

CHAMPIONS BIOTECHNOLOGY, INC.

Form 10-Q/A

August 27, 2009

**Table of Contents**

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q/A  
(AMENDMENT NO. 2)**

Mark One

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the quarterly period ended January 31, 2009  
**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 **0-17263**  
**CHAMPIONS BIOTECHNOLOGY, INC.**  
(Exact name of registrant as specified in its charter)

Delaware 52-1401755

(State or other jurisdiction of organization) (I.R.S. Employer Identification No.)

855 N. Wolfe Street, Suite 619, Baltimore, MD 21205

(Address of principal executive offices) (Zip code)

(410) 369-0365

(Registrant's telephone number, including area code)

Indicate by check mark whether the 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 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

Indicate by checkmark whether the registrant has submitted electronically and posted on its corporate web-site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

(Do not check if a 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

As of March 17, 2009, the Registrant had a total of 33,380,575 shares of common stock outstanding.



**Table of Contents**

**Explanatory Note:**

On June 19, 2009, the Audit Committee of the Board of Directors of Champions Biotechnology, Inc. ( Champions , the Company , or as used in the context of we , us or our ) concluded that our quarterly financial statements for the fiscal year April 30, 2009 and our financial statements for the year ended April 30, 2008 would need to be restated and should no longer be relied upon.

This Amendment No. 2 (the Form 10-Q/A ) to our Quarterly Report on Form 10-Q for the for the three months ended January 31, 2009 (the 2009 Third Quarter 10-Q ) is being filed to restate our condensed financial statements as of January 31, 2009 and for the three and nine month periods ended January 31, 2009 and January 31, 2008. In addition, we are concurrently filing Form 10-KSB/A to amend and restate our consolidated financial statements for the year ended April 30, 2008 and Form 10-Q/As to amend and restate our condensed consolidated financial statements for the quarterly periods ended July 31, 2008 (the 2009 First Quarter 10-Q ) and October 31, 2008 (the 2009 Second Quarter 10-Q ).

**Background:**

The Company has restated its condensed consolidated financial statements as of January 31, 2009 and April 30, 2008 and for the three and nine month periods ended January 31, 2009 and 2008. The restatement relates to an error in the Company s accounting for stock options granted to non-employees and the way it accounted for a vaccine program entered into in the third fiscal quarter of 2009.

This restatement related to two items. The first item the Company identified was an error in its accounting for stock-based compensation related to stock options issued to non-employees for consulting services. Previously, the Company recognized a contra equity account called prepaid consulting for the fair value of the unvested stock based compensation awards. This prepaid consulting balance was amortized to compensation expense over the options vesting term. Additionally, when certain non-employees were hired as permanent employees, no modification to the accounting for their previously issued stock based compensation award was considered. Finally, the Company considered the grant date to be the measurement date for options awards issued to non-employees when no performance commitment existed. Upon further review and analysis of the relevant accounting literature related to stock based compensation, we determined the balance sheet should not present the fair value of unvested portion of awards issued to non-employees as the awards were not fully vested when granted. Additionally, as no performance commitment existed as of the grant date, the measurement date related to non-employee stock option grants should have been measured at the date the non-employees performance was completed, or over the respective options vesting term. Lastly, when non-employees, who had previously received stock options, were hired as permanent employees, the unvested compensation should have been recognized as stock based compensation expense ratably over the remaining vesting period on a prospective basis.

The second item the Company identified related to an error in our accounting for revenues and expenses related to a vaccine program we participate in. Previously, we recognized vaccine revenues on a proportional performance revenue recognition method of accounting for service contracts. Under this approach the Company recognized a percentage of the gross contract value upon implantation of a patient s tumor into immune deficient mice and the remaining deferred revenue upon delivery of the tumor to a separate third party who performs other services under the vaccine program. In addition, the Company expensed 100% of refundable upfront costs paid to third party contractors for services under the vaccine program they would deliver at a future date. Upon further review and analysis of the relevant accounting literature related to revenue recognition, we determined that revenue should be recognized when the final deliverable is delivered, which in our case is the vaccine to the patient, or the vaccine program period expires. With respect to the upfront costs that the Company pays to the other contractors participating in the program, it was determined that these costs should be capitalized as refundable advance payments and recognized ratably as the services are performed.

Note 2 to our restated condensed consolidated financial statements describes the nature of the restatement adjustments and details the impact of the restatement on our condensed consolidated financial statements as of January 31, 2009 and April 30, 2008 and the three and nine month periods ended January 31, 2009 and 2008.

In connection with the restatement, management has assessed the effectiveness of our disclosure controls and procedures and has included revised disclosure in this Form 10-Q/A under Item 4 of Part I, Controls and Procedures .

Management identified a material weakness in our internal control over financial reporting with respect to our interpretation and application of Statement of Financial Accounting Standards No, 123(R), *Share Based Payment*, ( SFAS 123R ) and EITF 98-18, *Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services*, ( EITF 96-18) as they apply to the calculation of stock based compensation. Management also identified a material weakness in our internal control over financial reporting with respect to our interpretation and application of EITF 00-21, *Revenue Arrangements with Multiple Deliverables*, ( EITF 00-21 ). As a result of these material weaknesses, our Chief Executive Officer and Chief Financial Officer concluded that our internal control over financial reporting and our disclosure controls and procedures were not effective at a reasonable assurance level as of April 30, 2008 and as of the date of this filing.

**Table of Contents**

As of the filing date of this Form 10-Q/A, we have implemented accounting practices that management believes complies with requirements of SFAS 123R, EITF 96-18 and EITF 00-21. Management has taken and is taking steps, as described under Item 4 of Part I to remediate the material weakness in our internal control over financial reporting. Because this Form 10-Q/A sets forth the 2008 Third Quarter Form 10-Q/A in its entirety, it includes items that have been changed as a result of the restatement and items that are unchanged from the original filing. Other than the amending of the disclosures relating to the restatement, the Form 10-Q/A speaks as of the original filing date of the 2008 Third Quarter Form 10-Q and has not been updated to reflect other events occurring subsequent to the original filing date. This includes forward-looking statements impacted by the restatement, which should be read in their historical context. This Form 10-Q/A should be read in conjunction with our Form 10-KSB/A for the year ended April 30, 2008.

The following items in this Form 10-Q/A have been amended as a result of the restatement:

Part I Item 1. Financial Statements

Part I Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Part I Item 4. Controls and Procedures

**Table of Contents**

**CHAMPIONS BIOTECHNOLOGY, INC.**  
**FORM 10-Q/A**  
**INDEX**

**PART I. Financial Information**

**Item 1. Financial Statements**

Condensed Consolidated Balance Sheets as of January 31, 2009 (Unaudited) and April 30, 2008 (Audited) 5

Condensed Consolidated Statements of Operations for the nine months and three months ended January 31, 2009 and 2008 (Unaudited) 6

Condensed Consolidated Statements of Cash Flows for the nine months ended January 31, 2009 and 2008 (Unaudited) 7

Notes to Condensed Consolidated Financial Statements (Unaudited) 8-18

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations 19-22

Item 3. Quantitative and Qualitative Disclosures About Market Risk 22

Item 4. Controls and Procedures 22-23

**PART II. Other Information**

Item 1. Legal Proceedings 23

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds 23

Item 3. Defaults Upon Senior Securities 23

Item 4. Submission of Matters to a Vote of Security Holders 23

Item 5. Other Information 23

Item 6. Exhibits 23

Signatures 24

Exhibit 31.1  
Exhibit 31.2  
Exhibit 32.1

**Table of Contents****PART I****Item 1. Financial Statements****CHAMPIONS BIOTECHNOLOGY, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS**

	<b>January 31, 2009 (Restated) (Unaudited)</b>	<b>April 30, 2008 (Restated) (Audited)</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,624,866	\$ 3,709,136
Certificate of deposit	1,005,319	
Prepaid expenses	637,585	52,873
Prepaid contract expenses	43,374	
<b>Total Current Assets</b>	<b>4,311,144</b>	<b>3,762,009</b>
Intangibles assets	265,798	227,465
Goodwill	661,909	661,909
<b>TOTAL ASSETS</b>	<b>\$ 5,238,851</b>	<b>\$ 4,651,383</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 695,548	\$ 147,971
Deferred revenue	1,429,985	504,622
Other accrued expenses		361,275
<b>Total current liabilities</b>	<b>2,125,533</b>	<b>1,013,868</b>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>STOCKHOLDERS EQUITY</b>		
Preferred stock, \$10 par value; 56,075 shares authorized; 0 shares issued and outstanding		
Common stock, \$.001 par value; 50,000,000 shares authorized; 33,272,718 and 33,247,718 shares issued and outstanding at January 31, 2009 and April 30, 2008, respectively	33,273	33,248
Additional paid-in capital	11,450,381	11,119,343
Accumulated deficit	(8,370,336)	(7,515,076)
<b>Total stockholders equity</b>	<b>3,113,318</b>	<b>3,637,515</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS EQUITY</b>	<b>\$ 5,238,851</b>	<b>\$ 4,651,383</b>



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

Table of Contents

**CHAMPIONS BIOTECHNOLOGY, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**FOR THE NINE MONTHS AND THREE MONTHS ENDED JANUARY 31, 2009 AND 2008 (UNAUDITED)**

	Nine Months Ended January 31,		Three Months Ended January 31,	
	2009 (Restated)	2008 (Restated)	2009 (Restated)	2008 (Restated)
<b>REVENUES</b>				
Personalized oncology and preclinical contract revenue	\$ 2,700,589	\$ 874,940	\$ 983,300	\$ 624,940
<b>Total revenues</b>	2,700,589	874,940	983,300	624,940
<b>OPERATING EXPENSES</b>				
Research and development	1,071,841	105,910	435,274	
Cost of personalized oncology and preclinical contract revenue	1,387,796	281,784	669,610	201,222
General and administrative	1,163,089	730,602	463,236	113,268
<b>Total operating expenses</b>	3,622,726	1,118,296	1,568,120	314,490
<b>OPERATING INCOME (LOSS)</b>	(922,137)	(243,356)	(584,820)	310,450
<b>OTHER INCOME</b>				
Interest income	66,877	16,058	21,048	6,064
<b>INCOME (LOSS) BEFORE TAXES</b>	(855,260)	(227,298)	(563,772)	\$ 316,514
Provision for income taxes				
<b>NET INCOME (LOSS)</b>	\$ (855,260)	\$ (227,298)	\$ (563,772)	\$ 316,514
<b>Income (loss) per common share:</b>				
<b>Basic and diluted</b>	\$ (0.03)	\$ (0.01)	\$ (0.02)	\$ 0.01
<b>Shares used in calculating income (loss) per common share:</b>				
<b>Basic</b>	33,271,450	31,386,454	33,272,718	31,692,654
<b>Diluted</b>	33,271,450	31,386,454	33,272,718	32,774,544

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



**Table of Contents**

**CHAMPIONS BIOTECHNOLOGY, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED JANUARY 31, 2009 AND 2008 (UNAUDITED)**

	<b>2009</b> <b>(Restated)</b>	<b>2008</b> <b>(Restated)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net (loss)	\$ (855,260)	\$ (227,298)
Adjustments to reconcile net (loss) to net cash (used in) provided by operating activities:		
Share based compensation expense	323,563	510,259
Changes in assets and liabilities:		
(Increase) in prepaid expenses	(584,711)	(47,466)
(Increase) in prepaid contract expenses	(43,374)	
Increase in accounts payable	547,578	61,268
Increase in deferred revenue	925,362	300,000
(Decrease) increase in other accrued expenses	(361,275)	15,743
<b>Net cash provided by (used in) provided by operating activities</b>	<b>(48,117)</b>	<b>612,506</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of certificate of deposit	(1,005,319)	
Acquisition of intangible assets	(38,334)	
Cash received in Biomerk, Inc. acquisition		471,377
<b>Net cash (used in) provided by investing activities</b>	<b>(1,043,653)</b>	<b>471,377</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment of officers loan payable		(43,693)
Proceeds from exercise of options	7,500	
Proceeds from exercise of warrants		28,505
<b>Net cash provided by (used in) financing activities</b>	<b>7,500</b>	<b>(15,188)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(1,084,270)</b>	<b>1,068,695</b>
<b>CASH AND CASH EQUIVALENTS BEGINNING OF PERIOD</b>	<b>3,709,136</b>	<b>3,758</b>

<b>CASH AND CASH EQUIVALENTS</b>	<b>END OF PERIOD</b>	\$ 2,624,866	\$ 1,072,453
----------------------------------	----------------------	--------------	--------------

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:**

Cash paid during the period for:

Interest paid	\$	\$
Income tax paid	\$	\$

**SUPPLEMENTAL SCHEDULE OF NON CASH FLOW INVESTING AND FINANCING ACTIVITIES:**

In May 2007, the Company issued 4,000,000 shares for 100% of Biomerk, Inc.

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

**Table of Contents**

**CHAMPIONS BIOTECHNOLOGY, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**JANUARY 31, 2009**  
**(UNAUDITED)**

**(1) ORGANIZATION AND BASIS OF PRESENTATION**

The accompanying condensed consolidated financial statements of Champions Biotechnology, Inc. ( Champions or the Company ) as of and for the nine months ended January 31, 2009 and 2008 are unaudited. The accompanying unaudited condensed consolidated balance sheets, statements of operations and statements of cash flows have been prepared in accordance with U.S. Generally Accepted Accounting Principles ( GAAP ) for interim financial information and in conjunction with the rules and regulations of the Securities and Exchange Commission ( SEC ). Accordingly, they do not include all of the disclosures required by GAAP for complete financial statements. The financial statements reflect all adjustments, consisting only of normal, recurring adjustments, which are in the opinion of management, necessary for a fair presentation for the interim periods. Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and related revenue and expense accounts and the disclosure of contingent assets and liabilities to prepare these condensed consolidated financial statements in conformity with GAAP. Actual results could differ materially from those estimates. These financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company s Annual Report on Form 10-KSB/A for the fiscal year ended April 30, 2008. The results for the nine months and three months ended January 31, 2009 may not be indicative of the results for the entire year.

**Impact of Recent Accounting Pronouncements**

The Company adopted Statement of Financial Accounting Standards ( SFAS ) No. 157, *Fair Value Measurement*, ( SFAS 157 ) on May 1, 2008. SFAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). The standard outlines a valuation framework and creates a fair value hierarchy in order to increase the consistency and comparability of fair value measurements and the related disclosures. Under GAAP, certain assets and liabilities must be measured at fair value, and SFAS 157 details the disclosures that are required for items measured at fair value. In February 2008, the Financial Accounting Standards Board issued Staff Position No. 157-2 (FSP 157-2), which delays the effective date of SFAS 157 for one year for all nonfinancial assets and liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis. The Company does not have nonfinancial assets and nonfinancial liabilities that are required to be measured at fair value on a recurring basis.

The Company did not elect the fair value measurement option under SFAS No. 159, *The Fair Value Option for Financial Assets and Liabilities*, ( SFAS 159 ) and presently, the Company does not have any financial assets and liabilities that would need to be measured under the fair measurement option under SFAS 159.

In December 2007, the FASB issued SFAS No. 160, *Non-controlling Interests in Consolidated Financial Statements: an amendment of ARB No. 51*, ( SFAS 160 ). SFAS No. 160 replaces the term minority interests with the newly-defined term of non-controlling interests and establishes this line item as an element of stockholders equity, separate from the parent s equity. SFAS No. 160 also includes expanded disclosure requirements regarding the interests of the parent and its non controlling interest. The Company is continuing to review the provisions of SFAS No. 160, which is effective the first quarter of fiscal 2010, and currently does not expect this new accounting standard to have a significant impact on the Financial Statements.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities: an amendment of FASB Statement No. 133*, ( SFAS 161 ). SFAS No. 161 changes the disclosure requirements for derivative instruments and hedging activities. The Company is reviewing the provisions of SFAS No. 161, which is effective the first quarter of fiscal 2010, and currently does not anticipate that this new accounting standard will have a significant impact on the Financial Statements.

In May 2008, the FASB issued SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles*, ( SFAS 162 ). SFAS No. 162 identifies the sources of accounting principles and the framework for selecting principles used in the preparation of financial statements. SFAS No. 162 is effective 60 days following the SEC s approval of the Public Company Accounting Oversight Board amendments to AU Section 411, *The Meaning of Present Fairly in Conformity*

*with Generally Accepted Accounting Principles.* The effective date of SFAS No. 162 has not yet been determined. The implementation of this standard will not have a material impact on the Financial Statements.

**Reclassifications**

The Company has reclassified certain amounts for the nine and three months ended January 31, 2008 to conform to the presentation of the January 31, 2009 amounts. The reclassifications have no effect on the net income for the periods ended January 31, 2008.

**Table of Contents****(2) RESTATEMENT OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

The Company has restated its condensed consolidated financial statements as of January 31, 2009 and April 30, 2008 and for the three and nine month periods ended January 31, 2009 and 2008. The restatement relates to an error in the Company's accounting for stock options granted to non-employees and the way it accounted for a vaccine program entered into in the third fiscal quarter of 2009.

The restatement arose when the Company identified an error in its accounting for stock-based compensation related to stock options issued to non-employees for consulting services. Previously, the Company recognized a contra equity account called prepaid consulting for the fair value of the unvested stock based compensation awards. This prepaid consulting balance was amortized to compensation expense over the options vesting term. Additionally, when certain non-employees were hired as permanent employees, no modification to the accounting for their previously issued stock based compensation award was considered. Finally, the Company considered the grant date to be the measurement date for options awards issued to non-employees when no performance commitment existed. Upon further review and analysis of the relevant accounting literature related to stock-based compensation, we determined the balance sheet should not present the fair value of the unvested portion of awards issued to non-employees as the awards were not fully vested when granted. Additionally, as no performance commitment existed as of the grant date, the measurement date related to non-employee stock option grants should have been measured at the date the non-employees performance was completed, or over the respective options vesting term. Lastly, when non-employees, who had previously received stock options, were hired as permanent employees, the unvested compensation should have been recognized as stock based compensation expense ratably over the remaining vesting period on a prospective basis.

The Company's management performed a detailed review of Statement of Financial Accounting Standards No. 123R, *Share Based Payment*, ( SFAS 123R ), EITF 96-18, *Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services*, ( EITF 96-18 ) and EITF 00-18, *Accounting Recognition for Certain Transactions Involving Equity Instruments Granted to Other Than Employees*, ( EITF 00-18 ) as they apply to stock options granted to non-employees. After evaluating this accounting literature, the Company determined the balance sheet should not be grossed up for the unvested value of compensation expense. Additionally, the compensation expense related to non-employee stock option grants should be calculated based on the fair market value of the options on the grant date and re-measured at the end of each subsequent reporting period over the options vesting term. Lastly, when non-employees who had previously received stock options were hired as permanent employees, the unvested compensation as of the hire date should have been recognized ratably on a prospective basis over the remaining vesting term.

The restated condensed consolidated financial statements as of January 31, 2009 and for the three month period then ended also include a restatement adjustment to defer revenue and related costs related to a vaccine program the Company participates in. Previously, the Company recognized vaccine revenues on a proportional performance revenue recognition method. Under this approach the Company recognized a percentage of the gross contract value upon implantation of a patient's tumor into immune deficient mice and the remaining deferred revenue upon delivery of the tumor to a separate third party who performs other services under the vaccine program. In addition the Company expensed 100% of refundable upfront costs paid to third party contractors for services under the vaccine program they would deliver at a future date. After reviewing relevant accounting literature related to revenue recognition we determined that the Company is the primary obligor in the vaccine program. As a primary obligor under the program, the Company should recognize revenues on a gross basis. The separation criteria for the deliverables under the agreement was evaluated under EITF 00-21, *Revenue Arrangements with Multiple Deliverables* ( EITF 00-21 ). Under EITF 00-21, it was noted that each deliverable under the agreement could not be separated and all deliverables should be accounted for as a single unit of accounting. As such, it was determined that the Company should have recognized 100% of the revenue under the agreement at the earlier of the one year term of the agreement, the delivery/administration of the vaccine to the customer, or the death of the customer. With respect to the upfront costs that the Company pays to other contractors participating in the Vaccine program the Company determined that these costs are refundable and should be capitalized and recognized rateably as the services are performed.





**Table of Contents**

The following is a summary of the effects of the restatement on the Company's condensed consolidated balance sheet as of January 31, 2009 and April 30, 2008, its condensed consolidated statements of operations for the three and nine month periods ended January 31, 2009 and 2008, and its condensed consolidated statements of cash flows for the nine month periods ended January 31, 2009 and 2008:

**CONDENSED CONSOLIDATED BALANCE SHEET**  
**As of January 31, 2009**

	As Previously Reported	Restatement Adjustments	As Restated
Current assets:			
Cash and cash equivalents	\$ 2,624,866	\$	\$ 2,624,866
Certificate of deposit	1,005,319		1,005,319
Prepaid expenses	408,418	229,167	637,585
Prepaid contract expenses	43,374		43,374
<b>Total current assets</b>	<b>4,081,977</b>	<b>229,167</b>	<b>4,311,144</b>
Intangible assets	265,798		265,798
Goodwill	661,909		661,909
<b>Total assets</b>	<b>\$ 5,009,684</b>	<b>\$ 229,167</b>	<b>\$ 5,238,851</b>
Current liabilities:			
Accounts payable	\$ 695,548	\$	\$ 695,548
Deferred revenue	1,361,110	68,875	1,429,985
<b>Total current liabilities</b>	<b>2,056,658</b>	<b>68,875</b>	<b>2,125,533</b>
Commitments and contingencies			
Stockholders' equity:			
Common stock	33,273		33,273
Additional paid-in capital	11,656,583	(206,202)	11,450,381
Accumulated deficit	(8,090,853)	(279,483)	(8,370,336)
Prepaid consulting fees	(645,977)	645,977	
<b>Total stockholders' equity</b>	<b>2,953,026</b>	<b>160,292</b>	<b>3,113,318</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 5,009,684</b>	<b>\$ 229,167</b>	<b>\$ 5,238,851</b>

**Table of Contents**

**CONDENSED CONSOLIDATED BALANCE SHEET**  
**As of April 30, 2008**

	As Previously Reported	Restatement Adjustments	As Restated
Current assets:			
Cash and cash equivalents	\$ 3,709,136	\$	\$ 3,709,136
Prepaid expenses	52,873		52,873
Total current assets	3,762,009		3,762,009
Intangible assets	227,465		227,465
Goodwill	661,909		661,909
Total assets	\$ 4,651,383	\$	\$ 4,651,383
Current liabilities:			
Accounts payable	\$ 147,971	\$	\$ 147,971
Deferred revenue	504,622		504,622
Other accrued expenses	361,275		361,275
Total current liabilities	1,013,868		1,013,868
Commitments and contingencies			
Stockholders' equity:			
Common stock	33,248		33,248
Additional paid-in capital	11,715,182	(595,839)	11,119,343
Accumulated deficit	(7,068,547)	(446,529)	(7,515,076)
Prepaid consulting fees	(1,042,368)	1,042,368	
Total stockholders' equity	3,637,515		3,637,515
Total liabilities and stockholders' equity	\$ 4,651,383	\$	\$ 4,651,383

**Table of Contents**

**CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS**  
**For the Nine Months Ended January 31, 2009**

	As Previously Reported	Restatement Adjustments	As Restated
Operating revenue:			
Personalized oncology services and preclinical contract review	\$ 2,769,464	\$ (68,875)	\$ 2,700,589
Total operating revenue	2,769,464	(68,875)	2,700,589
Operating expenses:			
Research and development	1,144,010	(72,169)	1,071,841
Cost of personalized oncology services and preclinical contract review	1,824,089	(436,293)	1,387,796
General and administrative	890,548	272,541	1,163,089
Total operating expenses	3,858,647	(235,921)	3,622,726
Operating loss	(1,089,183)	167,046	(922,137)
Other income:			
Interest income	66,877		66,877
Loss before income taxes	(1,022,306)	167,046	(855,260)
Income taxes			
Net loss	\$ (1,022,306)	\$ 167,046	\$ (855,260)
Loss per common share:			
Basic and diluted	\$ (0.03)	\$ 0.00	\$ (0.03)
Shares used in calculating loss per common share:			
Basic and diluted	33,271,450	33,271,450	33,271,450

**Table of Contents****CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS  
For the Nine Months Ended January 31, 2008**

	As Previously Reported	Restatement Adjustments	As Restated
Operating revenue:			
Personalized oncology services	\$ 874,940	\$	\$ 874,940
Total operating revenue	874,940		874,940
Operating expenses:			
Research and development	105,910		105,910
Cost of personalized oncology services	281,784		281,784
General and administrative	329,293	401,309	730,602
Total operating expenses	716,987	401,309	1,118,296
Operating income (loss)	157,953	(401,309)	(243,356)
Other income:			
Interest income	16,058		16,058
Income (loss) before income taxes	174,011	(401,309)	(227,298)
Income taxes			
Net income (loss)	\$ 174,011	\$ (401,309)	\$ (227,298)
Income (loss) per common share:			
Basic	\$ 0.01	\$ (0.02)	\$ (0.01)
Diluted	\$ 0.01	\$ (0.02)	\$ (0.01)
Shares used in calculating income (loss) per common share:			
Basic	31,386,454	31,386,454	31,386,454
Diluted	32,468,344	31,386,454	31,386,454

**Table of Contents**

**CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS**  
**For the Three Months Ended January 31, 2009**

	As Previously Reported	Restatement Adjustments	As Restated
Operating revenue:			
Personalized oncology services and preclinical contract review	\$ 1,052,175	\$ (68,875)	\$ 983,300
Total operating revenue	1,052,175	(68,875)	983,300
Operating expenses:			
Research and development	507,443	(72,169)	435,274
Cost of personalized oncology services and preclinical contract review	1,105,903	(436,293)	669,610
General and administrative	83,111	380,125	463,236
Total operating expenses	1,696,457	(128,337)	1,568,120
Operating loss	(644,282)	59,462	(584,820)
Other income:			
Interest income	21,048		21,048
Loss before income taxes	(623,234)	59,462	(563,772)
Income taxes			
Net loss	\$ (623,234)	\$ 59,462	\$ (563,772)
Loss per common share:			
Basic and diluted	\$ (0.02)	\$ 0.00	\$ (0.02)
Shares used in calculating loss per common share:			
Basic and diluted	33,272,718	33,272,718	33,272,718

**Table of Contents****CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS  
For the Three Months Ended January 31, 2008**

	As Previously Reported	Restatement Adjustments	As Restated
Operating revenue:			
Personalized oncology services	\$ 624,940	\$	\$ 624,940
Total operating revenue	624,940		624,940
Operating expenses:			
Research and development			
Cost of personalized oncology services	201,222		201,222
General and administrative	118,776	(5,508)	113,268
Total operating expenses	319,998	(5,508)	314,490
Operating income	304,942	5,508	310,450
Other income:			
Interest income	6,064		6,064
Income before income taxes	311,006	5,508	316,514
Income taxes			
Net income	\$ 311,006	\$ 5,508	\$ 316,514
Income per common share:			
Basic	\$ 0.01	\$ 0.00	\$ 0.01
Diluted	\$ 0.01	\$ 0.00	\$ 0.01
Shares used in calculating income per common share:			
Basic	31,692,654	31,692,654	31,692,654
Diluted	32,774,544	32,774,544	32,774,544

**Table of Contents****CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
For the Nine Months Ended January 31, 2009**

	As Previously Reported	Restatement Adjustments	As Restated
Cash flows from operating activities:			
Net loss	\$ (1,022,306)	\$ 167,046	\$ (855,260)
Adjustments to reconcile net loss to net cash (used in) operating activities:			
Share based compensation expense	330,317	(6,754)	323,563
Changes in operating assets and liabilities:			
(Increase) in prepaid expenses	(355,544)	(229,167)	(584,711)
(Increase) in prepaid contract expenses	(43,374)		(43,374)
Increase in accounts payable	547,578		547,578
Increase in deferred revenue	856,487	68,875	925,362
(Decrease) in other accrued expenses	(361,275)		(361,275)
Net cash (used in) operating activities	(48,117)		(48,117)
Cash flows from investing activities:			
Purchase of certificate of deposit	(1,005,319)		(1,005,319)
Purchase of intangible assets	(38,334)		(38,334)
Net (used in) investing activities	(1,043,653)		(1,043,653)
Cash flows from financing activities:			
Proceeds from exercise of stock warrants	7,500		7,500
Net cash provided by financing activities	7,500		7,500
Net decrease in cash and cash equivalents	(1,084,270)	\$	(1,084,270)
Cash and cash equivalents Beginning of period	3,709,136		3,709,136
Cash and cash equivalents End of period	\$ 2,624,866		\$ 2,624,866



**Table of Contents**

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the Nine Months Ended January 31, 2008**

	As Previously Reported	Restatement Adjustments	As Restated
Cash flows from operating activities:			
Net income (loss)	\$ 174,011	\$ (401,309)	\$ (227,298)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Share based compensation expense	108,950	401,309	510,259
Changes in operating assets and liabilities:			
(Increase) in prepaid expenses	(47,466)		(47,466)
Increase in accounts payable	61,268		61,268
Increase in deferred revenue	300,000		300,000
Increase in other accrued expenses	15,743		15,743
Net cash provided by operating activities	612,506		612,506
Cash flows from investing activities:			
Cash received in Biomerk, Inc. acquisition	471,377		471,377
Net provided by investing activities	471,377		471,377
Cash flows from financing activities:			
Payment of officers loan payable	(43,693)		(43,693)
Proceeds from exercise of stock warrants	28,505		28,505
Net cash (used in) financing activities	(15,188)		(15,188)
Net decrease in cash and cash equivalents	1,068,695	\$	1,068,695
Cash and cash equivalents Beginning of period	3,758		3,758
Cash and cash equivalents End of period	\$ 1,072,453		\$ 1,072,453

**(3) NET (LOSS) PER SHARE**

Basic earnings per common share ( EPS ) is computed by dividing net income by the weighted-average number of common shares outstanding during the period. Diluted EPS is computed by dividing net income by the weighted-average number of common shares outstanding during the period increased to include all additional common shares that would have been outstanding assuming potentially dilutive common share equivalents had been issued. Dilutive common share equivalents include (1) the dilutive effect of in-the-money shares related to stock options, which is calculated based on the average share price for each period using the treasury stock method. Under the treasury stock method, the exercise price of an option, the average amount of compensation cost, if any, for future service that the Company has not yet recognized, and the amount of tax benefits that would be recorded in additional paid-in capital, if any, when the option is exercised, are assumed to be used to repurchase shares in the current period.

The following is a reconciliation of the computation for basic and diluted EPS for the nine months ended January 31, 2009 and 2008:

	<b>January 31, 2009</b>	<b>January 31, 2008</b>
Net loss	\$ (855,260)	\$ (227,298)
Weighted-average common shares outstanding (basic and diluted)	33,271,450	31,386,454

**Table of Contents****(4) COMMITMENTS AND CONTINGENCIES****Operating leases**

The Company leases, as tenant, space under an operating lease, which expired February 28, 2009. Rental expense during the nine months and three months ended January 31, 2009 was \$61,599 and \$22,235, respectively. Rental expenses for the nine months and three months ended January 31, 2008 was \$0.

**(5) SHARE BASED COMPENSATION**

The total employee share based compensation cost that was recognized in results of operations for the nine and three months ended January 31, 2009 was \$323,563 and \$223,051, respectively. As of January 31, 2009, there was \$507,454 unrecognized compensation cost related to employee share based compensation arrangements. The cost is expected to be recognized over a weighted average period of 2.18 years.

**(6) PROVISION FOR INCOME TAXES**

Deferred income taxes are determined using the liability method for the temporary differences between the financial reporting basis and income tax basis of the Company's assets and liabilities. Deferred income taxes are measured based on the tax rates expected to be in effect when the temporary differences are included in the Company's consolidated tax return. Deferred tax assets and liabilities are recognized based on anticipated future tax consequences attributable to differences between financial statement carrying amounts of assets and liabilities and their respective tax bases. At January 31, 2009 and April 30, 2008, deferred tax assets consist of the following:

	January 31, 2009	April 30, 2008
Deferred tax asset	\$ 2,929,618	\$ 2,630,277
Less: valuation allowance	(2,929,618)	(2,630,277)
Net deferred tax asset	\$ -0-	\$ -0-

At January 31, 2009 and April 30, 2008, the Company had federal net operating loss carryforwards in the approximate amounts of \$8,370,336 and \$7,515,076 available to offset future taxable income subject to Section 382 analysis limitations. The Company established valuation allowances equal to the full amount of the deferred tax assets due to the uncertainty of the utilization of the operating losses in future periods.

**(7) RELATED PARTY TRANSACTIONS**

The Chairman of the Company participates in conducting and providing the Company's personalized oncology services. During the nine months and three months ended January 31, 2009, the Company paid compensation to the Chairman for these services which are provided in the ordinary course of business. The compensation is on the same basis as services provided by unrelated parties. The Chairman of the Company is a director of certain companies which have entered into contracts for the Company to perform services. During the nine and three months ended January 31, 2009, the Company recorded revenue of \$93,493 and \$4,057 from these companies. During the nine and three months ended January 31, 2009, the Company recorded revenue of \$125,686 and \$62,843, respectively, from these companies. As of January 31, 2009, the Company had deferred revenue of \$72,764 from these companies. All services provided under these contracts are in the ordinary course of business at prices and on terms and conditions that are the same as those that result from arm's length negotiations between unrelated parties.

**(8) SUBSEQUENT EVENT**

The Company entered into a lease agreement in January 2009 for space under an operating lease to commence on or before May 1, 2009 for an initial period of one year renewable annually at the Company's option for five one-year periods. The Company's obligation under the lease is \$66,000 for the first year of the lease upon commencement of the initial lease period.

**Table of Contents**

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

As used in this Quarterly Report 10-Q/A, Champions Biotechnology, Champions, we, ours, and us refer to Champions Biotechnology, Inc., except where the context otherwise requires or as otherwise indicated.

**DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS**

This document contains forward looking statements within the meaning of Section 27A of the Securities Act of 1933 ( Securities Act ) and Section 21E of the Securities Exchange Act of 1934 ( Exchanges Act ) that inherently involve risk and uncertainties. The Company generally uses words such as believe, may, could, will, intend, estimate, expect, anticipate, plan, likely, promise and similar expressions to identify forward-looking statements. One should not place undue reliance on these forward-looking statements. The Company's actual results could differ materially from those anticipated in the forward-looking statements for many unforeseen factors, which may include, but are not limited to, changes in general economic conditions, the ongoing threat of terrorism, ability to have access to financing sources on reasonable terms and other risks. Those risks include, but are not limited to, the risks identified in our periodic reports filed with the Securities and Exchange Commission, including our most recent Annual Report on form 10-KSB. Although the Company believes the expectations reflected in the forward-looking statements are reasonable, they relate only to events as of the date on which the statements are made, and the Company's future results, levels of activity, performance or achievements may not meet these expectations. The Company does not intend to update any of the forward-looking statements after the date of this document to conform these statements to actual results or to changes in the Company's expectations, except as required by law.

**Restatement**

The Company has restated its condensed consolidated financial statements as of January 31, 2009 and April 30, 2008 and for the three and nine month periods ended January 31, 2009 and 2008. This restatement related to two items. The first item the Company identified was an error in its accounting for stock based compensation related to stock options issued to non-employees for consulting services. Previously, the Company recognized a contra equity account called prepaid consulting for the fair value of the unvested stock based compensation awards. This prepaid consulting balance was amortized to compensation expense over the options vesting term. Additionally, when certain non-employees were hired as permanent employees, no modification to the accounting for their previously issued stock based compensation award was considered. Finally, the Company considered the grant date to be the measurement date for options awards issued to non-employees when no performance commitment existed. Upon further review and analysis of the relevant accounting literature related to stock based compensation, we determined the balance sheet should not present the fair value of the unvested portion of awards issued to non-employees as the awards were not fully vested when granted. Additionally, as no performance commitment existed as of the grant date, the measurement date related to non-employee stock option grants should have been measured at the date the non-employees performance was completed, or over the respective options vesting term. Lastly, when non-employees, who had previously received stock options, were hired as permanent employees, the unvested compensation should have been recognized as stock based compensation expense ratably over the remaining vesting period on a prospective basis.

The second item the Company identified related to an error in our accounting for revenues and expenses related to a vaccine program we participate in. Previously, we recognized vaccine revenues on a proportional performance revenue recognition method of accounting for service contracts. Under this approach the Company recognized a percentage of the gross contract value upon implantation of a patient's tumor into immune deficient mice and the remaining deferred revenue upon delivery of the tumor to a separate third party who performs other services under the vaccine program. In addition, the Company expensed 100% of refundable upfront costs paid to third party contractors for services under the vaccine program they would deliver at a future date. Upon further review and analysis of the relevant accounting literature related to revenue recognition, we determined that revenue should be recognized when the final deliverable is delivered, which in our case is the vaccine to the patient, or the vaccine program period expires. With respect to the upfront costs that the Company pays to the other contractors participating in the program, it was determined that these costs should be capitalized as refundable advance payments and recognized ratably as the services are performed.

Note 2 to our restated condensed consolidated financial statements describes the nature of the restatement adjustments and details the impact of the restatement on our condensed consolidated financial statements as of January 31, 2009 and April 30, 2008 and the three and nine month periods ended January 31, 2009 and 2008.

**Overview**

The Company is engaged in the development of advanced preclinical platforms and predictive tumor specific data to enhance and accelerate the value of oncology drugs. Our Preclinical Platform is a novel approach based upon the implantation of primary human tumor fragments in immune deficient mice followed by propagation of the resulting engraftments (BiomerK Tumorgrafts ) in a manner that preserves the biological characteristics of the original human tumor. We believe that BiomerK Tumorgrafts closely reflect human cancer biology and their response to drugs is more predictive of clinical outcomes in cancer patients. The Company is building its BiomerK Tumorgraft platform through the procurement, development and characterization of numerous Tumorgrafts within each of several cancer types.

Tumorgrafts are procured through agreements with a growing number of institutions in the United States and overseas and developed and tested through agreement with a U.S. based preclinical facility.

## **Table of Contents**

We are leveraging our preclinical platform to evaluate oncology drug candidates and to develop a portfolio of novel or repositioned drug candidates through pre-clinical or early clinical trials. As drugs progress through this early stage of development, the Company plans to sell, partner or license them to pharmaceutical and/or biotechnology companies, as appropriate. We believe this strategy will enable us to leverage the competencies of these partners or licensees to maximize our return on investment in a time frame that is shorter than for traditional drug development. We believe that this model is unlike that of many new biotechnology companies that look to bring the process of drug development through all phases of discovery, development, regulatory approvals, and marketing, which requires a very large financial commitment and a long development period, typically more than a decade, to commercialize. Thus far we have acquired two oncology drug candidates and we have begun preclinical development of the lead candidate, SG410, through the use of contract facilities. We have secured preclinical supply of SG410 drug substance and it is our intention to develop a soluble form of the compound and evaluate its efficacy in Biomerk Tumorgrafts from several cancer types. If results are promising it is our intention to continue preclinical development and then sell, partner or license SG410 for its remaining clinical development.

We also offer our Biomerk Tumorgraft predictive preclinical platform and tumor specific data to physicians to provide information that may enhance personalized patient care options and to companies for evaluation of oncology drugs in a platform that integrates predictive testing with biomarker discovery. We provide personalized oncology services to physicians in the field of oncology by establishing and administering expert medical information panels for their patients to (i) arrange for testing, analysis and study of cancer tissues, as appropriate, (ii) analyze medical records and test results, and (iii) assist in understanding conventional and research options. The Company also develops and performs testing on Personalized Tumorgrafts to provide patients' physicians personalized data on treatment drug options. In fiscal 2008, the Company generated all its revenue from its growing personalized oncology services while it continued development of its Biomerk Tumorgraft platform.

In late fiscal year 2008, as we expanded our number of Biomerk Tumorgraft models, we began to offer leading pharmaceutical and biotechnology companies the benefits of our Biomerk Tumorgrafts for their preclinical evaluation programs. We provide preclinical evaluation services that we believe are more predictive of clinical outcomes and that might provide for a faster and less expensive path for drug approval. These services utilize Biomerk Tumorgrafts to evaluate tumor sensitivity/resistance to various single and combination standard and novel chemotherapy agents. The preclinical evaluation services we offer also include biomarker discovery and the identification of novel drug combinations. Once we enter into an agreement with a pharmaceutical or biotechnology company to perform Biomerk Tumorgraft testing services it takes several months to propagate the Tumorgrafts prior to beginning the drug testing.

### **Results of Operations**

We expanded our operations as a biotechnology company after we acquired Biomerk, Inc. in May 2007. Accordingly, the results described below for the 2008 period are for less than a full nine months.

#### **Three Months Ended January 31, 2009 and 2008**

**Revenues (Restated):** For the three months ended January 31, 2009, the Company's revenues from operations totaled \$983,300, compared to \$624,940 for the similar period a year ago, an increase of 57%. For the 2009 period, we derived most of our revenues from personalized oncology Services and a lesser amount from the Company's Preclinical evaluation business. For the period ended January 31, 2008, all revenues were derived from our Personalized Oncology business. The overall increase in our personalized oncology business is attributable to the success of our business development program to inform more physicians about the services we offer, and their use of additional services such as development and testing of Personalized Tumorgrafts. As the Company expands its personalized oncology business we are also seeing an increase from pharmaceutical companies who are contracting with our Company for preclinical evaluation services.

At January 31, 2009, we had deferred revenues of \$1,429,985 which represents payments received from customers for personalized oncology panels, Personalized Tumorgraft development and/or testing, Personalized Vaccine development, and preclinical evaluation services, including a new contract to perform preclinical evaluation services that have yet to be delivered. The corresponding revenues will be recognized once the services are performed. At January 31, 2008, deferred revenues totaled \$300,000 and the year over year increase reflects the continued growth of both customers and the services we offer.

**Expenses (Restated):** For the three months ended January 31, 2009, the Company's operating expenses totaled \$1,568,120 compared to \$314,490 for the similar period a year ago, an increase of 399%.

Research and development expenses (Restated): For the three months ended January 31, 2009, research and development expenses were \$435,274 and zero for the same period in 2008. The increase was due to the Company's efforts to build its preclinical platform, build its drug pipeline and develop its drug, SG410. Research and development expenses consist of consultants, Tumorgraft acquisition costs, their subsequent propagation, maintenance and storage, salaries and related benefits, and travel. Business development expenses incurred relate to salaries and related benefits, consultants, legal and travel for activities directed towards building our drug pipeline.

**Table of Contents**

**Personalized oncology and preclinical expenses (Restated):** For the three months ended January 31, 2009, personalized oncology and preclinical expenses totaled \$669,610, compared to \$201,222 for the similar period a year ago, an increase of \$468,388 or 233%. These costs were primarily for conducting the Company's personalized oncology services, including salaries and related benefits, medical information panels which include honoraria, travel and testing procedures. During the 2009 quarter the Company also entered into an agreement with a pharmaceutical company whereby the Company purposely reduced its gross margin on preclinical evaluation services revenues in exchange for a royalty agreement on future sales for a specific indication of the compound being tested.

**General and administrative expenses (Restated):** For the three months ended January 31, 2009, general and administrative expenses were \$463,236 compared to \$113,268 for the same period in 2008, an increase of \$349,968 or 309%. Expenses increased as the Company continued to expand and build out its management team and meet the requirements of a publicly traded company. Expenses included salaries and related expenses, legal, audit, occupancy, marketing, investor relations and consulting.

**Net Loss (Restated):** The Company's net loss for the three months ended January 31, 2009 was \$563,772 compared to net income of \$316,514 for the similar period in 2008. As explained above, the net loss for the three months ended January 31, 2009 was primarily attributable to the investments the Company continues to make as it expands into various product lines within its personalized oncology business, make investments in its business development team in order to identify drug candidates which it will license, building out a comprehensive preclinical BiomerK Tumorgraft platform and building out its management team.

**Nine Months Ended January 31, 2009 and 2008**

**Revenues (Restated):** For the nine months ended January 31, 2009, the Company's revenues from operations totaled \$2,700,589, compared to \$874,490 for the similar period a year ago, an increase of \$1,825,649 or 209%. For the 2009 period, we derived most of our revenues from personalized oncology services and a growing percentage of revenue from the Company's preclinical evaluation business. For the same period ending January 31, 2008, 100% of revenues were derived from our personalized oncology business. The overall increase in the personalized oncology business is attributable to a greater demand for our services and the additional products such as Personalized Tumorgraft development and testing we now offer in our second year of operations. The Company began offering preclinical evaluation services over the past nine months and has entered into several agreements with pharmaceutical companies who are testing their product candidates on our BiomerK Tumorgrafts.

At January 31, 2009 we had deferred revenues of \$1,429,985 which represents payment received from customers for personalized oncology panels, Personalized Tumorgraft development and/or testing, personalized vaccine development, and preclinical evaluation services that have yet to be delivered. At January 31, 2008, deferred revenues totaled \$300,000. The increase reflects the continued growth of both customers and product we offer in our second full year of operations.

**Expenses (Restated):** For the nine months ended January 31, 2009, the Company's operating expenses totaled \$3,622,726 compared to \$1,118,296 for the similar period a year ago, an increase of \$2,504,430 or 224%.

**Research and development expenses (Restated):** For the nine months ended January 31, 2009, research and development expenses were \$1,071,841 compared to \$105,910 for the same period in 2008, an increase of 912%. The increase was mainly attributable to the fact that the Company did not have any significant research and development efforts ongoing in the 2008 time period other than the purchase of a limited supply of Tumorgrafts. Research and development expenses incurred for the 2009 time period consist of salaries and related expenses, stock compensation charges, consultants, travel, Tumorgraft acquisition costs and their subsequent propagation, storage and maintenance. In addition we began to build out our business development team that is tasked with identifying and securing the Company's future drug pipeline.

**Personalized oncology and preclinical expenses (Restated):** For the nine months ended January 31, 2009, personalized oncology and preclinical expenses totaled \$1,387,796 compared to \$281,784 for the same period in 2008, an increase of \$1,106,012 or 393%. Personalized oncology expenses incurred for the nine months ended



January 31, 2009 consisted mainly of salaries and related employee benefits, stock based compensation, and the costs of conducting panels which include honoraria, travel and related testing procedures. With respect to preclinical expenses, the Company incurred expenses related to the propagation and testing of Biomerk Tumorgrafts. The Company did not have any expenses related to its preclinical business in the 2008 time period.

General and administrative expenses (Restated): For the nine months ended January 31, 2009 general and administrative expenses were \$1,163,089 compared to \$730,602 for the similar period in 2008, an increase of \$432,487 or 59%. General and administrative expenses saw a significant increase mainly due to the fact that the Company was in a start up mode during the 2008 time frame with a limited staff and resources. The increase for these factors was partially offset by lower share based compensation of \$323,563 for the nine months ended January 31, 2009 compared to \$510,259 for the same period in 2008. In the 2009 time period the Company continued to build out its corporate infrastructure. General and administrative expenses included salaries and related employee benefits, stock based compensation, investor relations, marketing, rent, supplies, legal, accounting and recruiting expenses.

## **Table of Contents**

Overall, expenses will continue to increase as the Company builds out its executive and management teams, continues to build out its infrastructure needed in a public environment and has growth in its various lines of business.

**Net Loss (Restated):** The Company's net loss for the nine months ended January 31, 2009 was \$855,260 compared to \$227,298 for the nine months ending January 31, 2008. As explained above in the Company's analysis of revenues and expenses, the major reason for the net loss was the continued investments being made with respect to the overall corporate infrastructure, investments in developing our preclinical Tumorgrafts and joint development agreements and the expenses incurred as a result of being a public company.

## **FINANCIAL CONDITION AND LIQUIDITY**

The Company's cash position on January 31, 2009 was \$2,624,866 compared to \$3,709,136 as of April 30, 2008. For the nine months ended January 31, 2009 the net cash used in operations totaled \$48,117.

The Company's working capital at January 31, 2009 was \$2,185,611 compared to \$2,748,141 at April 30, 2008. In November 2008 the company purchased a Certificate of Deposit in the amount of \$1,000,000 which is earning interest at 3.9% and matures in June 2009.

The Company raised capital in April 2008 totaling \$2,500,000 in a private investment financing.

The Company believes it has sufficient resources to provide for the next twelve months of operations based on its anticipated level of revenue growth, its current level of expenditures and ability to curtail spending if needed.

## **Critical Accounting Policies**

In the notes to our Annual Report on Form 10-KSB/A for the year ended April 30, 2008, we discussed the accounting policies that are considered to be significant in determining the results of operations and our financial position. We believe that the accounting principles utilized by us conform to accounting principles generally accepted in the United States of America.

## **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

None.

## **Item 4. Controls and Procedures**

Management of the Company is responsible for establishing and maintaining adequate disclosure controls and procedures and for the assessment of the effectiveness of disclosure controls and procedures. The Company's disclosure controls and procedures is a process designed under the supervision of the Company's chief executive officer and chief financial officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements in accordance with United States generally accepted accounting principles ( U.S. GAAP ).

Our Principal Executive Officer and Chief Financial Officer have concluded that during the period covered by this report, such internal control over financial reporting were not effective as more fully described below. This was due to deficiencies that existed in the design or operation of our internal control over financial reporting that adversely affected our disclosure controls and that may be considered material weaknesses . The Public Company Accounting Oversight Board has defined a material weakness as a deficiency, or combination of deficiencies, in internal control over financial reporting (ICFR) such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis by the company's ICFR.

The material weaknesses identified in our internal control over financial reporting and disclosure controls relate to the following:

Our auditors identified a material weakness which consisted primarily of inadequate staffing and supervision that could lead to the untimely identification and resolution of accounting and disclosure matters and failure to perform timely and effective reviews.

The second material weakness related to our accounting for stock-based compensation under SFAS 123R and EITF 96-18, where the Company improperly calculated the measurement date for non-employees of the Company and we did not take into consideration changes in employee status. In addition, we misclassified the fair value of the unvested portion of non-employee awards as a contra equity account called prepaid consulting.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can only provide reasonable assurances with respect to financial statement preparation and presentation. In addition, any evaluation of effectiveness for future periods are subject to the risk that controls may

become inadequate because of changes in conditions in the future.

**Table of Contents**

*Remediation of Material Weaknesses*

In light of the conclusion that our Company's internal control over financial reporting was not effective, our management has developed a plan intended to remediate such ineffectiveness and to strengthen our internal controls over financial reporting through the implementation of certain remedial measures, which include:

- 1) Continue enhancing our U.S. GAAP training program for our existing personnel.
  - 2) Hiring of an Assistant Controller to directly handle the day to day accounting functions of the company.
  - 3) The licensing of a SFAS 123R software program to assist in the proper accounting for stock based compensation.
- We will continue these efforts until we are satisfied that all material weaknesses have been eliminated. We expect that resolution of all of these issues will take place in fiscal 2010.

**PART II OTHER INFORMATION**

**Item 1. Legal Proceedings**

None

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

None

**Item 3. Defaults Upon Senior Securities**

None

**Item 4. Submission of Matters to a Vote of Security Holders**

None

**Item 5. Other Information**

On January 30, 2009, we entered into an operating lease for space located in the Science and Technology Park at Johns Hopkins in Baltimore City, Maryland. The lease, which commenced February 1, 2009, is for 1,185 square feet of office and laboratory space for an initial term of one year with five automatic renewals of one year each unless terminated by us. The current rental, with common area maintenance, is approximately \$5,500 per month during the current term, with increasing rentals for each renewal term of the lesser of: 3% or a percentage based on the increase in the Consumer Price Index (but not less than zero).

**Item 6. Exhibits**

Exhibit No.

- |      |   |
|------|---|
| 10.1 | Lease between Champions Biotechnology, Inc. and 855 N. Wolfe Street, LLC dated January 30, 2009 for office and laboratory space in the Science and Technology Park at Johns Hopkins located at 855 N. Wolfe Street, Suite 616, Baltimore, Maryland* |
| 31.1 | Rule 13a-14(a)/15d-14(a) Certification of President and Principal Executive Officer   |
| 31.2 | Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer   |
| 32.1 | Section 1350 Certifications   |

\* Previously filed

**Table of Contents**

**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.

CHAMPIONS BIOTECHNOLOGY, INC.  
(Registrant)

Date: August 26, 2009

By: /s/ Douglas D. Burkett  
Douglas D. Burkett  
President and Principal Executive  
Officer

By: /s/ Mark R. Schonau  
Mark R. Schonau  
Chief Financial Officer

**Table of Contents**

**EXHIBIT INDEX**

Exhibit No.	Description
10.1	Lease between Champions Biotechnology, Inc. and 855 N. Wolfe Street, LLC dated January 30, 2009 for office and laboratory space in the Science and Technology Park at Johns Hopkins located at 855 N. Wolfe Street, Suite 616, Baltimore, Maryland*
31.1	Rule 13a-14(a)/15d-14(a) Certification of President and Principal Executive Officer
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer
32.1	Section 1350 Certifications

\* Previously filed