

Grant Life Sciences, Inc.
Form 10KSB/A
June 21, 2007

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-KSB/A**

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

For the fiscal year ended December 31, 2006

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

COMMISSION FILE NO. 000-50133

Grant Life Sciences, Inc.

(Name of Small Business Issuer in Its Charter)

Nevada 82-0490737
(State or (I.R.S.
Other Employer
Jurisdiction of Identification
No.)

Incorporation
or
Organization)

1787 E. Fort Union Blvd., Suite 202, Salt Lake
City, UT
(Address of Principal Executive Offices)

84121
(Zip Code)

(801) 733-0878
(Issuer's Telephone Number, Including Area Code)

SECURITIES REGISTERED UNDER SECTION 12(b) OF THE EXCHANGE ACT: NONE

SECURITIES REGISTERED UNDER SECTION 12(g) OF THE EXCHANGE ACT:

Common Stock, \$.001 Par Value Per Share

Check whether the Issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 x No o

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained herein, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. x

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

State issuer's revenues for the most recent fiscal year: none.

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold, or the average bid and asked price of such common equity, as of a specified date within the past 60 days. As of March 19, 2007: \$7,214,294 (150,297,796 shares at \$0.048/share).

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 154,515,423 shares of common stock, \$.001 par value per share, as of March 19, 2007.

Explanatory Note

Grant Life Sciences, Inc. (the “Company”) is filing this amended Annual Report on Form 10-KSB/A for the year ended December 31, 2006, to file restated consolidated financial statements which contain adjustments to correct errors arising from the incomplete and/or incorrect application of derivative accounting to the Company’s convertible notes and warrants, as more fully explained in Note B to the restated, consolidated financial statements as of and for the years ended December 31, 2006 and 2005.

The Company has also amended Item 6, “Management’s Discussion and Analysis or Plan of Operation” as well as Item 8A, “Controls and Procedures” and, in addition, has updated the signature page and made other updating changes.

The amended Annual Report on Form 10-KSB/A is set forth in its entirety on the following pages.

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STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

In this annual report, references to "Grant Life Sciences," "GLIF," "the Company," "we," "us," and "our" refer to Grant Life Sciences, Inc.

Except for the historical information contained herein, some of the statements in this Report contain forward-looking statements that involve risks and uncertainties. These statements are found in the sections entitled "Business," "Management's Discussion and Analysis or Plan of Operation," and "Risk Factors." They include statements concerning: our business strategy; expectations of market and customer response; liquidity and capital expenditures; future sources of revenues; expansion of our proposed product line; and trends in industry activity generally. In some cases, you can identify forward-looking statements by words such as "may," "will," "should," "expect," "plan," "could," "anticipate," "intend," "believe," "estimate," "predict," "potential," "goal," or "continue" or similar terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including, but not limited to, the risks outlined under "Risk Factors," that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. For example, assumptions that could cause actual results to vary materially from future results include, but are not limited to: our ability to successfully develop and market our products to customers; our ability to generate customer demand for our products in our target markets; the development of our target markets and market opportunities; our ability to manufacture suitable products at competitive cost; market pricing for our products and for competing products; the extent of increasing competition; technological developments in our target markets and the development of alternate, competing technologies in them; and sales of shares by existing shareholders. Although we believe that the expectations reflected in the forward looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Unless we are required to do so under US federal securities laws or other applicable laws, we do not intend to update or revise any forward-looking statements

Item 1. Description of Business

Overview of Our Business

We are developing antibody-based screening tests to screen woman for cervical cancer and pre-cancerous conditions that become cervical cancer. Our tests detect the presence of certain antibodies that appear only when cervical cancer or certain pre-cancerous conditions are present in the body. Our tests are performed by analyzing a small amount of the patient's blood.

In one version of our test, the blood sample is analyzed in a clinical setting using standard laboratory equipment and analytic software, which generally can produce completed results in about 2 hours. Our rapid test provides easy-to-read results in approximately 15 minutes and is designed to be administered by a health professional in a doctor's office, hospital, and clinic or even at home. This planned cervical cancer test uses proprietary technology to detect the presence of specific antibodies associated with cervical pre-cancers and cancer. We continue to test the validity of the results and believe that if they prove valid in the future we may be able to use that technology to develop rapid tests for other diseases and cancers.

In January 2006 we announced the signing of a Memorandum of Understanding (MOU) with Drs. Sveshnikov and Kiselev of the Russian Republic, for the in-licensing of certain of their technologies that are highly complementary to our antibody-based test for detecting cervical cancer. The technology is used to detect specific cervical cancer-causing proteins. The test utilizes antibodies against these cancer-causing proteins for detection. Thus far, the test is designed to detect specific cancer-causing proteins and once fully validated and expanded would be synergistic and complementary test to existing Pap technology. It would provide for very low-cost HPV testing as currently

performed in Western countries, without the need for additional cervical specimens beyond what is now taken. In addition, large capital outlays would not be required, since most laboratories can readily do the necessary testing.

Sveshnikov/Kiselev have already tested their technology in Russia and we will be further validating their tests with more specimens from Russia and the United States in controlled clinical settings.

We also have the exclusive worldwide rights to diagnostic devices for HIV-1, HIV-2 and dengue fever testing and a proprietary diagnostic reagent a key ingredient commonly used by leading manufacturers of rapid tests. We acquired these rights from AccuDx Corporation in March 2005 for a period of ten years.

History of Grant Life Sciences

We were incorporated in Idaho in 1983 as Grant Silver Inc. In 2000, we reincorporated in Nevada. On July 30, 2004, we acquired Impact Diagnostics, Inc, a Utah corporation, through the merger of our wholly owned subsidiary into Impact Diagnostics. We sometimes refer to that transaction as the “Merger”. As a result of the Merger, Impact Diagnostics became our wholly owned subsidiary. Impact Diagnostics was formed in 1998 and has been developing a cervical cancer test. For several years prior to our acquisition of Impact Diagnostics, we engaged in no business.

Impact Diagnostics was formed in 1998 to license and develop certain technologies as owned by Dr. Yao Xiong Hu. Initial funding provided by the founders, and supplemented by two additional rounds of private funding, was used to fund the collection of patient samples and validation study costs of the technology. Once the technology was verified, Dr. Mark Rosenfeld drafted and applied for patents. In early 2004, Impact Diagnostics received its first patent.

Pursuant to the merger, each issued and outstanding share of common stock of Impact Diagnostic was converted into the right to receive one share of our common stock. In addition, each option to purchase one (1) share of common stock of Impact Diagnostics was converted into the right to receive an option to purchase one (1) share of our common stock. Upon completion of the merger, our then standing board of directors resigned and the nominees of Impact Diagnostics were appointed to our board of directors.

Cervical Cancer

Invasive cervical cancer affects over 500,000 women worldwide annually, and approximately 300,000 women die each year from this disease. Cervical cancer is the second highest cause of cancer death among women. In the United States, Western Europe and other countries where there is widespread screening and a well developed testing or diagnostic infrastructure, invasive cervical cancer is less prevalent. In China, India and many other countries, there is a much higher incidence of invasive cervical cancer because of the lack of testing and limited or diagnostic testing infrastructure.

Pap Tests have been the most prevalent cervical cancer screening method for more than 50 years. In recent years, gene- or DNA-based HPV tests has been introduced as an adjunct to the Pap Test. Today, approximately 60 million Pap Tests are performed annually in the United States, and an additional 60 million Pap Tests are performed annually in the rest of the world, mainly in Canada, Western Europe and Japan. Outside the United States, approximately 1.7 billion women do not undergo regular cervical cancer testing. In many cases, this scarcity of testing is the result of a lack of economic resources, as well as social, cultural and/or religious factors, which may contribute to women not undergoing cervical cancer screening.

Cervical cancer is predominantly caused by human papillomavirus or HPV. However, of the more than 100 specific types of HPV, the scientific community believes only 7 to 15 are positively correlated with most cervical cancers. There are two types of cervical cancer. Squamous cell carcinoma, a cancer of the flat, scale-like cells that coat the cervix, is the most prevalent type. Adenocarcinoma is a more virulent cancer that stems from cervical cells with glandular or secretory properties that is increasing in incidence and often is undetectable by Pap Tests. Missing adenocarcinomas is largely caused by problems in collecting the correct cervical cells.

Traditional Testing for Cervical Cancer

Pap Tests

The most common means of screening for cervical cancer is the Pap Test, which has been used as the primary screen for over 50 years. The Pap Test is performed by swabbing the cervical surface to collect cells that are then placed on a microscopic slide for examination. A specially-trained licensed cytotechnologist, usually in a hospital or pathology

laboratory, observes the cells using a microscope and other specialized equipment to determine whether abnormal cells are present. When a cytotechnologist identifies a potential abnormality, a cytopathologist verifies the interpretation. A second generation Pap Test, known as a "Liquid Pap Test", involves a special procedure that puts cells onto a microscopic slide in a manner that is intended to allow for more clear-cut scrutiny by the cytotechnologist.

Women whose Pap test results are normal do not undergo further inspection, but instead characteristically return for routine Pap screening on an annual basis. However, women with abnormal Pap test results may be subjected to follow-up Pap tests, colposcopy (a visual examination of the cervix with the aid of a distinctive microscope) and biopsy to clearly identify cancerous conditions. Advanced lesions may then be removed with a cauterizing device or scalpel, and in some cases women undergo a hysterectomy, or removal of the entire cervix. If a patient's Pap Test cannot specifically be classified as normal or abnormal, the result is classified as "equivocal", or Atypical Squamous Cells of Undetermined Significance (ASC-US). This occurs in approximately 5-7% of cases in the United States (Modern Pathology, 12:335). Patients with equivocal Pap Test results typically will undergo multiple repeat Pap Tests. Many of these patients will also undergo a colposcopy and a biopsy. However, 80% of women with ASC-US who undergo an expensive colposcopy do not have cervical disease or develop cervical cancer (Journal of Medical Screening, 3:29).

While Pap Tests have been an important screening tool for many years and have helped reduce deaths caused by cervical cancer, they still have some significant shortcomings, including:

- limited predictive value — in the United States, each year several million colposcopies are performed on patients with abnormal Pap Test results, but only 20% of the colposcopies reveal cervical cancer or pre-cancerous lesions (Journal of the American Medical Association, 287:2382).
- false negative results — in the United States, Pap Tests fail to diagnose cervical cancer or pre-cancerous conditions that often lead to cervical cancer in approximately 30% to 60% (depending on whether a Liquid Pap Test or a regular Pap Test is used) of the cases where cervical cancer or pre-cancerous conditions are present (Archives of Pathology & Laboratory Medicine, 122:139).
- false positive results — Distinguishing between cervical cancer or pre-cancerous states and benign conditions mimicking them can be difficult via Pap Tests. (Diagnostic Cytopathology, 28:23).
- inability to detect adenocarcinomas — Pap Tests are unable to detect the presence of the more virulent adenocarcinoma (Clinical Laboratory Medicine, 20:140).
- invasive procedure — Pap Tests require healthcare professional to extract cells from the cervix by inserting a collecting device into the cervix. In some non-Western countries, women may be inhibited from undergoing this procedure for social, cultural or religious reasons.
- high costs — highly trained physicians and other specialists are required to collect, examine and interpret the Pap Test specimen, which contributes to a higher cost structure for the Pap Test. Following a positive test result, colposcopies and biopsies are required, raising the overall potential cost of screening.

Some of these deficiencies may be due primarily to visual limitations associated with microscopic examination, the inadequate or inappropriate sampling of cells or other technical problems and to the subjective nature of cytology interpretation.

HPV Tests

In the past few years, HPV testing has been introduced as another element of the cervical cancer screening process. The HPV Test is a gene-based test that detects the presence or absence of certain cancer-causing HPV. Like the Pap Test, it is performed by swabbing the cervix to extract cells. The specimen is then analyzed using expensive specialized equipment and software programs in a laboratory.

In the United States, women with ASC-US results from an initial Pap Test often undergo an HPV Test to determine if HPV is present. That test can be performed using the same sample taken for a Liquid Pap Test or a stand-alone one. HPV testing has also been introduced in conjunction with Pap Tests as an optional screening protocol for women 30 years of age and older, even in the absence of ASC-US or worse results.

While HPV Tests are helpful in detecting the presence of HPV, which is a precursor for virtually all cervical cancer, they too suffer from some significant shortcomings:

- limited predictive value — HPV tests actually detect virus infection and not cervical cancer and/or associated pre-cancerous lesions. Although HPV is an obligate cause of cervical cancer, only 2% of patients testing positive for HPV will eventually progress to the disease (Journal of Clinical Microbiology, 42:2470).

· invasive procedure — Like Pap smear cytology, the HPV test requires that the attending healthcare professional get cells by inserting a collection device into the cervix. As earlier stated, women in certain non-Western cultures may be prohibited from undergoing such a procedure for social, cultural or religious reasons

· high cost and complex — The HPV test specimen must be processed by special and dedicated, expensive laboratory equipment and interpretational computer software by highly trained technicians, thus the higher costs associated with HPV tests. Following a positive test result, colposcopy and biopsies are required, thus further elevating diagnostic costs.

Our Planned Cervical Cancer Test

We are developing cervical cancer tests that if proven will detect the presence or absence of specific antibodies that are produced only if cancer-causing HPV is present in the body, and consequent oncogenic, or cancer-promoting, changes have occurred. Cancer-causing HPV have unique proteins that trigger the disease. Upon disease onset, the body makes antibodies to these unique proteins. By detecting specific antibodies to cancer-causing HPVs, we believe that our tests will be able to more reliably determine whether a patient has cervical cancer or pre-cancerous lesions than can Pap smear cytology or HPV testing.

Our tests involve the analysis of a small amount of blood taken from the patient. The collection of small volumes of blood is widely accepted as being of “minimal risk”. It is not necessary to probe the cervix to get results. Given the previously discussed socio-religious hesitance or prohibitions as to getting cells from the cervix, we believe our tests will have greater acceptability and/or desirability than tests that involve obtaining cells from the cervix. Our tests involve the following steps:

- The sample is placed into a receptacle coated with proprietary detection proteins of a specific nature. Only certain antibodies to cancer-causing HPVs can adhere to these proteins.
- The container is then rinsed, thus removing everything but antibodies that have adhered to the proteins.
- A special solution is added to the container. This solution includes “detector” antibodies that attach to those specific antibodies to cancer-causing HPVs adhered to the special detector proteins. The solution changes color with attachment of the “detector” antibodies, an indicator of a positive result (i.e., cervical cancer or a pre-cancerous condition present).

We are developing two tests. One, known as the Enzyme Linked Immunosorbent Assay Test (ELISA), is designed to be run in a laboratory. The blood specimen is sent to the laboratory, where a laboratory technician runs the test using standard, readily available laboratory equipment. No unique analytic or diagnostic software is required, while such software is essential for HPV testing. While test results typically are available in about two hours, we anticipate that the typical turnaround time from the laboratory to the doctor will be approximately two days. We believe that a doctor will be able to order this test as one of a battery of tests that is run on a patient’s blood sample after a typical office visit.

Our second generation rapid test is designed to be a point-of-care test that will be able to be administered in the hospital, physician’s office, clinic or even at home or in outdoor settings. The test kit will contain the required container and reagents, with a color change will indicate the presence of “detector” antibodies that recognizing the cancer-causing proteins. We anticipate that the test will be able to produce results within 10 to 15 minutes after administration of the test.

We have not yet completed the development of our cervical cancer tests. We are continuing to refine the existing proteins and processes currently used in our tests and are testing other proteins and processes, which may be included in our tests in the future.

We believe that, when completed, our tests will be a more accurate and efficient way to diagnose cervical cancer for the following reasons:

- greater accuracy — Our cervical cancer tests will detect specific antibodies present only if cancer-causing HPV is present and cancer-related cellular changes have occurred. As a result, we believe our tests will be able to more accurately diagnose cancer or pre-cancerous conditions than do Pap and HPV tests, thus making for fewer false positive or false negative results.
- ability to detect adenocarcinomas - Our antibody detection approach is well suited for finding adenocarcinomas as well as squamous cell carcinomas since cell samples are not required.
- non-invasive — Our tests require a small amount of blood, which may be quickly and safely taken via a finger prick or from a vein in the arm. We believe that in countries where women are reluctant to allow a healthcare professional to sample their cervix will be greater willingness to allow blood sampling to ascertain cervical disease.

reduced costs — We believe that because our tests will be run by laboratory technicians using standard, readily available equipment or by a healthcare professional using a point-of-care test, overall costs for our screening tests will be less than experienced with Pap or HPV tests. In addition, by providing more accurate results, we believe that our tests may reduce the number of repeated cervical cancer tests of any sort along with expensive colposcopies, biopsies and related medical procedures.

Initial Cervical Cancer-associated HPV Antibody Validation Studies

We have conducted initial studies to validate our planned cervical cancer tests.

In the United States, the Institutional Review Board (IRB) governs collection and use of patient specimens for research and testing purposes. The IRB Committee at Intermountain Health Care, the largest hospital facility in the intermountain western United States, and at St. Mark's Hospital in Salt Lake City, Utah, approved the evaluation of our technology for screening blood serum from patients, some of whom had negative Pap Tests and some of whom had previously been diagnosed with cervical cancer or intraepithelial lesions, the immediate precursor to cervical cancer. These initial non-blind studies were performed in May 2003 by Ameripath, Inc. on a total of 65 American patient samples from these IRB approved sources. Our tests detected cervical cancer or pre-cancerous conditions 94% of the time such conditions existed, and were able to rule out cervical cancer or pre-cancerous conditions 82% of the time the patient did not have these conditions.

Similar testing was done in April 2003, under a Chinese IRB equivalent, at the China Cancer Institute, China Academy of Medical Sciences on 70 samples, of which over half were from cervical cancer patients. Our tests detected cervical cancer or pre-cancerous conditions 97% of the time such conditions existed and were able to rule out cervical cancer or pre-cancerous conditions 85% of the time the patient did not have these conditions.

The initial studies conducted by Ameripath and in China used a "cut off" value or measurement standard to differentiate benign from cancerous or pre-cancerous conditions that is higher than would typically be used in a commercially available test. We currently are refining our technology in order to enable our tests to achieve similar results using a measurement standard appropriate for a commercial cervical cancer diagnostic test.

We are reformatting the assay platform and will conduct validation studies on the refined version of our cervical cancer test in the next few months. We have leased a facility in Los Angeles to conduct these studies. Once the test is validated we will develop a proposed protocol of clinical trials and other studies that will be used to support the submissions we intend to make to the FDA and other foreign regulatory authorities.

Cervical Cancer-associated HPV Antigen Detection Immunoassay Program

We have signed a Memorandum of Agreement (MOU) with Drs. Peter Sveshnikov and Vsevolod Kiselev of the Russian Republic, for the in licensing of technologies highly complimentary to Grants' antibody-based test for detecting cervical cancer. The Sveshnikov/Kiselev Technology comes to Grant from the US State Department through its Bio-Industry Initiative (BII) program. The BII is designed to foster medical and other biological research and development in the former Soviet Union, to convert former biowarfare scientists to productive peacetime activities. .

Sveshnikov/Kiselev have developed an Enzyme-linked Immunosorbent Assay (ELISA) to detect specific cancer-causing proteins from the human papillomavirus (HPV), the obligate cause of cervical cancer, in cervical mucous and cells (which make up liquid-based pap samples). The test utilizes certain monoclonal antibodies against these cancer-causing HPV proteins for detection. So far, the test is designed to detect cancer-causing proteins from HPV types 16 and 18, which collectively are responsible for most cervical disease. This type-specific antigen test, once fully validated, and expanded to include additional types of HPV associated with cervical dysplasia and cancer, would be a very synergistic compliment test to existing Pap technology. It will provide for very low cost HPV testing

as currently performed in Western countries, without the need for additional cervical specimens beyond what is now taken. In addition, large capital outlays would not be required since most laboratories can readily do ELISA testing.

Sveshnikov/Kiselev have already looked at their technology with 1000 Russian samples to confirm the potential of this technology. Grant will be further validating with more specimens from Russia and with the cervical specimens obtained in the United States under Institutional Review Board approval in controlled clinical settings.

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Together, when validated, Grant will have two complementary cervical dysplasia or cancer diagnostic tests that will work on blood serum or cervical mucous and cells. A blood-based test is eminently suitable for the 1.7 billion women worldwide currently are not tested by Pap smear cytology.

Regulatory Approval

In the United States, our planned cervical cancer tests will be subject to regulation by the U.S. Food and Drug Administration (FDA) under the Federal Food, Drug and Cosmetic Act. Governmental agencies in other countries also regulate medical devices. These domestic and foreign regulations govern the majority of the commercial activities we plan to perform, including the purposes for which our proposed tests can be used, the development, testing, labeling, storage and use of our proposed tests with other products and the manufacturing, advertising, promotion, sales and distribution of our proposed test for the approved purposes. Compliance with these regulations could prove expensive and time-consuming.

Products that are used to diagnose diseases in people are considered medical devices, which are regulated in the United States by the FDA. To obtain FDA authorization for a new medical device, a company may have to submit data relating to safety and efficacy based upon extensive testing. This testing, and the preparation and processing of necessary applications, are expensive and may take up to a few years to complete. Whether a medical device requires FDA authorization and the data that must be submitted to the FDA varies depending on the nature of the medical device.

Medical devices fall into one of three classes (Class I, II, or III), in accordance with the FDA's determination of controls necessary to ensure the safety and effectiveness of the device or diagnostic. As with most diagnostic products, we anticipate that our planned cervical cancer tests will be classified by the FDA as a Class II device. By definition, this means that there could be a potential for harm to the consumer if the device is not designed properly and/or otherwise does not meet strict standards. To market and sell a class II medical device, a company must first submit a 510(k) premarket notification, also known as a 510(k). The 510(k) application is intended to demonstrate substantial equivalency to a Class II device already on the market. The FDA will still require that clinical studies of device safety and effectiveness be completed.

In the United States, prior to approval by the FDA, under certain conditions, companies can sell investigational or research kits to laboratories under the Clinical Laboratory Improvement Amendment (CLIA) of 1988. Under CLIA, companies can sell diagnostic assays or tests to "high complexity" laboratories for validation as an "analyte specific reagent". An analyte specific reagent is the active ingredient of an "in-house" diagnostic test.

We intend to sell the ELISA version of our cervical cancer test to high complexity laboratories for validation as an analyte specific reagent or for use by such laboratories in their own homebrew (or in-house) diagnostic assays. Such sales would not require FDA approval, but we are aware that the FDA might deny approval under CLIA for sales of our product as an analyte specific reagent.

We have not yet submitted an application for approval to the FDA or regulatory agencies in any other countries of the cervical cancer tests we are developing. It is highly likely that we will have to conduct clinical trials and other studies to generate data that the FDA and other regulatory authorities will require in support of our application. We have not yet designed or initiated any of these trials. We anticipate it will take a minimum of one to two years to complete the review and approval process.

In addition to any government requirements as to authorizing the marketing and sales of medical devices, there are other FDA requirements. The manufacturer must be registered with the FDA. The FDA will inspect what is being done on a routine basis to ascertain compliance with those regulations prescribing standards for medical device quality and consistency. Such standards refer to but are not limited to manufacturing, testing, distribution, storage, design

control and service activities. The FDA also prohibits promoting a device for unauthorized uses and routinely reviews labeling accuracy. If the FDA finds failures in compliance, it can institute a range of enforcement actions, from a public warning letter to more severe sanctions like withdrawal of approval; denial of requests for future approval; fines, injunctions and civil penalties; recall or seizure of the product; operating restrictions, partial suspension or total shutdown of production; and criminal prosecution.

The FDA's medical device reporting regulation also will require the reporting of information on deaths or serious injuries associated with the use of our tests, as well as product malfunctions that are likely to cause or contribute to death or serious injury if the malfunction were to recur.

Regardless of FDA approval status in the U.S, we will need to obtain certification of our tests from regulatory authorities in other countries prior to marketing and selling in such countries. The amount of time needed to achieve foreign approval varies from country to country and regulatory, approval by regulatory authorities of one country cannot by itself determine acceptance by another country's regulatory body. Additionally, implementation of more stringent requirements or the adoption of new requirements or policies could adversely affect our ability to sell our proposed tests in other countries in the world. We may be required to incur significant costs to comply with these laws and regulations.

In addition to the rules and regulations of the FDA and similar foreign agencies, we may also have to comply with other federal, state, provincial and local laws, rules and regulations. Our tests could be subject to rules pertaining to the disposal of hazardous or toxic chemicals or potentially hazardous substances, infectious disease agents and other materials, and laboratory and manufacturing practices used in connection with our research and development activities. If we fail to comply with these regulations, we could be fined, may not be allowed to operate certain portions of our business, or otherwise suffer consequences that could materially harm our business.

Competition

We are not aware of other companies that are developing a protein-based screening test that detects antibodies to cervical cancer. However, when completed, we expect that our cervical cancer tests will compete with the Pap Tests, which have been widely accepted by the medical community for over 50 years. Approximately 60 million Pap Tests are performed annually in the United States, and an additional 60 million Pap Tests are performed annually in the rest of the world. Manufacturers of Pap Tests include Cyctc Corporation, TriPath Imaging, Inc. and several other companies.

Our cervical cancer test also will compete with HPV Tests, which are becoming increasingly accepted in the medical community. Manufacturers of HPV Tests include Digene Corporation, Ventana Medical Systems, Roche Diagnostics, Abbott Laboratories, and Bayer Corporation.

All of the companies who make Pap Tests and HPV Tests have far greater financial, technical, research and development, sales and marketing, administrative and other resources than we do.

For our proposed tests to become accepted in the medical community, we will need to convince those who use established tests that our proposed tests are more reliable for the screening of cervical cancer, either as stand-alone tests or in conjunction with the Pap Test and/or HPV Tests.

In addition, we will need to obtain reimbursement coverage for our proposed cervical cancer tests. In the United States, the American Medical Association assigns specific Current Procedural Terminology, or CPT, codes necessary for reimbursement. Third-party payors and managed care entities that provide health insurance coverage to approximately 225 million people in the United States currently authorize almost universal reimbursement for the Pap Test, and the Pap Test is nearly fully reimbursed in other markets where we will sell our proposed tests. The HPV Test now has full reimbursement for certain uses. We will attempt to obtain reimbursement for our planned cervical cancer tests to the same degree as the Pap Test, but it is possible that we will be unable to obtain third-party reimbursement for these tests.

Sales and Marketing

When we have completed the development of our cervical cancer tests and received any required regulatory approval, we plan to market and sell our ELISA test to laboratories in the United States, Canada, Western Europe, Japan and other countries with established cervical cancer screening programs for use as a screening test. Initially, we do not plan to sell our test in these countries directly to primary healthcare providers.

In developing nations and other markets where cervical cancer screening is not widespread and where there are few laboratories or other testing facilities, we plan to market and sell our rapid test to primary healthcare providers as a stand alone point-of-care test. In some of these countries, we plan to sell our proposed test directly to the governments or to other national healthcare distributors who distribute tests to national healthcare providers.

We do not currently have a marketing or sales force or a distribution arrangement in place. We will need to expend resources to develop our own marketing and sales force or enter into third party distribution arrangements.

License AccuDx Rapid Point-of-Care Diagnostic Tests

In conjunction with our primary diagnostic cervical cancer blood test that we are developing, during the year we acquired exclusive worldwide rights to diagnostic devices for HIV-1, HIV-2 and dengue fever and proprietary colloidal gold reagent, a key ingredient commonly used by leading manufacturers of rapid tests as a detectable label. We acquired these rights from AccuDx.

As access to antiretroviral treatment is scaled up in low income countries, there is a critical opportunity to expand access to HIV prevention. Among the interventions which play a critical role both in treatment and prevention, HIV testing and counseling stands out as paramount. An estimated 40 million people are now living with HIV/AIDS of which nearly 18 million are women and 2 million children. Just in year 2004 over 5 million new infections were reported. Serological determination of the specific anti-HIV antibodies still forms the primary screening/diagnostic procedure for HIV infection.

The AccuDx AIDS test device consists of a sample addition pad containing HIV-antigen gold conjugate, a capillary membrane with three capture lines with HIV-1, HIV-2 and a control line and a fluid absorption pad. When test strips are placed in the tube containing test serum or plasma, the liquid migrates upwardly by capillary action. Colloidal gold conjugates of HIV antigen react with anti-HIV-1 and anti-HIV-2 antibodies in the sample which then are captured on specific antigen lines as they migrate up the membrane and into the fluid absorption pad. The results are visual and easy to interpret. For example, a single pink line corresponding to control is a negative, two lines corresponding to control and HIV-1 is an HIV-1 positive sample. In the cases where all two lines corresponding to HIV-2 and control would be an HIV-2 infection. Recombinant fusion proteins consisting of envelope proteins (gp120 and gp41), a recombinant protein covering the antigenic epitopes of HIV-1 envelope gp36 and a recombinant O-subtype are used for signal as well as capture Ligands in a "double antigen immuno-chromatographic assay" format. The test is simple to use and performance characteristics are comparable to Laboratory based assays. The Company believes that extensive utilization of HIV antibody point-of-care tests should aid combat the current HIV/AIDS pandemic world-wide.

Another global illness, dengue fever, which is transmitted by mosquitoes has increased dramatically in recent decades. Dengue fever, dengue haemorrhagic fever (DHF) and dengue shock syndrome (DDS) occur in over 100 countries and territories and threaten the health of more than 2.5 billion people in urban, peri-urban and rural areas of the tropics and subtropics. The disease is endemic in Africa, the Americas, the Eastern Mediterranean, South-East Asia and the Western Pacific. Although the major disease burden is in South-East Asia and the Western Pacific, rising trends are also reflected in increased reporting of dengue fever and DHF cases in the Americas. In 1998, a total of 1.2 million cases of dengue and DHF were reported to WHO including 15,000 deaths. Globally, the annual number of infections is much higher than is indicated by the number of reported cases. Based on statistical modeling methods there are an estimated 51 million infections each year.

Dengue is a Flavivirus that is transmitted by mosquito, principally *Aedes aegypti*. There are four known serotypes and serology is a useful aid in the diagnosis of dengue infections. Rapid and reliable tests for primary and secondary infections of dengue are essential for patient management. Primary Dengue infection is associated with mild to high fever, headache, muscle pain and skin rash. Immune response includes antibodies denoted as IgM which are produced by 5th day of symptoms and persists for 30-60 days and antibodies denoted as IgG which appear by the 14th day and persist for life. Secondary infections often result in high fever and in many cases with haemorrhagic events and circulatory failure. Secondary infections induce IgM response after 20 days of infection and IgGs rise within 1-2 days after the onset of symptoms. A reliable and sensitive rapid test that can simultaneously detect the presence of anti-dengue IgG and IgM is of great clinical utility. The Immunochromatographic format provides an excellent immune capture method for specific detection of anti-dengue IgG and IgM. The presence of high titers of IgGs does not interfere with the IgM detection in the AccuDx format. A mixture of highly purified recombinant proteins corresponding to dengue virus e-proteins from type 2 and 3 and covering antigenic epitopes of all 4 serotypes is conjugated to colloidal gold. The Immunochromatographic device is sensitized with goat anti-human IgG

(corresponding to a band just below the mark “G”), goat anti-human IgM (corresponding to a band just below the mark “M”) and anti-dengue E protein monoclonal antibodies (corresponding to the band just below the mark “C”).

The AccuDx test utilizes a specimen sample consisting of serum or plasma which is added to a test tube with the buffer solution provided. IgGs and IgMs in the specimen sample react with colloidal gold conjugates of recombinant dengue envelope proteins that detect Dengue Types 1, 2, 3 and 4 as they travel up the test strip and are captured by the relevant IgG and or IgM test bands. If there are anti-dengue IgGs or IgMs present within the specimen sample, signal conjugates will bind to them and produce a pale or dark pink band at either the “G” for IgGs or “M” for IgMs. In all cases the conjugate in the specimen sample conjugate mixture in the test tube will bind with the anti-dengue monoclonal antibody band, and serves as a positive control. The intensity of the bands will vary depending upon the antibody titer (IgM and IgG). In the cases of very high titer IgG and IgM, the control band may appear fainter in its intensity. Extensive utilization of point-of-care testing of Dengue IgM/IgG tests could in the Company’s view save many lives worldwide.

The agreement with AccuDx grants Grant the right to manufacture the AccuDx Tests. We will seek recertification approval in Southeastern countries where the AccuDx Tests had previously received certificates of resale and we will seek governmental approval in other countries including China, Brazil and India.

We have also acquired exclusive rights to AccuDx's proprietary colloidal gold reagent, a key ingredient commonly used by leading manufacturers of rapid tests as a detectable label. The need for uniform size colloidal conjugates in diagnosis and nanotechnology cannot be over emphasized. AccuDx has developed and perfected technologies to particles of colloidal manufacture large quantities of uniform size colloidal gold. Colloidal gold conjugates are currently used in various applications including in in vitro diagnostic devices, electron microscopy and various nanotechnology applications. Conjugates of various specific Ligands will be made available as research reagents and OEM products.

Grant Life Sciences has shipped several orders of rapid diagnostic tests for Malaria and Dengue Fever to India. While these initial orders were small due to the lack of funding to expand the purchase and sales, nonetheless it is evidence that we are executing our strategy to revitalize AccuDx's distributor networks in overseas markets. While we expect revenues to continue to increase, seasonal fluctuations due to the nature of specific diseases will effect monthly sales. For example, Malaria and Dengue Fever are highly seasonal diseases. However, to offset seasonal fluctuations, we plan on broadening our family of diagnostic tests utilized at both the point-of-care as well as in the laboratory setting.

The Company's goal is to have a global distributorship network in place, along with the requisite manufacturing capacity, so that we can begin selling our core product, the immunological serum-based test for detecting Cervical Cancer and its precursors, as soon as it is ready for commercialization .

Intellectual Property

We rely on patents, licenses from third parties, trade secrets, trademarks, copyright registrations and non-disclosure agreements to establish and protect our proprietary rights in our technologies and products.

We entered into an exclusive license with Dr. Yao Xiong Hu on July 20, 2004 for certain processes that we currently include in our cervical cancer tests based on antibodies. Some of the technology owned by Dr. Hu is covered by two United States patents that have been issued, and some of the technology is covered by several United States patent application that have been filed and are pending. The agreement with Dr. Hu also covers technology included in foreign applications presently pending as PCT applications in China and India. We entered into the license agreement with Dr. Hu on July 20, 2004. The initial term of this license is 17 years, and it automatically renews for successive one-year periods unless voluntarily terminated by us or by Dr. Hu in the event of our insolvency. Under the license agreement, we are required to pay Dr. Hu a minimum licensing fee of \$48,000 per year, which is paid on a monthly basis of \$4,000 per month. If the annual royalty exceeds, \$48,000, we will also be required to pay to Dr. Hu royalties on a quarterly basis ranging from 1% to 3% depending on the net sales of our product. We have the option to purchase the licensed technology for \$250,000 within two years from the date of the agreement.

We plan to file patent applications for any additional technology that we create in the future.

We anticipate that we may need to license additional technology for use in our planned cervical cancer tests from other third parties. We may be unable to obtain these licenses on acceptable terms or at all.

Our technology is also dependent upon unpatented trade secrets. However, trade secrets are difficult to protect. In an effort to protect our trade secrets, we have a policy of requiring our employees, consultants and advisors to execute non-disclosure agreements. These agreements provide that confidential information developed or made known to an individual during the course of their relationship with us must be kept confidential, and may not be used,

except in specified circumstances. In addition, our employees are parties to agreements that require them to assign to us all inventions and other technology that they create while employed by us.

On March 7, 2005, we entered into an Exclusive License Agreement with AccuDx Corporation for a period of ten years, pursuant to which AccuDx granted us the exclusive right to its rapid tests for HIV-1, HIV-2 and dengue fever and its colloidal gold reagent. The license agreement also granted us the ability to manufacture these products at AccuDx's FDA/GMP-compliant contract manufacturing maquiladora facility in Tijuana, Mexico. In consideration for the license, we agreed to pay AccuDx \$15,000 in cash and deliver a promissory note in the principal amount of \$35,000 payable in equal quarterly installments for a two-year period and bearing 6% interest on the unpaid principal. We also agreed to pay AccuDx a 3% royalty on net sales of the products under the license.

On January 9, 2006, we announced the signing of a memorandum of understanding (MOU) with Drs. Peter Sveshnikov and Vsevolod Kiselev of the Russian Republic, for the in licensing of technologies highly complimentary to Grants' antibody-based test for detecting cervical cancer. The Sveshnikov/Kiselev Technology comes to Grant from the US State Department through its Bio-Industry Initiative (BII) program. The BII is designed to foster medical and other biological research and development in the former Soviet Union, to convert former biowarfare scientists to productive peacetime activities. Sveshnikov/Kiselev have developed an Enzyme-linked Immunosorbent Assay (ELISA) to detect specific cancer-causing proteins from the human papillomavirus (HPV), the obligate cause of cervical cancer, in cervical mucous and cells.

On April 10, 2006 we announced the signing of a memorandum of understanding (MOU) with Diagnostic Technologies LTD. ("DTL"), a company incorporated under the laws of the State of Israel whereby DTL would carry out a short-term assessment in order to evaluate the feasibility and viability of the results for DTL to enter in a new product development, and we would grant DTL an irrevocable, worldwide, exclusive, royalty-bearing license to use our Licensed Properties to develop, manufacture, and sell our product for the duration of the patent. In return, we would receive an up-front license fee and royalties on all sales. A definitive agreement has not been entered and the Company continues to hold discussions with DTL.

Research and Development

Our research and development program is focused on completing development of our cervical cancer tests. We continue to refine existing technology and develop further improvements to our tests.

We believe that in the future we may be able to apply our technology to develop rapid tests for other diseases and certain other cancers. We plan to pursue development of these other tests if adequate funding is available.

For the fiscal years ended December 31, 2006 and 2005, we spent approximately \$244,189 and \$502,325 respectively, on research and development.

Manufacturing

We outsource the manufacture of the products sold under license from AccuDx and plan to outsource the manufacturing and assembly of our planned cervical cancer tests to third parties. We do not currently have arrangements in place with any such third parties for the latter.

Suppliers

We develop the processes including proteins and other technology that we use in our proposed tests, and license certain other technology from third parties. We believe that the reagents and other supplies we will use to manufacture our test may be readily obtained from multiple suppliers.

Employees

As of March 19, 2007, we had five employees and retained three consultants on a part-time basis. Our employees consist of our three executive officers, a director of international marketing and one administrative assistant. During the next 12 months, we anticipate that we may add employees, including scientists and other professionals in the research and development, product development, business development, regulatory, manufacturing, marketing and clinical studies areas.

Item 2. Properties

We currently lease our principal executive offices in Los Angeles, California and office space in Murray, Utah. Part of our Utah office space is subleased for \$800 per month on a month to month basis. We believe that our existing facilities will be adequate for our current needs and that additional space will be available as needed. The material terms of our property leases are set forth in the table below.

Location	Use	Square Feet	Rent Payments	Term	Leased From
3550 Wilshire Blvd., Ste 1700, Los Angeles CA 90010	Principal Executive Offices	Approximately 500 square feet	\$979 per month	month to month	Wilshire Business Center, LLC
64 East Winchester Suite 205 Murray, Utah 84107	Offices	Approximately 1330 square feet	\$1,663 per month	Month to month	Plaza 6400, LLC

Item 3. Legal Proceedings

We are not currently a party to any litigation.

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

There were no matters submitted to a vote of our security holders during the fourth quarter of the year ended December 31, 2006.

Items 5. Market for Common Equity and Related Security Holder Matters and Small Business Issuer Purchase of Equity Securities

Our common stock is quoted on the OTC Bulletin Board under the symbol "GLIF.OB." The following table sets forth, for the calendar periods indicated, the range of the high and low last reported bid prices of our common stock from January 1, 2005 through December 31, 2006, as reported by the OTC Bulletin Board. The quotations represent inter-dealer prices without retail mark-ups, mark-downs or commissions, and may not necessarily represent actual transactions. The quotations may be rounded for presentation.

Period	High	Low
First Quarter 2005	\$ 0.90	\$ 0.30
Second Quarter 2005	\$ 0.53	\$ 0.13
Third Quarter	\$ 0.17	\$ 0.006

2005		
Fourth		
Quarter		
2005	\$ 0.039	\$ 0.005
First		
Quarter		
2006	\$ 0.042	\$ 0.018
Second		
Quarter		
2006	\$ 0.027	\$ 0.013
Third		
Quarter		
2006	\$ 0.103	\$ 0.014
Fourth		
Quarter		
2006	\$ 0.265	\$ 0.067

On March 29, 2007, the last reported bid price of our common stock as reported on the OTC Bulletin Board was \$.05 per share. As of March 29, 2007, we had approximately 141 shareholders of record.

We have never declared nor paid cash dividends and do not expect to pay dividends in the foreseeable future.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table gives information about the Company's common stock that may be issued upon the exercise of options, granted to employees, directors and consultants, under its 2004 Stock Incentive Plan as of December 31, 2006.

Equity Compensation Plan Information

	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plan
Equity Compensation approved by Security Holders	4,620,952	\$ 0.162	18,206,746
Equity Compensation not approved by Security Holders			
(1)	250,000	\$ 0.18	N/A
TOTAL	4,870,952	\$ 0.163	

(1) Includes 250,000 warrants to purchase shares at \$0.18 issued to a consultant for performing research services for performed on our behalf, prior to the Merger in July 2004.

Item 6. Management's Discussion and Analysis or Plan of OperationRestatement of Consolidated Financial Statements

The Company has restated its 2006 and 2005 financial statements to correct errors arising from the incomplete and/or incorrect application of derivative accounting to the Company's convertible notes and warrants, as more fully explained in Note B to the restated, consolidated financial statements as of and for the years ended December 31, 2006 and 2005, included elsewhere herein. The data which follow reflect the results of such restatement.

Overview

On July 30, 2004, we acquired Impact Diagnostics through the merger of our wholly owned subsidiary, Impact Acquisition Corporation, into Impact Diagnostics. As a result of the Merger, each issued and outstanding share of common stock of Impact Diagnostics was converted into one share of our common stock, and Impact Diagnostics became a wholly owned subsidiary of our company. We now own, indirectly through Impact Diagnostics, all of the assets of Impact Diagnostics.

We are considered a development stage company. In 2003, 2004, and 2006, we had no revenues and incurred net losses of \$253,881, \$1,910,350 and \$3,384,933, respectively. In 2005, we had revenues of \$72,675 and incurred a net loss of \$7,644,857. Since inception in July 1998, we have incurred cumulative losses of \$14,411,130.

Application of Critical Accounting Policies

Our consolidated financial statements and accompanying notes are prepared in accordance with generally accepted accounting principles in the United States. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. These estimates and assumptions are affected by management's application of accounting policies. We believe that understanding the basis and nature of the estimates and assumptions involved with the following aspects of our consolidated financial statements is critical to an understanding of our financials.

Stock-Based Compensation

On December 16, 2004, the Financial Accounting Standards Board (“FASB”) published Statement No. 123 (Revised 2004), “Share-Based Payment” (“SFAS No. 123R”). SFAS No. 123R requires that compensation cost related to share-based payment transactions be recognized in the financial statements. Share-based payment transactions within the scope of SFAS No. 123R include stock options, restricted stock plans, performance-based equity awards, stock appreciation rights, and employee share purchase plans. The provisions of SFAS No. 123R are effective as of the first interim period that begins after December 15, 2005. The Company adopted this Statement early, for the year 2004. During the years ended December 31, 2006 and 2005, the Company recognized \$238,550 and \$976,987 respectively as expense relating the stock options granted under its 2004 Stock Incentive Plan. For the year ended December 31, 2006 \$151,204 was recognized as R&D expense and \$87,345 as general and administrative expense, and for the year ended December 31, 2005 \$386,410 was recognized as R&D expense and \$590,577 as general and administrative expense. The Company anticipates continuing to incur such costs in order to conserve its limited financial resources. The determination of the volatility, expected term and other assumptions used to determine the fair value of equity based compensation issued to non-employees under SFAS No. 123 involves subjective judgment and the consideration of a variety of factors, including our historical stock price, option exercise activity to date and the review of assumptions used by comparable enterprises.

Accounting for Derivatives

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." The Statement establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, (collectively referred to as derivatives) and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value.

In June 2005, the Company obtained a commitment from accredited investors to purchase convertible debt with warrants. The Company evaluated the transaction as a derivative transaction in accordance with SFAS No. 133 and EITF 00-19. The transactions, to the extent that it is to be satisfied with common stock of the Company, would normally be included as equity obligations. However, in the instant case, due to the indeterminate number of shares which might be issued under the embedded convertible host debt conversion feature, the Company is required to record a liability for the fair value of the detachable warrants and the embedded convertible feature of the note payable (included in the liabilities as a "derivative liability").

The Company accounts for warrants and embedded conversion features as described in SFAS 133, EITF 98-5, 00-19, and 00-27, and APB 14 as follows:

- The Company allocated the proceeds received between the convertible debt and the detachable warrants based upon the relative fair market values on the dates the proceeds were received.
- Subsequent to the initial recording, the change in the fair value of the detachable warrants, determined under the Black-Scholes option pricing formula, and the change in the fair value of the embedded derivative in the conversion feature of the convertible debentures, also determined under the Black-Scholes option pricing formula, at each reporting date are recorded as adjustments to the liabilities.
- The expense relating to the change in the fair value of the Company's stock reflected in the change in the fair value of the warrants and derivatives is included as other income (expense).

New Accounting Pronouncements

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections" ("SFAS No. 154"), an amendment to Accounting Principles Bulletin Opinion No. 20, "Accounting Changes" ("APB No. 20"), and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements". Though SFAS No. 154 carries forward the guidance in APB No.20 and SFAS No.3 with respect to accounting for changes in estimates, changes in reporting entity, and the correction of errors, SFAS No. 154 establishes new standards on accounting for changes in accounting principles, whereby all such changes must be accounted for by retrospective application to the financial statements of prior periods unless it is impracticable to do so. SFAS No. 154 is effective for accounting changes and error corrections made in fiscal years beginning after December 15, 2005, with early adoption permitted for changes and corrections made in years beginning after May 2005. The Company implemented SFAS No. 154 in its fiscal year beginning January 1, 2006. The Company does not believe that SFAS No. 156 will have a material impact on its financial position, results of operations or cash flows.

In February 2006, the FASB issued SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments", which amends SFAS No. 133, "Accounting for Derivatives Instruments and Hedging Activities" and SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities". SFAS No. 155 amends SFAS No. 133 to narrow the scope exception for interest-only and principal-only strips on debt instruments to include only such strips representing rights to receive a specified portion of the contractual interest or principle cash flows. SFAS No. 155 also amends SFAS No. 140 to allow qualifying special-purpose entities to hold a passive derivative

financial instrument pertaining to beneficial interests that itself is a derivative instrument. The Company is currently evaluating the impact this new Standard but believes that it will not have a material impact on the Company's financial position, results of operations, or cash flows.

In March 2006, the FASB issued SFAS No. 156, "Accounting for Servicing of Financial Assets" ("SFAS NO. 156"), which provides an approach to simplify efforts to obtain hedge-like (offset) accounting. This Statement amends FASB Statement No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities", with respect to the accounting for separately recognized servicing assets and servicing liabilities. The Statement (1) requires an entity to recognize a servicing asset or servicing liability each time it undertakes an obligation to service a financial asset by entering into a servicing contract in certain situations; (2) requires that a separately recognized servicing asset or servicing liability be initially measured at fair value, if practicable; (3) permits an entity to choose either the amortization method or the fair value method for subsequent measurement for each class of separately recognized servicing assets or servicing liabilities; (4) permits at initial adoption a one-time reclassification of available-for-sale securities to trading securities by an entity with recognized servicing rights, provided the securities reclassified offset the entity's exposure to changes in the fair value of the servicing assets or liabilities; and (5) requires separate presentation of servicing assets and servicing liabilities subsequently measured at fair value in the balance sheet and additional disclosures for all separately recognized servicing assets and servicing liabilities. SFAS No. 156 is effective for all separately recognized servicing assets and liabilities as of the beginning of an entity's fiscal year that begins after September 15, 2006, with earlier adoption permitted in certain circumstances. The Statement also describes the manner in which it should be initially applied. The Company does not believe that SFAS No. 156 will have a material impact on its financial position, results of operations or cash flows.

In June 2006, the FASB issued FIN No. 48, *Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109*, which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. The interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN No. 48 requires recognition of tax benefits that satisfy a greater than 50% probability threshold. FIN No. 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN No. 48 is effective for us beginning January 1, 2007. We are currently assessing the potential impact that adoption of FIN No. 48 will have on our financial statements.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*, which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 does not require any new fair value measurements, but provides guidance on how to measure fair value by providing a fair value hierarchy used to classify the source of the information. This statement is effective for us beginning January 1, 2008. We are currently assessing the potential impact that adoption of SFAS No. 157 will have on our financial statements.

In September 2006, the Securities and Exchange Commission issued Staff Accounting Bulletin ("SAB") No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Current Year Misstatements*. SAB No. 108 requires analysis of misstatements using both an income statement (rollover) approach and a balance sheet (iron curtain) approach in assessing materiality and provides for a one-time cumulative effect transition adjustment. SAB No. 108 is effective for our fiscal year 2007 annual financial statements. We are currently assessing the potential impact that adoption of SAB No. 108 will have on our financial statements.

In September 2006, the FASB issued Statement No. 158, "Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106, and 132(R) ("FASB 158"). FASB 158 requires the full recognition, as an asset or liability, of the overfunded or underfunded status of a company-sponsored postretirement benefit plan. Adoption of FASB 158 is required effective for the Company's fiscal year ending December 31, 2007. We are currently assessing the potential impact that adoption of FASB 158 may have on our financial statements.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" (SFAS 159). Under the provisions of SFAS 159, Companies may choose to account for eligible financial instruments, warranties and insurance contracts at fair value on a contract-by-contract basis. Changes in fair value will be recognized in earnings each reporting period. SFAS 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company is required to and plans to adopt the provisions of SFAS 159 beginning in the first quarter of 2008. The Company is currently assessing the impact of the adoption of SFAS 159.

Plan of Operations

During the next year, we will continue to augment our clinical research and development efforts through outsourcing. During the next 12 months, we plan to continue the development of our cervical cancer screening tests. We intend to continue to validate the effectiveness of the processes that we currently use in the tests we are developing through trials. In the near term, we plan to meet with regulatory agencies in the United States and in other countries to determine the clinical trials and studies we will have to undertake and the data and other information we will be required to submit to them to support our future applications for authority to market and sell our planned cervical cancer tests in those countries. We also plan to:

- begin studies and clinical trials in other countries that will be required in connection with our regulatory applications.

·validate the HPV antigen detection immunoassay. We intend to continue the development of this project once the assay is verified in its current format.

During the next 12 months, we anticipate that we may in-license more technologies, add employees, including scientists and other professionals in the research and development, product development, business development, regulatory, manufacturing, marketing and clinical studies areas. We also intend to explore alternate means of developing and marketing our cervical cancer tests by other means such as alliances, joint development, and licensing.

Liquidity and Capital Resources

We do not have sufficient capital to satisfy our cash requirements through the next twelve months. As of December 31, 2006, we had total current assets of \$295,580 and total current liabilities of \$845,797. Our cash flow used in operations was \$1,074,218 during the year ended December 31, 2006. Additionally we used \$3,854 to acquire new property and equipment during the period. We met our cash requirements during the year 2006 through the placement of \$2,000,000 of convertible notes payable during 2005 and an additional \$400,000 in 2006.

Our auditors have added an explanatory paragraph to their opinion to our financial statements because of concerns about our ability to continue as a going concern. These concerns arise from the fact that we have not yet established an ongoing source of revenues sufficient to cover our operating costs and that we must raise additional capital in order to continue to operate our business.

In connection with the Merger, between July 30, 2004 and August 19, 2004, we sold 1,912,125 units in a private placement, at a purchase price of \$0.9175 per unit (\$0.1835 per share), resulting in gross proceeds to our company of \$1,754,375, or \$1,494,937 net after deduction of offering costs. Net proceeds after legal, accounting, printing and other fees was approximately \$1,437,000. Each unit was comprised of five (5) shares (or 9,560,625 shares) of our common stock and a warrant to purchase one (1) share of our common stock at an exercise price of \$0.1835 per share. During the year 2006, we sold 150,000 shares of our common stock for a total consideration of \$27,000 through the exercise of stock options.

We plan to raise additional capital in the next twelve months through the sale of equity and/or debt securities to support our development plan in the medical diagnostics industry. However, we currently do not have any committed sources of financing. We may not be able to raise additional financing on acceptable terms when we need to, or we may be unable to raise additional financing as all.

On March 7, 2005, we entered into an Exclusive License Agreement with AccuDx Corporation (“Licensor”) for a period of ten years, pursuant to which we were granted the exclusive right to Licensor’s rapid tests for HIV-1, HIV-2 and Dengue Fever and its colloidal gold reagent. The Agreement also granted us the right to manufacture these products at the Licensor’s FDA/GMP-compliant contract manufacturing maquiladora facility in Tijuana, Mexico. In consideration for the License, we agreed to pay Licensor \$15,000 in cash and deliver a promissory note in the principal amount of \$35,000 payable in equal quarterly installments for a two-year period and bearing 6% interest on the unpaid principal. We also agreed to pay the Licensor a 3% royalty on net sales of the products under the License. We also entered into a Consulting Agreement with Ravi Pottahil and Indira Pottahil in support of the License in exchange for 310,000 shares of our common stock, that were issued during 2006.

On March 15, 2005, we issued an 8% Senior Secured Note due June 15, 2005, in the aggregate principal amount of \$200,000 (the “Note”) and a warrant to purchase up to an aggregate of 250,000 shares of the our common stock (the “Warrant”) to DCOFI Master LDC, for net proceeds of \$165,000. The Note and Warrant were issued in a private placement pursuant to Section 4(2) of the Exchange Act of 1933 and Rule 506. Proceeds from the sale were used for working capital and general corporate purposes. The Note bore interest at a rate of 8% per annum, and was secured by the assets of the Company. Interest was payable in cash monthly. The Warrant was exercised during the fourth quarter of 2005 and the note was repaid on June 15, 2005.

We entered into a Securities Purchase Agreement with New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC on June 14, 2005 for the sale of (i) \$2,000,000 in callable secured convertible notes and (ii) stock purchase warrants to buy 7,692,308 shares of our common stock.

On June 15, 2005, the investors purchased \$700,000 in callable secured convertible notes and received warrants to purchase 2,692,307 shares of the Company’s common stock.

· On August 18, 2005, the investors purchased \$600,000 in callable secured convertible notes and received warrants to purchase 2,307,692 shares of the Company's common stock.

· On August 30, 2005, the investors purchased \$700,000 in callable secured convertible notes and received warrants to purchase 2,692,307 shares of the Company's common stock.

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The Notes bear interest at 10%, mature three years from the date of issuance, and are convertible into our common stock, at the investors' option, at a conversion price equal to the lower of (i) \$0.40 or (ii) 43% of the average of the three lowest intraday trading prices for our common stock during the 20 trading days before, but not including, the conversion date. As of March 19, 2007, the average of the three lowest intraday trading prices for our common stock during the preceding 20 trading days as reported on the Over-The-Counter Bulletin Board was \$.044 and, therefore, the conversion price for the secured convertible notes was \$.019. As of March 19, 2007 the outstanding principal for the foregoing notes was \$905,939, Therefore based on this conversion price, the callable secured convertible notes, excluding interest, would be convertible into 47,882,611 shares of our common stock.

In January 2006, the Company was served with a default notice by the holders of the \$2,000,000 convertible notes. The default was the result of the Company's not having maintained an effective registration statement for sufficient shares to permit the noteholders to continue conversion of the notes to common shares. In February 2006, the notice of default was withdrawn in exchange for an agreement with the Company whereby the rate at which the notes could be converted was reduced from 50% to 43% of the average of the three lowest intraday trading prices for the common stock on a principal market for the 20 trading days before but not including the conversion date.

We may prepay the callable secured convertible notes in the event that no event of default exists, there are a sufficient number of shares available for conversion of the callable secured convertible notes and the market price is at or below \$.40 per share. The full principal amount of the callable secured convertible notes is due upon default under the terms of callable secured convertible notes. In addition, the Company has granted the investors a security interest in substantially all of its assets and intellectual property.

The Warrants are exercisable until five years from the date of issuance at a purchase price of \$0.45 per share. In addition, the exercise price of the warrants is adjusted in the event the Company issues common stock at a price below market.

We entered into a second Securities Purchase Agreement with New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC on December 28, 2006 for the sale of (i) \$400,000 in callable secured convertible notes and (ii) stock purchase warrants to buy 4,000,000 shares of our common stock.

The Notes bear interest at 6%, mature three years from the date of issuance, and are convertible into our common stock, at the investors' option, at a conversion price equal to the lower of (i) \$0.15 or (ii) 60% of the average of the three lowest intraday trading prices for our common stock during the 20 trading days before, but not including, the conversion date. As of March 19, 2007, the average of the three lowest intraday trading prices for our common stock during the preceding 20 trading days as reported on the Over-The-Counter Bulletin Board was \$.044 and, therefore, the conversion price for the secured convertible notes was \$.026. As of March 19, 2007 the outstanding principal for the foregoing notes is \$400,000, Therefore based on this conversion price, the callable secured convertible notes, excluding interest, would be convertible into 15,384,615 shares of our common stock.

We may prepay the callable secured convertible notes in the event that no event of default exists, there are a sufficient number of shares available for conversion of the callable secured convertible notes and the market price is at or below \$.40 per share. The full principal amount of the callable secured convertible notes is due upon default under the terms of callable secured convertible notes. In addition, the Company has granted the investors a security interest in substantially all of its assets and intellectual property.

The Warrants are exercisable until seven years from the date of issuance at a purchase price of \$0.14 per share. In addition, the exercise price of the warrants is adjusted in the event the Company issues common stock at a price below market.

The investors have contractually agreed to restrict their ability to convert the callable secured convertible notes and exercise the warrants and receive shares of the Company's common stock such that the number of shares of the Company common stock held by them and their affiliates after such conversion or exercise does not exceed 4.99% of the Company's then issued and outstanding shares of common stock.

We plan to raise additional capital in the next twelve months through the sale of equity and/or debt securities to support our development plan in the medical diagnostics industry. However, we currently do not have any committed sources of financing. We may not be able to raise additional financing on acceptable terms when we need to, or we may be unable to raise additional financing as all.

Risks Related to our Business

We are a development stage company and we have no meaningful operating history on which to evaluate our business or prospects.

We acquired Impact Diagnostics on July 30, 2004. For several years prior to that acquisition, we did not engage in any business. Impact Diagnostics was formed in 1998 and has been developing a cervical cancer screening test. This in addition to the limited sale of the AccuDx products and investigation of additional technology related to cervical cancer screening is our only business. Impact Diagnostics has only a limited operating history and has generated no revenue. The limited operating history of Impact Diagnostics makes it difficult to evaluate our business prospects and future performance. Our business prospects must be considered in light of the risks, uncertainties, expenses and difficulties frequently encountered by companies in their early stages of development, particularly companies in new and rapidly evolving markets, such as the biotechnology market.

We have not completed the development of our planned cervical cancer tests and we are not currently developing any other products. We may not successfully develop our cervical cancer tests or any other products.

The cervical cancer tests are the only products we are developing. We have no other products. We may never successfully complete the development of our cervical cancer tests. If we do not complete the development of our cervical cancer tests or develop other products, we will not be able to generate any revenues or become profitable and you may lose your entire investment in us.

We have not sold any significant amount of the products we are planning to distribute. We may not successfully develop distribution for these or any other products.

We are in the process of sourcing products for distribution in selected foreign markets and developing distribution for these products. If we are not successful we may not generate sufficient revenues to become profitable and you may lose your entire investment in us.

We have incurred net losses to date and expect to continue to incur net losses for the foreseeable future. We may never become profitable.

We have had substantial operating losses since our inception and have never earned a profit. We incurred net losses of \$646,201 in fiscal 2002, \$253,881 in fiscal 2003, \$1,910,350 in fiscal 2004, \$7,644,857 in fiscal 2005, \$3,384,933 in fiscal 2006, and \$14,411,130 from inception in 1998 through December 31, 2006.

Our losses have resulted principally from:

- expenses associated with our research and development programs and development of our cervical cancer tests;
- expenses associated with the Merger; and
- administrative and facilities costs which include significant charges resulting from the required accounting for loans and stock options.

We expect to incur significant and increasing operating losses for the next few years as we complete development of our cervical cancer tests, initiate clinical trials, seek regulatory approval, expand our research and development, advance other product candidates into development and, if we receive regulatory approval, market and sell our products. We may never become profitable.

We will be required to raise additional capital to fund our operations, and if we are unable to obtain funding when needed, we may need to delay completing the development of our planned cervical cancer tests, scale back our operations or close our business.

Our auditors have added an explanatory paragraph to their opinion to our financial statements because of concerns about our ability to continue as a going concern. These concerns arise from the fact that we have not yet established an ongoing source of revenues sufficient to cover our operating costs and that we must raise additional capital in order to continue to operate our business. If we are unable to continue as a going concern, you could lose your entire investment in us.

We will not be able to sell our planned cervical cancer tests and generate revenues if laboratories and physicians do not accept them.

If we successfully complete development of our cervical cancer tests and obtain required regulatory approval, we plan to market and sell our tests initially to clinical testing laboratories in the United States, Western Europe and other countries in which there is widespread cervical cancer screening and a sophisticated testing infrastructure. We plan to market and sell the rapid test to physicians, hospitals, clinics and other healthcare providers in some developing countries where cervical cancer screening is not widespread and where there is limited or non-standardized testing infrastructure. In order to successfully commercialize our tests, we will have to convince both laboratories and healthcare providers that our proposed tests are an effective method of screening for cervical cancer, whether as an independent test, used in conjunction with Pap Tests and/or HPV Tests or as a follow-up screening method for women with equivocal Pap Tests. Pap Tests have been the principal means of cervical cancer screening for over 50 years and, in recent years, HPV Tests have been introduced primarily as an adjunct to Pap Tests. Failure to achieve any of these goals, could have an adverse material effect on our business, financial condition or results of operation.

Our planned cervical cancer tests rely on an approach that is different from the underlying technology of the Pap Tests and the HPV Tests and of healthcare professionals, women's advocacy groups and other key constituencies may not view our planned tests as an accurate means of detecting cervical cancer or pre-cancerous conditions. In addition, some parties may view using our proposed test along with the Pap Tests and/or HPV Tests for primary screening as adding unnecessary expense to the already accepted cervical cancer screening protocol, which could cause our product revenue to be negatively affected.

If third-party health insurance payors do not adequately reimburse healthcare providers or patients for our proposed cervical cancer tests, we believe it will be more difficult for us to sell our tests.

We anticipate that if government insurance plans (including Medicare and Medicaid in the United States), managed care organizations and private insurers do not adequately reimburse users for use of our tests, it will be more difficult for us to sell our tests to laboratories and healthcare providers. Third-party payors and managed care entities that provide health insurance coverage to approximately 225 million people in the United States currently authorize almost universal reimbursement for the Pap Tests, and Pap Tests are nearly fully reimbursed in other markets where we plan to market and sell our proposed tests. HPV Tests also are almost fully reimbursed for certain uses. We will attempt to obtain reimbursement coverage in all markets in which we plan to sell our proposed cervical cancer tests to the same degree as the Pap Test.

Our management will be required to expend significant time, effort and expense to provide information about the effectiveness of our planned cervical cancer tests to health insurance payors who are willing to consider reimbursement for our tests. However, reimbursement has become increasingly limited for medical diagnostic products. Health insurance payors may not reimburse laboratories, healthcare providers or patients in the United States or elsewhere for the use of our planned tests, either as a stand-alone test or as an adjunct to Pap Tests or HPV Tests, which would make it difficult for us to sell our tests, which could make our business less profitable and cause our

business to fail.

We currently have no sales force or distribution arrangement in any market where we intend to market and sell our tests.

We currently have no sales or marketing organization for our cervical cancer tests. When we complete the development of our cervical cancer tests and receive the required regulatory approvals, we will attempt to market and sell our tests to laboratories and directly to physicians, hospitals, clinics and other healthcare providers. We plan to market and sell our tests to laboratories in the United States and globally through third party distributors. We do not currently have any arrangements with any distributors and we may not be able to enter into arrangements with qualified distributors on acceptable terms or at all. If we are unable to enter into distribution agreements with qualified distributors on acceptable terms, we may be unable to successfully commercialize our tests.

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Our competitors are much larger and more experienced than we are and, even if we complete the development of our tests, we may not be able to successfully compete with them.

The diagnostic testing industry is highly competitive. When completed, we expect that our cervical cancer tests will compete with the Pap Tests, which have been widely accepted by the medical community for many years. Approximately 60 million Pap Tests are performed annually in the United States, and an additional 60 million Pap Tests are performed annually in the rest of the world. Manufacturers of Pap Tests include Cyctc Corporation and several other companies. Future improvements to the Pap Test could hinder our efforts to introduce our tests into the market.

Our cervical cancer tests also will compete with HPV Tests, which are becoming increasingly accepted in the medical community. Manufacturers of HPV Tests include Digene Corporation, Ventana Medical Systems, Roche Diagnostics, Abbott Laboratories, and Bayer Corporation. If market acceptance of HPV Tests becomes greater, it may be more difficult for us to introduce our tests into the market.

All of the companies who manufacture Pap Tests and HPV Tests are more established than we are and have far greater financial, technical, research and development, sales and marketing, administrative and other resources than we do. Even if we successfully complete the development of our tests, we may not be able to compete effectively with these much larger companies and their more established products.

We will need to obtain regulatory approval before we can market and sell our planned tests in the United States and in many other countries.

In the United States, our planned cervical cancer tests will be subject to regulation by the U.S. Food and Drug Administration (FDA) under the Federal Food, Drug and Cosmetic Act. Governmental agencies in other countries also regulate medical devices. These domestic and foreign regulations govern the majority of the commercial activities we plan to perform, including the purposes for which our proposed tests can be used, the development, testing, labeling, storage and use of our proposed tests with other products and the manufacturing, advertising, promotion, sales and distribution of our proposed test for the approved purposes. Compliance with these regulations could prove expensive and time-consuming.

Products that are used to diagnose diseases in people are considered medical devices, which are regulated in the United States by the FDA. To obtain FDA authorization for a new medical device, a company may have to submit data relating to safety and efficiency based upon extensive testing. This testing, and the preparation and processing of necessary applications, are expensive and may take up to a few years to complete. Whether a medical device requires FDA authorization and the data that must be submitted to the FDA varies depending on the nature of the medical device.

Medical devices fall into one of three classes (Class I, II, or III), in accordance with the FDA's determination of controls necessary to ensure the safety and effectiveness of the device or diagnostic. As with most diagnostic products, we anticipate that our planned cervical cancer tests will be classified by the FDA as a Class II device. By definition, this means that there could be a potential for harm to the consumer if the device is not designed properly and/or otherwise does not meet strict standards. To market and sell a Class II medical device, a company must first submit a 510(k) premarket notification, also known as a 510(k). The 510(k) application is intended to demonstrate substantial equivalency to a Class II device already on the market. The FDA will still require that clinical studies of device safety and effectiveness be completed.

In the United States, prior to approval by the FDA, under certain conditions, companies can sell investigational or research kits to laboratories under the Clinical Laboratory Improvement Amendment (CLIA) of 1988. Under CLIA, companies can sell diagnostic assays or tests to "high complexity" laboratories for validation as an "analyte specific

reagent". An analyte specific reagent is the active ingredient of an "in-house" diagnostic test.

In addition to any government requirements as to authorizing the marketing and sales of medical devices, there are other FDA requirements. The manufacturer must be registered with the FDA. The FDA will inspect what is being done on a routine basis to ascertain compliance with those regulations prescribing standards for medical device quality and consistency. Such standards refer to but are not limited to manufacturing, testing, distribution, storage, design control and service activities. The FDA also prohibits promoting a device for unauthorized uses and routinely reviews labeling accuracy. If the FDA finds failures in compliance, it can institute a range of enforcement actions, from a public warning letter to more severe sanctions like withdrawal of approval; denial of requests for future approval; fines, injunctions and civil penalties; recall or seizure of the product; operating restrictions, partial suspension or total shutdown of production; and criminal prosecution.

The FDA's medical device reporting regulation also will require the reporting of information on deaths or serious injuries associated with the use of our tests, as well as product malfunctions that are likely to cause or contribute to death or serious injury if the malfunction were to recur.

Regardless of FDA approval status in the U.S., we will need to obtain certification of our tests from regulatory authorities in other countries prior to marketing and selling in such countries. The amount of time needed to achieve foreign approval varies from country to country, and regulatory approval by regulatory authorities of one country cannot by itself guarantee acceptance by another country's regulatory body.. Additionally, implementation of more stringent requirements or the adoption of new requirements or policies could adversely affect our ability to sell our proposed tests in other countries. We may be required to incur significant costs to comply with these laws and regulations. If the US and/or other countries do not issue patents to us, our operating results will suffer and our business may fail.

In addition to the rules and regulations of the FDA and similar foreign agencies, we may also have to comply with other federal, state, provincial and local laws, rules and regulations. Our tests could be subject to rules pertaining to the disposal of hazardous or toxic chemicals or potentially hazardous substances, infectious disease agents and other materials, and laboratory and manufacturing practices used in connection with our research and development activities. If we fail to comply with these regulations, we could be fined, may not be allowed to operate certain portions of our business, or otherwise suffer consequences that could materially harm our business.

If we are unable to successfully protect our intellectual property or our licensor is unsuccessful in defending the patents on our licensed technology against infringement, our ability to develop, market and sell our tests and any other product we may develop in the future will be harmed.

Our success will partly depend on our ability to obtain patents and licenses from third parties and protect our trade secrets.

We have an exclusive license from Dr. Yao Xiong Hu for certain processes that we currently include in our cervical cancer tests. Some of Dr. Hu's technology is covered by a United States patent that has been issued, and some of the technology is covered by a United States patent application that has been filed and is pending. The agreement with Dr. Hu also covers technology included in foreign applications presently pending as PCT applications in China and India. In the event a competitor uses our licensed technology, our licensor may be unable to successfully assert patent infringement claims. In that event, we may encounter direct competition using the same technology on which our products are based and we may be unable to compete. If we cannot compete with competitive products, our business will fail. In addition, if any third party claims that our licensed products are infringing their intellectual property rights, any resulting litigation could be costly and time consuming and would divert the attention of management and key personnel from other business issues. We also may be subject to significant damages or injunctions preventing us from selling or using some aspect of our products in the event of a successful patent or other intellectual property infringement claim. In addition, from time to time, we may be required to obtain licenses from third parties for some of the technology or components used or included in our tests. If we are unable to obtain a required license on acceptable terms or at all, our ability to develop or sell our tests may be impaired and our revenue will be negatively affected.

We plan to file patent applications for any additional technology that we create in the future. We cannot guarantee that our patent applications will result in patents being issued in the United States or foreign countries. In addition, the U.S. Patent and Trademark Office may reverse its decision or delay the issuance of any patents that may be allowed. We also cannot guarantee that any technologies or tests that we may develop in the future will be patentable. In addition, competitors may develop products similar to ours that do not conflict with patents we may receive. If our patents are issued, others may challenge these patents and, as a result, our patents could be narrowed or invalidated, which could have a direct adverse effect on our earnings and profitability.

Our confidentiality agreements may not adequately protect our proprietary information, the disclosure of which could decrease our competitive edge.

Our technology and tests may be dependent on unpatented trade secrets. However, trade secrets are difficult to protect. In an effort to protect our trade secrets, we generally require our employees, consultants and advisors to sign confidentiality agreements. In addition, our employees are parties to agreements that require them to assign to us all inventions and other technology that they create while employed by us. However, we cannot guarantee that these agreements will provide us with adequate protection if confidential information is used or disclosed improperly. In addition, in some situations, these agreements may conflict with, or be limited by, the rights of third parties with whom our employees, consultants or advisors have prior employment or consulting relationships. Further, others may independently develop similar proprietary information and techniques, or otherwise gain access to our trade secrets. Any of these adverse consequences could negatively impact our results of operations.

Our products may infringe on the intellectual property rights of others and may result in costly and time-consuming litigation.

Our success will depend partly on our ability to operate without infringing upon the proprietary rights of others, as well as our ability to prevent others from infringing on our proprietary rights. We may be required at times to take legal action in order to protect our proprietary rights. Although we attempt to avoid infringing upon known proprietary rights of third parties, and are not aware of any current or threatened claims of infringement, we may be subject to legal proceedings and claims for alleged infringement by us or our licensees of third-party proprietary rights, such as patents, trade secrets, trademarks or copyrights, from time to time in the ordinary course of business. Any claims relating to the infringement of third-party proprietary rights, even if not successful or meritorious, could result in costly litigation, divert resources and management's attention or require us to enter into royalty or license agreements which are not advantageous to us. In addition, parties making these claims may be able to obtain injunctions, which could prevent us from selling our products. Any of these results could lead to liability, substantial costs and reduced growth prospects, any or all of which could negatively affect our business.

We do not have any manufacturing facilities and although we have made arrangements with a third party to use its manufacturing facility, the arrangement is subject to a license agreement.

We have no capacity to manufacture our proposed tests. Although we have not established any arrangements with third party manufacturers, we plan to make arrangements pursuant to a licensing agreement to use a manufacturing facility that our licensor has used in the past. If the licensing agreement expires or is terminated, we cannot guarantee that we will be able to enter into any such other arrangements on favorable terms, or at all.

If we are able to market and sell our cervical cancer tests, we may be subject to product liability claims or face product recalls for which our insurance may be inadequate.

If we complete development of our cervical cancer tests and begin to sell them we will be exposed to the risk of product liability claims and product recalls. We currently do not market any products and therefore have obtained only general liability insurance coverage. Any failure to obtain product liability insurance in the future that is not continually available to us on acceptable terms, or at all, or that is sufficient to protect us against product liability claims or recalls, may not have enough funds to pay legal fees and/or any judgments in connection with any such claims which would have an adverse affect on our operating results and could cause our business to fail.

If we are unable to manage our anticipated future growth, we may not be able to implement our business plan.

We currently have seven employees and retain consultants on a part-time basis. In order to complete development of our tests, obtain FDA and other regulatory approval, seek insurance reimbursement, begin to market and sell our tests,

begin the production of our tests and continue and expand our research and development programs, we will need to hire significant additional qualified personnel and expand or implement our operating, administrative, information and other systems. We cannot guarantee that we will be able to do so or that, if we do so, we will be able to effectively integrate them into our existing staff and systems. We will also have to compete with other biotechnology companies to recruit, hire and train qualified personnel. If we are unable to manage our growth, we may not be able to implement our business plan and our business could fail.

Risks Relating to Our Current Financing Arrangement:**There Are A Large Number Of Shares Underlying Our Callable Secured Convertible Notes, And Warrants That May Be Available For Future Sale And The Sale Of These Shares May Depress The Market Price Of Our Common Stock.**

As of December 31, 2006, we had 136,420,423 shares of common stock issued and outstanding and callable secured convertible notes outstanding or an obligation to issue callable secured convertible notes that may be converted into an estimated 72 million shares of common stock at current market prices, and outstanding options and warrants or an obligation to issue warrants to purchase 18,588,050 shares of common stock. In addition, the number of shares of common stock issuable upon conversion of the outstanding callable secured convertible notes may increase if the market price of our stock declines. All of the shares, including all of the shares issuable upon conversion of the notes and upon exercise of our warrants, may be sold without restriction. The sale of these shares may adversely affect the market price of our common stock.

The Continuously Adjustable Conversion Price Feature of Our Callable Secured Convertible Notes Could Require Us To Issue A Substantially Greater Number Of Shares, Which Will Cause Dilution To Our Existing Stockholders.

Our obligation to issue shares upon conversion of our callable secured convertible notes is essentially limitless. The following is an example of the amount of shares of our common stock that are issuable, upon conversion of the callable secured convertible notes (excluding accrued interest), based on market prices 25%, 50% and 75% below a market price of \$0.05 as of March 19, 2007 resulting in conversion prices of \$0.022 for the \$2,000,000 convertible notes and \$0.03 for the \$400,000 convertible notes.

% Below Market	Price Per Share	With Discount		Number of shares Issuable	% of outstanding Stock
		\$2,000,000 Notes at 43%	\$400,000 Notes at 60%		
25%	\$ 0.038	\$ 0.016	\$ 0.023	141,808,786	48%
50%	\$ 0.025	\$ 0.011	\$ 0.015	212,713,178	58%
75%	\$ 0.013	\$ 0.005	\$ 0.008	425,426,357	73%

As illustrated, the number of shares of common stock issuable upon conversion of our secured convertible notes will increase if the market price of our stock declines, which will cause dilution to our existing stockholders.

The Continuously Adjustable Conversion Price Feature Of Our Callable Secured Convertible Notes May Encourage Investors To Make Short Sales In Our Common Stock, Which Could Have A Depressive Effect On The Price Of Our Common Stock.

The callable secured convertible notes are convertible into shares of our common stock at a 57% discount to the trading price of the common stock prior to the conversion. The significant downward pressure on the price of the common stock as the selling stockholder converts and sells material amounts of common stock could encourage short sales by investors. This could place further downward pressure on the price of the common stock. The selling stockholder could sell common stock into the market in anticipation of covering the short sale by converting their securities, which could cause the further downward pressure on the stock price. In addition, not only the sale of shares issued upon conversion or exercise of notes, warrants and options, but also the mere perception that these sales could occur, may adversely affect the market price of the common stock.

The Issuance Of Shares Upon Conversion Of The Callable Secured Convertible Notes And Exercise Of Outstanding Warrants May Cause Immediate And Substantial Dilution To Our Existing Stockholders.

The issuance of shares upon conversion of the callable secured convertible notes and exercise of warrants may result in substantial dilution to the interests of other stockholders since the selling stockholders may ultimately convert and sell the full amount issuable on conversion. Although the selling stockholders may not convert their callable secured convertible notes and/or exercise their warrants if such conversion or exercise would cause them to own more than 4.99% of our outstanding common stock, this restriction does not prevent the selling stockholders from converting and/or exercising some of their holdings and then converting the rest of their holdings. In this way, the selling stockholders could sell more than this limit while never holding more than this limit. There is no upper limit on the number of shares that may be issued which will have the effect of further diluting the proportionate equity interest and voting power of holders of our common stock, including investors in this offering.

If We Are Required For Any Reason To Repay Our Outstanding Callable Secured Convertible Notes, We Would Be Required To Deplete Our Working Capital, If Available, Or Raise Additional Funds. Our Failure to Repay the Callable Secured Convertible Notes, If Required, Could Result In Legal Action Against Us, Which Could Require The Sale Of Substantial Assets.

On June 14, 2005 and on December 28, 2006, we entered into financing arrangements involving the sale of an aggregate of \$2,000,000 and of \$400,000 principal amount of callable secured convertible notes and stock purchase warrants to buy 7,692,308 and 4,000,000 shares of our common stock respectively. The callable secured convertible notes are due and payable, with 10% and 6% interest respectively, three years from the date of issuance, unless sooner converted into shares of our common stock. In addition, any event of default such as our failure to repay the principal or interest when due, our failure to issue shares of common stock upon conversion by the holder, our failure to timely file a registration statement or have such registration statement declared effective, breach of any covenant, representation or warranty in the Securities Purchase Agreement or related convertible note, the assignment or appointment of a receiver to control a substantial part of our property or business, the filing of a money judgment, writ or similar process against us in excess of \$50,000, the commencement of a bankruptcy, insolvency, reorganization or liquidation proceeding against us and the delisting of our common stock could require the early repayment of the callable secured convertible notes, including a default interest rate of 15% on the outstanding principal balance of the notes if the default is not cured within the specified grace period. We anticipate that the full amount of the callable secured convertible notes will be converted into shares of our common stock, in accordance with the terms of the callable secured convertible notes. If we are required to repay the callable secured convertible notes, we would be required to use our limited working capital and raise additional funds. If we were unable to repay the notes when required, the note holders could commence legal action against us and foreclose on all of our assets to recover the amounts due. Any such action would require us to curtail or cease operations.

Risks Related to our Common Stock

There is only a limited market for our common stock and the price of our common stock may be affected by factors that are unrelated to the performance of our business.

Our common stock has not actively traded during the past few years. If any of the risks described in these Risk Factors or other unseen risks are realized, the market price of our common stock could be materially adversely affected. Additionally, market prices for securities of biotechnology and diagnostic companies have historically been very volatile. The market for these securities has from time to time experienced significant price and volume fluctuations for reasons that are unrelated to the operating performance of any one company. In particular, and in addition to the other risks described elsewhere in these Risk Factors, the following factors can adversely affect the market price of our common stock:

- announcements of technological innovation or improved or new diagnostic products by others;
- general market conditions;
- changes in government regulation or patent decisions;
- changes in insurance reimbursement practices or policies for diagnostic products.

Our common shares have traded on the Over the Counter Bulletin Board at prices below \$5.00 for several years. As a result, our shares are characterized as “penny stocks” which could adversely affect the market liquidity of our common stock.

The Securities Enforcement and Penny Stock Reform Act of 1990 requires additional disclosure relating to the market for penny stocks in connection with trades in any stock defined as a penny stock. Securities and Exchange Commission regulations generally define a penny stock to be an equity security that has a market price of less than \$5.00 per share, subject to certain exceptions. Such exceptions include any equity security listed on Nasdaq or a national securities exchange and any equity security issued by an issuer that has:

- net tangible assets in excess of \$2,000,000, if such issuer has been in continuous operation for three years;

· net tangible assets in excess of \$5,000,000, if such issuer has been in continuous operation for less than three years;
or

· average revenue of at least \$6,000,000, for the last three years.

Unless an exception is available, the regulations require, prior to any transaction involving a penny stock, that a disclosure schedule explaining the penny stock market and the risks associated therewith is delivered to a prospective purchaser of the penny stock. We currently do not qualify for an exception, and, therefore, our common stock is considered to be penny stock and is subject to these requirements. The penny stock regulations adversely affect the market liquidity of our common shares by limiting the ability of broker/dealers to trade the shares and the ability of purchasers of our common shares to sell in the secondary market. In addition, certain institutions and investors will not invest in penny stocks.

Nevada law provides certain anti-takeover provisions for Nevada companies that may prevent or frustrate any attempt to replace or remove our current management by the stockholders or discourage bids for our common stock. These provisions may also affect the market price of our common stock. We have chosen not to opt out of these provisions.

We are subject to provisions of Nevada corporate law that limit the voting rights of a person who, individually or in association with others, acquires or offers to acquire at least 20% of our outstanding voting power unless a majority of our disinterested stockholders elects to grant voting rights to such person. We are also subject to provisions of Nevada corporate law that prohibit us from engaging in any business combination with an interested stockholder, which is a person who, directly or indirectly, is the beneficial owner of 10% or more of our common stock, for a period of three years following the date that such person becomes an interested stockholder, unless the business combination is approved by our board of directors in a prescribed manner. These provisions of Nevada law may make business combinations more time consuming or expensive and have the impact of requiring our board of directors to agree with a proposal before it is accepted and presented to stockholders for consideration. Although we have the ability to opt out of these provisions, we have not chosen not to do so. These anti-takeover provisions might discourage bids for our common stock.

Our board of directors has the authority, without further action by the stockholders, to issue, from time to time, up to 20,000,000 shares of preferred stock in one or more classes or series and to fix the rights and preferences of such preferred stock. The board of directors could use this authority to issue preferred stock to discourage an unwanted bidder from making a proposal to acquire us.

Future sales of a significant number of shares of our common stock by existing stockholders may lower the price of our common stock, which could result in losses to our stockholders.

As of March 19, 2007, we had outstanding 154,515,423 voting shares. Some of our outstanding voting shares are eligible for sale under Rule 144, are otherwise freely tradable or will become freely tradable under Rule 144. Sales of substantial amounts of shares of our common stock into the public market could lower the market price of our common shares.

In general, under Rule 144 as currently in effect, a person (or persons whose shares are required to be aggregated) who has owned shares for at least one year would be entitled to sell within any three-month period a number of shares that does not exceed the greater of (i) 1% of the number of our common shares then outstanding (which equals approximately 1,545,154 shares of common stock) or (ii) the average weekly trading volume of our common shares during the four calendar weeks preceding the filing of a Form 144 with respect to such sale. Sales under Rule 144 are public information about us. Under Rule 144(k), a person who is not deemed to have been our affiliate at any time during the three months preceding a sale, and who has owned the shares proposed to be sold for at least two years, is

entitled to sell his shares without complying with the manner of sale, public information, volume limitation or notice provisions of Rule 144.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements as of December 31, 2006 or as of the date of this report.

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Item 7. Financial Statements

The reports of the independent auditors and financial statements are set forth in this report beginning on page F-1.

Item 8. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

On January 24, 2005, the Audit Committee of Grant Life Sciences, Inc. (the "Company") engaged Russell Bedford Stefanou Mirchandani LLP ("RBSM") as our independent registered public accounting firm to audit its financial statements for the year ending December 31, 2004. Prior to engaging RBSM, neither the Company, nor anyone on our behalf, consulted with RBSM regarding the application of accounting principles to a specific completed or contemplated transaction, or the type of audit opinion that might be rendered on the Company's consolidated financial statements, or any other matters.

On January 24, 2006, Grant Life Sciences, Inc. dismissed Russell Bedford Stefanou Mirchandani LLP as its principal independent accountant. Effective January 24, 2006, we engaged Singer Lewak Greenbaum & Goldstein LLP as our new principal independent accountant. Our board of directors has approved the dismissal of Russell Bedford Stefanou Mirchandani LLP and the appointment of Singer Lewak Greenbaum & Goldstein LLP as our new principal independent accountants.

From the date of Russell Bedford Stefanou Mirchandani LLP's appointment through the date of their dismissal on January 24, 2006, there were no disagreements between our company and Russell Bedford Stefanou Mirchandani LLP on any matter listed under Item 304 Section (a)(1)(iv) A to E of Regulation S-B, including accounting principles or practices, financial statement disclosure or auditing scope or procedure which, if not resolved to the satisfaction of Russell Bedford Stefanou Mirchandani LLP would have caused Russell Bedford Stefanou Mirchandani LLP to make reference to the matter in its reports on our financial statements.. The report on the financial statements prepared by Russell Bedford Stefanou Mirchandani LLP for the fiscal period ending December 31, 2004 contained a paragraph with respect to our ability to continue as a going concern.

Prior to engaging Singer Lewak Greenbaum & Goldstein LLP, we did not consult Singer Lewak Greenbaum & Goldstein LLP regarding either:

1. the application of accounting principles to any specified transaction, either completed or proposed, or the type of audit opinion that might be rendered our financial statements, and neither a written report was provided to our company nor oral advice was provided that PricewaterhouseCoopers concluded was an important factor considered by our company in reaching a decision as to the accounting, auditing or financial reporting issue; or
2. any matter that was either subject of disagreement or event, as defined in Item 304(a)(1)(iv)(A) of Regulation S-B and the related instruction to Item 304 of Regulation S-B, or a reportable event, as that term is explained in Item 304(a)(1)(iv)(A) of Regulation S-B.

Prior to engaging Singer Lewak Greenbaum & Goldstein LLP, Singer Lewak Greenbaum & Goldstein LLP has not provided our company with either written or oral advice that was an important factor considered by our company in reaching a decision to change our company's new principal independent accountant from Russell Bedford Stefanou Mirchandani LLP to Singer Lewak Greenbaum & Goldstein LLP.

Item 8A. Controls and Procedures.

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on

such evaluation and in light of the restatement which gave rise to filing this amended Annual Report, our principal executive officer and principal financial officer have concluded, as of the end of such period, that our disclosure controls and procedures were not effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by us in our reports that we file or submit under the Securities Exchange Act of 1934.

During the last quarter of 2006, there were no changes to our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

The restatement contained in this Form 10-KSB/A arose because the Company's current chief financial officer, who joined the Company April 9, 2007, determined that the derivative liability related to the Company's convertible notes and warrants had not been accounted for in accordance with generally accepted accounting principles. This is explained more fully in Note B to the consolidated financial statements. Upon further investigation, and after discussions with its prior and current independent registered public accounting firms, the Company concluded that its Annual Report originally filed on Form 10-KSB should be amended. The Company therefore believes that the material weakness arising from the Company's inability to appropriately interpret complex accounting pronouncements, which existed as of December 31, 2006, has been at least partially mitigated by the addition of the current chief financial officer.

Item 8B. Other Information.

None

PART III**Item 9. Directors and Executive Officers of the Registrant**

Set forth below is certain information regarding our directors and executive officers. There are no family relationships between any of our directors or executive officers. Each of our directors is elected to serve until our next annual meeting of our stockholders and until his successor is elected and qualified or until such director's earlier death, removal or termination.

Name	Age	Position
Stan Yakatan	64	Chairman of the Board of Directors
Dr. Hun-Chi Lin	54	President, Chief Scientific Officer, Director
Don Rutherford	67	Chief Financial Officer
Michael Ahlin	58	Vice President, Director
Jack Levine	56	Director - Chairman of Audit Committee, member of Compensation Committee

Stan Yakatan. Mr. Yakatan has been the Chairman of the Board of Directors since July 2004, and was the Chief Executive Officer from July 2004 until August 2005. From September 1984 to the present, Mr. Yakatan has been the Chairman, President and Chief Executive Officer of Katan Associates, a life sciences advisory business. From 2000 to 2005 Mr. Yakatan was also a director of Lifepoint, Inc., a manufacturer of drug and alcohol testing systems, and is a strategic advisor to the state government of Victoria, Australia. Between 1968 and 1989, Mr. Yakatan held various senior executive positions with New England Nuclear Corporation (a division of E.I. DuPont), ICN Pharmaceuticals, Inc., New Brunswick Scientific Co., Inc. and Biosearch.

Michael Ahlin. Mr. Ahlin has been a Vice President and a director since July 2004. From May 2004 to the present, Mr. Ahlin has been the Vice President and a member of the Board of Directors of Impact Diagnostics. From July 1998 to May 2004, Mr. Ahlin was the Chairman of the Board, President and Chief Executive Officer of Impact Diagnostics. Mr. Ahlin has been President of WetCor, Inc., a land development company, since 1983.

Don Rutherford. Mr. Rutherford, is the Chief Financial Officer. He is a partner with Tatum LLC in Orange County, California, which he joined in January 2000. Tatum CFO Partners provides supplemental, interim, project, or employed executives for clients that range from emerging growth to large multinational public companies. Pursuant to such employment, Mr. Rutherford has been contracted out as an executive officer for various corporations. Since January 2004, he has been a board member and chairman of the audit committee of Performance Capital Management LLC, a public financial services company. Mr. Rutherford started his career with Coopers and Lybrand in its Toronto audit practice and is a Chartered Accountant. He also holds a BAsC in Industrial Engineering from the University of Toronto. Mr. Rutherford resigned his position with the Company in April 2007. He was replaced by Doyle Judd.

Jack Levine. Mr. Levine has been a director since July 2004. Since 1984, Mr. Levine has been the President of Jack Levine, PA, a certified public accounting firm. Since 1999, Mr. Levine has served as a director and the chairman of the audit committee of Pharmanet Development Group, Inc., a global drug development service company. On January 2006 Mr. Levine became Chairman of the Board of Directors of Pharmanet Development Group, Inc. Mr. Levine is a member of The National Association of Corporate Directors, Washington D.C. and a member of The Association of Audit Committee Members, Inc. Mr. Levine is a certified public accountant licensed by the State of Florida.

Dr. Hun-Chi Lin. Dr. Lin has been the President, Chief Scientific Officer, and a Director since October 2005. Since 2003, Dr. Hun-Chi Lin has been co-founder and President of XepMed, Inc., which develops medical devices used for separating blood components and treating infectious diseases. From 1999 to present, Dr. Lin has been co-founder and President of BioMedical Research Laboratories, Inc., which developed a Web-based healthcare partner-connectivity system to be used by individual health maintenance organizations, individuals, and in clinical trials. From 1996 to 1999, Dr. Lin was Director of Clinical Trials at Specialty Laboratories (NYSE: SP), where he built and managed a clinical trials division that had the broadest esoteric-testing capabilities in the CRO (Contract Research Organization) industry.

The Board of Directors has a standing Audit Committee and Compensation Committee. The Board is composed of 2 independent directors and 2 directors, who are also Officers of the Company. The Committees are made up of only independent directors. The Chairman of the Audit Committee is Mr. Jack Levine. The Board of Directors has determined that Mr. Levine, an independent director, is an “audit committee financial expert” as that term is defined by Item 401(e) of Regulation S-B.

Code of Ethics

On December 15, 2004, we adopted a written code of ethics that governs all of our officers, directors and finance and accounting employees. The code of ethics is incorporated by reference herewith as Exhibit 14.1 and is posted on our website at www.grantlifesciences.com.

Section 16 Beneficial Ownership Compliance

Section 16(a) of the Securities and Exchange Act of 1934, as amended, requires our executive officers and directors, and persons who beneficially own more than 10% of the company's common stock, to file initial reports of ownership and reports of changes in ownership of our common stock with the SEC.

Based solely on the reports received by the company and on written representations from certain reporting persons, the Company believes that the directors, executive officers and greater than ten percent beneficial owners have complied with all applicable filing requirements.

Item 10. Executive Compensation

The following table sets forth information concerning the total compensation that we have paid or that has accrued on behalf of our Chief Executive Officer and other executive officers with annual compensation exceeding \$100,000 during fiscal 2006, 2005 and 2004.

Name and Principal Position	Year	Salary	Bonus	Other Compensation	Long term compensation awards - # of securities underlying
Stan Yakatan, Chairman and Former Chief Executive Officer (1)	2006	\$ 18,000	-	-	-
	2005	\$ 112,500	-	-	1,720,952
2004	\$ 60,000	-	-	2,868,254	
Michael Ahlin, Vice President and Director	2006	\$ 40,000	-	-	-
	2005	\$ 110,488	-	-	-
	2004	\$ 144,000	-	-	-
Dr Hun-Chi Lin, President and Director (2)	2006	\$ 60,000	-	-	600,000
	2005	\$ 15,000	-	-	-
	2004	-	-	-	-
Dr. Mark Rosenfeld, former Vice President (4)	2006	-	-	-	-
	2005	-	-	-	-
	2004	\$ 111,429	\$18,106	-	-
Donald Rutherford Chief Financial Officer (5)	2006	\$ 116,625	-	-	-
	2005	\$ 78,093	-	-	750,000
	2003	\$ -	-	-	-

(1) Between May and June 2004, Impact Diagnostics paid Mr. Yakatan \$5,500 per month for consulting services to Impact Diagnostics in connection with the Merger. Beginning in July 2004, Mr. Yakatan received \$10,000 per month for acting as our Chief Executive Officer which position he resigned in August 2005 and continues to be paid \$1,500 per month as Chairman of the Board of Directors. As of the end of 2004, \$15,000 of his gross salary had not been paid to Mr. Yakatan. Mr. Yakatan does not have an employment contract with the company. As an incentive to join the company, Mr. Yakatan was granted 2,868,254 stock options, with an exercise price of \$0.18,

under the Company's Stock Incentive Plan, 1,147,302 options of which he forfeited upon his resignation. These options vested as follows: 573,650 on July 6, 2004; 1,147,302 on July 6, 2005 and 1,147,302 on July 6, 2006, the latter being forfeited when Mr. Yakatan resigned as CEO.

- (2) Dr. Lin joined the Company as President, Chief Scientific Officer and Director in October 2005 with a monthly salary of \$5,000. He is also entitled to 500,000 share options at \$0.05 per share 1/3 vesting effective the date of hiring and 100,000 options at \$0.018 per share vesting effective May 23, 2006 and the remaining 2/3 quarterly over 2 years,
- (3) Includes \$27,488 unpaid at the end of 2005. Mr. Ahlin had an employment contract with the company which set his monthly salary at \$12,000. The employment contract can be terminated by the Company at any time. During 2005 the pay rate was reduced to \$5,000 per month, and during 2006 to \$2,500 per month.
- (4) Dr. Mark Rosenfeld resigned on Oct 11, 2004. He had an employment contract with the company which set his monthly salary for 2004 at \$12,000 per month. After his resignation, he continued to work as a consultant to the company through December 31, 2005. He was paid \$5,000 per month for his consulting work.
- (5) Mr. Rutherford joined the Company as CFO on April 1, 2005 at an annual salary of \$125,000. He was granted 750,000 share options at \$0.18 vesting 1/3 immediately and the remainder over 3 years.

We do not have any benefit plans, except the Stock Incentive Plan which was approved on September 30, 2004 by a majority of the shareholders.

The following table sets forth information concerning individual grants of stock options made during the last fiscal year to the Company's named executive officers, under the Company's Stock Incentive Plan. No stock appreciation rights were issued during the fiscal year.

Options Granted in the Last Fiscal Year

(Individual Grants) Name	Number of shares of common stock underlying options granted	Percent of Total Options granted to Employees in 2006	Exercise Price (\$ per share)	Expiration Date
Dr. Hun-Chi Lin, President	500,000	100%	\$ 0.05	May 2016
	100,000		\$ 0.018	

Aggregated Option Exercises in Last Fiscal Year and Fiscal Year End Option Values

Name	Shares acquired on exercise (#)	Value Realized (\$)	Number of Unexercised Options at yr-end 2006 Exercisable/Unexercisable	Value of Unexercised In-the-Money Options at yr-end 2006 Exercisable/Unexercisable (\$)(1)
Dr. Hun-Chi Lin, President	0	0	366,667/233,333	\$ 19,400/ \$13,780

(1) the closing price of the Company's common stock as of December 31, 2006 was \$0.10 per share.

Compensation of Non-Employee Directors

We pay our directors who are not employees of Grant Life Sciences a director's fee of \$4,000 per year. Each non-employee director also is paid \$300 per hour for attending any meeting of the Board of Director and each Board committee meeting, up to a maximum of \$1,200 per meeting. We have granted to each non-employee director options to purchase 100,000 shares of our common stock , when they joined the board. Mr. Levine received these options when he joined the board, at an exercise price of \$0.18, 50,000 of which were first exercisable in July 2005. The remaining 50,000 will be exercisable in July 2006. No Directors fees were paid during the year.

Non-employee directors will receive additional options to purchase 50,000 shares of our common stock at the start of each year that they serve as directors. These options will have an exercise price equal to the market value at the time they are granted. One third of the options will become exercisable on each of the first, second and third anniversaries of the date of their grant. Jack Levine is a non-employee director and received these options at an \$0.18 exercise price in July 2004 when he was appointed to the Board effective after the Merger. The next grants of options for 2005 and 2006 have not yet been made. Mr. Yakatan became a non-employee director after his resignation as CEO in 2005 and was paid \$1,500 per month for his services as Chairman of the board of directors. In 2007 this compensation has been increased to \$2,500 per month.

In addition to the fees and options which they receive for serving as non-employee directors, the chairmen of each of our Audit Committee and Compensation Committees each receives an annual fee of \$2,500 and \$1,500, respectively, for each year that he or she serves as chair of their respective committees. The chairman of each of these committees also receives options to purchase an additional 25,000 shares of our common stock for each year that he or she serves as chairman of the committee. One third of these options becomes exercisable on the first, second, and third anniversary of the date of the grant. Jack Levine is the chairman of the Audit Committee. Initial options were granted in July 2004, at an exercise price of \$0.18, when the Chairman were appointed and options for 2005 and 2006 have yet to be granted.

Employment contracts and termination of employment and change-in-control arrangements

We have the following employment contracts with the named executive officers:

Dr. Hun-Chi Lin has an employment agreement with the Company. Pursuant to this employment agreement, Dr. Lin is to be paid an annual salary of \$60,000 for approximately 50% of his time and the Board of Directors of the Company has the discretion to grant an annual bonus. Dr. Lin is to be granted 500,000 share options at \$0.05 per share vesting 1/3 immediately and 2/3 quarterly over 2 years from date of hiring and is entitled to participate in all employee benefit plans or programs that are available to management employees of the Company and all other benefit plans or programs as may be specified by the Board of Directors of the Company. The employment agreement provides that either we or Dr. Lin may terminate the agreement at any time upon 30 days written notice.

Donald W Rutherford has an employment agreement with the Company. Pursuant to this employment agreement Mr. Rutherford is be paid an annual salary of \$125,000 for approximately 50% of his time. Mr. Rutherford was granted 750,000 share options at \$0.18 per share vesting 1/3 immediately and 2/3 quarterly over 2 years from date of hiring and is entitled to participate in all employee benefit plans or programs that are available to management employees of the Company and all other benefit plans or programs as may be specified by the Board of Directors of the Company. The employment agreement provides that either we or Mr. Rutherford may terminate upon 30 days written notice. Mr. Rutherford resigned his position with the Company in April 2007.

The Company has an employment agreement with Mr. Ahlin. Under the terms of the agreement he is to receive as compensation a monthly salary of \$12,000. The Board of Directors has the discretion to grant an annual bonus to Mr. Ahlin. Mr. Ahlin is entitled to participate in all employee benefit plans or programs that are available to management employees of the Company. The Company currently has no benefit plans. The employment agreement provides that either we or Mr. Ahlin may terminate the agreement at any time. Effective January 2006, Mr. Ahlin agreed to reduce his monthly salary to \$2,500.

Item 11. Security Ownership of Certain Beneficial Owners and Management

The following table lists stock ownership of our common stock as of February 28, 2007. The information includes beneficial ownership by (i) holders of more than 5% of our common stock, (ii) each of our current directors and executive officers and (iii) all of our directors and executive officers as a group. The information is determined in accordance with Rule 13d-3 promulgated under the Exchange Act based upon information furnished by the persons listed or contained in filings made by them with the Commission. Except as noted below, to our knowledge, each person named in the table has sole voting and investment power with respect to all shares of our common stock beneficially owned by them.

Name and Address of Beneficial Owner	Director/Officer	Amount and Nature of Beneficial Ownership (1)	Percentage of Class (1)
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Stan Yakatan 17th Floor 3550 Wilshire Blvd. Los Angeles, CA 90010	Chairman of the Board of Directors	2,387,619 (2)	1.5%
Jack Levine 16855 N.E. 2 nd Avenue, Suite 303 N. Miami Beach, FL 33162	Director	1,792,693(3)	1.1%
Dr. Hun-Chi Lin 17th Floor 3550 Wilshire Blvd. Los Angeles, CA 90010	President and Director	1,583,333 (7)	1.0%
Michael Ahlin 64 East Winchester, Suite 205 Murray, UT 84107	Vice President and Director	4,227,164 (4)	2.7%
Don Rutherford 17th Floor 3550 Wilshire Blvd. Los Angeles, CA 90010	Chief Financial Officer	1,583,333 (5)	1.0%
All directors and officers as a group		11,574,142 (6)	7.0%

(1) Applicable percentage ownership is based on 154,515,423 shares of common stock outstanding as of March 19, 2007, together with securities exercisable or convertible into shares of common stock within 60 days of March 19, 2007 for each stockholder. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Shares of common stock that are currently exercisable or exercisable within 60 days of March 19, 2007 are deemed to be beneficially owned by the person holding such securities for the purpose of computing the percentage of ownership of such person, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person.

(2) Represents options to purchase 2,387,619 shares of our common stock beneficially owned by Mr. Yakatan exercisable within 60 days. Does not include options to purchase 1,333,333 shares of our common stock that are not exercisable within 60 days.

(3) Includes warrants and options to purchase 816,668 shares of our common stock beneficially owned by Mr. Levine that are exercisable within 60 days. Does not include options to purchase 1,358,332 shares of our common stock that are not exercisable within 60 days.

(4) Includes options to purchase 500,000 shares of our common stock exercisable within 60 days and 953,000 shares of our common stock held by Princess Investments. Mr. Ahlin has voting power over securities held by Princess Investments. Does not include options to purchase 1,000,000 shares of our common stock that are not exercisable within 60 days.

(5) Represents options to purchase 1,583,333 shares of our common stock exercisable within 60 days. Does not include options to purchase 1,666,667 shares of our common stock that are not exercisable within 60 days.

(6) Includes options to purchase 6,870,953 shares of our common stock and warrants to purchase a total of 98,092 shares of our common stock exercisable within 60 days. Does not include options to purchase a total of 7,774,999 shares of our common stock not exercisable within 60 days.

(7) Represents options to purchase 1,583,333 shares of our common stock exercisable within 60 days. Does not include options to purchase 2,416,667 shares of our common stock that are not exercisable within 60 days.

Item 12. Certain Relationships and Related Transactions

Except as set forth below, there have been no material transactions during the past two years between us and any officer, director or any stockholder owning greater than 5% of our outstanding shares, or any of their immediate family members.

Messrs. Seth Yakatan and Clifford Mintz have been contracted as consultants to us in the business development area since November 1, 2004 and August 1, 2004, respectively. They were paid \$5,000 each month for their services. Mr. Mintz services were terminated March 31, 2005. Mr. Yakatan is the son of Stan Yakatan, our President, CEO and Board Chairman. Mr. Mintz is an affiliate of Katan Associates, of which Stan Yakatan is the Chairman.

We believe that these transactions were on terms as favorable as could have been obtained from unaffiliated third parties. Any future transactions we enter into with our directors, executive officers and other affiliated persons will be on terms no less favorable to us than can be obtained from an unaffiliated party and will be approved by a majority of the independent, disinterested members of our board of directors, and who had access, at our expense, to our or independent legal counsel.

Item 13. Exhibits

**Exhibit
Number**

Description

- 2.1 Agreement and Plan of Merger, dated as of July 6, 2004, by and among Grant Ventures, Inc., Impact Acquisition Corporation and Impact Diagnostics, Inc. (incorporated by reference to the Registration Statement on Form SB-2 dated September 30, 2004).
- 3.1 Articles of Incorporation of North Ridge Corporation, filed with the Secretary of State of Nevada on January 31, 2000. (incorporated by reference to the Registration Statement on Form SB-2 dated September 30, 2004).
- 3.2 Certificate of Amendment to Articles of Incorporation of North Ridge Corporation, changing its name to Grant Ventures, Inc. and changing its authorized capital to 50,000,000 shares, par value \$0.001 per share, filed with the Secretary of State of Nevada on May 30, 2001. (incorporated by reference to the Registration Statement on Form SB-2 dated September 30, 2004).
- 3.3 Form of Amended and Restated Articles of Incorporation of Grant Ventures, Inc. (incorporated by reference to the Registration Statement on Form SB-2 dated September 30, 2004).
- 3.4 Articles of Merger for the merger of Impact Diagnostics, Inc. (Utah) and Impact Acquisitions Corporation (Utah), filed with the Secretary of State of Utah on July 30, 2004 (incorporated by reference to the Registration Statement on Form SB-2 dated September 30, 2004).
- 3.5 Bylaws of Grant Life Sciences, Inc. (incorporated by reference to the Registration Statement on Form SB-2/A dated February 11, 2005).
- 4.1 Securities Purchase Agreement between Grant Ventures, Inc. and the purchasers party thereto (incorporated by reference to the Registration Statement on Form SB-2 dated September 30, 2004).
- 4.2 Registration Rights Agreement between Grant Ventures, Inc. and the purchasers party thereto. (incorporated by reference to the Registration Statement on Form SB-2 dated September 30, 2004).
- 4.3 Form of Common Stock Purchase Warrant. (incorporated by reference to the Registration Statement on Form SB-2 dated September 30, 2004).
- 10.1 6% Convertible Promissory Note in the amount of \$350,000, dated as of July 23, 2004, between Impact Diagnostics, Inc. and James H. Donell, as receiver of Citadel Capital Management, Inc. (incorporated by reference to the Registration Statement on Form SB-2 dated September 30, 2004).
- 10.2 Warrant, dated July 23, 2004, of James H. Donell, as receiver of Citadel Capital Management, Inc., to purchase 89,500 shares of common stock of Impact Diagnostics, Inc. (incorporated by reference to the Registration Statement on Form SB-2 dated September 30, 2004).
- 10.3 Letter Agreement, dated July 1, 2004, between Impact Diagnostics, Inc. and Duncan Capital LLC. (incorporated by reference to the Registration Statement on Form SB-2 dated September 30, 2004).
- 10.4 Letter Agreement, dated July 1, 2004, between Impact Diagnostics, Inc. and Michael Ahlin (incorporated by reference to the Registration Statement on Form SB-2 dated September 30, 2004).

- 10.5 Letter Agreement, dated July 1, 2004, between Impact Diagnostics, Inc. and Dr. Mark Rosenfeld. (incorporated by reference to the Registration Statement on Form SB-2 dated September 30, 2004).
- 10.6 2004 Stock Incentive Plan of Grant Ventures, Inc. (incorporated by reference to the Registration Statement on Form SB-2 dated September 30, 2004).
- 10.7 Incentive Stock Option Agreement, dated as of July 6, 2004, between Impact Diagnostics, Inc. and Stan Yakatan (incorporated by reference to the Registration Statement on Form SB-2 dated September 30, 2004)..
- 10.8 Incentive Stock Option Agreement, dated as of July 6, 2004, between Impact Diagnostics, Inc. and John C. Wilson.

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- 10.9 Employment Agreement between Michael L. Ahlin and Impact Diagnostics, Inc., dated January 1, 2004, as amended by the Amendment of Employment Agreement, dated July 1, 2004.
- 10.11 Exclusive License Agreement between Impact Diagnostics Incorporation and Dr. Yao Xiong Hu, M.D., dated July 20, 2004 (incorporated by reference to Form 10-QSB filed with SEC on November 19, 2004).
- 10.12 Exclusive License Agreement dated March 7, 2005 by and between Grant Life Sciences, Inc. and AccuDx Corporation (incorporated by reference herein to the Current Report on Form 8-K filed on March 11, 2005).
- 10.13 Consulting Agreement dated March 7, 2005 by and between Grant Life Sciences, Inc. and Ravi and Dr. Indira Pottahil (incorporated by reference herein to the Current Report on Form 8-K filed on March 11, 2005).
- 10.14 Promissory Note in the name of AccuDx Corporation dated March 7, 2005 (incorporated by reference herein to the Current Report on Form 8-K filed on March 11, 2005).
- 10.15 Securities Purchase Agreement dated as of March 15, 2005 among Grant Life Sciences, Inc. and the purchasers signatory thereto (incorporated by reference herein to the Current Report on Form 8-K filed on March 21, 2005).
- 10.16 Security Agreement dated as of March 15, 2005 among Grant Life Sciences, Inc. and the holders of the Notes (incorporated by reference herein to the Current Report on Form 8-K filed on March 21, 2005).
- 10.17 Registration Rights Agreement dated as of March 15, 2005 among Grant Life Sciences, Inc. and the purchasers signatory thereto (incorporated by reference herein to the Current Report on Form 8-K filed on March 21, 2005).
- 10.18 8% Senior Secured Note dated March 15, 2005 in the name of DCOFI Master LDC (incorporated by reference herein to the Current Report on Form 8-K filed on March 21, 2005).
- 10.19 Common Stock Purchase Warrant dated March 15, 2005 (incorporated by reference herein to the Current Report on Form 8-K filed on March 21, 2005).
- 14.1 Code of Ethics. (incorporated by reference herein to the Annual Report on Form 10-KSB filed on March 31, 2005).
- 21.1 Subsidiaries of the Registrant.
- 23.1 Consent of Singer Lewak Greenbaum & Goldstein LLP
- 31.1 Certification by Chief Executive Officer pursuant to Sarbanes Oxley Section 302.
- 31.2 Certification by Chief Financial Officer pursuant to Sarbanes Oxley Section 302.
- 32.1 Certification by Chief Executive Officer pursuant to 18 U.S. C. Section 1350.
- 32.2 Certification by Chief Financial Officer pursuant to 18 U.S. C. Section 1350.

Item 14. Principal Accountant Fees and Services

Audit Fees

Fees billed for professional services rendered by Singer Lewak Greenbaum & Goldstein LLP for the audit of the Company's 2006 annual financial statements were \$50,000 and for reviews of the quarterly filings in 2006 were \$62,000. The fees billed for professional services rendered by Singer Lewak Greenbaum & Goldstein LLP for the audit of the Company's 2005 annual financial statements were \$76,084. Fees billed for professional services rendered by Russell Bedford Stefanou Mirchandani LLP for reviews of the quarterly filings in 2005 were \$28,244.

Audit-Related Fees

Approximately \$32,000 of fees were billed for reviews of registration statements during 2006, and approximately \$30,200 of fees were billed for reviews of registration statements during 2005.

Tax Fees

Singer Lewak Greenbaum & Goldstein LLP performed tax services for the 2006 and 2005 tax returns at a cost of \$5,000.

All Other Fees

We did not incur any fees for other professional services rendered by our independent auditors during the years ended December 31, 2006 and December 31, 2005.

The charter of the Company's Audit Committee, which was established by the Board of Directors in July 2004, includes a written policy regarding the pre-approval of audit and permitted non-audit services to be performed by our independent auditors, Singer Lewak Greenbaum & Goldstein LLP. All services provided by Singer Lewak Greenbaum & Goldstein LLP, both audit and non-audit must be pre-approved by the Audit Committee. The Audit Committee's charter specifies that the Committee is directly responsible for the appointment, compensation and oversight of the work of the independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing its audit report or any related work. The charter specifies that the Committee meet at least quarterly with the independent auditor in separate executive sessions. All services provided by our principal accountant since July 2004 have been pre-authorized by the Audit Committee. The Directors and Officers of Impact Diagnostics, Inc. were responsible for engaging auditors for the audit of the 2003 Impact financial statements, as this entity was a private company prior to the merger on July 30, 2004.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GRANT LIFE SCIENCES, INC.

By: /s/ Hun-Chi Lin

 Hun-Chi Lin
 President and Director

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name	Title	Date
<u>/s/ Stan Yakatan</u> Stan Yakatan	Chairman of the Board of Directors	June 21, 2007
<u>/s/ Hun-Chi Lin</u> Hun-Chi Lin	President and Director	June 21, 2007
<u>/s/ Doyle Judd</u> Doyle Judd	Chief Financial Officer	June 21, 2007
<u>/s/ Michael Ahlin</u> Michael Ahlin	Vice President and Director	June 21, 2007
<u>/s/ Jack Levine</u> Jack Levine	Director	June 21, 2007

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FINANCIAL STATEMENTS

DECEMBER 31, 2006 AND 2005

**FORMING A PART OF ANNUAL REPORT
PURSUANT TO THE SECURITIES EXCHANGE ACT OF 1934**

**GRANT LIFE SCIENCES, INC.
(A development stage company)**

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GRANT LIFE SCIENCES, INC.
(A development stage company)
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SINGER LEWAK GREENBAUM & GOLDSTEIN LLP
CERTIFIED PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors
Grant Life Sciences, Inc.
Los Angeles, CA

We have audited the restated consolidated balance sheets of Grant Life Sciences, Inc. and subsidiary (a development stage company) as of December 31, 2006 and 2005, and the related restated consolidated statements of losses, deficiency in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the restated consolidated financial statements referred to above present fairly, in all material respects, the financial position of Grant Life Sciences, Inc. and subsidiary (a development stage company) as of December 31, 2006 and 2005, and the restated results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note C to the consolidated financial statements, the Company is in the development stage and has not established a significant source of revenues. This raises substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note C. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As described in Note B to the consolidated financial statements, the Company has restated its consolidated financial statements for each of the two years in the period ended December 31, 2006 for corrections of errors related to the incomplete and/or incorrect application of derivative accounting to convertible notes and warrants.

SINGER LEWAK GREENBAUM & GOLDSTEIN LLP
Los Angeles, California
March 29, 2007, except for Note B, as to which the date is June 20, 2007

GRANT LIFE SCIENCES, INC.
(A development stage company)
CONSOLIDATED BALANCE SHEETS
(Restated – Note B)

	2006	December 31, 2005
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 287,992	\$ 800,472
Accounts receivable	1,338	72,675
Prepaid expenses	1,875	69,125
Deposits & other assets	4,375	21,875
Total current assets	295,580	964,147
Property and equipment, net of accumulated depreciation of \$19,922 and \$12,519 at December 31, 2006 and 2005, respectively (Note E)	10,772	14,321
Patents, net of accumulated amortization of \$1,555 and \$0 at December 31, 2006 and December 31, 2005 respectively	21,779	23,334
Deferred financing fees, net of accumulated amortization of \$25,000 and \$13,542, at December 31, 2006 and December 31, 2005, respectively	48,908	61,458
Total assets	\$ 377,039	\$ 1,063,260
LIABILITIES AND DEFICIENCY IN STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 276,715	\$ 124,846
Accrued liabilities	50,000	130,555
Accrued interest payable	153,559	106,637
Accrued payroll liabilities	-	94,680
Notes payable, current portion (Note G)	365,523	21,875
Total current liabilities	845,797	478,593
Long-term liabilities:		
Notes payable - long term (Note G)	-	350,000
Convertible notes payable (Note G)	683,015	240,491
Derivative liability related to convertible notes	4,233,656	3,915,506
Warrant liability related to convertible notes	1,274,600	213,522
Total Liabilities	7,037,068	5,198,112
Commitments and contingencies (Note K)		
	-	-
Deficiency in stockholders' equity:		
Preferred stock, par value: \$.001, authorized 20,000,000 shares; no shares issued and outstanding at December 31, 2006 and 2005 (Note H)	-	-
Common stock, par value; \$.001, authorized 750,000,000 shares at December 31, 2006 and 2005, 136,420,423 and 67,803,070 shares issued and outstanding at December 31, 2006 and 2005, respectively (Note H)	136,420	126,487

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Additional paid in capital	7,614,681	7,050,165
Deferred compensation	-	(285,307)
Deficit accumulated during development stage	(14,411,130)	(11,026,197)
Total deficiency in stockholders' equity:	(6,660,029)	(4,134,852)
Total liabilities and deficiency in stockholders' equity:	\$ 377,039	\$ 1,063,260

The accompanying notes to consolidated financial statements

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GRANT LIFE SCIENCES, INC.
(A development stage company)
CONSOLIDATED STATEMENTS OF LOSSES
(Restated – Note B)

	For the Year Ended December 31,		For the Period July 9, 1998 (date of inception) through December 31, 2006
	2006	2005	
Sales	\$ -	\$ 72,675	\$ 72,675
Cost of Sales	-	62,805	62,805
Gross Margin	-	9,870	9,870
Operating Expenses:			
General and administrative	1,176,688	2,385,740	5,901,416
Depreciation (Note E)	7,403	6,662	26,806
Acquisition cost (Note D)	-	-	65,812
Research and development	244,189	502,325	1,712,695
Total Operating Expenses	1,428,280	2,894,727	7,706,729
Loss from Operations	(1,428,280)	(2,884,857)	(7,696,859)
Other income (expenses):			
Gain on extinguishment of debt (Note G)	-	-	510,105
Change in fair value related to adjustment of derivative and warrant liability to fair value of underlying securities	(1,294,293)	(3,897,643)	(5,191,936)
Interest expense	(662,160)	(862,257)	(2,032,140)
Loss before income taxes	(3,384,733)	(7,644,757)	(14,410,830)
Income tax expense	(200)	(100)	(300)
Net loss	\$ (3,384,933)	\$ (7,644,857)	\$ (14,411,130)
Net loss per common share - basic and diluted (Note A)	(\$0.03)	(\$0.11)	n/a
Weighted average shares - basic and diluted	132,810,185	67,803,070	n/a

See accompanying notes to consolidated financial statements

GRANT LIFE SCIENCES, INC.
(A development stage company)
CONSOLIDATED STATEMENTS OF DEFICIENCY IN STOCKHOLDERS' EQUITY
FOR THE PERIOD JULY 9, 1998 (Date of Inception) THROUGH
DECEMBER 31, 2006
(Restated – Note B)

	Common Shares	Common Shares Amount	Subscription Receivable	Deferred Compensation	Additional Paid In Capital	Accumulated Deficit	Total (Deficiency) In Stockholders Equity
Balance July 9, 1998 (date of inception)	9,272,200	\$ 9,272	\$ -	\$ -	(9,272)\$	\$ -	-
Issued stock for subscription receivable at \$0.005 per share	18,795,000	18,795	(100,000)	-	81,205	-	-
Balance, December 31, 1998	28,067,200	28,067	(100,000)	-	71,933	-	-
Issued stock for cash at \$0.004 per share	1,253,000	1,253	-	-	3,747	-	5,000
Net loss	-	-	-	-	-	(5,053)	(5,053)
Balance, December 31, 1999	29,320,200	29,320	(100,000)	-	75,680	(5,053)	(53)
Payment of subscriptions receivable	-	-	100,000	-	-	-	100,000
Net loss	-	-	-	-	-	(43,641)	(43,641)
Balance, December 31, 2000	29,320,200	29,320	-	-	75,680	(48,694)	56,306
Issued stock for cash at \$0.004 per share	250,600	251	-	-	749	-	1,000
Net loss	-	-	-	-	-	(522,213)	(522,213)
Balance, December 31, 2001	29,570,800	29,571	-	-	76,429	(570,907)	(464,907)
Beneficial conversion feature on issuance of debt	-	-	-	-	98,507	-	98,507
Gain on extinguishment of debt	-	-	-	-	(98,507)	-	(98,507)
Issued stock for cash at \$0.13 per share	689,150	689	-	-	91,811	-	92,500
Issued stock for services at \$0.06 per share	1,591,310	1,591	-	-	101,659	-	103,250
Issued stock in satisfaction of debt at \$0.14 per share	1,790,000	1,790	-	-	248,210	-	250,000

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<u>Net loss</u>	-	-	-	-	-	(646,201)	(646,201)
Balance, December 31, 2002	33,641,260	33,641	-	-	518,109	(1,217,108)	(665,358)
Issued stock for cash at \$0.13 per share	930,800	931	-	-	119,069	-	120,000
<u>Net loss</u>	-	-	-	-	-	(253,881)	(253,881)
Balance, December 31, 2003	34,572,060	34,572	-	-	637,178	(1,470,989)	(799,239)
Issued stock for cash at \$0.0838 per share	238,660	239	-	-	19,761	-	20,000
Issued stock for services at \$0.08 per share	500,000	500	-	-	39,500	-	40,000
Issued stock for cash at \$0.1835 per share	9,560,596	9,561	-	-	1,485,376	-	1,494,937
Reverse merger with Grant Ventures, Inc.	6,000,000	6,000	-	-	-	-	6,000
Warrants issued as part of restructuring of debt (89,500 valued at \$0.03779)	-	-	-	-	3,382	-	3,382
Recognition of beneficial conversion feature on issuance of note payable	-	-	-	-	200,000	-	200,000
Conversion of note payable and accrued interest at \$0.07569 per share	2,720,000	2,720	-	-	203,165	-	205,885
Issued stock in satisfaction of debt at \$0.1835 per share	249,475	249	-	-	45,530	-	45,779
Exercise of \$0.01 warrants	2,403,000	2,403	-	-	21,627	-	24,030
Issued 250,000 warrants for services	-	-	-	-	11,000	-	11,000
Stock options issued to employees, directors, consultants	-	-	-	(1,523,966)	1,523,966	-	-
Vesting of deferred compensation	-	-	-	426,081	-	-	426,081
<u>Net loss</u>	-	-	-	-	-	(1,910,351)	(1,910,351)
Balance, December 31, 2004	56,243,791	56,244	-	(1,097,885)	4,190,485	(3,381,340)	(232,496)
Conversion of notes payable and accrued interest at \$0.092178 per share on 3/31/05	1,395,322	1,395	-	-	127,225	-	128,620
Stock options issued to new director on 2/21/05	-	-	-	(26,725)	26,725	-	-

Value of 250,000 warrants issued as part of bridge loan on 3/15/05	-	-	-	-	65,540	-	65,540
Shares issued 4/28/05 for services at \$0.40	500,000	500	-	-	199,500	-	200,000
Stock options granted to employee 4/1/05	-	-	-	(327,197)	327,197	-	-
Stock options exercised 6/2/05	50,000	50	-	-	8,950	-	9,000
Reclassify warrants to liability 6/14/05	-	-	-	-	(656,607)	-	(656,607)
Shares issued 9/28 for legal services at \$0.22	200,000	200	-	-	43,800	-	44,000
Partial conversion of convertible notes payable between 9/8/05 and 12/16/05 at conversion rates ranging from \$0.00423 to \$0.0105 per share	67,580,405	67,581	-	-	2,708,685	-	2,776,266
Stock options issued to interim CEO 9/28	-	-	-	(3,762)	3,762	-	-
Shares issued on exercise of warrant CAMFO II	250,000	250	-	-	2,500	-	2,750
Shares issued at \$0.09 on exercise of warrant	267,000	267	-	-	2,403	-	2,670
Vesting of deferred compensation	-	-	-	976,987	-	-	976,987
Cancellation of stock options	-	-	-	193,275	-	-	193,275
Net loss for the year	-	-	-	-	-	(7,644,857)	(7,644,857)
Balance, December 31, 2005	126,486,518	126,487		(285,307)	7,050,165	(11,026,197)	(4,134,852)
Vesting of deferred compensation	-	-	-	84,972	-	-	84,972
Adjustment of presentation of Deferred Compensation	-	-	-	200,335	(200,335)	-	-
Stock option expense	-	-	-	-	153,577	-	153,577
Partial conversion of convertible notes payable on 8/1/06 and 10/31/06 at	2,594,644	2,595	-	-	241,973	-	244,568

conversion rates

\$0.0063 to \$0.0278

per share,

respectively

Issued stock in satisfaction of debt	5,226,534	5,226	-	-	47,039	-	52,265
Issued stock in exchange for services rendered at \$0.038 per share	1,150,627	1,150	-	-	163,397	-	164,547
Exercise of 150,000 options at \$0.18 per share	150,000	150	-	-	26,850	-	27,000
Repricing of warrants	-	-	-	-	17,422	-	17,422
Issue shares on exercise of warrants	812,100	812	-	-	114,593	-	115,405
Net loss for the year	-	-	-	-	-	(3,384,933)	(3,384,933)
Balance, December 31, 2006	136,420,423	\$ 136,420	\$ -	\$ -	\$ 7,614,681	\$ (14,411,130)	\$ (6,660,029)

See accompanying notes to consolidated financial statements

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GRANT LIFE SCIENCES, INC.
(A development stage company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Restated – Note B)

	For the Year Ended December 31,		For the Period July 9, 1998 (date of inception) through December 31, 2006
	2006	2005	
Cash flows from operating activities:			
Net loss	\$ (3,384,933)	\$ (7,644,857)	\$ (14,411,130)
Adjustments to reconcile net loss to cash used in operations:			
Depreciation (Note E)	7,403	6,662	26,806
Amortization	44,055	26,667	70,722
Change in fair value related to adjustment of derivative and warrant liability to fair value of underlying securities	1,294,293	3,897,643	5,191,936
Loss on abandonment of assets (Note E)	-	-	3,790
Deferred compensation (Note J)	238,550	976,986	1,641,616
Common stock issued in exchange for services rendered (Note H)	-	244,000	388,250
Cancellation of stock options	-	193,275	193,275
Interest on convertible notes payable	487,430	591,534	1,078,964
Warrants issued in connection with bridge loan	-	65,540	65,540
Warrants issued in exchange for services rendered (Note J)	-	-	11,000
Beneficial conversion feature discount (Note G)	-	-	298,507
Gain on extinguishment of debt (Note G)	-	-	(510,105)
Write off of accounts payable due to stockholders	-	(1,230)	(2,108)
Acquisition cost (Note D)	-	-	65,812
Decrease (increase) in:			
Accounts receivable	71,337	(69,675)	(1,338)
Employee receivables	-	334	-
Prepaid expense	67,250	(63,912)	(1,875)
Deferred financing costs	(12,450)	-	(12,450)
Deposits & other	-	(55,070)	(56,335)
(Decrease) increase in:			-
Accounts payable	166,417	29,007	288,736
Notes payable	(6,352)	21,875	15,523
Accounts payable - assumed liabilities	-	-	(17,506)
Accounts payable - stockholders	-	-	(38,900)
Accrued expenses	(51,726)	93,556	76,830
Accrued payroll liabilities	(94,680)	81,521	-
Accrued interest payable	99,188	106,981	396,286
Net cash (used in) operating activities	(1,074,218)	(1,499,163)	(5,238,154)
Cash flows from investing activities:			
Payments for property and equipment	(3,854)	(5,743)	(41,368)

Net cash used in investing activities	(3,854)	(5,743)	(41,368)
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Cash flows from financing activities:

Proceeds from sale of common stock, net of costs and fees (Note H)	148,170	14,420	1,919,058
Net proceeds from notes payable (Note G)	400,000	1,925,000	3,505,255
Proceeds from re-pricing of warrants	17,422	-	17,422
Proceeds from related party notes payable	-	-	60,000
Payments for related party notes payable	-	-	(34,221)
Proceeds from stock subscriptions receivable	-	-	100,000
Net cash provided by financing activities	565,592	1,939,420	5,567,514
Net increase (decrease) in cash and cash equivalents	(512,480)	434,514	287,992
Cash and cash equivalents at beginning of the period	800,472	365,958	-
Cash and cash equivalents at end of the period	\$ 287,992	\$ 800,472	\$ 287,992

See accompanying notes to consolidated financial statements

Supplemental cash flow information for the years ended December 31, 2006 and 2005 and July 9, 1998 (date of inception) through December 31, 2006 is as follows:

	2006	2005	July 9, 1998 (date of inception) through December 31, 2006
Cash paid for interest	\$ -	\$ 48,114	\$ 116,417
Cash paid for income taxes	-	-	-
Non Cash Investing and Financing Transactions:			
Loss on abandonment of assets	-	-	3,790
Deferred compensation	238,550	976,987	1,641,646
Common stock issued in exchange for services rendered(H)	-	244,000	144,250
Warrants issued in exchange for services rendered	-	-	11,000
Gain on extinguishment of debt	-	-	(510,105)
Write off of accounts payable due to stockholders	-	(1,230)	(2,108)
Merger with Impact:			
Common stock retained	-	-	6,000
Liabilities assumed in excess of assets acquired	-	-	59,812
Acquisition cost recognized	-	-	65,812

GRANT LIFE SCIENCES, INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2006 and 2005

NOTE A - SUMMARY OF ACCOUNTING POLICIES

Business and Basis of Presentation

Grant Life Sciences, Inc. (formerly Impact Diagnostics, Inc.) (the "Company") was organized under the laws of the State of Utah on July 9, 1998. The Company's purpose is to research, develop, market and sell diagnostic kits for detecting disease with emphasis on the detection of low-grade cervical disease.

On July 30, 2004, the Company became a wholly owned subsidiary of Grant Ventures, Inc., a Nevada Corporation, by merging with Impact Acquisition Corporation, a Utah corporation and wholly owned subsidiary of Grant Ventures, Inc. Grant Ventures, Inc. was an inactive publicly registered shell corporation with no significant assets or operations. For accounting purposes the merger was treated as a recapitalization of the Company. Grant Ventures, Inc. changed its name to Grant Life Sciences, Inc. in November 2004.

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Impact Diagnostics. All intercompany transactions and balances have been eliminated in consolidation.

Development Stage Company

Effective July 9, 1998 (date of inception), the Company is considered a development stage Company as defined in SFAS No. 7. The Company's development stage activities consist of the development of medical diagnostic kits. Sources of financing for these development stage activities have been primarily debt and equity financing. The Company has, at the present time, not paid any dividends and any dividends that may be paid in the future will depend upon the financial requirements of the Company and other relevant factors.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Concentration of Credit Risk

Financial instruments and related items, which potentially subject the Company to concentrations of credit risk, consist primarily of cash and cash equivalents. The Company places its cash and temporary cash investments with credit quality institutions. At times, such investments may be in excess of the FDIC insurance limit.

Property and Equipment

Furniture and equipment is stated at cost less accumulated depreciation. Depreciation is computed using a straight-line basis based on the estimated useful lives of the assets. Equipment is depreciated over 3 to 5 years and furniture over 7 years. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed and any resulting gain or loss is recognized.

Long-Lived Assets

The Company has adopted Statement of Financial Accounting Standards No. 144 (“SFAS No. 144”). The Statement requires that long-lived assets and certain identifiable intangibles held and used by the Company be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Events relating to recoverability may include significant unfavorable changes in business conditions, recurring losses, or a forecasted inability to achieve break-even operating results over an extended period. The Company evaluates the recoverability of long-lived assets based upon forecasted undiscounted cash flows. Should impairment in value be indicated, the carrying value of intangible assets will be adjusted, based on estimates of future discounted cash flows resulting from the use and ultimate disposition of the asset. SFAS No. 144 also requires assets to be disposed of, be reported at the lower of the carrying amount or the fair value less costs to sell.

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GRANT LIFE SCIENCES, INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2006 and 2005

NOTE A - SUMMARY OF ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments

Statement of Financial Accounting Standards No. 107, "Disclosures About Fair Value of Financial Instruments," requires disclosure of the fair value of certain financial instruments. The carrying value of cash and cash equivalents, accounts receivable, accounts payable and short-term borrowings, as reflected in the balance sheets, approximate fair value because of the short-term maturity of these instruments.

Revenue Recognition

Revenues are recognized in the period that services are provided. For revenue from product sales, the Company recognizes revenue in accordance with Staff Accounting Bulletin No. 104, "Revenue Recognition" ("SAB No. 104"), which superseded Staff Accounting Bulletin No. 101, "Revenue Recognition In Financial Statements" ("SAB No. 101"). SAB No. 101 requires that four basic criteria must be met before revenue can be recognized: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred; (3) the selling price is fixed and determinable; and (4) collectibility is reasonably assured. Determination of criteria (3) and (4) are based on management's judgments regarding the fixed nature of the selling prices of the products delivered and the collectibility of those amounts. Provisions for discounts and rebates to customers, estimated returns and allowances, and other adjustments are provided for in the same period the related sales are recorded. The Company defers any revenue for which the product has not been delivered or is subject to refund until such time that the Company and the customer jointly determine that the product has been delivered or no refund will be required.

SAB No. 104 incorporates Emerging Issues Task Force No. 00-21, "Multiple-Deliverable Revenue Arrangements" ("EITF 00-21"). EITF 00-21 addresses accounting for arrangements that may involve the delivery or performance of multiple products, services and/or rights to use assets. The effect of implementing EITF 00-21 on the Company's consolidated financial position and results of operations was not significant.

Research and Development Costs

Research and development costs are expensed as incurred. These costs include direct expenditures for goods and services, as well as indirect expenditures such as salaries and various allocated costs.

Liquidity

As shown in the accompanying consolidated financial statements, the Company has incurred a net loss of \$3,384,933 and \$7,644,857 during the years ended December 31, 2006 and 2005, respectively. Consequently, its operations are subject to all risks inherent in the establishment of a new business enterprise.

Income Taxes

Income taxes are provided based on the liability method for financial reporting purposes in accordance with the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." Under this method deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and are measured using enacted tax

rates expected to apply to taxable income in the years in which those temporary differences are expected to be removed or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the statements of operations in the period that includes the enactment date.

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GRANT LIFE SCIENCES, INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2006 and 2005

NOTE A - SUMMARY OF ACCOUNTING POLICIES (Continued)

Net Loss Per Common Share

The computation of net loss per common share is based on the weighted average number of shares outstanding during each period. The computation of diluted earnings per common share is based on the weighted average number of shares outstanding during the period plus the common stock equivalents which would arise from the exercise of stock options and warrants outstanding using the treasury stock method and the average market price per share during the period. At year end December 31, 2006, there were 13,549,432 warrants, 4,037,618 vested stock options and 583,334 unvested options outstanding. As well there was \$1,484,779 of the \$2,000,000 10%, convertible note and \$400,000 of the 6% convertible notes outstanding. The notes were convertible at 43% and 60% respectively of the average of the three lowest intraday trading prices for the common stock during the 20 trading days before, but not including, the conversion date. As of December 31, 2006, the average of the three lowest intraday trading prices for the common stock during the preceding 20 trading days as reported on the Over-The-Counter Bulletin Board was \$.09 and, therefore, the conversion prices for the secured convertible notes were \$0.039 and \$0.054 respectively. Therefore based on these conversion prices, the convertible notes, excluding interest, would be convertible into 45,773,790 shares of common stock. These options, warrants and potential shares on conversion of notes were not included in the diluted loss per share calculation because the effect would have been anti dilutive. At year end December 31, 2005, there were 10,405,010 warrants, 3,187,618 vested stock options and 983,334 unvested options outstanding. These options and warrants were not included in the diluted loss per share calculation because the effect would have been anti dilutive.

Stock-Based Compensation

In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment" (SFAS No.123R). This Statement requires public entities to measure the cost of equity awards to employees based on the grant-date value of the award. The Company elected early adoption of this Statement, effective for 2004, in advance of the Company's required adoption date of December 15, 2005.

The Company began granting options to its employees, directors, and consultants in the 3rd quarter of 2004 under the Company's Stock Incentive Plan. In 2006 a total of 600,000 options and in 2005 a total of 950,000 options were granted, all of which vest over time periods ranging from 0 to 3 years. Fair value at the date of grant was estimated using the Black-Scholes pricing model with the following assumptions: 2006: dividend yield of 0%, expected volatility of 420%, risk-free interest rate of 4.8% and an expected life of 3 years, and 2005: dividend yield of 0%, expected volatility of 107%, risk-free interest rate of 3.6% and an expected life of 3 years. In 2006 the exercise price was \$0.018 for 100,000 options and \$0.05 for 500,000 options. The exercise price for all but 100,000 options was granted in 2005 was \$0.18, with 100,000 options having an exercise price of \$0.40. The weighted average grant date fair value for the options granted in 2006 was \$0.018 and the weighted average grant date fair value for the options granted in 2005 was \$0.43.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and

liabilities and disclosure of contingent assets and liabilities at the end of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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New Accounting Pronouncements

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections" ("SFAS No. 154"), an amendment to Accounting Principles Bulletin Opinion No. 20, "Accounting Changes" ("APB No. 20"), and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements". Though SFAS No. 154 carries forward the guidance in APB No.20 and SFAS No.3 with respect to accounting for changes in estimates, changes in reporting entity, and the correction of errors, SFAS No. 154 establishes new standards on accounting for changes in accounting principles, whereby all such changes must be accounted for by retrospective application to the financial statements of prior periods unless it is impracticable to do so. SFAS No. 154 is effective for accounting changes and error corrections made in fiscal years beginning after December 15, 2005, with early adoption permitted for changes and corrections made in years beginning after May 2005. The Company implemented SFAS No. 154 in its fiscal year beginning January 1, 2006. The Company does not believe that SFAS No. 156 will have a material impact on its financial position, results of operations or cash flows.

In February 2006, the FASB issued SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments", which amends SFAS No. 133, "Accounting for Derivatives Instruments and Hedging Activities" and SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities". SFAS No. 155 amends SFAS No. 133 to narrow the scope exception for interest-only and principal-only strips on debt instruments to include only such strips representing rights to receive a specified portion of the contractual interest or principle cash flows. SFAS No. 155 also amends SFAS No. 140 to allow qualifying special-purpose entities to hold a passive derivative financial instrument pertaining to beneficial interests that itself is a derivative instrument. The Company is currently evaluating the impact this new Standard but believes that it will not have a material impact on the Company's financial position, results of operations, or cash flows.

In March 2006, the FASB issued SFAS No. 156, "Accounting for Servicing of Financial Assets" ("SFAS NO. 156"), which provides an approach to simplify efforts to obtain hedge-like (offset) accounting. This Statement amends FASB Statement No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities", with respect to the accounting for separately recognized servicing assets and servicing liabilities. The Statement (1) requires an entity to recognize a servicing asset or servicing liability each time it undertakes an obligation to service a financial asset by entering into a servicing contract in certain situations; (2) requires that a separately recognized servicing asset or servicing liability be initially measured at fair value, if practicable; (3) permits an entity to choose either the amortization method or the fair value method for subsequent measurement for each class of separately recognized servicing assets or servicing liabilities; (4) permits at initial adoption a one-time reclassification of available-for-sale securities to trading securities by an entity with recognized servicing rights, provided the securities reclassified offset the entity's exposure to changes in the fair value of the servicing assets or liabilities; and (5) requires separate presentation of servicing assets and servicing liabilities subsequently measured at fair value in the balance sheet and additional disclosures for all separately recognized servicing assets and servicing liabilities. SFAS No. 156 is effective for all separately recognized servicing assets and liabilities as of the beginning of an entity's fiscal year that begins after September 15, 2006, with earlier adoption permitted in certain circumstances. The Statement also describes the manner in which it should be initially applied. The Company does not believe that SFAS No. 156 will have a material impact on its financial position, results of operations or cash flows.

In June 2006, the FASB issued FIN No. 48, *Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109*, which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. The interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN No. 48 requires recognition of tax benefits that satisfy a greater than 50% probability threshold. FIN No. 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN No. 48 is effective for us beginning January 1, 2007. We are currently assessing the potential impact that adoption of FIN No. 48 will have on

our financial statements.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*, which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 does not require any new fair value measurements, but provides guidance on how to measure fair value by providing a fair value hierarchy used to classify the source of the information. This statement is effective for us beginning January 1, 2008. We are currently assessing the potential impact that adoption of SFAS No. 157 will have on our financial statements.

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In September 2006, the Securities and Exchange Commission issued Staff Accounting Bulletin (“SAB”) No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Current Year Misstatements*. SAB No. 108 requires analysis of misstatements using both an income statement (rollover) approach and a balance sheet (iron curtain) approach in assessing materiality and provides for a one-time cumulative effect transition adjustment. SAB No. 108 is effective for our fiscal year 2007 annual financial statements. We are currently assessing the potential impact that adoption of SAB No. 108 will have on our financial statements.

In September 2006, the FASB issued Statement No. 158, “Employer’s Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106, and 132(R) (“FASB 158”). FASB 158 requires the full recognition, as an asset or liability, of the overfunded or underfunded status of a company-sponsored postretirement benefit plan. Adoption of FASB 158 is required effective for the Company’s fiscal year ending December 31, 2007. We are currently assessing the potential impact that adoption of FASB 158 may have on our financial statements.

In February 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities” (SFAS 159). Under the provisions of SFAS 159, Companies may choose to account for eligible financial instruments, warranties and insurance contracts at fair value on a contract-by-contract basis. Changes in fair value will be recognized in earnings each reporting period. SFAS 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company is required to and plans to adopt the provisions of SFAS 159 beginning in the first quarter of 2008. The Company is currently assessing the impact of the adoption of SFAS 159.

NOTE B - RESTATEMENT OF CONSOLIDATED FINANCIAL STATEMENTS

In June 2005, the Company issued \$2,000,000 of convertible notes and, subsequently, has issued additional convertible notes. At the holder’s option these notes are convertible into common stock of the Company using a formula calculated at the time of conversion as explained more fully in Note G. As a consequence of this provision, an indeterminate number of shares are issuable upon conversion. While convertible notes are normally excepted from derivative accounting and are viewed as an equity instrument with the expectation that they will be settled by issuing stock, pursuant to the provisions of Emerging Issues Task Force Issue 00-19 (“EITF 00-19”), the conversion feature of the Company’s convertible notes results in the requirement to use derivative accounting since the possibility exists that the Company will not have a sufficient number of authorized shares to settle its convertible notes by issuing stock.

In addition to its applicability to the Company’s convertible notes, EITF 00-19 also applies to other contracts, except those pertaining to employee compensation, normally settled by issuing stock. Thus, warrants issued by the Company which entitle the holder to purchase common stock of the Company at a specified price also become subject to derivative accounting as a consequence of the conversion feature of the Company’s convertible notes being determined to be a derivative.

When the Company initially applied derivative accounting as a consequence of the foregoing in 2005, it inadvertently excluded warrants already issued as of June 2005 from its derivative calculations but, rather, only applied derivative accounting to warrants issued on a prospective basis. Further, the intrinsic value method, which is not generally considered to be a measure of fair value as defined in SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, was used to value the derivative liability arising from the convertible notes. Finally, on reporting dates subsequent to June 2005, when the Company revalued the derivative liability applicable to its convertible notes and warrants, it failed to segregate the change in value arising from note conversions and the exercise of warrants from the change in value arising from changes in market conditions. Thus, the accounting process used by the Company recognized gains from the conversion of notes and the exercise of warrants rather than treating such changes as additions to additional paid-in capital.

The Company has restated its 2006 and 2005 financial statements to (1) recognize the derivative liability arising from all of its warrants, regardless of when issued; (2) value the derivative liability arising from its convertible notes using the Black-Scholes valuation method, which is widely accepted as a measurement of fair value; and (3) recognize the fair value of the derivative liability related to converted notes and exercised warrants as an addition to paid-in capital, rather than as a gain, at the point of conversion or exercise.

As a consequence of the foregoing restatement, the following line items of the Company's consolidated balance sheet as of December 31, 2006, as included in the 2006 Form 10-KSB originally filed, differ from those included in the Company's consolidated balance sheet as of December 31, 2006, presented herein:

Line Item Caption	Previously Reported	Increase or (Decrease)	Restated
Derivative liability related to convertible notes	\$ 2,692,600	\$ 1,541,056	\$ 4,233,656
Warrant liability related to convertible notes	1,103,918	170,682	1,274,600
Additional paid-in capital	5,650,271	1,964,410	7,614,681
Accumulated deficit	(10,734,982)	(3,676,148)	(14,411,130)
Net change	\$ (1,288,193)	\$ 0	\$ (1,288,193)

For 2005, the equivalent differences in the consolidated balance sheet are as follows:

Line Item Caption	Previously Reported	Increase or (Decrease)	Restated
Derivative liability related to convertible notes	\$ 2,606,377	\$ 1,309,129	\$ 3,915,506
Warrant liability related to convertible notes	161,472	52,050	213,522
Additional paid-in capital	5,400,819	1,649,346	7,050,165
Accumulated deficit	(8,015,672)	(3,010,525)	(11,026,197)
Net change	\$ 152,996	\$ 0	\$ 152,996

As a consequence of the restatement, the following line items of the Company's consolidated statement of losses for the year ended December 31, 2006, as included in the 2006 Form 10-KSB originally filed, differ from those included in the Company's consolidated statement of losses for the year ended December 31, 2006, presented herein:

Line Item Caption	Previously Reported	Change	Restated
Change in fair value related to adjustment of derivative and warrant liability to fair value of underlying securities - gain (loss)	\$ (628,670)	\$ (665,623)	\$ (1,294,293)
Net loss before income taxes	\$ (2,719,110)	\$ (665,623)	\$ (3,384,733)
Net loss	\$ (2,719,310)	\$ (665,623)	\$ (3,384,933)
Net loss per common share - basic and diluted	\$ (0.02)	\$ (0.01)	\$ (0.03)

For 2005, the equivalent differences in the consolidated statement of losses are as follows:

Line Item Caption	Previously Reported	Change	Restated
Change in fair value related to adjustment of derivative and warrant liability to fair value of underlying securities - gain (loss)	\$ (887,118)	\$ (3,010,525)	\$ (3,897,643)
Net loss before income taxes	\$ (4,634,232)	\$ (3,010,525)	\$ (7,644,757)
Net loss	\$ (4,634,332)	\$ (3,010,525)	\$ (7,644,857)
Net loss per common share - basic and diluted	\$ (0.07)	\$ (0.04)	\$ (0.11)

From inception through December 31, 2006, the equivalent differences in the consolidated statement of losses are as follows:

Line Item Caption	Previously Reported	Change	Restated
Change in fair value related to adjustment of derivative and warrant liability to fair value of underlying securities - gain (loss)	\$ (1,515,788)	\$ (3,676,148)	\$ (5,191,936)
Net loss before income taxes	\$ (10,734,682)	\$ (3,676,148)	\$ (14,410,830)
Net loss	\$ (10,734,982)	\$ (3,676,148)	\$ (14,411,130)

Within the Company's consolidated statements of cash flows, the changes in line item captions ("net loss" and "change in fair value related to adjustment of derivative and warrant liability to fair value of underlying securities") are the same as the changes presented above for the same line item captions pertaining to the changes in the Company's consolidated statement of losses for the years ended December 31, 2006 and 2005, and for the period from inception through December 31, 2006. The restatement did not affect net cash used in operating activities or cash balances.

NOTE C - GOING CONCERN

The accompanying statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As shown in the consolidated financial statements during the years ended December 31, 2006 and 2005, the Company incurred losses from operations of \$3,384,733 and \$7,644,857, respectively, and has a deficit accumulated during the development stage of \$14,411,130 as of December 31, 2006. In addition, the Company has had negative cash flow from operating activities since inception. These factors among others may indicate that the Company will be unable to continue as a going concern for a reasonable period of time.

The Company's existence is dependent upon management's ability to develop profitable operations and resolve its liquidity problems. Management anticipates the Company will attain profitable status and improve its liquidity through the continued development and sale of its products and additional equity investment in the Company. The accompanying financial statements do not include any adjustments that might result should the Company be unable to continue as a going concern.

In order to improve the Company's liquidity, the Company is actively pursuing additional debt and equity financing through discussions with investment bankers and private investors. There can be no assurance the Company will be successful in its effort to secure additional equity financing.

NOTE D - BUSINESS COMBINATION AND CORPORATE RESTRUCTURE

On July 30, 2004, the Company completed a merger transaction with Impact Diagnostics, Inc. ("Impact"), a privately held Utah company, pursuant to an agreement dated July 6, 2004. As a result of the merger, there was a change in control of the public entity. Impact Diagnostics is a wholly owned subsidiary of the Company.

In accordance with SFAS No. 141, Impact was the acquiring entity. While the transaction is accounted for using the purchase method of accounting, in substance the Agreement is a recapitalization of the Impact's capital structure.

For accounting purposes, the Company accounted for the transaction as a reverse acquisition and Impact is the surviving entity. The total purchase price and carrying value of net assets acquired was \$65,812. The Company did not recognize goodwill or any intangible assets in connection with the transaction. From 1999 until the date of the Agreement, Grant was an inactive corporation with no significant assets and liabilities.

Effective with the Agreement, all 35,060,720 previously outstanding shares owned by the Impact's members were exchanged on a share for share basis with shares of the Company's common stock.

On September 20, 2004, the Company's Board of Directors approved a change in the Company's name to Grant Life Sciences, Inc. The accompanying financial statements have been changed to reflect the change as if it had happened at the beginning of the periods presented. Stockholders approved this change effective November 12, 2004.

The total consideration was \$65,812 and the significant components of the transaction are as follows:

Common stock retained	\$	6,000
Assets acquired		-
Liabilities assumed - accounts payable		20,034
Liabilities assumed - accounts payable - stockholder		39,778
Cash paid		-
Total consideration paid/organization cost	\$	65,812

In accordance with SOP No. 98-5, the Company expensed \$65,812 as organization costs.

NOTE E - PROPERTY AND EQUIPMENT

Major classes of property and equipment at December 31, 2006 and 2005 consist of the followings:

	2006	2005
Furniture and fixtures	\$ 23,501	\$ 23,501
Equipment	7,193	3,339
	30,694	26,840
Less: Accumulated Depreciation	(19,922)	(12,519)
Net Property and Equipment	\$ 10,772	\$ 14,321

Depreciation expense was \$7,403 and \$6,662 for the years ended December 31, 2006 and 2005, respectively.

NOTE F - RELATED PARTY TRANSACTIONS

Messrs. Seth Yakatan and Clifford Mintz have been contracted as consultants to us in the business development area since November 1, 2004 and August 1, 2004, respectively. They were paid \$5,000 each month for their services. Mr. Mintz' services were terminated on March 31, 2005. Mr. Yakatan is the son of Stan Yakatan, our Board Chairman. Mr. Mintz is an affiliate of Katan Associates, of which Stan Yakatan is the Chairman.

As of December 31, 2006 and 2005, the Company had no receivables from employees.

NOTE G - NOTES PAYABLE

Notes payable at December 31, 2006 and December 31, 2005 are as follows:

	December 31, 2006	December 31, 2005
10% note payable, unsecured, originally due on 11/30/2002. The note payable was in default as of December 31, 2002. The venture capital firm that issued the loan has since been placed in receivership. As of December 31, 2003 the note balance was \$587,753 with accrued interest payable of \$141,501. In August 2004, this note for \$587,753 and accrued interest of \$175,787 was restructured into a 3-year convertible note of \$350,000 plus 89,500 5-year warrants to purchase additional shares at \$0.01 per share. The note is convertible into shares of common stock at a conversion price of \$0.83798 per share. Interest is payable quarterly at 6% per year. The 89,500 warrants have an option value of \$0.0378 per share. The conversion resulted in a \$411,597 gain on extinguishment of debt in 2004.	350,000	350,000
\$2,000,000 10% and \$400,000 6% convertible debenture with interest due quarterly subject to certain conditions, due three years from the date of the notes. The holder has the option to convert unpaid principal of the \$2,000,000 notes to the Company's common stock at the lower of (i) \$0.40 or (ii) 43% of the average of the three lowest intraday trading prices for the common stock on a principal market for the twenty trading days before, but not including, conversion date, and of the \$400,000 notes at the lower of (i) \$0.15 or (ii) 60% of the average of the three lowest intraday trading prices for the common stock on a principal market for the twenty trading days before, but not including, conversion date. The Company granted the note holder a security interest in substantially all of the Company's assets and intellectual property and registration rights. (see below) In 2006 \$44,908 of the \$2,000,000 convertible note was converted into 2,594,644 shares at an average conversion rate of \$0.017 per share, and in 2005 \$470,313 of the \$2,000,000 note principal was converted into 67,580,405 shares at an average conversion rate of \$0.007 per share.	683,015	240,491
6% note payable, unsecured, interest and principal to be paid in eight equal quarterly payments beginning 6/07/05. Final payment was due 3/7/2007 and remains unpaid.	15,523	21,875
Total notes payable	1,048,538	612,366
Less: current portion	(365,523)	(21,875)
Balance notes payable (long term portion)	\$ 683,015	\$ 590,491

In March 2005, convertible notes totaling \$122,500 plus accrued interest of \$7,350 converted into 1,395,322 shares of stock, per the terms of the notes. \$1,230 of interest was forgiven.

On March 15, 2005, the Company obtained bridge financing of \$200,000 from a shareholder who owns 5.2% of the Company's outstanding shares. The Company signed a \$200,000 note, secured by the Company's assets, with an interest rate of 8% due June 15, 2005 or when the Company receives proceeds of \$2,000,000 from the sale of stock or debt securities, whichever is sooner. Interest is payable in cash at the end of each month. The Company issued 250,000 5-year warrants, with an exercise price of \$0.40, to the lender. The exercise price of the warrants is adjustable downward if equity is issued in the future for a price less than the exercise price of these warrants. The note was paid off on the due date of June 15, 2005 with the proceeds from the sale of convertible debt on June 14, 2005.

The Company entered into a Securities Purchase Agreement with four accredited investors on June 14, 2005 and on December 28, 2006 for the issuance of an aggregate of \$2,000,000 and \$400,000 of convertible notes respectively ("Convertible Notes"), and attached to the Convertible Notes were warrants to purchase 11,692,308 shares of the Company's common stock. The \$2,000,000 of Convertible Notes accrue interest at 10% per annum, payable quarterly, and are due three years from the date of the note. The \$400,000 of Convertible Notes accrue interest at 6% per annum, payable quarterly, and are due three years from the date of the note. The note holder has the option to convert any unpaid note principal of the \$2,000,000 of notes to the Company's common stock at a rate of the lower of (i) \$0.45 or (ii) 43% of the average of the three lowest intraday trading prices for the common stock on a principal market for the 20 trading days before but not including conversion date. The note holder has the option to convert any unpaid note principal of the \$400,000 of notes to the Company's common stock at a rate of the lower of (i) \$0.15 or (ii) 60% of the average of the three lowest intraday trading prices for the common stock on a principal market for the 20 trading days before but not including conversion date.

As of December 31, 2006, the Company issued to the investors Convertible Notes in a total amount of \$2,400,000 in exchange for net proceeds of \$1,761,670. The proceeds that the Company received were net of prepaid interest of \$133,330 representing the first eight month's interest calculated at 10% per annum for the aggregate of \$2,000,000 of convertible notes, \$30,000 that was placed into an escrow fund to purchase key man life insurance, and related costs of \$75,000. Prepaid interest is amortized over the first eight months of the note and capitalized financing costs are amortized over the maturity period (three years) of the convertible notes.

The transactions, to the extent that it is to be satisfied with common stock of the Company, would normally be included as equity obligations. However, in the instant case, due to the indeterminate number of shares which might be issued under the embedded convertible host debt conversion feature, the Company is required to record a liability for the fair value of the detachable warrants and the embedded convertible feature of the note payable (included in the liabilities as a "derivative liability").

The accompanying financial statements comply with current requirements relating to warrants and embedded conversion features as described in FAS 133, EITF 98-5, 00-19, and 00-27, and APB 14 as follows:

- The Company allocated the proceeds received between convertible debt and the detachable warrants based upon the relative fair market values on the dates the proceeds were received.
- Subsequent to the initial recording, the change in the fair value of the detachable warrants, determined under the Black-Scholes option pricing formula, and the change in the fair value of the embedded derivative in the conversion feature of the convertible debentures, also determined under the Black-Scholes option pricing formula, are recorded as adjustments to the liabilities at December 31, 2006 and 2005.
- The expense relating to the change in the fair value of the Company's stock reflected in the change in the fair value of the warrants and derivatives (noted above) is included as other income (expense).
- Accreted interest of \$1,078,967 as of December 31, 2006 and \$591,534 as of December 31, 2005.

During 2006, \$44,908 of the June 14th convertible note was converted into 2,594,644 shares at an average conversion rate of \$0.017, and during 2005, \$470,311 of the June 14th convertible note was converted into 67,580,405 shares at an average conversion rate of \$0.007 according to the terms of the note.

The following table summarizes the various components of the convertible notes as of December 31, 2006 and 2005:

	December 31,	
	2006 (Restated)	2005 (Restated)
Convertible notes	\$ 683,015	\$ 240,491
Warrant liability	1,274,600	213,522
Derivative liability	4,233,656	3,915,506
	6,191,271	4,369,519
Change in fair value of warrants and convertible notes	(5,191,936)	(3,897,643)
Credited to additional paid-in capital upon conversion of notes or exercise of warrants	1,964,410	1,649,347
Accretion of interest related to convertible debenture	(1,078,966)	(591,534)

Converted to common shares		515,221		470,311
Total convertible notes	\$	2,400,000	\$	2,000,000

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NOTE H - COMMON STOCK

The Company is authorized to issue 750,000,000 shares of common stock with \$0.001 par value per share. As of December 31, 2006, the Company has issued and outstanding 136,420,423 shares of common stock. Also, the Company is authorized to issue 20,000,000 shares of preferred stock with \$0.001 par value per share. No shares of preferred stock have been issued to date.

In 1998, the Company issued 18,795,000 shares of its common stock at \$0.005 per share for \$100,000 which is shown as subscription receivable until it was settled in the year 2000.

In 1999 the Company issued 1,253,000 shares of its common stock at \$0.004 per share for \$5,000 in cash.

In 2001 the Company issued 250,600 shares of its common stock at \$0.004 per share for \$1,000 in cash.

In 2002 the Company issued 689,150 shares of its common stock at \$0.13 per share for \$92,500 in cash.

In 2002 the Company issued 1,591,310 shares of its common stock at \$0.06 per share in return for services valued at \$103,250.

In 2002 the Company issued 1,790,000 shares of its common stock at \$0.14 per share in satisfaction of \$250,000 of debt.

In 2003 the Company issued 930,800 shares of its common stock at \$0.13 per share for \$120,000 in cash.

In July 2004, per the Agreement and Plan of Merger with Impact Diagnostics, Inc. all previously outstanding 35,060,720 shares of common stock owned by the Impact's stockholders were exchanged for the same number of shares of the Company's common stock. The value of the stock that was issued was the historical cost of the Company's net tangible assets, which did not differ materially from their fair value.

In connection with the Merger, on July 5, 2004, the board of directors of Impact Diagnostics, Inc. approved a stock split of 3.58 shares to 1. As a result of the split, the outstanding common stock of Impact Diagnostics, Inc. increased from 9,793,497 to 35,060,720 shares. Pursuant to the Merger Agreement, each share of Impact Diagnostics common stock was exchanged for one share of Grant Life Sciences common stock. All numbers, in the financial statements and notes to the financial statements have been adjusted to reflect the stock split for all periods presented.

On September 20, 2004, the Company's Board of Directors approved a change in the Company's name to Grant Life Sciences, Inc. The accompanying financial statements have been changed to reflect the change as if it had happened at the beginning of the periods presented. Stockholders approved this change effective November 12, 2004.

In March and April of 2004, the Company issued 238,660 shares of common stock for cash at \$0.0838 per share for \$20,000.

In June 2004, the Company issued 500,000 shares of common stock in exchange for services valued at \$40,000 to consultants. The stock issued was valued at \$.08 per share, which represents the fair value of the stock issued, which did not differ materially from the value of the services rendered. Expense of \$20,000, related to financial consulting, is included in general administrative expense and expense of \$20,000 related to R&D consulting is included in R&D expense.

On August 19, 2004, the Company completed a private placement of 9,560,596 shares to accredited investors at a price of \$0.1835 per share. As an additional enticement to purchase the shares, one 5-year warrant to purchase stock at

\$0.1835 was issued for each 5 shares of stock purchased. The private placement resulted in net proceeds to the company of approximately \$1,494,937. The Company also issued warrants to purchase 2,670,000 shares at an exercise price of \$0.01 per warrant and warrants to purchase 411,104 shares at an exercise price of \$0.185 per warrant to its placement agent in connection with the Merger and private placement.

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A bridge loan of \$50,000, made to the Company on July 6, 2004, was converted to equity on July 31, 2004 as part of the private placement. In addition to the warrants received as part of the offering, 50,000 warrants with an exercise price of \$0.1835 were issued to the lender.

In July, 2004, the Company issued 2,720,000 shares of common stock for a convertible note payable and accrued interest of \$205,885.

In August 2004, the Company issued 249,475 shares of common stock at \$0.1835 per share in satisfaction of two related party notes payable of \$45,779. Accrued interest was forgiven by the lenders.

In November 2004, the Company issued 2,403,000 shares of common stock for exercise of warrants at \$0.01 strike price, for total cash proceeds of \$24,030. These warrants were originally issued in connection with the Merger and private placement of common stock.

In March 2005, convertible notes, maturing in January and February 2005, were converted into 1,395,322 shares of stock. The conversion price per share was \$0.092178, as stated in the notes, which originated in January and February of 2004.

In April 2005, the Company issued 500,000 shares of common stock to its financial advisory group in exchange for services rendered over the 2005 calendar year. The stock issued was valued at \$0.40 per share, which represents the fair value of the stock issued, which did not differ materially from the value of the services rendered.

In June 2005, the Company issued 50,000 shares of common stock for exercise of stock options for cash \$9,000.

In September 2005, 200,000 shares were issued in exchange for legal services at \$.22 per share. The commitment to issue the shares was made on June 14, 2005.

From September 2005 to December 2005, \$470,311 of principal of the Senior 10% convertible notes converted into 67,580,405 shares. The average conversion price per share was \$0.0070.

During the fourth quarter of 2005 warrants for 517,000 shares were exercised for \$5,420 in cash.

During the third and fourth quarters of 2006, \$44,908 of principal of the Senior 10% convertible notes converted into 2,594,644 shares. The average conversion price per share was \$0.017.

In July 2006, the Company issued 5,226,534 shares of common stock in settlement of indebtedness of resulting from the settlement of a lawsuit at \$0.01 per share. The settlement included the payment of \$17,422 which amount was subsequently repaid to the Company in exchange for the repricing the price per warrant to \$0.01 of 1,317,013 warrants originally issued in 2004 at \$0.18. During the last quarter of 2006 the Company issued 812,100 shares in exchange for the cashless exercise of 855,578, of the \$0.01 warrants.

In October 2006, 1,150,627 shares were issued in exchange for services at an average price of \$.037 per share.

In November 2006, the Company issued 150,000 shares of common stock for exercise of stock options for cash \$27,000.

NOTE I - INCOME TAXES

The Company has adopted Financial Accounting Standard No. 109 which requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial

statement or tax returns. Under this method, deferred tax liabilities and assets are determined based on the difference between financial statements and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Temporary differences between taxable income reported for financial reporting purposes and income tax purposes are insignificant.

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For income tax reporting purposes, the Company's aggregate unused net operating losses approximate \$7,016,000 and unused credits of \$80,342 which expire through 2026, subject to limitations of Section 382 of the Internal Revenue Code, as amended. The Company has provided a valuation reserve against the full amount of the net operating loss benefit, because in the opinion of management based upon the earning history of the Company, it is more likely than not that the benefits will not be realized.

Components of deferred tax assets as of December 31, 2006 and 2005 are as follows:

	2006 (Restated)	2005 (Restated)
Non current		
Net Operating Loss Carryforwards	\$ 2,729,867	\$ 1,883,717
Accrued Interest	57,299	38,610
R&D Credit	80,342	43,200
Stock Options	556,231	595,899
Unrealized Loss	2,024,855	1,520,080
Amortization	-	10,400
Contribution Carryover	156	156
Less Valuation Allowance	(5,267,056)	(4,005,835)
Total Deferred Tax Assets	\$ 181,694	\$ 86,227
Deferred Tax Liability		
State Taxes	\$ (181,694)	\$ (86,227)
Total Deferred Tax Liabilities	\$ (181,694)	\$ (86,227)
Net Deferred Tax Assets	\$ 0	\$ 0

The following table presents the current and deferred income tax provision for (benefit from) federal and state income taxes for the years ended December 31, 2006 and 2005:

	2006			
	Federal	Utah	Other	Total
Provision for income tax				
Current provision	\$ -	\$ 200		\$ 200
Deferred provision				
Deferred tax- beginning of year	-	-		
Deferred tax - end of year	-	-		
Change in deferred tax provision	-		-	-
Total provision	\$ -	\$ 200	\$ -	\$ 200

	2005			
	Federal	Utah	Other	Total
Provision for income tax				
Current provision	\$ -	\$ 100		\$ 100
Deferred provision				
Deferred tax- beginning of year	-	-		
Deferred tax - end of year	-	-		

Change in deferred tax provision		-		-		-
Total provision	\$	-	\$	100	\$	-
					\$	100

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The provision for income taxes differs from the amount that would result from applying the federal statutory rate for the years ended December 31, 2006, and 2005 as follows:

Calculation of rate of taxes on income	2006	2005
Tax @ statutory rate	34%	34%
Permanent differences:		
R&D credit	1%	1%
State tax (net of fed benefit)	3%	3%
Change in valuation allowance	-38%	-38%
Total	0	0%

R&D credit for the year 2006 is \$13,244

NOTE J - STOCK OPTIONS AND WARRANTS

The Company's has a Stock Incentive Plan. The options granted under the Plan may be either qualified or non-qualified options. Up to 25,000,000 options may be granted to employees, directors and consultants under the plan. Options may be granted with different vesting terms and expire no later than 10 years from the date of grant. In 2006, 600,000 options were granted, 500,000 with an exercise price of \$0.05 and 100,000 with an exercise price of \$0.018. In 2005, 950,000 options were granted under the plan, 850,000 with an exercise price of \$0.18 and 100,000 with an exercise price of \$0.04. 150,000 options were exercised in 2006 and 50,000 were exercised in 2005. Stockholders approved the plan effective November 12, 2004.

Stock Options

Transactions involving stock options issued to employees, directors and consultants under the Company's 2004 Stock Incentive Plan are summarized below. Options issued under the plan have a maximum life of 10 years. The following table summarizes the options outstanding and the related exercise prices for the shares of the Company's common stock issued under the 2004 Stock Incentive plan and as of December 31, 2006:

Exercise Prices	Options Outstanding			Options Exercisable		
	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price	
\$ 0.18	4,020,952	7.5		3,637,618		
\$ 0.05	500,000	9.4		366,667		
\$ 0.018	100,000	9.4		33,333		
	4,620,952	7.8	\$ 0.17	4,037,618	\$ 0.17	

	Number of options	Weighted average exercise price
Outstanding at December 31, 2004 (613,150 options exercisable at weighted average exercise price of \$ 0.18)	5,243,254	\$ 0.18
Granted (weighted average fair value \$ 0.38)	950,000	\$ 0.19
Exercised (total fair value \$6,264)	(50,000)	\$ 0.18
Cancelled	(1,972,302)	\$ 0.18
Outstanding at December 31, 2005 (3,187,618 options exercisable at weighted average exercise price of \$ 0.18)	4,170,952	\$ 0.18
Granted (weighted average fair value \$ 0.012)	600,000	\$ 0.05
Exercised (total fair value \$27,000)	(150,000)	\$ 0.18
Cancelled	-	-
Outstanding at December 31, 2006 (4,037,618 options exercisable at weighted average exercise price of \$ 0.17)	4,620,952	\$ 0.17

A summary of the status of the Company's nonvested options as of December 31, 2005 and changes during the year ended December 31, 2006 is as follows:

Nonvested Options	Number of options	Weighted average grant date fair value
Nonvested at December 31, 2004	4,629,604	\$ 0.31
Granted	950,000	\$ 0.38
Vested	(2,918,968)	\$ 0.27
Forfeited	(1,677,302)	\$ 0.20
Nonvested at December 31, 2005	983,334	\$ 0.66
Granted	600,000	\$ 0.01
Vested	(1,000,000)	\$ 0.37
Forfeited	-	-
Nonvested at December 31, 2006	583,334	\$ 0.49

As at December 31, 2006, the total compensation cost not yet recognized related to nonvested option awards is \$54,548 which is expected to be realized over a weighted average period of 0.5 years.

The weighted-average significant assumptions used to determine those fair values, using a Black-Scholes option pricing model are as follows:

	2006	2005
Significant assumptions (weighted-average):		
Risk-free interest rate at grant date	4.9%	3.6%
Expected stock price volatility	201%	107%
Expected dividend payout	0%	0%
Expected option life-years based on management's estimate (a)	3yrs	3yrs

(a)The expected option life is based on management's estimate.

The Company elected early adoption of SFAS No. 123R effective for 2004, in advance of the Company's required adoption date of December 15, 2005. This Statement requires public entities to measure the cost of equity awards to employees based on the grant-date value of the award. During the years ended December 31, 2006 and 2005, the Company recognized \$238,550 and \$976,987 respectively as expense relating to vested stock options. For the year ended December 31, 2006 \$151,204 was recognized as R&D expense and \$87,345 as general and administrative expense, and for the year ended December 31, 2005 \$386,410 was recognized as R&D expense and \$590,577 as general and administrative expense.

Warrants

The following tables summarize the warrants outstanding and the related exercise prices for the shares of the Company's common stock issued by the Company as of December 31, 2006:

Warrants Outstanding & Exercisable				
Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	
\$ 0.01	550,935	2.6	\$ 0.01	
\$ 0.14	4,000,000	7.0	\$ 0.14	
\$ 0.18	1,306,191	2.6	\$ 0.18	
\$ 0.45	7,692,306	3.6	\$ 0.45	
	13,549,432	4.5	\$ 0.31	

	Number of Shares	Weighted Average Exercise Price
Outstanding at December 31, 2004	2,979,704	\$ 0.16
Granted	7,942,306	\$ 0.45
Exercised	(517,000)	\$ 0.01
Canceled or expired	-	-
Outstanding at December 31, 2005	10,405,010	\$ 0.38
Granted	4,000,000	\$ 0.14
Exercised	(855,578)	\$ 0.01
Canceled or expired	-	-
Outstanding at December 31, 2006	13,549,432	\$ 0.31

All warrants were exercisable at the date of grant. All of the warrants, except 250,000 warrants, were issued in connection with financings. The exercise price of the warrants issued in 2005 and 2006 can be adjusted downward if stock is issued below the market price. The Company granted a warrant to purchase 250,000 shares at \$0.18 per share to a non-employee for past consulting services in June 2004. The warrant was valued at the fair market value of services performed. The Black-Scholes option pricing model was used to value the 4,000,000 warrants with an exercise price of \$0.14 which were issued in connection with the \$400,000 note payable. The following assumptions were used.

Significant assumptions (weighted-average):	2006	2005
Risk-free interest rate at grant date	4.7%	3.6%
Expected stock price volatility	213%	107%

Expected dividend payout	0%	0%
Expected option life-years based on management's estimate (a)	3 to 7 yrs	3yrs

(a)The expected option life is based on management's estimate.

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NOTE K - COMMITMENTS AND CONTINGENCIES

On July 20, 2004, the Company entered into an exclusive license agreement to use certain technologies in its cervical cancer tests. The term of the license agreement is 17 years, and requires the Company to make annual royalty payments ranging from 1% to 3% of net sales, with annual minimum royalty payments of \$48,000 to be paid monthly in \$4,000 installments. The license agreement can be terminated with 90 days notice.

Minimum payments due under this license agreement are as follows:

Year	Amount
2007	\$ 48,000
2008	48,000
2009	48,000
2010	48,000
2011	48,000
2012	
and	
after	504,000
	\$ 744,000

On March 7, 2005, the Company signed a 10-year licensing agreement for rapid test technologies. Under the terms of the agreement, the Company made an initial payment of \$15,000, executed a note for \$35,000 payable over two years, and pay 3% royalties on net sales of licensed products. The license can be terminated with 90 days notice by the Company. On March 7, 2005, the Company also entered into a 27-month consulting Agreement with Ravi Pottahil and Indira Pottahil in support of the License, pursuant to which these Consultants received 310,000 shares of common stock of the Company. As at December 31, 2006, the 310,000 shares had been issued.

NOTE L- SUBSEQUENT EVENTS

In January 2007 the Company issued 95,000 shares to a vendor in payment for services provided.

During January, February and until March 21, 2007, the Company issued 18,000,000 shares upon conversion of \$578,840 of the convertible notes payable.

In March 2007 the Board of Directors awarded 11,550,000 options to members of management and the board. The options vest over a period of 2 years, are exercisable at \$0.054 and expire in 10 years from date of issue.

In February and March 2007, the Company entered into Securities Purchase Agreements with New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC for the sale of (i) \$300,000 in callable secured convertible notes and (ii) stock purchase warrants to buy 2,000,000 shares of our common stock. As with the previous convertible notes the Company will treat the detachable warrants and the embedded derivative in the conversion feature of the convertible note as liabilities.