

ARBIOS SYSTEMS INC
Form 10QSB
August 11, 2006

**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 June 30, 2006

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

For the transition period from _____ to _____

Commission file number: 000-32603

ARBIOS SYSTEMS, INC.

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

Delaware
(State or other jurisdiction of incorporation or
organization)

91-1955323
(IRS Employer Identification No.)

8797 Beverly Blvd., #304, Los Angeles, California
(Address of principal executive offices)

90048
(Zip Code)

(310) 657-4898
(Issuer's telephone number)

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 .

No .

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

On August 11, 2006, there were 17,460,181 shares of common stock, \$.001 par value per share, issued and outstanding.

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

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ARBIOS SYSTEMS, INC.**FORM 10-QSB**

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PART I - FINANCIAL INFORMATION**ITEM 1. Financial Statements**

ARBIOS SYSTEMS, INC.
(A development stage company)
CONDENSED BALANCE SHEETS

<u>ASSETS</u>	June 30, 2006 (Unaudited)	December 31, 2005 (Audited)
Current assets		
Cash and cash equivalents	\$ 775,327	\$ 2,379,738
Short term investments	2,977,200	\$ 1,996,000
Prepaid expenses	118,963	195,841
Total current assets	3,871,490	4,571,579
Net property and equipment		
Net property and equipment	90,010	101,629
Patent rights, net of accumulated amortization of \$103,655 and \$93,418, respectively	163,012	173,249
Other assets	45,786	55,773
Total assets	\$ 4,170,298	\$ 4,902,230
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current liabilities		
Accounts payable	\$ 51,817	\$ 160,649
Accrued expenses	82,848	152,362
Total current liabilities	134,665	313,011
Accrued warrant liability	407,717	-
Stockholders' equity		
Preferred stock, \$.001 par value; 5,000,000 shares authorized:		
none issued and outstanding		
Common stock, \$.001 par value; 60,000,000 shares authorized; 17,460,181 and 16,232,909 shares issued and outstanding at June 30, 2006 and December 31, 2005 respectively	17,460	16,233
Additional paid-in capital	14,296,357	13,352,217
Deficit accumulated during the development stage	(10,685,901)	(8,779,231)
Total stockholders' equity	3,627,916	4,589,219

Total liabilities and stockholders' equity	\$	4,170,298	\$	4,902,230
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The accompanying notes are an integral part of these condensed financial statements.

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ARBIOS SYSTEMS, INC.
(A development stage company)
CONDENSED STATEMENTS OF OPERATIONS
(Unaudited)

	For the three months ended June		For the six months ended June 30,		Inception to
	30,		2006	2005	June 30, 2006
	2006	2005	2006	2005	
Revenues	\$ -	\$ -	\$ -	\$ -	\$ 320,966
Operating expenses:					
General and administrative	712,350	465,583	1,456,414	1,340,047	6,463,329
Research and development	445,363	360,700	811,553	619,195	4,802,115
Total operating expenses	1,157,713	826,283	2,267,967	1,959,242	11,265,444
Loss before other income (expense)	(1,157,713)	(826,283)	(2,267,967)	(1,959,242)	(10,944,478)
Other income (expense):					
Change in fair value of warrant liability	273,124		273,124		273,124
Interest income	47,387	28,858	88,173	39,417	229,591
Interest expense	-	(43)	-	(129)	