spending to a total of approximately \$3,000,000 in an effort to further develop Homspera, Radilex and Viprovex. This research and development cost estimate includes additional animal pharmacology studies, formulation and animal safety/toxicity studies. If we receive additional funds, through investment funding, licensing agreements or grants, we expect we will further increase our research and development spending.

We believe that initial revenues, if any, will likely be generated through partnerships, alliances and/or licensing agreements with pharmaceutical or biotechnology companies. Our focus during the next 12 months will be to identify those companies which we believe may have an interest in our proposed products and attempt to negotiate arrangements for potential partnerships, alliances and/or licensing arrangements. Alliances between pharmaceutical and biotechnology companies can take a variety of organizational forms and involve many different payment structures such as upfront payments, milestone payments, equity injections and royalty payments. To date, we have not entered into discussions with and have no agreements or arrangements with any such companies. Even if we are successful in entering into such a partnership or alliance or licensing our technology, we anticipate that the earliest we may begin to generate revenues from operations would be calendar year 2009. There is no assurance that we will ever be successful in reaching such agreements or ever generate revenues from operations.

We will need to generate significant revenues from product sales and or related royalties and license agreements to achieve and maintain profitability. Through June 30, 2008, we had no revenues from any product sales, royalties or licensing fees, and have not achieved profitability on a quarterly or annual basis. Our ability to achieve profitability depends upon, among other things, our ability to develop products, obtain regulatory approval for products under development and enter into agreements for product development, manufacturing and commercialization. Moreover, we may never achieve significant revenues or profitable operations from the sale of any of our potential products or technologies.

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 our potential products, if any. 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.

If we are successful in achieving desirable results for these applications, we intend to design the protocols and begin further studies for this and other applications, when capital is available. As we have only collected preliminary data and additional studies are required, we cannot predict when, if ever, a viable treatments for these indications can be commercialized. If we do not observe significant results or we lack the capital to further the development, we may abandon such research and development efforts; thereby limiting our future potential revenues.

If we are successful in completing our studies and the results are as we anticipate, we intend to prepare and submit the necessary documentation to the FDA and other regulatory agencies for approval. If approval for Homspera, Radilex and/or Viprovex is granted, we expect to begin efforts to commercialize our product, if any, immediately thereafter, however, since we are currently in the pre-clinical stage of development, it will take an indeterminate amount of time in development before we have a marketable drug, if ever.

## Off-Balance Sheet Arrangements

There were no off-balance sheet arrangements as of June 30, 2008.

## Liquidity and Capital Resources

At June 30, 2008, we had current assets of \$1,048,069 consisting of cash of \$813,015 and other current assets of \$235,054. At June 30, 2008, we also had current liabilities of \$661,799, consisting of accounts payable of \$540,812 and accrued liabilities of \$120,987. This resulted in net working capital at June 30, 2008 of \$386,270. During the six months ended June 30, 2008, the Company used cash in operating activities of \$2,164,008. From the date of inception (October 30, 2002) to June 30, 2008, the Company has had a net loss of \$20,865,032 and has used cash of \$10,613,988 in operating activities. These expenses were associated principally with equity-based compensation to employees and consultants, product development costs and professional services, and equity based compensation to stockholders for the penalty incurred for the late registration of shares.

We currently have no 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, 2008 via the private placement of \$7,877,901 of our common stock and \$3,658,628 from the issuance of notes payable, net of repayments.

On January 3, 2008, we entered into a securities purchase agreement with YA Global Investments, L.P. ("YA Global"), pursuant to which YA Global agreed to purchase from us (i) up to \$3 million of secured convertible debentures, which shall be convertible into shares of our common stock and (ii) warrants to acquire up to 750,000 additional shares of our common stock. The initial closing occurred on January 3, 2008, at which time we sold to YA Global \$2 million of the convertible debentures and the warrants. On June 12, 2008 we sold an additional \$1,000,000 of convertible debentures to YA Global.

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Pursuant to an employment agreement with Michael Wilhelm, our President and Chief Executive Officer, dated December 16, 2002, we paid Mr. Wilhelm an annual salary of \$125,000 and \$175,000 during the first and second years of his employment, respectively. Thereafter we paid Mr. Wilhelm an annual salary of \$250,000 through August 10, 2005, when 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. Pursuant to the agreement, Mr. Wilhelm's salary is reviewed quarterly for possible increases and is subject to adjustment pursuant to the Company's employee compensation policies in effect from time to time but, in any event will be increased by at least 10% per year at the end of each year of Mr. Wilhelm's employment. Mr. Wilhelm's salary is payable in regular installments in accordance with the customary payroll practices of our company. Further, pursuant to the terms of the change of control agreement between Mr. Wilhelm and us, we agreed to pay Mr. Wilhelm his salary for a period of 18 months from the date of an involuntary termination, payable in accordance with the Company's compensation practice. Involuntary termination is defined as the termination of Mr. Wilhelm's employment by Company without cause or due to constructive termination at any time within one-year from a change of control event, as defined in the agreement.

Pursuant to our two-year employment agreement with Hal N. Siegel, our Vice President and Chief Scientific Officer, dated October 23, 2006, we will pay Mr. Siegel an annual base salary of \$200,000 for the first year and \$210,000 for the second year of the agreement. Mr. Siegel is also eligible for discretionary bonuses under our stock option plan during his employment. In addition, Mr. Siegel received options with a term of five years to purchase 20,000 shares of our Common Stock. The options are exercisable at \$2.00 per share. The two-year employment agreement is subject to early termination provisions. Upon termination of Mr. Siegel's employment by us without cause or constructive termination, as defined in the agreement, we agreed to pay to Mr. Siegel the remainder of his salary for the year in which he is terminated or six months salary, whichever is greater, and any accrued vacation. In addition, we entered into a change of control agreement with Hal Siegel. Pursuant to the terms of the change of control agreement, we agreed to pay Mr. Siegel his salary for a period of 18 months from the date of an involuntary termination, payable in accordance with our compensation practice. Involuntary termination is defined as the termination of Mr. Siegel's employment by us without cause or due to constructive termination at any time within one-year of a change of control event, as defined in the agreement.

We executed a new two-year employment agreement with Mr. Fermanis on January 1, 2008, pursuant to which we will pay Mr. Fermanis an annual base salary of \$130,000 for the first year and \$140,000 for the second year of the agreement. Mr. Fermanis will also be eligible for discretionary bonuses under the Company's stock option plan during his employment. The two-year employment agreement is subject to early termination provisions. The Company may terminate the employment agreement at any time for cause, as defined in the employment agreement, and upon 15 days written notice without cause. Mr. Fermanis may terminate the employment agreement for any reason with 30 days written notice. Upon termination of Mr. Fermanis' employment by the Company without cause or by constructive termination, as defined in the employment agreement, the Company agrees to pay to Mr. Fermanis the remainder of his salary for the year in which he is terminated or six months salary, whichever is greater, and any accrued vacation.

Pursuant to our two-year employment agreement with Hal N. Siegel, our Vice President and Chief Scientific Officer, dated October 23, 2006, we will pay Mr. Siegel an annual base salary of \$200,000 for the first year and \$210,000 for the second year of the agreement. Mr. Siegel is also eligible for discretionary bonuses under our stock option plan during his employment. In addition, Mr. Siegel received options with a term of five years to purchase 20,000 shares of our Common Stock. The options are exercisable at \$2.00 per share. The two-year employment agreement is subject to early termination provisions. Upon termination of Mr. Siegel's employment by us without cause or constructive termination, as defined in the agreement, we agreed to pay to Mr. Siegel the remainder of his salary for the year [in which he is terminated] or six months salary, whichever is greater, and any accrued vacation. In addition, we entered into a change of control agreement with Hal Siegel. Pursuant to the terms of the change of control agreement, we agreed to pay Mr. Siegel his salary for a period of 18 months from the date of an involuntary termination, payable in

accordance with our compensation practice. Involuntary termination is defined as the termination of Mr. Siegel's employment by us without cause or due to constructive termination at any time within one-year of a change of control event, as defined in the agreement.

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 30, 2008, we were able to obtain financing of \$11,561,529, including a series of private placements of our securities which resulted in net proceeds to us of \$7,877,901 and \$3,658,628 from the sale of notes payable, net of repayments. The notes payable include a transaction in January 2008 where we sold \$2 million in secured convertible debentures which resulted in net proceeds to us of \$1,825,000 and a transaction in June 2008 where we sold \$1 million in secured convertible debentures which resulted in net proceeds to us of \$925,000. Subsequent to June 30, 2008, on August 8, 2008 we sold \$5 million in secured convertible debentures which resulted in net proceeds to us of \$4,975,000. Based on our current plan of operations all of our current funding is expected to be depleted by the end of August 2009. 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.

Our registered independent certified public accountants have stated in their report, dated March 28, 2008, that the Company's recurring losses and negative cash flow raise substantial doubt about the Company's ability to continue as a going concern.

While we have 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, we will not be able to develop or enhance our potential 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.

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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. 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 we have sufficient capital to meet our operating needs through August 2009. Thereafter, we believe that we will require an additional \$3,500,000 to meet our expenses over the next 12 months.

### Acquisition or Disposition of Plant and Equipment

We did not dispose or acquire any significant property, plant or equipment during the quarters ended June 30, 2008 and 2007. We do not anticipate the sale of any significant property, plant or equipment during the next twelve months.

### Number of Employees

From our inception through the period ended June 30, 2008, we have relied primarily on the services of outside consultants for services. As of June 30, 2008 we had eleven total employees: seven full-time employees, two part-time employees and two contract employees. Our full-time employees are Michael K. Wilhelm, our Chief Executive Officer; John N. Fermanis, our Chief Financial Officer; Hal N. Siegel, Ph.D., Vice President and Chief Scientific Officer, a Science Director, two scientific program managers; and a seventh employee who serves in an administrative role. 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.

### Critical Accounting Policies and Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues, expenses and allocated charges during the reporting period. Actual results could differ from those estimates.

We describe our significant accounting policies in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-KSB as of and for the year ended December 31, 2007. We discuss our critical accounting policies and estimates in Management's Discussion and Analysis of Financial Condition and or Plan of Operation in the Form 10-KSB. Other than as indicated in this quarterly report, there have been no material revisions to the critical accounting policies as filed in our Annual Report on Form 10-KSB as of and for the year ended December 31, 2007 with the SEC on March 31, 2008.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable to smaller reporting companies.

## ITEM 4. CONTROLS AND PROCEDURES



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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 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) and Rule 15d-15(e) of the Exchange Act). Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and which also are effective in ensuring that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include, but are not limited to, the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

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 second quarter of 2008 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are not currently a party to any material legal proceedings.

ITEM 1A. RISK FACTORS

Not applicable to smaller reporting companies.

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

On January 3, 2008, the Company entered into a securities purchase agreement with YA Global Investments, L.P. (the "Buyer"), pursuant to which the Buyer agreed to purchase from the Company (i) up to \$3 million of secured convertible debentures, which shall be convertible into shares of our common stock and (ii) warrants to acquire up to 750,000 additional shares of our common stock (the "Financing"). The initial closing of the Financing occurred on January 3, 2008, at which time the Company sold to the Buyer \$2 million of the convertible debentures and the warrants. On June 12, 2008 the Company sold an additional \$1,000,000 of convertible debentures (the "Second Closing") to the Buyer pursuant to the securities purchase agreement. The debentures are convertible at any time at the option of the holder into shares of the common stock at a price equal to \$2.00 per share. On or after December 31, 2009 or if the Company's fails to achieve certain milestones based on preclinical studies and submission of a Investigational New Drug Application, as set forth in the convertible debenture, the conversion price of the convertible debentures becomes the lower of (i) \$2.00 per share or (ii) 80% of the lowest daily volume weighted average price during the five trading days immediately preceding conversion. The warrants have an exercise price, subject to adjustments, of \$2.50 per share and are exercisable at any time on or prior to December 31, 2012. The warrants provide a right of cashless exercise if, at the time of exercise, there is no effective registration statement registering the resale of the shares underlying the warrants. Holders of the warrants are subject to limitations on their right to exercise the warrants, if after giving effect to the exercise, a holder and its affiliates would be deemed to beneficially own more than 9.99% of the Company's then-outstanding common stock. The securities 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.

On April 3, 2008, the Company issued 39,500 restricted shares of common stock to YA Global Investments, L.P., who is an accredited investor, for accrued interest through March 31, 2008 of \$19,276. The securities 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.

On June 30, 2008, the Board of Directors approved of the issuance of 28,222 restricted shares of common stock to YA Global Investments, L.P., who is an accredited investor, for accrued interest of a \$2 million convertible debenture through June 30, 2008 of \$19,726. The securities 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.

On June 30, 2008, the Board of Directors approved of the issuance of 2,822 restricted shares of common stock to YA Global Investments, L.P., who is an accredited investor, for accrued interest of a \$1 million convertible debenture through June 30, 2008 of \$1,973. The securities 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.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

On June 25, 2008, we held our 2008 Annual Meeting of Stockholders (the "Stockholder Meeting"). At the Stockholder Meeting, our shareholders voted to

(i) reelect our directors to serve on our Board of Directors until the 2009 Annual Meeting of Stockholders (share amounts do not reflect our 1-for-10 reverse stock split effected in July 2008):

Reelection of Lance K. Gordon was approved by a vote of 61,328,029 votes for and 5,798,778 votes against, 4,476,974 votes withheld, zero abstained votes and zero were broker non-votes;

Reelection of Robert J. Hariri was approved by a vote of 61,328,029 votes for and 5,826,186 votes against, 4,476,974 votes withheld, zero abstained votes and zero were broker non-votes;

Reelection of Hal N. Siegel was approved by a vote of 61,328,029 votes for and 5,818,778 votes against, 4,476,974 votes withheld, zero abstained votes and zero were broker non-votes;

Reelection of Theodore E. Staahl was approved by a vote of 61,328,029 votes for and 5,798,778 votes against, 4,476,974 votes withheld, zero abstained votes and zero were broker non-votes;

Reelection of Michael K. Wilhelm was approved by a vote of 61,328,029 votes for and 5,806,186 votes against, 4,476,974 votes withheld, zero abstained votes and zero were broker non-votes; and,

Reelection of Jerome B. Zeldis was approved by a vote of 61,328,029 votes for and 5,826,186 votes against, 4,476,974 votes withheld, zero abstained votes and zero 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 250,000,000 to 450,000,000 which was approved by a vote of 63,919,117 votes for and 7,215,797 votes against, 496,275 votes withheld, zero abstained votes and zero 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 20,000,000 to 60,000,000, which was approved by a vote of 62,756,983 votes for and 7,785,706 votes against, 1,088,500 votes withheld, zero abstained votes and zero were broker non-votes;

(iv) approve an amendment to our Certification of Incorporation, as amended, (1) to provide for a recapitalization in which the issued and outstanding shares of our Common Stock would be reverse split in a ratio of one-for-ten at any time prior to March 31, 2009, if at all, with the timing thereof to be determined by the Board of Directors in its sole discretion and (2) to reduce the number of authorized shares of Common Stock to 100,000,000, which was approved by a vote of 69,553,248 votes for and 1,714,967 votes against, 362,974 votes withheld, zero abstained votes and zero were broker non-votes; and

(v) ratify the appointment of RBSM LLP as the Company's independent public accountants for the fiscal year ending December 31, 2008, which was approved by a vote of 71,221,071 votes for and 13,518 votes against, 396,600 votes withheld, zero abstained votes and zero were broker non-votes.

ITEM 5: OTHER INFORMATION

On July 2, 2008 we issued 28,220 restricted shares of common stock to YA Global Investments, L.P., who is an accredited investor, for accrued interest of a \$2 million convertible debenture through June 30, 2008 of \$19,726. The securities 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.

On July 2, 2008 we issued 2,822 restricted shares of common stock to YA Global Investments, L.P., who is an accredited investor, for accrued interest of a \$1 million convertible debenture through June 30, 2008 of \$1,973. The securities 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.

#### 1-for-10 Reverse Stock Split

On July 10, 2008, the Company filed an amendment with the Delaware Secretary of State to its Certificate of Incorporation, as amended, (the "Amended Certificate") effectuating a 1 for 10 reverse stock split and a reduction in the number of authorized shares of Common Stock to 100 million. The Amended Certificate and the reverse stock split were described in the Company's Proxy Statement filed with the SEC on May 9, 2008. As previously reported in the Company's Current Report on Form 8-K filed with the SEC on July 22, 2008, the Amended Certificate, including the reverse stock split, was approved by the stockholders at the Company's annual meeting held on June 25, 2008.

On August 1, 2008 the Company issued an aggregate of 120 common shares to holders of fractional shares in order to bring their number of shares held to the next whole number of shares. Additionally, in conjunction with the reverse stock split, our trading symbol on the Over-The-Counter Bulletin Board was changed to IRBS.

#### Formation of Audit Committee and Compensation Committee

On June 25, 2008, the Company formed an Audit Committee and Compensation Committee. The Audit Committee consists of Lance Gordon (Chairman of the Audit Committee) and Ted Staahl. The purpose of the Audit Committee is to represent and assist our board of directors in its general oversight of our accounting and financial reporting processes, audits of the financial statements and internal control and audit functions. The board of directors has adopted a written charter for the Audit Committee. A copy of the Audit Committee Charter is posted on our corporate website at: [www.immuneregen.com](http://www.immuneregen.com).

The Compensation Committee consists of Bob Hariri (Chairman of the committee) and Lance Gordon. The Compensation Committee is responsible for the design, review, recommendation and approval of compensation arrangements for our directors, executive officers and key employees, and for the administration of our equity incentive plans, including the approval of grants under such plans to our employees, consultants and directors. The Compensation Committee also reviews and determines compensation of our executive officers, including our Chief Executive Officer. The board of directors has adopted a written charter for the Compensation Committee. A current copy of the Compensation Committee Charter is posted on our corporate website at: [www.immuneregen.com](http://www.immuneregen.com).

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ITEM 6. 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.\*

\* This exhibit shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 or 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, 2008.

IR BioSciences Holdings, Inc.

By: /s/ Michael K. Wilhelm  
Michael K. Wilhelm  
President, Chief Executive Officer

/s/ John N. Fermanis  
John N. Fermanis  
Chief Financial Officer

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