

Cobalis Corp
Form 10QSB
December 20, 2007

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

FORM 10-QSB

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2007

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

For the transition period from _____ to _____

000-49620

(Commission file number)

COBALIS CORP.

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

Nevada

(State or other jurisdiction
of incorporation or organization)

91-1868007

(IRS Employer
Identification No.)

2445 McCabe Way, Suite 150, Irvine, California 92614

(Address of principal executive offices)

(949) 757-0001

(Issuer's telephone number)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: As of December 19, 2007 - 46,027,014 shares of common stock.

Applicable only to issuers involved in bankruptcy proceedings during the preceding five years. Check whether the

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registrant filed all documents and reports required to be filed by Section 12, 13, or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. Yes No

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

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

COBALIS CORP.
Index

		<u>Page</u>
PART I.	FINANCIAL INFORMATION	1
Item 1.	Financial Statements	1
	Consolidated Balance Sheet as of September 30, 2007 (unaudited)	1
	Consolidated Statements of Operations for the three and six months ended September 30, 2007 and 2006 (unaudited)	2
	Consolidated Statements of Stockholders' Deficit for the six months ended September 30, 2007 (unaudited)	3-6
	Consolidated Statements of Cash Flows for the three and six months ended September 30, 2007 and 2006 (unaudited)	7
	Notes to Consolidated Financial Statements (unaudited)	8
Item 2.	Management's Discussion and Analysis or Plan of Operations	23
Item 3.	Controls and Procedures	32
PART II.	OTHER INFORMATION	32
Item 1.	Legal Proceedings	32
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	35
Item 3.	Defaults Upon Senior Securities	35
Item 4.	Submission of Matters to a Vote of Security Holders	35
Item 5.	Other Information	35
Item 6.	Exhibits	36
SIGNATURES		37

PART I. FINANCIAL INFORMATION**Item 1. Financial Statements**

Cobalis Corp. and Subsidiary
(A Development Stage Company)
Consolidated Balance Sheet

		September 30, 2007 (unaudited)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$	124
Prepaid expenses and other current assets		12,546
TOTAL CURRENT ASSETS		12,670
PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$113,392		1,931
WEBSITE DEVELOPMENT COSTS, net of accumulated amortization of \$34,075		532
PATENTS, net of accumulated amortization of \$360,876		592,563
TOTAL ASSETS	\$	607,696
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable	\$	424,084
Accrued expenses		830,293
Accrued clinical trial costs		591,229
Accrued legal settlements		1,710,057
Accrued salaries		489,412
Warrant liability		670,398
Accrued derivative liability		3,999,798
Promissory notes		46,813
Notes payable		150,000
Senior Debenture, net of discount of \$4,979		245,021
Convertible debenture, net of discount of \$40,298		2,882,702
TOTAL CURRENT LIABILITIES		12,039,807
COMMITMENTS AND CONTINGENCIES		-
STOCKHOLDERS' DEFICIT		

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Common stock; \$0.001 par value; 100,000,000 shares authorized; 45,927,014 shares issued and outstanding	45,927
Additional paid-in capital	29,810,710
Prepaid expenses	(2,582)
Deficit accumulated during the development stage	(41,286,166)
TOTAL STOCKHOLDERS' DEFICIT	(11,432,111)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$ 607,696

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

1

Cobalis Corp. and Subsidiary
(A Development Stage Company)
Consolidated Statements of Operations

	Three Months Ended		Six Months Ended		Cumulative from November 21, 2000 (inception) to September 30, 2007 (unaudited)
	September 30, 2007 (unaudited)	September 30, 2006 (unaudited)	September 30, 2007 (unaudited)	September 30, 2006 (unaudited)	September 30, 2007 (unaudited)
NET SALES	\$ -	\$ -	\$ -	\$ -	5,589
COST OF SALES	-	-	-	-	31,342
GROSS LOSS	-	-	-	-	(25,753)
OPERATING EXPENSES:					
Professional fees	25,272	650,769	1,174,979	1,567,674	13,135,838
Salary and wages	274,646	918,330	485,107	1,103,632	5,459,205
Rent expense	42,738	37,203	80,378	100,279	822,622
Marketing and research	-	1,273,555	-	1,299,364	5,553,516
Depreciation and amortization	13,784	14,515	27,567	31,277	616,972
Impairment expense	-	-	-	-	2,331,522
Stock option expense	478,925	461,684	957,790	590,592	2,525,369
Other operating expenses	70,578	290,106	264,041	423,901	2,582,227
Legal settlements	-	-	-	-	919,718
TOTAL OPERATING EXPENSES	905,943	3,646,162	2,989,862	5,116,719	33,946,989
LOSS FROM OPERATIONS	(905,943)	(3,646,162)	(2,989,862)	(5,116,719)	(33,972,742)
OTHER EXPENSE					
Interest expense and financing costs	(127,156)	(100,340)	(4,034,110)	(232,135)	(9,303,038)
Convertible debenture financing cost	-	-	-	-	(3,136,214)
Loss on conversion of debt	-	-	-	-	(88,839)
Change in fair value of warrant and accrued derivative liabilities	829,697	-	6,257,188	-	6,099,667
TOTAL OTHER EXPENSE	702,541	(100,340)	2,223,078	(232,135)	(6,428,424)
NET LOSS	(203,402)	(3,746,502)	(766,784)	(5,348,854)	(40,401,166)
PREFERRED STOCK DIVIDENDS	-	9,375	-	28,125	1,110,000

NET LOSS ATTRIBUTED TO COMMON STOCKHOLDERS	\$ (203,402)	\$ (3,755,877)	\$ (766,784)	\$ (5,376,979)	(41,511,166)
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NET LOSS PER SHARE: BASIC AND DILUTED	\$ (0.00)	\$ (0.12)	\$ (0.02)	\$ (0.18)	(1.75)
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WEIGHTED AVERAGE SHARES OUTSTANDING: BASIC AND DILUTED	43,232,722	31,551,496	41,105,601	29,663,903	23,674,421
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The accompanying notes are an integral part of these unaudited consolidated financial statements.

Cobalis Corp. and Subsidiary
(A Development Stage Company)
Consolidated Statements of Stockholders' Deficit
For the Period From November 21, 2000 (inception) to September 30, 2007

	Common stock Shares	Common stock Amount	Additional paid-in capital	Prepaid Expenses	Deficit accumulated during the development stage	Total stockholders' equity (deficit)
Balance at inception (November 21, 2000)	-	\$ -	\$ -	\$ -	\$ -	\$ -
Issuance of founder's shares in exchange for property and equipment	16,300,000	16,300	-	-	-	16,300
Issuance of common stock for cash - November 2000 @ \$1.00	30,000	30	29,970	-	-	30,000
Issuance of common stock for cash - December 2000 @ \$1.00	15,000	15	14,985	-	-	15,000
Issuance of common stock for cash - February 2001 @ \$1.00	12,000	12	11,988	-	-	12,000
Issuance of common stock for cash - March 2001 @ \$1.00	125,000	125	124,875	-	-	125,000
Issuance of common stock for services - March 2001 @ \$1.00	10,000	10	9,990	-	-	10,000
Contributed capital	-	-	62,681	-	-	62,681
Net loss for the period from inception (November 21, 2000) to March 31, 2001	-	-	-	-	(223,416)	(223,416)
Balance at March 31, 2001, as restated	16,492,000	16,492	254,489	-	(223,416)	47,565
Issuance of common stock for cash - April 2001 @ \$1.00	10,000	10	9,990	-	-	10,000
Issuance of common stock for telephone equipment - April 2001 @ \$1.00	6,750	7	6,743	-	-	6,750

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Issuance of common stock for cash - May 2001 @ \$1.00	11,000	11	10,989	-	-	11,000
Issuance of common stock for website development - May 2001 @ \$1.00	17,000	17	16,983	-	-	17,000
Issuance of common stock for legal services - May 2001 @ \$1.00	1,000	1	999	-	-	1,000
Issuance of common stock for cash - June 2001 @ \$1.00	23,500	24	23,476	-	-	23,500
Issuance of common stock for cash - July 2001 @ \$1.00	20,000	20	19,980	-	-	20,000
Issuance of common stock for cash - August 2001 @ \$1.00	25,000	25	24,975	-	-	25,000
Issuance of common stock for services, related party - September 2001 @ \$1.00	65,858	66	65,792	-	-	65,858
Issuance of common stock for cash - September 2001 @ \$1.00	15,000	15	14,985	-	-	15,000
Issuance of common stock for services - September 2001 @ \$1.00	11,000	11	10,989	-	-	11,000
Issuance of stock options for services - September 2001	-	-	32,000	-	-	32,000
Issuance of common stock for cash - October 2001 @ \$1.00	5,000	5	4,995	-	-	5,000
Issuance of common stock for cash - December 2001 @ \$1.00	30,000	30	29,970	-	-	30,000
Issuance of common stock for services - December 31, 2001 @ \$1.00	33,000	33	32,967	-	-	33,000
Issuance of common stock for services, related party - December 2001 @ \$1.00	117,500	118	117,382	-	-	117,500

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Issuance of common stock for prepaid advertising - December 2001 @ \$1.00	15,600	15	15,585	-	-	15,600
Issuance of common stock for property and equipment - January 2002 @ \$3.00	1,000	1	2,999	-	-	3,000
Issuance of common stock for services, related party - January 2002 @ \$1.00	33,000	33	32,967	-	-	33,000
Issuance of common stock for cash - February 2002 @ \$2.00	20,000	20	39,980	-	-	40,000
Issuance of common stock for cash - March 2002 @ \$2.00	12,500	12	24,988	-	-	25,000
Contributed capital	-	-	211,269	-	-	211,269
Deferred compensation	-	-	-	(60,108)	-	(60,108)
Net loss	-	-	-	-	(1,144,249)	(1,144,249)
Balance at March 31, 2002, as restated	16,965,708	16,966	1,005,492	(60,108)	(1,367,665)	(405,315)
Issuance of common stock for services - April 2002 @ \$2.00	3,000	3	5,997	-	-	6,000

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Issuance of common stock for cash - April 2002 @ \$1.00	10,000	10	9,990	-	-	10,000
Issuance of common stock for cash - April 2002 @ \$2.00	17,500	17	34,983	-	-	35,000
Issuance of common stock for cash - May 2002 @ \$1.00	10,000	10	9,990	-	-	10,000
Issuance of common stock for cash - May 2002 @ \$2.00	16,000	16	31,984	-	-	32,000
Issuance of stock options for services - May 2002	-	-	350,000	-	-	350,000
Contributed capital - bonus expense	-	-	50,000	-	-	50,000
Issuance of common stock for cash - June 2002 @ \$1.00	5,000	5	4,995	-	-	5,000
Issuance of common stock for cash - June 2002 @ \$2.00	5,000	5	9,995	-	-	10,000
Issuance of common stock for cash - July 2002 @ \$1.00	5,000	5	4,995	-	-	5,000
Issuance of common stock for cash - August 2002 @ \$2.00	10,000	10	19,990	-	-	20,000
Issuance of common stock for cash - September 2002 @ \$2.00	10,000	10	19,990	-	-	20,000
Issuance of stock options below fair market value - November 2002	-	-	250,000	(250,000)	-	-
Issuance of common stock for conversion of note - December 2002 @ 2.00	50,000	50	99,950	-	-	100,000
Issuance of common stock for cash - December 2002 @ \$2.00	20,000	20	39,980	-	-	40,000
Issuance of common stock for services - December 2002 @ \$2.00	15,000	15	29,985	-	-	30,000
Issuance of common stock for patents - December 2002 @ \$2.00	2,000,000	2,000	1,285,917	-	-	1,287,917
Contributed capital			292,718	-	-	292,718
Issuance of common stock for exercise of options - December 2002	574,000	574	574,028	-	-	574,602
Deferred compensation				60,108		60,108
Contributed capital			5,000	-	-	5,000
Issuance of common stock for services - January 2003			25,000	-	-	25,000
Issuance of common stock for cash February 2003 @ \$2.00	11,500	12	22,988	-	-	23,000
Issuance of common stock for cash March 2003 @ \$2.00	5,000	5	9,995	-	-	10,000
Deferred compensation				54,000	-	54,000
Net loss				-	(2,148,008)	(2,148,008)
Balance at March 31, 2003, as restated	19,732,708	19,733	4,193,962	(196,000)	(3,515,673)	502,022

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Issuance of common stock for cash April 2003 @ \$2.00	70,000	70	139,930	-	-	140,000
Issuance of common stock for cash May 2003 @ \$2.00	30,000	30	59,970	-	-	60,000
Acquisition by Biogentech Corp of ("Togs for Tykes")	1,032,000	1,032	(101,032)	-	-	(100,000)
Issuance of common stock for penalties January 2004 @ \$2.80	135,000	135	377,865	-	-	378,000
Issuance of common stock for services February 2004 @ \$2.20	100,000	100	219,900	-	-	220,000
Issuance of common stock for services February 2004 @ \$1.85	20,000	20	36,980	-	-	37,000
Value of beneficial conversion feature of convertible debenture issued in September 2003			346,870	-	-	346,870
Fair value allocated to warrant liability for detachable warrants issued with preferred stock			(181,849)	-	-	(181,849)
Dividend on preferred stock			885,000	-	(885,000)	-
Deferred compensation				196,000	-	196,000
Net loss				-	(5,703,639)	(5,703,639)

Balance at March 31, 2004	21,119,708	21,120	5,977,596	-	(10,104,312)	(4,105,596)
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Issuance of common stock for penalties May 2004 @ \$1.85	170,000	170	314,330	-	-	314,500
Issuance of common stock for services June 2004 @ \$1.75	10,000	10	17,490	-	-	17,500
Issuance of common stock for conversion of debt June 2004 @ \$1.60	371,317	371	593,736	-	-	594,107
Issuance of common stock for services July 2004 @ \$1.35	7,489	8	10,101			10,109
Issuance of common stock for services July 2004 @ \$1.10	75,000	75	82,425			82,500
Issuance of common stock for services August 2004 @ \$0.75	100,000	100	74,900			75,000
Conversion of debt to common stock September 2004 @ 2.22	857,143	857	1,902,000			1,902,857
Issuance of common stock for services October 2004 @ \$2.20	4,758	5	10,463			10,468
Issuance of common stock for services October 2004 @ \$2.55	375,000	375	955,875			956,250
Issuance of common stock for services December 2004 @ \$1.45	5,000	5	7,245			7,250
Issuance of common stock for services December 2004 @ \$1.30	63,676	63	82,715			82,778
Issuance of common stock for services January 2005 @ \$1.05	1,250	1	1,312			1,313

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Issuance of common stock for services January 2005 @ \$1.18	75,000	75	88,425		88,500
Issuance of common stock for services February 2005 @ \$1.10	155,000	155	170,345		170,500
Issuance of common stock for services February 2005 @ \$1.06	100,000	100	105,900		106,000
Issuance of common stock for services February 2005 @ \$0.95	30,000	30	28,470		28,500
Issuance of common stock for services February 2005 @ \$1.05	80,628	81	84,578		84,659
Issuance of common stock for services February 2005 @ \$1.00	467,159	467	466,692		467,159
Issuance of common stock for services February 2005 @ \$0.96	350,000	350	335,650		336,000
Issuance of common stock for financing costs March 2005 @ \$0.81	50,000	50	40,450		40,500
Issuance of common stock for services March 2005 @ \$0.80	5,000	5	3,995		4,000
Issuance of common stock for services March 2005 @ \$0.75	120,000	120	89,880		90,000
Issuance of common stock for services March 2005 @ \$0.68	37,500	38	25,462		25,500
Fair value of warrants issued to consultants			553,715		553,715
Net loss				(8,101,014)	(8,101,014)
Balance at March 31, 2005	24,630,628	24,631	12,023,750	-	(18,205,326) (6,156,945)
Cancellation of common stock previously issued	(105,000)	(105)	(113,895)		(114,000)
Issuance of common stock for services April 2005 @ \$0.59	100,000	100	58,900		59,000
Issuance of common stock for services April 2005 @	162,500	162	100,587		100,749

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\$0.62					
Issuance of common stock for services May 2005 @ \$0.60	39,836	40	23,862		23,902
Issuance of common stock for services June 2005 @ \$0.65	110,000	110	71,390		71,500
Issuance of common stock for services June 2005 @ \$0.45	200,000	200	89,800		90,000
Issuance of common stock for services July 2005 @ \$0.60	10,000	10	5,990		6,000
Issuance of common stock for services July 2005 @ \$0.61	125,000	125	76,125		76,250
Issuance of common stock for interest July 2005 @ \$0.61	50,000	50	30,450		30,500
Cancellation of common stock previously issued	(150,000)	(150)	(143,850)		(144,000)
Issuance of common stock for services August 2005 @ \$0.48	100,000	100	47,900		48,000
Issuance of common stock for services September 2005 @ \$0.50	30,000	30	14,970		15,000
Issuance of common stock for services September 2005 @ \$0.42	50,000	50	20,950		21,000
Issuance of common stock for services September 2005 @ \$0.50	75,000	75	37,425		37,500
Issuance of common stock for services October 2005 @ \$0.53	220,000	220	115,280	(58,750)	56,750
Issuance of common stock for prepaid interest October 2005 @ \$0.58	125,000	125	72,375	(72,500)	-
Issuance of common stock for conversion of debt October 2005 @ \$1.75	150,000	150	262,350		262,500
Issuance of common stock for services November 2005 @ \$0.78	822,706	823	644,847	(26,700)	618,970
Issuance of common stock for services January 2006 @ \$1.54	335,000	335	515,165	(119,500)	396,000
Issuance of common stock for services February 2006 @ \$1.42	62,000	62	87,738		87,800

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Issuance of common stock for services March 2006 @ \$1.58	121,467	121	192,237			192,358
Issuance of common stock for conversion of notes payable and accrued interest March 2006	105,250	105	173,557			173,662
Cancellation of common stock previously issued	(3,000)	(3)	(4,797)			(4,800)
Amortization of prepaid expenses				112,025		112,025
Value of warrants issued with debt			131,365			131,365
Repricing of warrants			301,155			301,155
Amortization of fair value of warrants issued to consultants			1,541,628			1,541,628
						-
Net loss					(6,603,454)	(6,603,454)
Balance at March 31, 2006	27,366,387	27,366	16,377,254	(165,425)	(24,808,780)	(8,569,585)
Issuance of common stock for conversion of note payable and accrued interest April 2006	27,200	27	51,109			51,136
Issuance of common stock for services April 2006 @ \$1.46	115,000	115	167,835			167,950

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Issuance of common stock for cashless exercise of warrants	192,997	193	(193)	-
Issuance of common stock for services May 2006 @ \$1.37	150,000	150	204,450	(165,600) 39,000
Issuance of common stock for conversion of accounts payable				
May 2006 @ \$1.28	111,416	112	142,501	142,613
Issuance of common stock for conversion of preferred stock				
July 2006 @ \$2.12	208,333	208	442,292	442,500
Issuance of common stock for conversion of related party debt				