Cobalis Corp
Form 10QSB
August 22, 2005

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

FORM 10-QSB

(Mark One)

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

For the quarterly period ended June 30, 2005

[ ] 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	91-1868007
(State or other jurisdiction of incorporation or organization)	(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 [X] 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 August 12, 2005 - 25,322,964

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

COBALIS CORP.
Index

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	June 200 (unaud
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$
Escrow deposit	
TOTAL CURRENT ASSETS	
PROPERTY AND EQUIPMENT, net of accumulated depreciation of $79,815	
WEBSITE DEVELOPMENT COSTS, net of accumulated amortization of $32,485	
PATENTS, net of accumulated amortization of $238,318	
DEPOSIT	
TOTAL ASSETS	$ 1
LIABILITIES AND STOCKHOLDERS' DEFICIT	
CURRENT LIABILITIES	
Accounts payable	$
Accrued expenses	2
Due to related parties	3
Advances from stockholders	
Warrant liability	
Convertible notes payable	
TOTAL CURRENT LIABILITIES	7
CONVERTIBLE PREFERRED STOCK (dividends on arrears of $131,250)	
COMMITMENTS AND CONTINGENCIES	
STOCKHOLDERS' DEFICIT	
Common stock; $0.001 par value; 50,000,000 shares authorized; 25,137,964 shares issued and outstanding	
Additional paid-in capital	12
Deficit accumulated during the development stage	(19
TOTAL STOCKHOLDERS' DEFICIT	(6
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 1

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

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

	Three Months Ended June 30, 2005 (unaudited)	June 30, 2004 (unaudited)
NET SALES	$ -	$ 3
COST OF SALES	-	1,1
GROSS PROFIT (LOSS)	-	(7
OPERATING EXPENSES:		
Professional fees	511,178	212,9
Salary and wages	82,567	75,5
Rent expense	34,436	32,1
Marketing and research	26,273	8
Depreciation and amortization	24,882	20,9
Impairment expense	-	
Other operating expenses	105,877	78,7
TOTAL OPERATING EXPENSES	785,213	421,2
LOSS FROM OPERATIONS	(785,213)	(421,9
OTHER INCOME (EXPENSE)		
Interest expense and financing costs	(182,732)	(201,3
Change in fair value of warrant liability	25,565	70,4
TOTAL OTHER INCOME (EXPENSE)	(157,167)	(130,8
LOSS BEFORE PROVISION FOR INCOME TAXES	(942,380)	(552,8
PROVISION FOR INCOME TAXES	-	
NET LOSS	(942,380)	(552,8
PREFERRED STOCK DIVIDENDS	18,750	18,7
NET LOSS ATTRIBUTED TO COMMON STOCKHOLDERS	$ (961,130)	$ (571,6
NET LOSS PER SHARE:		

BASIC AND DILUTED	$ (0.04)	$ (0.
WEIGHTED AVERAGE SHARES OUTSTANDING:		
BASIC AND DILUTED	24,836,808	21,240,6

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

Cobalis Corp. and Subsidiary
(formerly Biogentech Corp.)
(A Development Stage Company)
Consolidated Statements of Stockholders' Deficit
For the Period From November 21, 2000 (inception) to March 31, 2005
(unaudited)

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

September 2001 @ $1.00	65,858	66	65,792
Issuance of common stock for cash - September 2001 @ $1.00	15,000	15	14,985
Issuance of common stock for services - September 2001 @1.00	11,000	11	10,989
Issuance of stock options for services - September 2001	-	-	32,000
Issuance of common stock for cash - October 2001 @ $1.00	5,000	5	4,995
Issuance of common stock for cash - December 2001 @ $1.00	30,000	30	29,970
Issuance of common stock for services - December 31, 2001 @ $1.00	33,000	33	32,967
Issuance of common stock for services, related party - December 2001 @ $1.00	117,500	118	117,382
Issuance of common stock for prepaid advertising - December 2001 @ $1.00	15,600	15	15,585
Issuance of common stock for property and equipment - January 2002 @ $3.00	1,000	1	2,999
Issuance of common stock for services, related party - January 2002 @ $1.00	33,000	33	32,967
Issuance of common stock for cash - February 2002 @ $2.00	20,000	20	39,980
Issuance of common stock for cash - March 2002 @ $2.00	12,500	12	24,988
Contributed capital	-	-	211,269
Deferred compensation	-	-	-
Net loss	-	-	-
	---------	---------	-----------
Balance at March 31, 2002	16,965,708	16,966	1,005,492
Issuance of common stock for services - April 2002 @ $2.00	3,000	3	5,997
Issuance of common stock for cash - April 2002 @ $1.00	10,000	10	9,990
Issuance of common stock for cash - April 2002 @ $2.00	17,500	17	34,983
Issuance of common stock for cash - May 2002 @ $1.00	10,000	10	9,990
Issuance of common stock for cash - May 2002 @ $2.00	16,000	16	31,984
Issuance of stock options for services - May 2002	-	-	350,000
Contributed capital - bonus expense	-	-	50,000
Issuance of common stock for cash - June 2002 @ $1.00	5,000	5	4,995
Issuance of common stock for cash - June 2002 @ $2.00	5,000	5	9,995
Issuance of common stock for cash - July 2002 @ $1.00	5,000	5	4,995
Issuance of common stock for cash - August 2002 @ $2.00	10,000	10	19,990
Issuance of common stock for cash - September 2002 @ $2.00	10,000	10	19,990
Issuance of stock options below fair market value - November 2002	-	-	250,000
Issuance of common stock for conversion of note - December 2002 @ 2.00	50,000	50	99,950
Issuance of common stock for cash - December 2002 @ $2.00	20,000	20	39,980
Issuance of common stock for services - December 2002 @ 2.00	15,000	15	29,985
Issuance of common stock for patents - December 2002 $2.00	2,000,000	2,000	1,285,917
Contributed capital			292,718
Issuance of common stock for exercise of options - December 2002	574,000	574	574,000
Deferred compensation			
Contributed capital			5,000
Issuance of common stock for services - January 2003			25,000
Issuance of common stock for cash February 2003 @ $2.00	11,500	12	22,988
Issuance of common stock for cash March 2003 @ $2.00	5,000	5	9,995
Deferred compensation			
Net loss			
	---------	---------	-----------
Balance at March 31, 2003	19,732,708	19,733	4,193,962
Issuance of common stock for cash April 2003 @ $2.00	70,000	70	139,930
Issuance of common stock for cash May 2003 @ $2.00	30,000	30	59,970
Acquisition by Biogentech Corp of ("Togs for Tykes")	1,032,000	1,032	(101,032)
Issuance of common stock for penalties January 2004			

@ $2.80	135,000	135	377,865
Issuance of common stock for services February 2004 @ $2.20	100,000	100	219,900
Issuance of common stock for services February 2004 @ $1.85	20,000	20	36,980
Value of beneficial converstion feature of convertible debenture issued in September 2003			346,870
Fair value allocated to warrant liability for detachable warrants issued with preferred stock			(181,849)
Dividend on preferred stock			885,000
Deferred compensation			-
Net loss			-
Balance at March 31, 2004	21,119,708	21,120	5,977,596
Issuance of common stock for penalties May 2004 @ $1.85	170,000	170	314,330
Issuance of common stock for services June 2004 @ $1.75	10,000	10	17,490
Issuance of common stock for conversion of debt June 2004 @1.60	371,317	371	593,736
Issuance of common stock for services July 2004 @ $1.35	7,489	8	10,101
Issuance of common stock for services July 2004 @ $1.10	75,000	75	82,425
Issuance of common stock for services August 2004 @ $0.75	100,000	100	74,900
Conversion of debt to common stock September 2004 @ $1.75	857,143	857	1,499,143
Issuance of common stock for services October 2004 @ $2.20	4,758	5	10,463
Issuance of common stock for services October 2004 @ $2.55	375,000	375	955,875
Issuance of common stock for services December 2004 @ $1.45	5,000	5	7,245
Issuance of common stock for services December 2004 @ 1.30	63,676	63	82,715
Issuance of common stock for services January 2005 @ $1.05	1,250	1	1,312
Issuance of common stock for services January 2005 @ $1.18	75,000	75	88,425
Issuance of common stock for services February 2005 @ $1.10	155,000	155	170,345
Issuance of common stock for services February 2005 @ $1.06	100,000	100	105,900
Issuance of common stock for services February 2005 @ $0.95	30,000	30	28,470
Issuance of common stock for services February 2005 @ $1.05	80,628	81	84,578
Issuance of common stock for services February 2005 @ $1.00	467,159	467	466,692
Issuance of common stock for services February 2005 @ $0.96	350,000	350	335,650
Issuance of common stock for financing costs March 2005 @ $0.81	50,000	50	40,450
Issuance of common stock for services March 2005 @ $0.80	5,000	5	3,995
Issuance of common stock for services March 2005 @ $0.75	120,000	120	89,880

Issuance of common stock for services March 2005 @ $0.68	37,500	38	25,462
Fair value of warrants issued to consultants			553,715
Net loss			
	---------	---------	-----------
Balance at March 31, 2005	24,630,628	24,631	12,023,750
Cancelation of common stock previously issued	(105,000)	(105)	(113,895)
Issuance of common stock for services April 2005 @ $0.59	100,000	100	58,900
Issuance of common stock for services April 2005 @ $0.62	162,500	162	100,587
Issuance of common stock for services May 2005 @ $0.60	39,836	40	23,862
Issuance of common stock for services June 2005 @ $0.65	110,000	110	71,390
Issuance of common stock for services June 2005 @ $0.45	200,000	200	89,800
Amortization of fair value of warrants issued to consultants			201,990
Net loss			
	---------	---------	-----------
Balance at June 30, 2005	25,137,964	$ 25,138	$12,456,384 $
	=========	=========	===========

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

COBALIS CORP. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	Three Months Ended June 30, 2005	Three Months Ended June 30, 2004	Cumulative fro November 21, 2000 (inception) June 30, 2005
	(unaudited)	(unaudited)	(unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:			

Net loss	$ (942,380)	$ (552,876)	$ (18,262,706)
Adjustment to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization expense	24,882	20,974	459,247
Common stock issued for services	231,151	17,500	3,439,495
Common stock issued for penalty	-	314,500	692,500
Common stock issued for financing costs	-	-	40,500
Change in value of warrant liability	(25,565)	(70,478)	(345,325)
Amortization of debt issue costs	-	6,933	83,500
Exercise of stock options for services	-	-	26,960
Amortization of discounts on notes	-	15,228	790,128
Issuance of stock options/warrants for services	201,990	-	1,162,705
Capital contribution - bonus (related party)	-	-	50,000
Amortization of prepaid advertising	-	-	15,600
Amortization of deferred compensation	-	-	250,000
Discount on common stock issued for settlement of debt	-	-	50,000
Impairment expense	-	-	2,331,522
Changes in assets and liabilities:			-
Prepaid expenses and other assets	(475,000)	(1,890)	(475,000)
Inventory	-	-	6,250
Accounts payable	(17,155)	211,728	718,054
Accrued expenses	67,207	(159,382)	2,963,148
Amounts due to related parties	129,806	39,313	1,567,646
Net cash used in operating activities	(805,064)	(158,450)	(4,435,776)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment	-	-	(87,569)
Increase in patent costs	-	-	(24,711)
Change in restricted cash	-	-	-
Merger fees and costs	-	-	-
Increase in acquisition deposits	-	-	(2,220,000)
Increase in other deposits	-	-	(40,000)
Increase in capitalized website	-	(3,532)	(18,097)
Net cash used in investing activities	-	(3,532)	(2,390,377)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Change in cash overdraft	(11,941)	27,801	-
Payment on contract	-	-	(161,000)
Proceeds from advances - related party	614,500	70,500	2,939,449
Proceeds from advances from stockholders	260,000	-	260,000
Proceeds from issuance of notes payable	-	-	1,215,000
Proceeds from sale of common stock	-	-	806,500
Proceeds from sale of preferred stock	-	-	885,000
Proceeds from convertible debenture	100,000	-	700,000
Capital contribution	-	-	571,668
Payment of debt issue costs	-	-	(83,500)
Payments on advances - related party	(55,200)	(12,500)	(203,500)
Net cash provided by financing activities	907,359	85,801	6,929,617
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	102,295	(76,181)	103,464
CASH AND CASH EQUIVALENTS, Beginning of period	1,169	76,181	-

CASH AND CASH EQUIVALENTS, End of period	$ 103,464	$ -	$ 103,464
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Interest paid	$ -	$ -	$ -
Income taxes paid	$ -	$ -	$ -

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

COBALIS CORP. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED JUNE 30, 2005 AND 2004
(UNAUDITED)

NOTE 1 - BASIS OF PRESENTATION

The unaudited consolidated financial statements have been prepared by Cobalis Corp. (the "Company"), pursuant to the rules and regulations of the Securities and Exchange Commission. The information furnished herein reflects all adjustments (consisting of normal recurring accruals and adjustments) which are, in the opinion of management, necessary to fairly present the operating results for the respective periods. Certain information and footnote disclosures normally present in annual consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted pursuant to such rules and regulations. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and footnotes for the year ended March 31, 2005 included in the Company's Annual Report on Form 10-KSB. The results of the three months ended June 30, 2005 are not necessarily indicative of the results to be expected for the full year ending March 31, 2006.

Going Concern

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company as a going concern. The Company has incurred a net loss of $942,380 for the three months ended June 30, 2005 and as of June 30, 2005, the Company had a working capital deficit of $6,524,108 and a stockholder deficit of $6,666,184. In addition, as of June 30, 2005, the Company has not developed a substantial source of revenue. These conditions raise substantial doubt as to the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

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

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

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

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

Stock Options

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

The pro forma information regarding the effects on operations that is required by SFAS 123 and SFAS 148 are not presented since there is no pro forma expense to be shown for the three months and three months ended June 30, 2005 and 2004.

NOTE 2 - LOSS PER SHARE

The Company reports loss per share in accordance with SFAS No. 128, "Earnings per Share." Basic loss per share is computed by dividing loss available to common shareholders by the weighted average number of common shares available.

Diluted loss per share is computed similar to basic loss per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. Diluted loss per share has not been presented since the effect of the assumed exercise of options and warrants to purchase common shares would have an anti-dilutive effect. There were 5,844,167 and 2,544,167 common equivalent shares outstanding related to the options and warrants at June 30, 2005 and 2004, respectively. In addition, as of June 30, 2005, 716,667 shares of common stock are issuable upon the conversion of the convertible note payable and convertible preferred stock.

NOTE 3 - ESCROW DEPOSIT

At June 30, 2005, the escrow deposit represented amount held in escrow by the Company's attorney to be used as a partial payment on the amounts due related to the clinical trials. Subsequent to June 30, 2005, all of these funds were disbursed.

NOTE 4 - PROPERTY AND EQUIPMENT

The cost of property and equipment at June 30, 2005 consisted of the following:

Furniture and fixtures	$ 71,500
Office equipment	42,120
	113,620
Less accumulated depreciation and amortization	(79,815)
	$ 33,805

NOTE 5 - ACCRUED EXPENSES

Accrued expenses at June 30, 2005 consisted of the following:

Accrued clinical trials payable	$ 1,117,998
Accrued penalties payable	806,000
Accrued interest payable	195,583
Accrued legal settlement	60,000
Accrued legal fees	25,000
Other	70,710
	$ 2,275,291

NOTE 6 - DUE TO RELATED PARTIES

Due to related parties at June 30, 2005 consists of the following:

R&R Holdings, Inc. and affiliate a)	$ 3,287,504
Chaslav Radovich b)	62,500
Other officers/executives c)	201,459
	$ 3,551,463

a) On January 1, 2001, the Company entered into a consulting contract with R&R Development, Inc. DBA R&R Holdings, Inc. and its affiliate, Silver Mountain Promotions, Inc. ("R&R") whereby they would provide managerial consulting services to the Company at the rate of $125,000 per year and the rate was increased to $135,000 per year. R&R is also a shareholder of the Company and the controlling shareholder of R&R is Mr. Radul "Rudy" Radovich, the Company's Chairman. As of June 30, 2005, the Company had accrued $377,392 of consulting fees relating to this agreement.

R&R advances the Company cash from time to time. As of June 30, 2005, the Company owed R&R $2,102,350 related to these advances. The St. Petka Trust, which is controlled by Mr. Radul Radovich, also advances the Company cash from time to time. As of June 30, 2005, the Company owed St. Petka Trust $400,000 related to these advances. The Company has accrued interest on these advances at a rate of 10% per annum. Accrued interest at June 30, 2005 related to these advances totaled $202,877.

In September 2003, R&R advanced the Company an additional amount of $170,000 at the rate of 10% per annum. These funds were specifically to provide the Company with additional financing with regard to the InnoFood transaction. Accrued interest at June 30, 2005 related to this advance was $34,885.

b) The Company currently owes its Chief Executive Officer $62,500 in past due compensation. The Company is accruing salary to its CEO at an annual rate of $125,000.

c) The Company currently owes other current and former executives $88,334 and $113,125, respectively, in past due compensation.

NOTE 7 - ADVANCES FROM STOCKHOLDERS

At June 30, 2005, two stockholders advanced the Company $50,000 and $210,000, respectively. These advances are non-interest bearing, unsecured and payable upon demand. Subsequent to June 30, 2005, the Company has repaid the $50,000 advances. The Company expects to convert the $210,000 advance into shares of the Company's common stock.

NOTE 8 - CONVERTIBLE NOTES PAYABLE

Gryphon Master Fund, LP

In September 2003, the Company sold a $600,000, three-year, 8% convertible note payable to Gryphon Master Fund, LP, which is convertible into shares of the Company's common stock at the initial conversion price of $2.00 per share. This price is subject to adjustment should the Company issue shares of its common stock at a price less than $1.75 per share. The convertible note payable was sold with detachable three-year warrants to purchase 90,000 shares of the Company's common stock at $2.88 per share. The warrant exercise price is also subject to adjustment based on sales of the Company's common stock below the current fair market value on the contract date.

The fair value of these warrants totaling $169,630 was computed using the Black-Scholes model under the following assumptions: (1) expected life of 3 years; (2) volatility of 104%, (3) risk free interest of 4.39% and (4) dividend rate of $0%. In addition, since this debt is convertible into equity at the option of the note holder at beneficial conversion rates, an embedded beneficial conversion feature was recorded as a debt discount and amortized using the effective interest method over the life of the debt in accordance with Emerging Issues Task Force No. 00-27, "Application of Issue No. 98-5 to Certain Convertible Instruments." Since the intrinsic value of the beneficial conversion feature and relative fair value of the warrants exceeds the proceeds of the convertible debt, the amount of the discount assigned to the beneficial conversion feature and warrants is limited to the amount of the net proceeds of the convertible debt. Therefore, the Company recorded a discount of $516,500 (consisting of relative fair value of the warrants of $169,630 and beneficial conversion features of $346,870), the net proceeds received by the Company after the debt discount of $83,500. During the year ended March 31, 2005, the Company fully amortized the debt discount associated with the $600,000 convertible note payable due to the lawsuit filed by the holder of the convertible note payable.

The Company also entered into a registration rights agreement whereby the Company agreed to file a valid registration statement with the Securities and Exchange Commission to register the shares of common stock underlying the Convertible Debentures and Debenture Warrants. Pursuant to EITF 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock", the relative fair value of the warrants has been recorded as a short-term liability until the Company has obtained an effective registration statement for these shares. If the Company does not file such an effective registration statement within 30 days of the closing date, or October 8, 2003, the Company is subject to penalties as follows: 1% of the principal amount of the funding for the first 30 day period in which the Company fails to file such registration statement, and 2% for each 30 day period thereafter. At June 30, 2005, the Company had not filed such a registration statement and accordingly is currently subject to a penalty of approximately $246,000.

In addition, the Company is required to report a value of the warrant as a fair value and record the fluctuation to the fair value of the warrant liability to current operations. During three months ended June 30, 2005, the decrease of the relative fair value of the warrants approximated $11,030. The relative fair value of the warrants approximated $2,666 as of June 30, 2005.

Per the terms of the note agreement, in the event of default, the Company is subject to accrue interest at a default rate of 18% from the date of the default. As of June 30, 2005, Company had accrued interest of $195,583 related to this convertible note payable. In addition, the Company is obligated to remit 125% of the outstanding note balance or $150,000 upon the acceleration of repayment by the holder.

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

Tejeda and Tejeda, Inc.

On June 13, 2005, the Company entered into a loan agreement with Tejeda and Tejeda, Inc. in the amount of $100,000. The loan is due on or before the 12-month anniversary and accrues interest at the rate of 10% per annum. The note is personally guaranteed by Mr. Radul Radovich, the Company's Chairman, and Mr.

Chaslav Radovich the Company's CEO. On the 12-month anniversary, the holder of the note may elect to convert the loan into shares of the Company's common stock at $1.75 per shares or at a price equal to a 25% discount to the closing bid price on the day of conversion at maturity. If such conversion is elected, the loan shall be considered paid in full. The loan is convertible at the maturity, which is the date at which the conversion feature will become beneficial; therefore the intrinsic value of the beneficial conversion feature of approximately $25,000 will be calculated at the commitment date using the stock price as of that date. The amount will be recorded as interest expense at the date of conversion, if the loan is converted to shares of common stock.

NOTE 9 - CONVERTIBLE PREFERRED STOCK

In September 2003, the Company sold 1,000 shares of its 7.5% convertible preferred stock to Gryphon Master Fund, LP for $1,000,000, less direct issuance costs of $115,000, which were netted against the proceeds of the offering. The Convertible Preferred Stock carries voting rights equivalent to the number of shares of common stock into which it can be converted, and has liquidation preference of $1,000 per share. The Convertible Preferred Stock is convertible into shares of the Company's common stock at the initial conversion price of $2.40 per share. This price is subject to change should the Company issue shares of its common stock at a price less than $1.75 per share. Included with the Convertible Preferred Stock were detachable three-year warrants to purchase 104,167 shares of the Company's common stock at the price of $2.90 per share. The warrant exercise price is also subject to adjustment based on sales of the Company's common stock below the current fair market value on the contract date.

Since the intrinsic value of the beneficial conversion feature and relative fair value of the warrants exceeds the proceeds of the convertible preferred stock, the amount of the discount assigned to the beneficial conversion feature and warrants is limited to the amount of the proceeds of the convertible preferred stock. The discount was recorded as a preferred stock dividend at the date of issuance. The Company recognized $885,000 of preferred dividends related to the discount.

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

If the Company does not file such an effective registration statement within 30 days of the closing date, or October 25, 2003, the Company is subject to penalties as follows: 1% of the value of the shares and the warrants paid by the purchaser for the first 30 day period in which the Company fails to file such registration statement, and 2% for each 30 day period thereafter. At June 30, 2005, the Company has not filed such a registration statement and accordingly is currently subject to a penalty of $410,000.

In addition, the Company is required to report a value of the warrant as a fair value and record the fluctuation to the fair value of the warrant liability to current operations. During the three months ended June 30, 2005, the decrease of the relative fair value of the warrants was $14,535. The relative fair value of the warrants was $3,488 as of June 30, 2005.

As of June 30, 2005, there was $131,250 of dividends in arrears related to the 1,000 share of convertible preferred stock.

NOTE 10 - RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In November 2004, the FASB issued SFAS No. 151, entitled Inventory Costs -- An Amendment of ARB No. 43, Chapter 4. SFAS No. 151 amends the guidance in ARB No. 43, Chapter 4, entitled Inventory Pricing [June 1953], to clarify the accounting for "abnormal amounts" of idle facility expense, freight, handling costs, and wasted material [spoilage]. Before revision by SFAS No. 151, the guidance that existed in ARB No. 43 stipulated that these type items may be "so abnormal" that the appropriate accounting treatment would be to expense these costs as incurred [i.e., these costs would be current-period charges]. SFAS No. 151 requires that these type items be recognized as current-period charges without regard to whether the "so abnormal" criterion has been met. Additionally, SFAS No. 151 requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. The adoption of SFAS 151 did not impact the consolidated financial statements.

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

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

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

12

In May 2005, the FASB issued SFAS No. 154, entitled Accounting Changes and Error Corrections--a replacement of APB Opinion No. 20 and FASB Statement No. 3. This Statement replaces APB Opinion No. 20, Accounting Changes, and FASB Statement No. 3, Reporting Accounting Changes in Interim Financial Statements, and changes the requirements for the accounting for and reporting of a change in accounting principle. This Statement applies to all voluntary changes in accounting principle. It also applies to changes required by an accounting pronouncement in the unusual instance that the pronouncement does not include specific transition provisions. Opinion 20 previously required that most voluntary changes in accounting principle be recognized by including in net income of the period of the change the cumulative effect of changing to the new accounting principle. This Statement requires retrospective application to prior periods' financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. This Statement defines retrospective application as the application of a different accounting principle to prior accounting periods as if that principle had always been used or as the adjustment of previously issued financial statements to reflect a change in the reporting entity. This Statement also redefines restatement as the revising of previously issued financial statements to reflect the correction of an error. The adoption of SFAS 154 did not impact the consolidated financial statements.

NOTE 11 - LITIGATION

Gryphon Master Fund, LP v. Cobalis Corp.: On November 8, 2004, the Gryphon Master Fund, LP filed a lawsuit against the Company in United States District Court, Northern District of Texas, Dallas Division. The lawsuit seeks repayment of the $600,000 convertible note payable, accrued interest on the convertible note payable, penalties for failing to register the shares underlying the conversion of the convertible note payable, attorney fees and court costs. As of June 30, 2005, the Company has accrued $1,626,583 related to this matter.

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

In the ordinary course of business, the Company is generally subject to claims, complaints, and legal actions. At June 30, 2005, management believes that the Company is not a party to any action which would have a material impact on its financial condition, operations, or cash flows.

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

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

THE ASSUMPTIONS USED FOR PURPOSES OF THE FORWARD-LOOKING STATEMENTS SPECIFIED IN THE FOLLOWING INFORMATION REPRESENT ESTIMATES OF FUTURE EVENTS AND ARE SUBJECT TO UNCERTAINTY AS TO POSSIBLE CHANGES IN ECONOMIC, LEGISLATIVE, INDUSTRY, AND

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

OVERVIEW

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

GOING CONCERN

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation as a going concern. We incurred a net loss of $942,380 for the three months ended June 30, 2005 and as of June 30, 2005, we had a working capital deficit of $6,524,108 and a stockholder deficit of $6,666,184. In addition, as of June 30, 2005, we have not developed a substantial source of revenue. These conditions raise substantial doubt as to our ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or amounts and classification of liabilities that might be necessary should we be unable to continue as a going concern.

We are currently attempting to raise additional debt and equity financing for operating purposes and expect to begin selling our product in Australia in 2006.

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

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

CRITICAL ACCOUNTING POLICY AND ESTIMATES

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

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

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

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

LIQUIDITY AND CAPITAL RESOURCES

We had a cash and cash equivalents of $103,464 and an escrow deposit of $475,000 at June 30, 2005. Our total current assets at June 30, 2005 were equal to $578,464. We also had the following long term assets: $33,805 in property and equipment, net, $2,122 in net website development costs, and $666,997 represented by net value of our patents, $40,000 in deposits. Our total assets as of June 30, 2005 were $1,321,388.

Our total current liabilities were $7,102,572 at June 30, 2005, which was represented by accounts payable of $309,664, accrued expenses of $2,275,291, due to related parties of $3,551,463, advances from stockholders of $260,000, warrant liability of $6,154, and convertible notes payable of $700,000. Our liabilities exceeded our assets by $5,781,184 as of June 30, 2005.

We have financed our operations primarily through cash generated from related party debt financing, from advances from stockholders and from the private placement sales of equity securities, as well as issuing convertible notes. During the three months ended June 30, 2005, we received an additional $559,300, net from a related party, $260,000 from advances from two stockholders and $100,000 from the issuance of a convertible note.

Our net cash provided by financing activities was $907,359 for the three months ended June 30, 2005 compared to $85,801 for the same period in 2004. The increase of $821,558 is primarily due to the proceeds received from related party advances, advances from stockholder and the issuance of a convertible note.

16

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED JUNE 30, 2005 AS COMPARED TO THE THREE MONTHS ENDED JUNE 30, 2004

REVENUES AND COST OF SALES

We had no significant revenues for the three months ended June 30, 2005 and June 30, 2004 as we are undertaking a Phase III clinical trial in order to obtain FDA approval of PreHistin (TM) as an over the counter drug. Our net revenues were $0 less $0 for cost of sales for a gross loss of $0 for the three months ended June 30, 2005 as compared to net sales of $359 less $1,120 for cost of sales for a gross loss of $761 for the three months ended June 30, 2004.

OPERATING EXPENSES

Our operating expenses for the three months ended June 30, 2005 were $785,213 compared to $421,224 for the three months ended June 30, 2004. For both periods, we incurred expenses for two major purposes: i) ongoing development of our PreHistin (TM) product and related product management and ii) general management and fund raising efforts. For the three months ended June 30, 2005, this amount was represented by $24,882 in depreciation and amortization, $511,178 in professional fees, $82,567 in salary and wages, $34,436 in rent expense, $26,273 in marketing and research, and $105,877 in other operating expenses, as compared to the three months ended June 30, 2004, where we had $20,974 in depreciation and amortization, $212,959 in professional fees, $75,504 in salary and wages, $32,186 in rent expense, $898 in marketing and promotions, and $78,703 in other operating expenses. Our operating expenses increased during the three months ended June 30, 2005 as compared to the three months ended June 30, 2004 principally as a result of the increase in professional fees, which include payments for accounting, legal and shareholder relations. A significant portion of the professional fees were paid by issuing shares of our stock. The value of these services was based on the market value of our stock at the agreement date.

Interest expense and financing costs for the three months ended June 30, 2005 were $182,732 compared to $201,369 for the three months ended June 30, 2004. The decrease is due to the write off of the discounts on convertible debentures during the quarter ended September 30, 2004. As a result there was no amortization taken in the quarter ended June 30, 2005 and approximately $15,000 taken during the three months ended June 30, 2004.

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

OUR PLAN OF OPERATION FOR THE NEXT TWELVE MONTHS.

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

17

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

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

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

As of June 30, 2005, we had a cash of $103,464. To fully execute our business plan for the next 12 months, we will need to raise additional funds in order to complete the Phase III clinical trials, submit the PreHistin (TM) application to the United States FDA and execute a marketing launch of the PreHistin (TM) product. We will also need to raise funds to execute studies for the further development of the PreHistin (TM) product line and to complete the acquisition of additional products. We plan to raise these funds through private and institution or other equity offerings. We may attempt to secure other loans from lending institutions or other sources. There is no guarantee that we will be able to raise additional funds through offerings or other sources. If we are unable to raise funds, our ability to continue with product development will be hindered.

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

OFF-BALANCE SHEET ARRANGEMENTS

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

ITEM 3. CONTROLS AND PROCEDURES

As required by SEC rules, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures at the end of the period covered by this report. This evaluation was carried out under the supervision and with the participation of our management, including our principal executive officer and principal financial officer. Based on this evaluation, these officers have concluded that the design and operation of our disclosure controls and procedures are effective. There were no changes in our internal control over financial reporting or in other factors that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Disclosure controls and procedures are our 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 SEC'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 principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Part II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On November 8, 2004, the Gryphon Master Fund, LP filed a lawsuit against us in United States District Court, Northern District of Texas, Dallas Division. The lawsuit seeks repayment of the $600,000 convertible note payable, accrued interest on the convertible note payable, penalties for failing to register the shares underlying the conversion of the convertible note payable, attorney fees and court costs. As of June 30, 2005, we have accrued $1,626,583 related to this matter.

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

During the three months ended June 30, 2005, we issued the following shares of our unregistered common stock:

- 100,000 shares to Cappello Group for services valued at $59,000;
- 112,500 shares to Tejeda & Tejeda, Inc. for services valued at $69,750;
- 25,000 shares to Lawrence Wolfe for services valued at $15,500;
- 25,000 shares to Matthew Clayton for services valued at $15,500;
- 100,000 shares to Robert Lanthier for services valued at $65,000;
- 10,000 shares to Karin Carter for services valued at $6,500;
- 160,000 shares to Noel Marshall for services valued at $72,000; and
- 40,000 shares to Tracy Hatland for services valued at $18,000.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

We are currently in default on terms of our $600,000 convertible note payable to Gryphon Master Fund LP, dated September 8, 2003, for failing to register the shares underlying the conversion.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable

ITEM 5. OTHER INFORMATION

Not applicable

ITEM 6. EXHIBITS

Regulation S-B Number	Exhibit
3.1	Articles of Incorporation (1)
3.1.1	Certificate of Amendment to Articles of Incorporation (1)
3.1.2	Certificate of Amendment to Articles of Incorporation (2)

3.1.3	Certificate of Amendment to Articles of Incorporation (3)
3.2	Bylaws (1)
4.1	Convertible Note with Gryphon Master Fund LP (4)
10.1	Asset Purchase Agreement between BioGentec Inc., (fka St. Petka, Inc.) and Gene Pharmaceuticals, LLC, (fka Allergy Limited, LLC,) as amended (4)
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer and Chief Financial Officer of the Company (5)
32.1	Section 906 Certification by Chief Executive Officer and Chief Financial Officer (5)

(1) Incorporated by reference to the exhibits to the registrant's registration statement on Form 10-SB filed on February 8, 2002.
(2) Incorporated by reference to the exhibits to the registrant's information statement on schedule 14C filed on June 10, 2003.
(3) Incorporated by reference to the exhibits to the registrant's current report on Form 8-K, filed July 8, 2004.
(4) Incorporated by reference to the exhibits to the registrant's annual report on Form 10-KSB for the fiscal year ended March 31, 2004.
(5) Included herein.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

COBALIS CORP.

```
August 19, 2005              By:  / s/ Chaslav Radovich
                                  -------------------------------------------
                                  Chaslav Radovich
                                  Principal Executive Officer, President,
                                  Treasurer, Secretary, Director
```