

IR BIOSCIENCES HOLDINGS INC  
Form 10-Q  
May 24, 2010

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

\_\_\_\_\_  
FORM 10-Q  
\_\_\_\_\_

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange  
Act of 1934

For the quarterly period ended March 31, 2010

or

Transition Report Pursuant to Section 13 or 15(d) of the Securities  
Exchange Act of 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 033-05384

IR BIOSCIENCES HOLDINGS, INC.  
(Exact name of Registrant as specified in its charter)

DELAWARE  
(State or Other Jurisdiction of Incorporation or  
Organization)

13-3301899  
(I.R.S. Employer Identification No.)

8777 E. Via De Ventura, Suite 280, Scottsdale,  
AZ  
(Address of Principal Executive Offices)

85258  
(Zip Code)

Registrant's telephone number, including area code: (480) 922-3926

\_\_\_\_\_  
N/A  
\_\_\_\_\_  
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve months or for such shorter period that the Registrant was required to file such reports, and (2) has been subject to such filing requirements for the past 90 days. Yes  No

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

|                                                                                           |                                                            |
|-------------------------------------------------------------------------------------------|------------------------------------------------------------|
| Large accelerated filer <input type="radio"/>                                             | Accelerated filer <input type="radio"/>                    |
| Non-accelerated filer <input type="radio"/> (Do not check if a smaller reporting company) | Smaller reporting company <input checked="" type="radio"/> |

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

The number of shares outstanding of Registrant's common stock as of May 24, 2010 was 15,931,706.

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## IR BIOSCIENCES HOLDINGS, INC. AND SUBSIDIARY

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## ITEM 1. FINANCIAL INFORMATION

IR BioSciences Holdings, Inc. and Subsidiary  
(A Development Stage Company)  
Condensed Consolidated Balance Sheets as of March 31, 2010 (unaudited)  
And December 31, 2009

|                                                                                                                                   | March 31,<br>2010<br>(unaudited) | December 31,<br>2009 |
|-----------------------------------------------------------------------------------------------------------------------------------|----------------------------------|----------------------|
| Assets                                                                                                                            |                                  |                      |
| Current assets                                                                                                                    |                                  |                      |
| Cash and cash equivalents                                                                                                         | \$ -                             | \$ 280,309           |
| Prepaid services and other current assets (note 1)                                                                                | 41,472                           | 68,347               |
| Total current assets                                                                                                              | 41,472                           | 348,656              |
| Deposits and other assets (note 1)                                                                                                | 7,718                            | 7,693                |
| Furniture and equipment, net of accumulated depreciation of<br>\$91,487 and \$89,130, respectively (note 2)                       | 26,839                           | 29,197               |
| Total assets                                                                                                                      | \$ 76,029                        | \$ 385,546           |
| Liabilities and Stockholders' Deficit                                                                                             |                                  |                      |
| Current liabilities                                                                                                               |                                  |                      |
| Cash overdraft                                                                                                                    | \$ 2,240                         | \$ -                 |
| Accounts payable and accrued liabilities (note 3)                                                                                 | 1,110,912                        | 785,501              |
| Current portion of notes payable (note 4)                                                                                         | 2,000,000                        | 2,000,000            |
| Redemption option liability (note 4)                                                                                              | 300,000                          | 300,000              |
| Total current liabilities                                                                                                         | 3,413,152                        | 3,085,501            |
| Derivative liability (note 5)                                                                                                     | 4,397,040                        | 2,256,200            |
| Notes payable, net of discount of \$2,921,339 and \$3,006,498, respectively (note 4)                                              | 4,347,550                        | 4,062,391            |
| Total liabilities                                                                                                                 | 12,157,742                       | 9,404,092            |
| Commitments and contingencies                                                                                                     | -                                | -                    |
| Stockholders' deficit (note 6)                                                                                                    |                                  |                      |
| Preferred stock, \$0.001 par value:                                                                                               |                                  |                      |
| 10,000,000 shares authorized, no shares issued and outstanding                                                                    | -                                | -                    |
| Common stock, \$0.001 par value: 100,000,000 shares authorized;<br>14,130,857 shares and 13,630,857 shares issued and outstanding |                                  |                      |

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|                                                       |              |              |
|-------------------------------------------------------|--------------|--------------|
| at March 31, 2010 and December 31, 2009, respectively | 14,130       | 13,630       |
| Additional paid-in capital                            | 18,969,888   | 18,717,575   |
| Common stock subscribed (note 6)                      | 20,444       | 10,222       |
| Deficit Accumulated during the development stage      | (31,086,175) | (27,759,973) |
| Total stockholder's deficit                           | (12,081,713) | (9,018,546 ) |
| Total liabilities and stockholders' deficit           | \$ 76,029    | \$ 385,546   |

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

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IR BioSciences Holdings, Inc. and Subsidiary  
(A Development Stage Company)  
Condensed Consolidated Statements of Losses  
for the three months ended March 31, 2010 and 2009,  
and for the period of inception (October 30, 2002) to March 31, 2010  
(Unaudited)

|                                                               | For the<br>Three<br>Months<br>Ended<br>March 31,<br>2010 | For the<br>Three<br>Months<br>Ended<br>March 31,<br>2009 | Cumulative<br>from<br>Inception<br>(October 30,<br>2002) to<br>March 31,<br>2010 |
|---------------------------------------------------------------|----------------------------------------------------------|----------------------------------------------------------|----------------------------------------------------------------------------------|
| Revenue                                                       | \$                                                       | \$-                                                      | \$                                                                               |
| Operating expenses:                                           |                                                          |                                                          |                                                                                  |
| Selling, general and administrative expenses                  | 889,838                                                  | 844,910                                                  | 25,126,215                                                                       |
| Merger fees and costs                                         | -                                                        | -                                                        | 350,000                                                                          |
| Impairment of intangible asset                                | -                                                        | -                                                        | 6,393                                                                            |
| Total operating expenses                                      | 889,838                                                  | 844,910                                                  | 25,482,608                                                                       |
| Operating loss                                                | (889,838 )                                               | (844,910 )                                               | (25,482,608)                                                                     |
| Other expense:                                                |                                                          |                                                          |                                                                                  |
| Cost of penalty for late registration of shares               | -                                                        | -                                                        | 2,192,160                                                                        |
| (Gain) loss from change in fair value of derivative liability | 1,940,840                                                | 732,295                                                  | (1,721,782 )                                                                     |
| Financing cost                                                | 9,375                                                    | 31,250                                                   | 403,750                                                                          |
| Interest (income) expense, net                                | 486,149                                                  | 532,592                                                  | 4,718,895                                                                        |
| Total other (income) expense                                  | 2,436,364                                                | 1,296,137                                                | 5,593,023                                                                        |
| Loss before income taxes                                      | (3,326,202 )                                             | (2,141,047 )                                             | (31,075,631)                                                                     |
| Provision for income taxes                                    | -                                                        | -                                                        | (10,544 )                                                                        |
| Net loss                                                      | \$(3,326,202 )                                           | \$(2,141,047 )                                           | \$(31,086,175)                                                                   |
| Net loss per share - basic and diluted                        | \$(0.24 )                                                | \$(0.16 )                                                | \$(3.87 )                                                                        |
| Weighted average shares outstanding -<br>basic and diluted    | 13,891,968                                               | 13,041,969                                               | 8,025,105                                                                        |

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

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IR BioSciences Holding, Inc. and Subsidiary  
(A Development Stage Company)  
Condensed Consolidated Statement of Stockholders' Equity (Deficit)  
From Date of Inception (October 30, 2002) to March 31, 2010  
(Unaudited)

|                                                                                                                                       | Common<br>Stock<br>Shares | Amount | Paid-In<br>Capital | Additional<br>Deferred<br>Compensation | Stock<br>Subscribed | Common<br>Accumulated<br>Deficit | Total     |
|---------------------------------------------------------------------------------------------------------------------------------------|---------------------------|--------|--------------------|----------------------------------------|---------------------|----------------------------------|-----------|
| Balance at<br>October 30, 2002<br>(date of inception)                                                                                 | -                         | \$-    | \$-                | \$-                                    | \$-                 | \$-                              | \$-       |
| Shares of<br>common stock<br>issued at \$0.006<br>per share to<br>founders for<br>license of<br>proprietary right<br>in December 2002 | 1,661,228                 | 1,661  | 7,589              | -                                      | -                   | -                                | 9,250     |
| Shares of<br>common stock<br>issued at \$0.006<br>per share to<br>founders for<br>services rendered<br>in December 2002               | 140,531                   | 141    | 641                | -                                      | -                   | -                                | 782       |
| Shares of<br>common stock<br>issued at \$1.671<br>per share to<br>consultants for<br>services rendered<br>in December 2002            | 5,388                     | 5      | 8,995              | (9,000 )                               | -                   | -                                | -         |
| Sale of common<br>stock for cash at<br>\$1.671 per share<br>in December 2002                                                          | 18,558                    | 19     | 30,982             | -                                      | -                   | -                                | 31,001    |
| Net loss for the<br>period from<br>inception<br>(October 30,<br>2002) to<br>December 31,                                              | -                         | -      | -                  | -                                      | -                   | (45,918 )                        | (45,918 ) |

2002

|                                                                    |           |         |          |             |     |             |            |
|--------------------------------------------------------------------|-----------|---------|----------|-------------|-----|-------------|------------|
| Balance at<br>December 31,<br>2002 (reflective of<br>stock splits) | 1,825,704 | \$1,826 | \$48,207 | \$ (9,000 ) | \$- | \$(45,918 ) | \$(4,885 ) |
|--------------------------------------------------------------------|-----------|---------|----------|-------------|-----|-------------|------------|

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IR BioSciences Holding, Inc. and Subsidiary  
(A Development Stage Company)  
Condensed Consolidated Statement of Stockholders' Equity (Deficit)  
From Date of Inception (October 30, 2002) to March 31, 2010  
(Unaudited)  
(Continued)

|                                                                                          | Common<br>Stock<br>Shares | Amount | Paid-In<br>Capital | Additional<br>Deferred<br>Compensation | Stock<br>Subscribed | Common<br>Accumulated<br>Deficit | Total   |
|------------------------------------------------------------------------------------------|---------------------------|--------|--------------------|----------------------------------------|---------------------|----------------------------------|---------|
| Shares granted to consultants at \$1.392 per share for services rendered in January 2003 | 9,878                     | 10     | 13,740             | -                                      | -                   | -                                | 13,750  |
| Sale of shares of common stock for cash at \$1.517 per share in January 2003             | 32,955                    | 33     | 49,967             | -                                      | -                   | -                                | 50,000  |
| Shares granted to consultants at \$1.392 per share for services rendered in March 2003   | 15,445                    | 15     | 21,485             | -                                      | -                   | -                                | 21,500  |
| Conversion of notes payable to common stock at \$1.392 per share in April 2003           | 143,674                   | 144    | 199,856            | -                                      | -                   | -                                | 200,000 |
| Shares granted to consultants at \$1.413 per share for services rendered in April 2003   | 1,437                     | 1      | 2,029              | -                                      | -                   | -                                | 2,030   |
| Sale of shares of common stock for cash at \$2.784 per share in May 2003                 | 1,796                     | 2      | 4,998              | -                                      | -                   | -                                | 5,000   |

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|                                                                                                                                 |         |     |            |       |   |   |            |
|---------------------------------------------------------------------------------------------------------------------------------|---------|-----|------------|-------|---|---|------------|
| Sales of shares of common stock for cash at \$2.784 per share in June 2003                                                      | 3,592   | 4   | 9,996      | -     | - | - | 10,000     |
| Conversion of notes payable to common stock at \$1.392 per share in June 2003                                                   | 71,837  | 72  | 99,928     | -     | - | - | 100,000    |
| Beneficial conversion feature associated with notes issued in June 2003                                                         | -       | -   | 60,560     | -     | - | - | 60,560     |
| Amortization of deferred compensation                                                                                           | -       | -   | -          | 9,000 | - | - | 9,000      |
| Costs of GPN Merger in July 2003                                                                                                | 236,813 | 237 | (121,036 ) | -     | - | - | (120,799 ) |
| Value of warrants issued with extended notes payable in October 2003                                                            | -       | -   | 189,937    | -     | - | - | 189,937    |
| Value of Company warrants issued in conjunction with fourth quarter notes payable issued October through December 2003          | -       | -   | 207,457    | -     | - | - | 207,457    |
| Value of warrants contributed by founders in conjunction with fourth quarter notes payable issued October through December 2003 | -       | -   | 183,543    | -     | - | - | 183,543    |

|                                                                        |           |         |             |     |     |               |              |
|------------------------------------------------------------------------|-----------|---------|-------------|-----|-----|---------------|--------------|
| Value of warrants issued for services in October through December 2003 | -         | -       | 85,861      | -   | -   | -             | 85,861       |
| Net loss for the twelve month period ended December 31, 2003           | -         | -       | -           | -   | -   | (1,856,702)   | (1,856,702)  |
| Balance at December 31, 2003                                           | 2,343,130 | \$2,343 | \$1,056,529 | \$- | \$- | \$(1,902,620) | \$(843,748 ) |

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IR BioSciences Holding, Inc. and Subsidiary  
(A Development Stage Company)  
Condensed Consolidated Statement of Stockholders' Equity (Deficit)  
From Date of Inception (October 30, 2002) to March 31, 2010  
(Unaudited)  
(Continued)

|                                                                                           | Common<br>Stock<br>Shares | Amount | Paid-In<br>Capital | Additional<br>Deferred<br>Compensation | Stock<br>Subscribed | Common<br>Accumulated<br>Deficit | Total  |
|-------------------------------------------------------------------------------------------|---------------------------|--------|--------------------|----------------------------------------|---------------------|----------------------------------|--------|
| Shares granted at \$10.00 per share pursuant to the Senior Note Agreement in January 2004 | 60,000                    | 60     | 599,940            | (600,000 )                             | -                   | -                                | -      |
| Shares issued at \$10.00 per share to a consultant for services rendered in January 2004  | 80,000                    | 80     | 799,920            | (800,000 )                             | -                   | -                                | -      |
| Shares issued to a consultant at \$6.20 per share for services rendered in February 2004  | 4,000                     | 4      | 24,796             | (24,800 )                              | -                   | -                                | -      |
| Shares issued to a consultant at \$4.00 per share for services rendered in March 2004     | 105,160                   | 105    | 420,535            | (420,640 )                             | -                   | -                                | -      |
| Shares issued to a consultant at \$5.00 per share for services rendered in March 2004     | 50,000                    | 50     | 249,950            | (250,000 )                             | -                   | -                                | -      |
| Shares sold for cash at \$1.50 per share in March, 2004                                   | 800                       | 1      | 1,199              | -                                      | -                   | -                                | 1,200  |
| Shares issued at \$5.00 per share to consultants for                                      | 2,000                     | 2      | 9,998              | -                                      | -                   | -                                | 10,000 |

services rendered  
in March 2004

Shares issued to a  
consultant  
at \$4.00 per share  
for services  
rendered in March  
2004

|     |   |     |   |   |   |     |
|-----|---|-----|---|---|---|-----|
| 200 | 0 | 800 | - | - | - | 800 |
|-----|---|-----|---|---|---|-----|

Shares issued to  
consultants at  
\$3.20 per share for  
services rendered  
in March 2004

|       |   |        |   |   |   |        |
|-------|---|--------|---|---|---|--------|
| 9,160 | 9 | 29,303 | - | - | - | 29,312 |
|-------|---|--------|---|---|---|--------|

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IR BioSciences Holding, Inc. and Subsidiary  
(A Development Stage Company)  
Condensed Consolidated Statement of Stockholders' Equity (Deficit)  
From Date of Inception (October 30, 2002) to March 31, 2010  
(Unaudited)  
(Continued)

|                                                                                                                    | Common<br>Stock<br>Shares | Amount | Paid-In<br>Capital | Additional<br>Deferred<br>Compensation | Stock<br>Subscribed | Common<br>Accumulated<br>Deficit | Total     |
|--------------------------------------------------------------------------------------------------------------------|---------------------------|--------|--------------------|----------------------------------------|---------------------|----------------------------------|-----------|
| Shares to be issued to consultant at \$4.10 per share in April 2004 for services to be rendered through March 2005 | -                         | -      | -                  | (82,000 )                              | -                   | -                                | (82,000 ) |
| Shares granted pursuant to the New Senior Note Agreement in April 2004                                             | 60,000                    | 60     | 149,940            | (150,000 )                             | -                   | -                                | -         |
| Shares issued to officer at \$3.20 per share for services rendered in April 2004                                   | 20,000                    | 20     | 63,980             | -                                      | -                   | -                                | 64,000    |
| Conversion of Note Payable to common stock at \$1.00 per share in May 2004                                         | 35,000                    | 35     | 34,965             | -                                      | -                   | -                                | 35,000    |
| Beneficial Conversion Feature associated with note payable in May 2004                                             | -                         | -      | 35,000             | -                                      | -                   | -                                | 35,000    |
| Issuance of warrants to officers and founder for services rendered in May 2004                                     | -                         | -      | 269,208            | -                                      | -                   | -                                | 269,208   |

|                                                                               |        |    |        |   |   |   |        |
|-------------------------------------------------------------------------------|--------|----|--------|---|---|---|--------|
| Shares to a consultant at \$2.00 per share as a due diligence fee in May 2004 | 12,500 | 13 | 24,988 | - | - | - | 25,000 |
|-------------------------------------------------------------------------------|--------|----|--------|---|---|---|--------|

|                                                                                                                      |        |    |         |            |   |   |   |
|----------------------------------------------------------------------------------------------------------------------|--------|----|---------|------------|---|---|---|
| Shares issued to a consultant at \$10.00 per share for services to be rendered over twelve months beginning May 2004 | 50,000 | 50 | 499,950 | (500,000 ) | - | - | - |
|----------------------------------------------------------------------------------------------------------------------|--------|----|---------|------------|---|---|---|

|                                                                                 |   |   |       |   |   |   |       |
|---------------------------------------------------------------------------------|---|---|-------|---|---|---|-------|
| Beneficial Conversion Feature associated with notes payable issued in June 2004 | - | - | 3,000 | - | - | - | 3,000 |
|---------------------------------------------------------------------------------|---|---|-------|---|---|---|-------|

|                                                                   |   |   |        |   |   |   |        |
|-------------------------------------------------------------------|---|---|--------|---|---|---|--------|
| Issuance of warrants to note holders in April, May, and June 2004 | - | - | 17,915 | - | - | - | 17,915 |
|-------------------------------------------------------------------|---|---|--------|---|---|---|--------|

|                                                                                                    |   |   |       |   |   |   |       |
|----------------------------------------------------------------------------------------------------|---|---|-------|---|---|---|-------|
| Issuance of warrants to employees and consultants for services rendered in April through June 2004 | - | - | 8,318 | - | - | - | 8,318 |
|----------------------------------------------------------------------------------------------------|---|---|-------|---|---|---|-------|

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IR BioSciences Holding, Inc. and Subsidiary  
(A Development Stage Company)  
Condensed Consolidated Statement of Stockholders' Equity (Deficit)  
From Date of Inception (October 30, 2002) to March 31, 2010  
(Unaudited)  
(Continued)

|                                                                                                                        | Common<br>Stock<br>Shares | Amount | Paid-In<br>Capital | Additional<br>Deferred<br>Compensation | Stock<br>Subscribed | Common<br>Accumulated<br>Deficit | Total     |
|------------------------------------------------------------------------------------------------------------------------|---------------------------|--------|--------------------|----------------------------------------|---------------------|----------------------------------|-----------|
| Shares issued in July to a consultant at \$1.00 for services to be rendered through July 2005                          | 25,000                    | 25     | 24,975             | (25,000 )                              | -                   | -                                | -         |
| Shares issued to a consultant in July and September at \$4.10 per share for services to be rendered through April 2005 | 20,000                    | 20     | 81,980             | -                                      | -                   | -                                | 82,000    |
| Shares issued to a consultant in September at \$1.20 to \$2.20 for services rendered through September 2004            | 12,728                    | 13     | 16,896             | -                                      | -                   | -                                | 16,909    |
| Shares issued in July to September 2004 as interest on note payable                                                    | 30,000                    | 30     | 35,970             | -                                      | -                   | -                                | 36,000    |
| Issuance of warrants with notes payable in July and August 2004                                                        | -                         | -      | 72,252             | -                                      | -                   | -                                | 72,252    |
| Accrued deferred compensation in August 2004 to a consultant for 10,000 shares at                                      | -                         | -      | -                  | (10,000 )                              | -                   | -                                | (10,000 ) |



\$1.00 per share,  
committed but  
unissued

Shares issued in  
August 2004 at  
\$1.40 to a  
consultant for  
services to be  
performed through  
October 2004

|        |    |        |           |   |   |   |
|--------|----|--------|-----------|---|---|---|
| 10,000 | 10 | 13,990 | (14,000 ) | - | - | - |
|--------|----|--------|-----------|---|---|---|

Shares issued in  
August 2004 at  
\$1.25 per share for  
conversion of  
\$30,000 demand  
loan

|        |    |        |   |   |   |        |
|--------|----|--------|---|---|---|--------|
| 24,000 | 24 | 29,976 | - | - | - | 30,000 |
|--------|----|--------|---|---|---|--------|

Shares issued in  
August 2004 at  
\$1.60 per share to  
a consultant for  
services provided.

|        |    |        |   |   |   |        |
|--------|----|--------|---|---|---|--------|
| 12,500 | 13 | 19,988 | - | - | - | 20,000 |
|--------|----|--------|---|---|---|--------|

Shares issued to  
employees at  
\$1.60 to \$2.50 per  
share

|       |   |       |   |   |   |       |
|-------|---|-------|---|---|---|-------|
| 4,880 | 5 | 8,379 | - | - | - | 8,384 |
|-------|---|-------|---|---|---|-------|

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IR BioSciences Holding, Inc. and Subsidiary  
(A Development Stage Company)  
Condensed Consolidated Statement of Stockholders' Equity (Deficit)  
From Date of Inception (October 30, 2002) to March 31, 2010  
(Unaudited)  
(Continued)

|                                                                                                                                   | Common<br>Stock<br>Shares | Amount | Paid-In<br>Capital | Additional<br>Deferred<br>Compensation | Stock<br>Subscribed | Common<br>Accumulated<br>Deficit | Total     |
|-----------------------------------------------------------------------------------------------------------------------------------|---------------------------|--------|--------------------|----------------------------------------|---------------------|----------------------------------|-----------|
| Commitment to issue 10,000 shares of stock to a consultant at \$2.30 per share for services to be provided through September 2005 | -                         | -      | -                  | (23,000 )                              | -                   | -                                | (23,000 ) |
| Sale of stock for cash in October at \$1.25 per share, net of costs of \$298,155                                                  | 1,816,000                 | 1,816  | 1,362,107          | -                                      | -                   | -                                | 1,363,923 |
| Value of warrants issued with sale of common stock in October, net of costs                                                       | -                         | -      | 607,922            | -                                      | -                   | -                                | 607,922   |
| Issuance of warrant to officer in October                                                                                         | -                         | -      | 112,697            | -                                      | -                   | -                                | 112,697   |
| Issuance of stock to investment bankers in October 2004 for commissions earned                                                    | 490,000                   | 490    | (490 )             | -                                      | -                   | -                                | -         |
| Conversion of accounts payable to stock in October at \$1.25 per share                                                            | 125,775                   | 126    | 108,514            | -                                      | -                   | -                                | 108,640   |
|                                                                                                                                   | -                         | -      | 48,579             | -                                      | -                   | -                                | 48,579    |

|                                                                                                       |         |     |         |   |   |   |         |
|-------------------------------------------------------------------------------------------------------|---------|-----|---------|---|---|---|---------|
| Value of warrants issued with accounts payable conversions                                            |         |     |         |   |   |   |         |
| Conversion of demand loan to stock in October at \$1.10 per share                                     | 9,330   | 9   | 10,254  | - | - | - | 10,263  |
| Forgiveness of notes payable in October 2004                                                          | -       | -   | 36,785  | - | - | - | 36,785  |
| Issuance of stock to officer and director at \$1.25 per share in October for conversion of liability  | 144,000 | 144 | 123,789 | - | - | - | 123,933 |
| Value of warrants issued with officer and director conversion of liabilities                          | -       | -   | 56,067  | - | - | - | 56,067  |
| Conversion of debt and accrued interest to common stock at \$0.75 to \$1.25 per share in October 2004 | 670,315 | 670 | 423,547 | - | - | - | 424,217 |
| Value of warrants issued with conversion of debt                                                      | -       | -   | 191,111 | - | - | - | 191,111 |

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IR BioSciences Holding, Inc. and Subsidiary  
(A Development Stage Company)  
Condensed Consolidated Statement of Stockholders' Equity (Deficit)  
From Date of Inception (October 30, 2002) to March 31, 2010  
(Unaudited)  
(Continued)

|                                                                                          | Common<br>Stock<br>Shares | Amount | Paid-In<br>Capital | Additional<br>Deferred<br>Compensation | Stock<br>Subscribed | Common<br>Accumulated<br>Deficit | Total     |
|------------------------------------------------------------------------------------------|---------------------------|--------|--------------------|----------------------------------------|---------------------|----------------------------------|-----------|
| Conversion of Note Payable of \$5,000 plus accrued interest of \$71 in October, 2004     | 6,761                     | 7      | 4,993              | -                                      | -                   | -                                | 5,000     |
| Issuance of warrants to note holders in October 2004                                     | -                         | -      | 112,562            | -                                      | -                   | -                                | 112,562   |
| Value of shares issued to CFO as compensation in December 2004                           | 10,000                    | 10     | 34,990             | -                                      | -                   | -                                | 35,000    |
| Value of warrants issued to members of advisory committees in November and December 2004 | -                         | -      | 16,348             | -                                      | -                   | -                                | 16,348    |
| Beneficial conversion feature associated with notes payable in December 2004             | -                         | -      | 124,709            | -                                      | -                   | -                                | 124,709   |
| Shares issued in error to be cancelled in December                                       | (900)                     | (1)    | 1                  | -                                      | -                   | -                                | 0         |
| Amortization of deferred                                                                 | -                         | -      | -                  | 2,729,454                              | -                   | -                                | 2,729,454 |

|                                                                                                              |           |         |             |              |     |               |             |
|--------------------------------------------------------------------------------------------------------------|-----------|---------|-------------|--------------|-----|---------------|-------------|
| compensation through December 31, 2004                                                                       |           |         |             |              |     |               |             |
| Loss for the twelve months ended December 31, 2004                                                           | -         | -       | -           | -            | -   | (5,305,407)   | (5,305,407) |
| Balance at December 31, 2004                                                                                 | 6,242,339 | \$6,242 | \$7,979,124 | \$(169,986 ) | \$- | \$(7,208,027) | \$607,353   |
| Sale of shares of common stock for cash at \$2.00 per share in March 2005 for warrant exercise, net of costs | 660,078   | 660     | 1,190,196   | -            | -   | -             | 1,190,856   |
| Value of warrants issued to members of advisory committees in March 2005                                     | -         | -       | 137,049     | -            | -   | -             | 137,049     |
| Deferred compensation in February 2005 to a consultant for 5,000 shares of common stock at \$6.50 per share  | -         | -       | -           | (32,500 )    | -   | -             | (32,500 )   |
| Warrants exercised at \$0.50 per share in June 2003                                                          | 8,000     | 8       | 3,992       | -            | -   | -             | 4,000       |

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IR BioSciences Holding, Inc. and Subsidiary  
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Condensed Consolidated Statement of Stockholders' Equity (Deficit)  
From Date of Inception (October 30, 2002) to March 31, 2010  
(Unaudited)  
(Continued)

|                                                                                                | Common<br>Stock<br>Shares | Amount | Paid-In<br>Capital | Additional<br>Deferred<br>Compensation | Stock<br>Subscribed | Common<br>Accumulated<br>Deficit | Total   |
|------------------------------------------------------------------------------------------------|---------------------------|--------|--------------------|----------------------------------------|---------------------|----------------------------------|---------|
| Value of warrants issued to members of advisory committee in June 2005                         | -                         | -      | 70,781             | -                                      | -                   | -                                | 70,781  |
| Value of warrants issued to investors and service providers in June 2005                       | -                         | -      | 32,991             | -                                      | -                   | -                                | 32,991  |
| Issuance of 23,215 shares of common stock in July 2005 for conversion of notes payable         | 23,215                    | 23     | 64,980             | -                                      | -                   | -                                | 65,003  |
| Issuance of 10,000 shares of common stock in August 2005 to a consultant for services provided | 10,000                    | 10     | 9,990              | -                                      | -                   | -                                | 10,000  |
| Value of warrants issued to advisory committee in September 2005 for services                  | -                         | -      | 20,491             | -                                      | -                   | -                                | 20,491  |
| Amortization of deferred comp for the twelve months ended December, 2005                       | -                         | -      | -                  | 199,726                                | -                   | -                                | 199,726 |

|                                                                                          |           |         |             |            |     |                |               |
|------------------------------------------------------------------------------------------|-----------|---------|-------------|------------|-----|----------------|---------------|
| Value of warrants issued in October and December 2005 to investors and service providers | -         | -       | 18,399      | -          | -   | -              | 18,399        |
| Loss for the year ended December 31, 2005                                                | -         | -       | -           | -          | -   | (4,591,107 )   | (4,591,107)   |
| Balance as of December 31, 2005                                                          | 6,943,632 | \$6,943 | \$9,527,993 | \$(2,760 ) | \$- | \$(11,799,134) | \$(2,266,958) |

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IR BioSciences Holding, Inc. and Subsidiary  
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Condensed Consolidated Statement of Stockholders' Equity (Deficit)  
From Date of Inception (October 30, 2002) to March 31, 2010  
(Unaudited)  
(Continued)

|                                                                                                | Common<br>Stock<br>Shares | Amount | Paid-In<br>Capital | Additional<br>Deferred<br>Compensation | Stock<br>Subscribed | Common<br>Accumulated<br>Deficit | Total  |
|------------------------------------------------------------------------------------------------|---------------------------|--------|--------------------|----------------------------------------|---------------------|----------------------------------|--------|
| Issuance of<br>10,000 shares to<br>officer,<br>previously<br>accrued                           | 10,000                    | 10     | 41,406             | -                                      | -                   | -                                | 41,416 |
| Value of warrants<br>issued to<br>members of<br>advisory<br>committee in<br>March 2006         | -                         | -      | 8,399              | -                                      | -                   | -                                | 8,399  |
| Amortization of<br>deferred<br>compensation for<br>the three months<br>ended March 31,<br>2006 | -                         | -      | -                  | 2,760                                  | -                   | -                                | 2,760  |
| Issuance of<br>common stock in<br>May 2006 to a<br>consultant for<br>services provided         | 3,446                     | 3      | 16,194             | -                                      | -                   | -                                | 16,197 |
| Conversion of<br>accrued interest<br>to common stock<br>at \$1.25 per share<br>in May, 2006    | 1,929                     | 2      | 2,409              | -                                      | -                   | -                                | 2,411  |
| Conversion of<br>accrued interest<br>to common stock<br>at \$1.25 per share<br>in May, 2006    | 1,632                     | 2      | 2,039              | -                                      | -                   | -                                | 2,041  |
|                                                                                                | 1,345                     | 1      | 1,354              | -                                      | -                   | -                                | 1,355  |



|                                                                                           |           |       |           |   |   |   |           |
|-------------------------------------------------------------------------------------------|-----------|-------|-----------|---|---|---|-----------|
| Conversion of accrued interest to common stock at \$1.00 per share in May, 2006           |           |       |           |   |   |   |           |
| Common stock issued pursuant to the exercise of warrants at \$0.90 per share in June 2006 | 500       | 1     | 450       | - | - | - | 450       |
| Value of warrants issued to members of advisory committee in June 2006                    | -         | -     | 8,820     | - | - | - | 8,820     |
| Value of warrants issued to members of advisory committee in September 2006               | -         | -     | 3,495     | - | - | - | 3,495     |
| Value of warrants issued to officers                                                      | -         | -     | 50,874    | - | - | - | 50,874    |
| Issuance of penalty Common Stock, previously accrued                                      | 415,080   | 415   | 871,250   | - | - | - | 871,665   |
| Issuance of penalty warrants, previously accrued                                          | -         | -     | 182,239   | - | - | - | 182,239   |
| Value of options issued to officer                                                        | -         | -     | 78,802    | - | - | - | 78,802    |
| Value of warrants issued to members of advisory committee in December 2006                | -         | -     | 1,974     | - | - | - | 1,974     |
|                                                                                           | 3,426,625 | 3,427 | 4,610,122 | - | - | - | 4,613,549 |

|                                                                 |            |          |              |     |         |                |             |               |
|-----------------------------------------------------------------|------------|----------|--------------|-----|---------|----------------|-------------|---------------|
| Issuance of Common Stock for cash                               |            |          |              |     |         |                |             |               |
| Common stock to be issued as commission for equity fund raising | -          | -        | (5,483       | )   | -       | 5,483          | -           | -             |
| Value of options issued to officer                              | -          | -        | 185,472      | -   | -       | -              | -           | 185,472       |
| Value of shares issued to officer                               | -          | -        | 32,120       | -   | -       | -              | -           | 32,120        |
| Loss for the year ended December 31, 2006                       | -          | -        | -            | -   | -       | -              | (1,486,046  | ) (1,486,046) |
| Balance as of December 31, 2006                                 | 10,804,190 | \$10,804 | \$15,619,928 | \$- | \$5,483 | \$(13,285,180) | \$2,351,035 |               |

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IR BioSciences Holding, Inc. and Subsidiary  
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Condensed Consolidated Statement of Stockholders' Equity (Deficit)  
From Date of Inception (October 30, 2002) to March 31, 2010  
(Unaudited)  
(Continued)

|                                                                           | Common<br>Stock<br>Shares | Amount | Paid-In<br>Capital | Additional<br>Deferred<br>Compensation | Stock<br>Subscribed | Common<br>Accumulated<br>Deficit | Total   |
|---------------------------------------------------------------------------|---------------------------|--------|--------------------|----------------------------------------|---------------------|----------------------------------|---------|
| Common stock issued as commission for equity fund raising in January 2007 | 548,260                   | 548    | 4,935              | -                                      | (5,483 )            | -                                | -       |
| Common stock issued to consultant in January 2007 at \$1.50 per share     | 29,804                    | 30     | 44,676             | -                                      | -                   | -                                | 44,706  |
| Common stock issued to consultants in January 2007 at \$1.55 per share    | 40,000                    | 40     | 61,960             | -                                      | -                   | -                                | 62,000  |
| Common stock issued to consultants in January 2007 at \$1.50 per share    | 10,000                    | 10     | 14,990             | -                                      | -                   | -                                | 15,000  |
| Value of options issued to officer in January, February and March 2007    | -                         | -      | 471,457            | -                                      | -                   | -                                | 471,457 |
| Value of options issued to employee in January 2007                       | -                         | -      | 5,426              | -                                      | -                   | -                                | 5,426   |
| Value of warrants issued to consultant in                                 | -                         | -      | 166,998            | -                                      | -                   | -                                | 166,998 |

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April 2007

|                                                   |   |   |         |   |   |   |         |
|---------------------------------------------------|---|---|---------|---|---|---|---------|
| Value of options issued to employees in July 2007 | - | - | 996,133 | - | - | - | 996,133 |
|---------------------------------------------------|---|---|---------|---|---|---|---------|

|                                                   |   |   |         |   |   |   |         |
|---------------------------------------------------|---|---|---------|---|---|---|---------|
| Value of options issued to directors in July 2007 | - | - | 537,833 | - | - | - | 537,833 |
|---------------------------------------------------|---|---|---------|---|---|---|---------|

|                                                     |   |   |        |   |   |   |        |
|-----------------------------------------------------|---|---|--------|---|---|---|--------|
| Value of options issued to consultants in July 2007 | - | - | 80,996 | - | - | - | 80,996 |
|-----------------------------------------------------|---|---|--------|---|---|---|--------|

|                                                                                                |   |   |   |   |        |   |        |
|------------------------------------------------------------------------------------------------|---|---|---|---|--------|---|--------|
| Common stock to be issued for consulting services in 2008 at \$1.10 per share in November 2007 | - | - | - | - | 33,000 | - | 33,000 |
|------------------------------------------------------------------------------------------------|---|---|---|---|--------|---|--------|

|                                                                                        |   |   |   |   |         |   |         |
|----------------------------------------------------------------------------------------|---|---|---|---|---------|---|---------|
| Common stock to be issued for finders fee in 2008 at \$1.20 per share in November 2007 | - | - | - | - | 120,000 | - | 120,000 |
|----------------------------------------------------------------------------------------|---|---|---|---|---------|---|---------|

|                                           |   |   |   |   |   |              |             |
|-------------------------------------------|---|---|---|---|---|--------------|-------------|
| Loss for the year ended December 31, 2007 | - | - | - | - | - | (5,463,958 ) | (5,463,958) |
|-------------------------------------------|---|---|---|---|---|--------------|-------------|

|                                 |            |           |               |     |            |                |              |
|---------------------------------|------------|-----------|---------------|-----|------------|----------------|--------------|
| Balance as of December 31, 2007 | 11,432,254 | \$ 11,432 | \$ 18,005,332 | \$- | \$ 153,000 | \$(18,749,138) | \$(579,374 ) |
|---------------------------------|------------|-----------|---------------|-----|------------|----------------|--------------|

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IR BioSciences Holding, Inc. and Subsidiary  
(A Development Stage Company)  
Condensed Consolidated Statement of Stockholders' Equity (Deficit)  
From Date of Inception (October 30, 2002) to March 31, 2010  
(Unaudited)  
(Continued)

|                                                                                                       | Common<br>Stock<br>Shares | Amount | Paid-In<br>Capital | Additional<br>Deferred<br>Compensation | Stock<br>Subscribed | Common<br>Accumulated<br>Deficit | Total   |
|-------------------------------------------------------------------------------------------------------|---------------------------|--------|--------------------|----------------------------------------|---------------------|----------------------------------|---------|
| Common stock issued for consulting services previously accrued in November 2007                       | 30,000                    | 30     | 32,970             | -                                      | (33,000 )           | -                                | -       |
| Common stock issued for finders fee previously accrued in November 2007                               | 100,000                   | 100    | 119,900            | -                                      | (120,000 )          | -                                | -       |
| Value of warrants issued pursuant to convertible debt agreement in January 2008                       | -                         | -      | 226,754            | -                                      | -                   | -                                | 226,754 |
| Adjustment to value of warrants, previously issued in January 2008, due to decrease of exercise price | -                         | -      | 60,092             | -                                      | -                   | -                                | 60,092  |
| Value of options issued to advisory board in March 2008                                               | -                         | -      | 3,729              | -                                      | -                   | -                                | 3,729   |
| Value of options issued to employee in January 2007                                                   | -                         | -      | 5,428              | -                                      | -                   | -                                | 5,428   |
| Value of options issued to consultants in July                                                        | -                         | -      | 6,994              | -                                      | -                   | -                                | 6,994   |

2007

|                                                                          |        |    |        |   |   |   |        |
|--------------------------------------------------------------------------|--------|----|--------|---|---|---|--------|
| Common stock issued for March 2008 interest payment at \$0.488 per share | 39,500 | 39 | 19,237 | - | - | - | 19,276 |
|--------------------------------------------------------------------------|--------|----|--------|---|---|---|--------|

|                                                    |   |   |       |   |   |   |       |
|----------------------------------------------------|---|---|-------|---|---|---|-------|
| Value of options issued to employees in March 2008 | - | - | 1,708 | - | - | - | 1,708 |
|----------------------------------------------------|---|---|-------|---|---|---|-------|

|                                                     |   |   |        |   |   |   |        |
|-----------------------------------------------------|---|---|--------|---|---|---|--------|
| Value of options issued to a Director in March 2008 | - | - | 19,625 | - | - | - | 19,625 |
|-----------------------------------------------------|---|---|--------|---|---|---|--------|

|                                                                                      |        |    |        |   |   |   |        |
|--------------------------------------------------------------------------------------|--------|----|--------|---|---|---|--------|
| Common stock issued for June 2008 interest payment at \$0.699 per share in July 2008 | 28,220 | 28 | 19,698 | - | - | - | 19,726 |
|--------------------------------------------------------------------------------------|--------|----|--------|---|---|---|--------|

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IR BioSciences Holding, Inc. and Subsidiary  
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Condensed Consolidated Statement of Stockholders' Equity (Deficit)  
From Date of Inception (October 30, 2002) to March 31, 2010  
(Unaudited)  
(Continued)

|                                                                                               | Common<br>Stock<br>Shares | Amount | Paid-In<br>Capital | Additional<br>Deferred<br>Compensation | Stock<br>Subscribed | Common<br>Accumulated<br>Deficit | Total  |
|-----------------------------------------------------------------------------------------------|---------------------------|--------|--------------------|----------------------------------------|---------------------|----------------------------------|--------|
| Common stock issued for June 2008 interest payment at \$0.699 per share in July 2008          | 2,822                     | 3      | 1,969              | -                                      | -                   | -                                | 1,972  |
| Common stock issued for interest payment at \$0.33032 per share in August 2008                | 95,825                    | 96     | 31,557             | -                                      | -                   | -                                | 31,653 |
| Common stock issued for interest payment at \$0.33032 per share in August 2008                | 2,228                     | 2      | 734                | -                                      | -                   | -                                | 736    |
| Common stock issued for interest payment at \$0.33032 per share in August 2008                | 124,794                   | 125    | 41,097             | -                                      | -                   | -                                | 41,222 |
| Common stock issued for pre-payment of interest payment at \$0.33032 per share in August 2008 | 162,721                   | 163    | 53,587             | -                                      | -                   | -                                | 53,750 |
| Common stock issued for pre-payment of                                                        | 3,785                     | 4      | 1,246              | -                                      | -                   | -                                | 1,250  |

|                                                                                                     |         |     |         |   |         |   |         |
|-----------------------------------------------------------------------------------------------------|---------|-----|---------|---|---------|---|---------|
| interest payment at \$0.33032 per share in August 2008                                              |         |     |         |   |         |   |         |
| Common stock issued for pre-payment of interest payment at \$0.33032 per share in August 2008       | 211,916 | 212 | 69,788  | - | -       | - | 70,000  |
| Common stock issued pursuant to the exercise of warrants at \$0.375 per share in June and July 2008 | 30,000  | 30  | 11,220  | - | -       | - | 11,250  |
| Common stock issued for rounding due to reverse stock split in August 2008                          | 126     | 1   | (1 )    | - | -       | - | -       |
| Common stock subscribed pursuant to agreement for capital raise in August 2008                      | -       | -   | -       | - | 250,000 | - | 250,000 |
| Value of warrants issued pursuant to convertible debt agreement in August 2008                      | -       | -   | 286,846 | - | -       | - | 286,846 |
| Value of warrants issued pursuant to convertible debt agreement in August 2008                      | -       | -   | 427,628 | - | -       | - | 427,628 |
| Value of warrants issued                                                                            | -       | -   | 9,946   | - | -       | - | 9,946   |



|                                                                                |            |           |               |     |            |                |               |
|--------------------------------------------------------------------------------|------------|-----------|---------------|-----|------------|----------------|---------------|
| pursuant to convertible debt agreement in August 2008                          |            |           |               |     |            |                |               |
| Value of warrants issued pursuant to convertible debt agreement in August 2008 | -          | -         | 556,949       | -   | -          | -              | 556,949       |
| Value of options issued to directors in November 2008                          | -          | -         | 52,284        | -   | -          | -              | 52,284        |
| Loss for the year ended December 31, 2008                                      | -          | -         | -             | -   | -          | (5,807,353 )   | (5,807,353)   |
| Balance at December 31, 2008                                                   | 12,264,191 | \$ 12,265 | \$ 20,066,317 | \$- | \$ 250,000 | \$(24,556,491) | \$(4,227,909) |

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IR BioSciences Holding, Inc. and Subsidiary  
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Condensed Consolidated Statement of Stockholders' Equity (Deficit)  
From Date of Inception (October 30, 2002) to March 31, 2010  
(Unaudited)  
(Continued)

|                                                                                                                                                                         | Common<br>Stock<br>Shares | Amount | Paid-In<br>Capital | Additional<br>Deferred<br>Compensation | Stock<br>Subscribed | Common<br>Accumulated<br>Deficit | Total     |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|--------|--------------------|----------------------------------------|---------------------|----------------------------------|-----------|
| Cumulative effect of change in accounting principle- January 1, 2009 reclassification of embedded feature of equity-linked financial instrument to derivative liability | -                         | -      | (1,856,576 )       | -                                      | -                   | 3,259,335                        | 1,402,759 |
| Common stock issued pursuant to agreement for capital raise previously accrued in August 2008 at \$0.30 per share                                                       | 833,334                   | 833    | 249,167            | -                                      | (250,000 )          | -                                | -         |
| Common stock issued for consulting services performed from June to August 2009 at \$0.19 per share                                                                      | 200,000                   | 200    | 37,800             | -                                      | -                   | -                                | 38,000    |
| Common stock issued for consulting services performed in September 2009 at \$0.36 per share                                                                             | 44,444                    | 44     | 15,956             | -                                      | -                   | -                                | 16,000    |

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|                                                                                                  |         |     |        |   |        |   |        |
|--------------------------------------------------------------------------------------------------|---------|-----|--------|---|--------|---|--------|
| Common stock issued for consulting services performed in October 2009 at \$0.36 per share        | 44,444  | 44  | 15,956 | - | -      | - | 16,000 |
| Common stock issued for consulting services performed in November 2009 at \$0.23 per share       | 44,444  | 44  | 10,178 | - | -      | - | 10,222 |
| Common stock issued for consulting services performed in November 2009 at \$0.35 per share       | 200,000 | 200 | 69,800 | - | -      | - | 70,000 |
| Common stock to be issued for consulting services performed in December 2009 at \$0.23 per share | -       | -   | -      | - | 10,222 | - | 10,222 |
| Value of options issued to employees in March 2008                                               | -       | -   | 244    | - | -      | - | 244    |
| Value of options issued to advisory board in Aug 2009                                            | -       | -   | 4,045  | - | -      | - | 4,045  |
| Value of options issued to consultants in Aug 2009                                               | -       | -   | 3,646  | - | -      | - | 3,646  |
| Value of options issued to employees in Aug 2009                                                 | -       | -   | 6,250  | - | -      | - | 6,250  |

|                                                               |            |          |              |     |          |                |               |
|---------------------------------------------------------------|------------|----------|--------------|-----|----------|----------------|---------------|
| Value of options issued to Officers and Directors in Aug 2009 | -          | -        | 94,792       | -   | -        | -              | 94,792        |
| Loss for the year ended December 31, 2009                     | -          | -        | -            | -   | -        | (6,462,817 )   | (6,462,817)   |
| Balance at December 31, 2009                                  | 13,630,857 | \$13,630 | \$18,717,575 | \$- | \$10,222 | \$(27,759,973) | \$(9,018,546) |

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IR BioSciences Holding, Inc. and Subsidiary  
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From Date of Inception (October 30, 2002) to March 31, 2010  
(Unaudited)  
(Continued)

|                                                                                                 | Common<br>Stock<br>Shares | Amount    | Paid-In<br>Capital | Additional<br>Deferred<br>Compensation | Stock<br>Subscribed | Common<br>Accumulated<br>Deficit | Total          |
|-------------------------------------------------------------------------------------------------|---------------------------|-----------|--------------------|----------------------------------------|---------------------|----------------------------------|----------------|
| Common stock issued for consulting services performed in November 2009 at \$0.35 per share      | 500,000                   | 500       | 189,500            | -                                      | -                   | -                                | 190,000        |
| Common stock to be issued for consulting services performed in January 2010 at \$0.23 per share | -                         | -         | -                  | -                                      | 10,222              | -                                | 10,222         |
| Value of options issued to consultants in Aug 2009                                              | -                         | -         | 2,188              | -                                      | -                   | -                                | 2,188          |
| Value of options issued to employees in Aug 2009                                                | -                         | -         | 3,750              | -                                      | -                   | -                                | 3,750          |
| Value of options issued to Officers and Directors in Aug 2009                                   | -                         | -         | 56,875             | -                                      | -                   | -                                | 56,875         |
| Loss for the three months ended March 31, 2010                                                  | -                         | -         | -                  | -                                      | -                   | (3,326,202 )                     | (3,326,202 )   |
|                                                                                                 | 14,130,857                | \$ 14,130 | \$ 18,969,888      | \$-                                    | \$ 20,444           | \$(31,086,175)                   | \$(12,081,713) |

Balance at  
March 31, 2010

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

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IR BioSciences Holdings, Inc. and Subsidiary  
(A Development Stage Company)  
Condensed Consolidated Statements of Cash Flows  
For the Three Months Ended March 31, 2010 and 2009,  
And For the Period of Inception (October 30, 2002) to March 31, 2010  
(Unaudited)

|                                                                             | For the<br>Three<br>Months<br>Ended<br>March 31,<br>2010 | For the<br>Three<br>Months<br>Ended<br>March 31,<br>2009 | Cumulative<br>from<br>Inception<br>(October 30,<br>2002) to<br>March 31,<br>2010 |
|-----------------------------------------------------------------------------|----------------------------------------------------------|----------------------------------------------------------|----------------------------------------------------------------------------------|
| Cash flows from operating activities:                                       |                                                          |                                                          |                                                                                  |
| Net loss                                                                    | \$(3,326,202)                                            | \$(2,141,047)                                            | \$(31,086,175)                                                                   |
| Adjustments to reconcile net loss to net cash used in operating activities: |                                                          |                                                          |                                                                                  |
| Non-cash compensation                                                       | 263,035                                                  | 244                                                      | 7,680,583                                                                        |
| Cost of penalty for late registration of shares - stock portion             | -                                                        | -                                                        | 1,631,726                                                                        |
| Cost of penalty for late registration of shares - warrant portion           | -                                                        | -                                                        | 560,434                                                                          |
| Change in fair value of derivative liability                                | 1,940,840                                                | 732,295                                                  | (1,721,782 )                                                                     |
| Legal fees for note payable                                                 | -                                                        | -                                                        | 20,125                                                                           |
| Placement fees for note payable                                             | -                                                        | -                                                        | 65,000                                                                           |
| Impairment of intangible asset                                              | -                                                        | -                                                        | 6,393                                                                            |
| Interest expense                                                            | 200,000                                                  | 200,000                                                  | 1,574,880                                                                        |
| Amortization of discount on notes payable                                   | 285,159                                                  | 268,248                                                  | 2,902,803                                                                        |
| Redemption Option Liability                                                 | -                                                        | 75,000                                                   | 300,000                                                                          |
| Depreciation and amortization                                               | 2,358                                                    | 5,482                                                    | 85,095                                                                           |
| Changes in operating assets and liabilities:                                |                                                          |                                                          |                                                                                  |
| Cash overdraft                                                              | 2,240                                                    | -                                                        | 2,240                                                                            |
| Increase in deposits                                                        | (25 )                                                    | -                                                        | (5,208 )                                                                         |
| Decrease in prepaid services and other assets                               | 26,875                                                   | 33,054                                                   | 251,019                                                                          |
| Increase/(Decrease) in accounts payable and accrued expenses                | 325,411                                                  | (112,276 )                                               | 1,356,665                                                                        |
| Net cash used in operating activities                                       | (280,309 )                                               | (939,000 )                                               | (16,376,202)                                                                     |
| Cash flows from investing activities:                                       |                                                          |                                                          |                                                                                  |
| Acquisition of property and equipment                                       | -                                                        | (1,500 )                                                 | (86,577 )                                                                        |
| Net cash used in investing activities                                       | -                                                        | (1,500 )                                                 | (86,577 )                                                                        |
| Cash flows from financing activities:                                       |                                                          |                                                          |                                                                                  |
| Proceeds from notes payable                                                 | -                                                        | -                                                        | 9,668,375                                                                        |
| Principal payments on notes payable and demand loans                        | -                                                        | -                                                        | (1,094,747 )                                                                     |
| Shares of stock sold for cash                                               | -                                                        | -                                                        | 7,873,451                                                                        |
| Proceeds from exercise of warrant                                           | -                                                        | -                                                        | 15,700                                                                           |
| Officer repayment of amounts paid on his behalf                             | -                                                        | -                                                        | 19,880                                                                           |

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|                                                  |            |             |            |
|--------------------------------------------------|------------|-------------|------------|
| Cash paid on behalf of officer                   | -          | -           | (19,880 )  |
| Net cash provided by financing activities        | -          | -           | 16,462,779 |
| Net decrease in cash and cash equivalents        | (280,309 ) | (940,500 )  |            |
| Cash and cash equivalents at beginning of period | 280,309    | 3,158,226   | -          |
| Cash and cash equivalents at end of period       | \$-        | \$2,217,726 | \$-        |

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

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IR BioSciences Holdings, Inc. and Subsidiary  
(A Development Stage Company)  
Condensed Consolidated Statements of Cash Flows  
For the Three Months Ended March 31, 2010 and 2009,  
And For the Period of Inception (October 30, 2002) to March 31, 2010  
(Unaudited)  
(Continued)

|                                                                                   | For the<br>Three<br>Months<br>Ended<br>March 31,<br>2010 | For the<br>Three<br>Months<br>Ended<br>March 31,<br>2009 | Cumulative<br>from<br>Inception<br>(October<br>30, 2002)<br>to<br>March 31,<br>2010 |
|-----------------------------------------------------------------------------------|----------------------------------------------------------|----------------------------------------------------------|-------------------------------------------------------------------------------------|
| <b>Supplemental disclosures of cash flow information:</b>                         |                                                          |                                                          |                                                                                     |
| <b>Cash paid during the period for:</b>                                           |                                                          |                                                          |                                                                                     |
| Interest                                                                          | \$-                                                      | \$19,299                                                 | \$127,051                                                                           |
| Taxes                                                                             | \$-                                                      | \$-                                                      | \$8,115                                                                             |
| Common stock issued in exchange for proprietary rights                            | \$-                                                      | \$-                                                      | \$9,250                                                                             |
| Common stock issued in exchange for previously incurred debt and accrued interest | \$-                                                      | \$-                                                      | \$1,066,401                                                                         |
| Debt and accrued interest forgiveness from note holders                           | \$-                                                      | \$-                                                      | \$36,785                                                                            |
| Stock issued as commission for equity fundraising                                 | \$-                                                      | \$-                                                      | \$125,483                                                                           |

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

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IR BIOSCIENCES HOLDINGS, INC. AND SUBSIDIARY  
(A DEVELOPMENT STAGE COMPANY)  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2010  
(Unaudited)

Note 1 - Summary Of Accounting Policies

General

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q, and therefore, do not include all the information necessary for a fair presentation of financial position, results of operations and cash flows in conformity with accounting principles generally accepted in the United States of America for a complete set of financial statements.

In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The results from operations for the three-months period ended March 31, 2010 are not necessarily indicative of the results that may be expected for the year ended December 31, 2010. The unaudited condensed consolidated financial statements should be read in conjunction with the December 31, 2009 financial statements and footnotes thereto included in the Company's annual report on SEC Form 10-K filed with the Securities and Exchange Commission on April 15, 2010 and as amended on April 30, 2010.

Business and basis of presentation

IR BioSciences Holdings, Inc. (the "Company," "we," or "us") formerly GPN Network, Inc. ("GPN") is currently a development stage company as set forth in Accounting Standard Codification (ASC). The Company, which was incorporated under the laws of the State of Delaware on October 30, 2002, is a development-stage biopharmaceutical company. Through our wholly-owned subsidiary, ImmuneRegen BioSciences, Inc., the Company is engaged in the research and development of potential drugs. The Company's goal is to develop therapeutics to be used for the protection of the body from exposure to harmful agents such as toxic chemicals and radiation, as well as, biological agents, including influenza and anthrax. The Company's research and development efforts are at a very early stage and the Company's potential drug candidates, have only undergone pre-clinical testing. From its inception through the date of these financial statements, the Company has recognized negligible revenues and has incurred significant operating expenses.

The unaudited condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, ImmuneRegen BioSciences, Inc. Significant inter-company transactions have been eliminated in consolidation.

In July 2003, the Company effected a 1-for-20 reverse stock split of its common stock. In April 2004, the Company effected a 2-for-1 forward split of its common stock. On July 10, 2008, the Company effected a 1-for-10 reverse stock split of its common stock and simultaneously reduced its total authorized shares of common stock to 100,000,000. Par value remained unchanged as a result of the July 2008 stock split and reduction of authorized shares. Accordingly, the effect of the reverse-split has been presented in the accompanying unaudited condensed consolidated financial statement and footnote disclosures.

Reclassification

Certain reclassifications have been made to conform to prior periods' data to the current presentation. These reclassifications had no effect on reported losses.

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## Stock based compensation

In accordance with GAAP regarding “Share-Based Payment,” (which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees and directors including employee stock options based on estimated fair values), we are using the modified prospective transition method, which requires the application of the accounting standard as of January 1, 2006.

Under the modified prospective approach, Share-Based Payment applies to new awards and to awards that were outstanding on January 1, 2006 that are subsequently modified, repurchased or cancelled. Under the modified prospective approach, compensation cost recognized in the nine months of fiscal 2006 includes compensation cost for all share-based payments granted prior to, but not yet vested as of January 1, 2006, based on the grant-date fair value estimated in accordance with the original provisions of Share-Based Payments, and compensation cost for all share-based payments granted subsequent to January 1, 2006 based on the grant-date fair value estimated in accordance with the provisions of Share Based Payments. Prior periods were not restated to reflect the impact of adopting the new standard.

A summary of option activity under the Company’s stock option plan as of March 31, 2010, and changes during the period ended are presented below:

|                                     | Options   | Weighted<br>Average<br>Exercise<br>Price |
|-------------------------------------|-----------|------------------------------------------|
| Outstanding at December 31,<br>2009 | 2,812,403 | \$ 1.78                                  |
| Issued                              | -         | -                                        |
| Exercised                           | -         | -                                        |
| Forfeited or expired                | 6,321     | 250.00                                   |
| Outstanding at March 31, 2010       | 2,806,082 | \$ 1.22                                  |
| Non-vested at March 31, 2010        | 251,250   | \$ 0.25                                  |
| Exercisable at March 31, 2010       | 2,554,832 | \$ 1.32                                  |

Aggregate intrinsic value of options outstanding and exercisable at March 31, 2010 was \$0. Aggregate intrinsic value represents the difference between the Company's closing stock price on the last trading day of the fiscal period, which was \$0.35 as of March 31, 2010, and the exercise price multiplied by the number of options outstanding. As of March 31, 2010, total unrecognized stock-based compensation expense related to stock options was \$83,750. The total fair value of options vested during the three months ended March 31, 2010 was \$62,813.

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## Interim financial statements

The accompanying balance sheet as of March 31, 2010, the statements of operations for the three- months ended March 31, 2010 and 2009, and for the period of inception (October 30, 2002) to March 31, 2010, and the statements of cash flows for the three months ended March 31, 2010 and 2009, and from the period of inception (October 30, 2002) to March 31, 2010 are unaudited. These unaudited interim financial statements include all adjustments (consisting of normal recurring accruals), which, in the opinion of management, are necessary for a fair presentation of the results of operations for the periods presented. Interim results are not necessarily indicative of the results to be expected for a full year.

## Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 date of the financial statements, and the reported amounts of revenues and expenses during the reported periods. Actual results could materially differ from those estimates.

## Long-lived assets

Intangible and long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets 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 an 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.

## Prepaid services and other current assets

Prepaid services and other current assets at March 31, 2010 and December 31, 2009 consist of the following:

|                                                 | March 31,<br>2010 | December<br>31,<br>2009 |
|-------------------------------------------------|-------------------|-------------------------|
| Prepaid monitoring fees                         | \$ 6,250          | \$ 15,625               |
| Prepaid insurance                               | 32,722            | 46,472                  |
| Prepaid software                                | 2,500             | 6,250                   |
| Total prepaid services and other current assets | \$ 41,472         | \$ 68,347               |

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### Deposits and other assets

The balance consists of a deposit on leased office space in the amount of \$7,718 and \$7,693 as of March 31, 2010 and December 31, 2009, respectively.

### Advertising

The Company follows the policy of charging the costs of advertising to expenses incurred. The Company did not incur any advertising costs during the three months ended March 31, 2010 or during the year ended December 31, 2009.

### Derivative Instruments and Hedging

In June 2008, the FASB issued new accounting guidance which requires entities to evaluate whether an equity-linked financial instrument (or embedded feature) is indexed to its own stock by assessing the instrument's contingent exercise provisions and settlement provisions. See Note 5.

### Recent Accounting Pronouncements

Accounting Standards Codification and GAAP Hierarchy — Effective for interim and annual periods ending after September 15, 2009, the Accounting Standards Codification and related disclosure requirements issued by the FASB became the single official source of authoritative, nongovernmental GAAP. The ASC simplifies GAAP, without change, by consolidating the numerous, predecessor accounting standards and requirements into logically organized topics. All other literature not included in the ASC is non-authoritative. We adopted the ASC as of September 30, 2009, which did not have any impact on our results of operations, financial condition or cash flows as it does not represent new accounting literature or requirements. All references to pre-codified U.S. GAAP have been removed from this Form 10-Q.

Subsequent Events — Effective for interim and annual periods ending after June 15, 2009, GAAP established general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The new requirements do not change the accounting for subsequent events; however, they do require disclosure, on a prospective basis, of the date an entity has evaluated subsequent events. We adopted these new requirements as of September 30, 2009, which had no impact on our results of operations, financial condition or cash flows.

Transfers and Servicing – Effective for interim and annual periods beginning after November 15, 2009, GAAP eliminates the concept of a qualifying special purpose entity, changes the requirements for derecognizing financial assets and requires additional disclosures. We are currently assessing the future impact these new standards will have on our results of operations, financial position or cash flows.

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force), the AICPA, and the SEC did not, or are not believed by management to, have a material impact on the Company's present or future consolidated financial statements.

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## Note 2 – Furniture and equipment

## Furniture and Equipment

Furniture and equipment are valued at cost. Depreciation and amortization are provided over the estimated useful lives up to seven years using the straight-line method. The estimated service lives of property and equipment are as follows:

|                      |         |
|----------------------|---------|
| Computer equipment   | 3 years |
| Laboratory equipment | 3 years |
| Website              | 5 years |
| Furniture            | 7 years |

Depreciation and amortization expense for the three months ended March 31, 2010 and 2009 was \$2,358 and \$5,482, respectively. The amount depreciated from the date of inception (October 30, 2002) through March 31, 2010 was \$85,095. Company's furniture and equipment consists of the following:

|                                              | March 31,<br>2010 | December<br>31,<br>2009 |
|----------------------------------------------|-------------------|-------------------------|
| Office Equipment                             | \$ 49,909         | \$ 49,909               |
| Office Fixtures and Furniture                | 30,568            | 30,568                  |
| Website                                      | 28,600            | 28,600                  |
| Licensed Proprietary Rights                  | 9,250             | 9,250                   |
|                                              | 118,327           | 118,327                 |
| Accumulated Depreciation and<br>Amortization | (91,487)          | (89,130)                |
|                                              | \$ 26,840         | \$ 29,197               |

## Note 3 - Accounts Payable And Accrued Liabilities

Accounts payable and accrued liabilities at March 31, 2010 and December 31, 2009 are as follows:

|                                             | March 31,<br>2010 | December<br>31,<br>2009 |
|---------------------------------------------|-------------------|-------------------------|
| Accounts payable and accrued<br>liabilities | \$ 1,050,816      | \$ 716,029              |
| Accounts payable - Pre-merger               | 34,926            | 34,926                  |
| Interest payable                            | 3,215             | 3,215                   |
| Credit cards                                | 18,755            | 28,131                  |
| State income tax payable                    | 3,200             | 3,200                   |
|                                             | \$ 1,110,912      | \$ 785,501              |

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## Note 4 - Notes Payable

## Note Issued To YA Global Investments, L.P. For Accrued Interest

On March 31, 2010, per the terms of the amended Securities Purchase Agreement with YA Global, the Company issued two 0% interest convertible debentures with a five year term of exercise and a conversion price of \$0.30 per share, subject to adjustment, as payment of an aggregate of \$75,000 in interest accrued during the three months ended March 31, 2010.

## Note Issued To Funds Managed by Brencourt Advisors, LLC For Accrued Interest

On March 31, 2010, per the terms of the amended Securities Purchase Agreement with Funds Managed by Brencourt Advisors, LLC the Company issued four 0% interest convertible debentures with a five year term of exercise and a conversion price of \$0.30 per share, subject to adjustment, as payment of an aggregate of \$125,000 in interest accrued during the three months ended March 31, 2010.

As of March 31, 2010 and December 31, 2009 notes payable consist of:

|                                                                 | March 31,<br>2010 | December 31,<br>2009 |
|-----------------------------------------------------------------|-------------------|----------------------|
| YA Global Investments, L.P.                                     |                   |                      |
| Debentures                                                      | \$ 3,000,000      | \$ 3,000,000         |
| Note Issued To YA Global Investments, L.P. For Accrued Interest | 518,889           | 443,889              |
| Brencourt Advisors, LLC                                         |                   |                      |
| Debentures                                                      | 5,000,000         | 5,000,000            |
| Note Issued To Brencourt Advisors, LLC For Accrued Interest     | 750,000           | 625,000              |
| Less: Debt discount                                             | (2,921,339)       | (3,006,498)          |
| Total note payable                                              | 6,347,550         | 6,062,391            |
| Less: current portion of notes payable                          | 2,000,000         | 2,000,000            |
| Total long term portion of notes payable                        | \$ 4,347,550      | \$ 4,062,391         |

Aggregate maturities of long-term debt as of March 31, 2010 are as follows:

| For the twelve months ended<br>December 31, | Amount       |
|---------------------------------------------|--------------|
| 2010                                        | \$ 2,000,000 |
| 2011                                        | 1,000,000    |
| 2012                                        | -            |
| 2013                                        | 5,268,889    |
| 2014                                        | 800,000      |
| 2015                                        | 200,000      |
|                                             | \$ 9,268,889 |





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## Note 5 – Derivative Liability

In accordance with Accounting for Derivative Instruments and Hedging mandates a two-step process for evaluating whether an equity-linked financial instrument or embedded feature is indexed to the entity's own stock. The Company has entered into certain debenture and warrant agreements which contain a strike price adjustment feature resulted in the instruments no longer being considered indexed to the Company's own stock. Accordingly, Accounting for Derivative Instruments and Hedging changed the current classification (from equity to liability) and the related accounting for these warrants outstanding as of January 1, 2009.

In accordance with Accounting for Derivative Instruments and Hedging, a derivative liability of \$4,397,040 related to the debenture conversion feature and warrants is included in our consolidated balance sheet as of March 31, 2010. During the three-months ended March 31, 2010, we recorded a loss of \$1,940,840 related to the change in fair value of the debenture conversion feature and warrants.

In accordance to the Accounting for Derivative Instruments and Hedging, the Company is required to disclose the fair value measurements required by Accounting for Fair Value Measurements. The other liabilities recorded at fair value in the balance sheet as of March 31, 2010 are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels, defined by Fair Value Measurements are directly related to the amount of subjectivity associated with the inputs to fair valuation of these liabilities are as follows:

- Level 1 — Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2 — Inputs other than Level 1 inputs that are either directly or indirectly observable; and
- Level 3 — Unobservable inputs, for which little or no market data exist, therefore requiring an entity to develop its own assumptions.

The following table summarizes the financial liabilities measured at fair value on a recurring basis as of March 31, 2010, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

|                      | Level 1 | Level 2 | Level 3      | Liabilities<br>at fair value |
|----------------------|---------|---------|--------------|------------------------------|
| Derivative liability | \$ -    | \$ -    | \$ 4,397,040 | \$ 4,397,040                 |
| Total                | \$ -    | \$ -    | \$ 4,397,040 | \$ 4,397,040                 |

The following table is a reconciliation of the derivative liability for which Level 3 inputs were used in determining fair value:

|                                         |             |
|-----------------------------------------|-------------|
| Beginning balance as of January 1, 2010 | \$2,256,200 |
| Loss in change in fair value            | 1,940,840   |
| Ending balance as of March 31, 2010     | \$4,397,040 |



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In accordance with Accounting for Derivative Instruments and Hedging, we calculated the fair value of the debenture conversion features and warrants using the Black-Scholes-Merton valuation model.

The assumptions used in the Black-Scholes-Merton valuation model were as follows:

|                         | March<br>31,<br>2010 | December<br>31,<br>2009 |   |
|-------------------------|----------------------|-------------------------|---|
| Expected volatility     | 222.62%              | 321.09                  | % |
| Expected life (years)   | 5                    | 2.97-5.00               |   |
| Risk free interest rate | 1.51 %               | 1.38                    | % |
| Forfeiture rate         | -                    | -                       |   |
| Dividend rate           | -                    | -                       |   |

## Note 6 - Equity

## Common stock

In July 2003, the Company effected a 1-for-20 reverse stock split of its common stock. In April 2004, the Company effected a 2-for-1 forward split of its common stock. On July 10, 2008, the Company effected a 1-for-10 reverse stock split of its common stock and simultaneously reduced its authorized shares of common stock to 100,000,000; par value remained unchanged. Accordingly, the effect of the reverse-split has been presented in the accompanying unaudited condensed consolidated financial statement and footnote disclosures.

## Issuance of Common Shares to Consultant

On June 1, 2009, the Company agreed to issue 200,000 shares of common stock with a fair value of \$38,000 to a consultant, 66,666 shares per month beginning June 30, 2009 for services to be rendered June 1, 2009 through August 31, 2009. Per the terms of the agreement, the contract may be extended on a month-to-month basis by mutual agreement for 44,444 shares per month. In August 2009, 133,332 shares were issued for services rendered and an additional 66,668, which includes two shares issued for rounding, shares were issued in September 2009. In October 2009, the parties agreed to extend the term of the agreement by two months; therefore, the Company issued an additional 88,888 shares of common stock with a fair value of \$32,000 to the consultant for services rendered from September 1, 2009 to October 31, 2009. In December 2009, the parties agreed to extend the term of the agreement by three months; therefore, the Company is to issue an additional 133,332 shares of common stock to the consultant for services rendered November 1, 2009 to January 31, 2010. In December 44,444 of these shares were issued for services performed in November 2009 with a fair value of \$10,222. As of March 31, 2010, 88,888 shares have not been issued and the fair value of these shares of \$20,444 has been recorded as common stock subscribed at March 31, 2010. The securities are to be issued from the Company's 2003 Stock Option, Deferred Stock, Restricted Stock and Bonus Stock Plan.

In February 2010, 500,000 shares of common stock with a fair value of \$190,000 were issued to the consultant for additional services performed in January and February 2010 outside the scope of the original contract. The securities were issued from the Company's 2003 Stock Option, Deferred Stock, Restricted Stock and Bonus Stock Plan.

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## Options

No options were issued during the three-months ended March 31, 2010.

The following table summarizes the changes in options outstanding and the related prices for the shares of the company's common stock issued to employees of the company under a non-qualified employee stock option plan March 31, 2010. The effect of the 1-for-10 reverse-split has been presented in the accompanying tables and related disclosures.

| Exercise Prices | Options Outstanding |                                                     |                  | Exercise Prices | Options Exercisable |                                                     |
|-----------------|---------------------|-----------------------------------------------------|------------------|-----------------|---------------------|-----------------------------------------------------|
|                 | Number Outstanding  | Weighted Average Remaining Contractual Life (years) | Weighted Average |                 | Number Exercisable  | Weighted Average Remaining Contractual Life (years) |
| \$ 0.10-0.49    | 1,157,500           | 9.28                                                |                  | \$ 0.10-0.49    | 906,250             | 9.25                                                |
| 0.50-1.00       | 41,735              | 5.80                                                |                  | 0.50-1.00       | 41,735              | 5.80                                                |
| 1.01-2.00       | 1,030,000           | 6.83                                                |                  | 1.01-2.00       | 1,030,000           | 6.83                                                |
| 2.01-2.99       | 551,444             | 1.39                                                |                  | 2.01-2.99       | 551,444             | 1.39                                                |
| 3.00-5.00       | 25,403              | 0.31                                                |                  | 3.00-5.00       | 25,403              | 0.31                                                |
|                 | 2,806,082           | 6.70                                                |                  |                 | 2,554,832           | 6.43                                                |

Options not vested are not exercisable. Transactions involving stock options issued to employees are summarized as follows:

|                                  | Number of Shares | Weighted Average Price Per Share |
|----------------------------------|------------------|----------------------------------|
| Outstanding at December 31, 2009 | 2,812,403        | 1.78                             |
| Granted                          | -                | -                                |
| Exercised                        | -                | -                                |
| Expired                          | 6,321            | 250.00                           |
| Outstanding at March 31, 2010    | 2,806,082        | \$ 1.22                          |
| Non-vested at March 31, 2010     | 251,250          | \$ 0.25                          |
| Exercisable March 31, 2010       | 2,554,832        | \$ 1.32                          |

Aggregate intrinsic value of options outstanding and exercisable at March 31, 2010 was \$0. Aggregate intrinsic value represents the difference between the Company's closing stock price on the last trading day of the fiscal period, which was \$0.35 as of March 31, 2010, and the exercise price multiplied by the number of options outstanding. As of March 31, 2010, total unrecognized stock-based compensation expense related to stock options was \$83,750. The total fair value of options vested during the three months ended March 31, 2010 was \$62,813.

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The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model. We use historical data to estimate expected volatility, the period of time that option grants are expected to be outstanding, as well as employee termination experience. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant for the estimated life of the option. The following assumptions were used to estimate the fair value of options granted during the three-month periods ended March 31, 2010 and 2009 using the Black-Scholes option-pricing model:

|                                       | 2010    | 2009    |
|---------------------------------------|---------|---------|
| Risk-free interest rate at grant date | 1.51 %  | 1.31 %  |
| Expected stock price volatility       | 222.62% | 315.3 % |
| Expected dividend payout              | -       | -       |
| Expected option life-years            | 5       | 3 to 5  |

## Warrants

The Company issued no warrants during the three months ended March 31, 2010.

The following table summarizes the changes in warrants outstanding and the related prices for the shares of the Company's common stock issued to non-employees of the Company. These warrants were granted in lieu of cash compensation for services performed or financing expenses and in connection with placement of convertible debentures.

| Warrants Outstanding |                    |                                                     | Warrants Exercisable |                    |                                                     |
|----------------------|--------------------|-----------------------------------------------------|----------------------|--------------------|-----------------------------------------------------|
| Exercise Prices      | Number Outstanding | Weighted Average Remaining Contractual Life (years) | Exercise Price       | Number Exercisable | Weighted Average Remaining Contractual Life (years) |
| \$ 0.50-1.00         | -                  | -                                                   | \$ 0.50-1.00         | -                  | -                                                   |
| 1.25-2.20            | 4,101,875          | 3.41                                                | 1.25-2.20            | 4,101,875          | 3.41                                                |
| 2.30-5.60            | 1,825,560          | 1.68                                                | 2.30-5.60            | 1,825,560          | 1.68                                                |
| 10.00                | -                  | -                                                   | -                    | -                  | -                                                   |
| 20.00                | -                  | -                                                   | 20.00                | -                  | -                                                   |
|                      | 5,927,435          | 2.88                                                |                      | 5,927,435          | 2.88                                                |

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Transactions involving warrants are summarized as follows:

|                                     | Number of<br>Shares<br>(post-split) | Weighted<br>Average<br>Price Per<br>Share<br>(post-split) |
|-------------------------------------|-------------------------------------|-----------------------------------------------------------|
| Outstanding at December 31,<br>2009 | 5,927,435                           | \$ 2.31                                                   |
| Granted                             | -                                   | -                                                         |
| Exercised                           | -                                   | -                                                         |
| Cancelled or expired                | -                                   | -                                                         |
| Outstanding at March 31, 2010       | 5,927,435                           | \$ 2.31                                                   |

#### Issuance of Common Shares to Consultants

On April 23, 2010, 735,000 shares of common stock with a fair value of \$227,850 were issued to a consultant for business development work performed in March and April of this year. The securities were issued from the Company's 2003 Stock Option, Deferred Stock, Restricted Stock and Bonus Stock Plan.

On June 1, 2009, the Company agreed to issue 200,000 shares of common stock with a fair value of \$38,000 to a consultant, 66,666 shares per month beginning June 30, 2009 for services to be rendered June 1, 2009 through August 31, 2009. Per the terms of the agreement, the contract may be extended on a month-to-month basis by mutual agreement for 44,444 shares per month. In August 2009, 133,332 shares were issued for services rendered and an additional 66,668, which includes two shares issued for rounding, shares were issued in September 2009. In October 2009, the parties agreed to extend the term of the agreement by two months; therefore, the Company issued an additional 88,888 shares of common stock with a fair value of \$32,000 to the consultant for services rendered from September 1, 2009 to October 31, 2009. In December 2009, the parties agreed to extend the term of the agreement by three months; therefore, the Company is to issue an additional 133,332 shares of common stock to the consultant for services rendered November 1, 2009 to January 31, 2010. In December 44,444 of these shares were issued for services performed in November 2009 with a fair value of \$10,222. As of March 31, 2010, 88,888 shares have not been issued and the fair value of these shares of \$20,444 has been recorded as common stock subscribed at March 31, 2010. On April 29, 2010 the shares were issued to the consultant. The securities were issued from the Company's 2003 Stock Option, Deferred Stock, Restricted Stock and Bonus Stock Plan.

On April 29, 2010, 420,000 shares of common stock with a fair value of \$142,800 were issued to the consultant for additional services performed in April 2010 outside the scope of the original contract. The securities were issued from the Company's 2003 Stock Option, Deferred Stock, Restricted Stock and Bonus Stock Plan.

On April 29, 2010, 26,961 shares of common stock with a fair value of \$9,167 were issued to a consultant for services performed in March and April 2010. The securities were issued from the Company's 2003 Stock Option, Deferred Stock, Restricted Stock and Bonus Stock Plan.

On April 29, 2010, 15,000 shares of common stock with a fair value of \$5,100 were issued to a consultant for services performed in March and April 2010. The securities were issued from the Company's 2003 Stock Option, Deferred Stock, Restricted Stock and Bonus Stock Plan.

On April 29, 2010, 15,000 shares of common stock with a fair value of \$5,100 were issued to an attorney for services performed in April 2010. The securities were issued from the Company's 2003 Stock Option, Deferred Stock,

Restricted Stock and Bonus Stock Plan.

On May 11, 2010, 500,000 shares of common stock with a fair value of \$150,000 were issued to a consultant for business development partnerships. The securities are to be issued from the Company's 2003 Stock Option, Deferred Stock, Restricted Stock and Bonus Stock Plan.

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

Special Note Regarding Forward-looking Statements

Some of the statements under "Risk Factors" and elsewhere in this Quarterly Report on Form 10-Q constitute forward-looking statements. All statements other than historical facts contained in this report, including statements regarding our future financial position and revenues, capital expenditures, cash flows, business strategy and plans and objectives of management for future operations, are forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause our 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. Such factors include, among other things, those described under "Risk Factors" and elsewhere in this Quarterly Report on Form 10-Q and in the "Risk Factors" section of our annual report on SEC Form 10-K filed with the Securities and Exchange Commission on April 15, 2010.

In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "could," "expects," "plans," "intends," "anticipates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of such terms or other comparable terminology.

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. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of such statements. We are under no duty to update any of the forward-looking statements after the date of this report.

The following information should be read in conjunction with the financial statements and the notes thereto. The analysis set forth below is provided pursuant to applicable Securities and Exchange Commission regulations and is not intended to serve as a basis for projections of future events.

Overview

IR BioSciences Holdings, Inc. is a development-stage biotechnology company. Through our wholly-owned subsidiary ImmuneRegen BioSciences, Inc., we are engaged in the research and development of potential drug candidates, Homspera® and its derivatives, Radilex® and Viprovex®. Although containing the identical active ingredient Homspera, we defined Radilex and Viprovex as derivatives of Homspera due to the potential difference in formulations and indications for use. Our goals include developing these potential drug candidates to be used as possible countermeasures for homeland security threats, including radiological, chemical and biological agents, and to meet the commercial need for similar beneficial effects in conditions such as radiation therapy, influenza, anthrax and potentially other microbial ailments. We have discovered activities of Homspera that may potentially open additional commercialization opportunities in areas such as human adult stem cell stimulation, vaccine adjuvants, which stimulate the immune system above that of a stand-alone vaccine, and wound healing.

Our patents, patent applications and continued research are partially derived from discoveries made during research studies related to the function of Substance P, which is found in the body and has a large number of actions. These studies were funded by the Air Force Office of Scientific Research (AFOSR) in the early 1990s and were conducted by research scientists, including our co-founders Drs. Mark Witten and David Harris. In the course of research on Substance P, scientists created a number of synthetic analogues, structural derivatives with slight chemical differences, for study. One of these, which we have named Homspera, is the basis for our drug development efforts and our intellectual property. All of our research and development efforts are at the pre-clinical stage and Homspera has only undergone exploratory studies to evaluate its biological activity in small animals. There can be no assurance that our interpretation of study results will prove to be accurate after further testing, and our beliefs regarding the

potential uses of our drug candidates may never materialize.

Our current focus is to develop Homspera for regenerating or strengthening the human immune system, in part, through stimulating human adult stem cells. It is the belief of our management that the stem cell activity exhibited by Homspera underlies some of the effects previously reported in potential applications like treatment for radiation exposure and infectious diseases using Homspera derivatives Radilex and Viprovex, respectively, which are described below. Recent studies have evaluated the effects of Homspera on human adult stem cell activity. Additionally, ongoing studies are being performed to evaluate the efficacy of Homspera as a potential product to increase the healing rate of wounds. One aspect of this evaluation is to consider the impact of Homspera on the mechanisms and pathology of fibrosis, which is associated with scar formation, pulmonary injury and can occur following exposure to ionizing radiation (gamma rays or x-rays).

We are researching Radilex for use as a potential treatment for acute exposure to radiation. We believe that a commercial market may exist for the use of Radilex as it relates to the amelioration of certain side effects of cancer treatments, whether chemotherapy or radiotherapy.

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We are researching Viprovex for potential use in treatments of exposure to biological agents, such as infectious diseases, which include influenza and anthrax. We believe that potential commercial opportunities may exist for the treatment of seasonal influenza and other viral or bacterial infections, either as a stand-alone drug or as an adjuvant to other existing drugs. We believe that Viprovex, if adequately developed, may be used in potential applications for sale to governments for the treatment of exposure to anthrax and pandemic influenza. In addition, ongoing studies are being performed to evaluate the efficacy of Viprovex as a vaccine adjuvant to enhance immune response to a given dose of vaccine for either prophylactic protection, such as influenza, or therapy, such as cancer.

To date we have submitted an Investigational New Drug application (IND) for Homspera to the U.S. Food and Drug Administration (FDA) for the treatment of Idiopathic Pulmonary Fibrosis. We have also submitted preliminary study data to the FDA and have been issued two Pre-Investigational New Drug (PIND) numbers, one for the potential use of Radilex in the treatment of acute radiation syndrome (PIND 63,255) and the other for the potential use of Viprovex in the treatment of avian influenza (PIND 73,709). We have evaluated and/or contracted with a number of FDA regulatory consultants to assist us in our preparation and submission of an IND application, a necessary prerequisite to human clinical studies, which can only follow after the FDA's allowance of our IND.

We have filed patent applications directed to various methods of using and compositions comprising Substance P analogues. As of March 31, 2010 we owned approximately 15 issued patents, including two issued U.S. patents and thirteen issued foreign patents. Also as of March 31, 2010 we had approximately 46 pending patent applications, including approximately 16 pending U.S. patent applications and approximately 30 pending foreign patent applications. All inventions embodied in these applications and issued patents have been assigned to the company by the inventors. In addition, we have entered into a license agreement with the University of Pittsburgh whereby we have licensed the University's ownership interest to a patent that was jointly filed with the University of Pittsburgh.

Our potential drug candidates, Homspera, Radilex and Viprovex, are at pre-clinical stages of development and may not be shown to be safe or effective in humans and may never receive regulatory approval. Neither Homspera, Radilex nor Viprovex have been tested in humans. There is no guarantee that regulatory authorities will ever permit human testing of Homspera, Radilex, Viprovex or any other potential products derived from Homspera. Even if such testing is permitted, neither Homspera, Radilex, Viprovex or any other potential drug candidates, if any, derived from Homspera may be successfully developed or shown to be safe or effective in humans.

The results of our pre-clinical studies and clinical trials may not be indicative of future clinical trial results. A commitment of substantial resources to conduct time-consuming research, pre-clinical studies and clinical trials will be required if we are to develop any commercial applications using Homspera or any derivatives thereof. It is possible that partnerships and/or licensing agreements will not develop during the preclinical and/or clinical stages of development, if at all. Delays in planned patient enrollment in our future clinical trials may result in increased costs, program delays or both. None of our potential technologies may prove to be safe or effective in clinical trials. Approval of the FDA, or other regulatory approvals, including export license permissions, may not be obtained and even if successfully developed and approved, our potential applications may not achieve market acceptance. Any potential applications resulting from our programs may not be successfully developed or commercially available for a number of years, if at all.

To date, we have not obtained regulatory approval for, or commercialized any applications, using Homspera or any of its derivatives. We have incurred significant losses since our inception and we expect to incur annual losses for at least the next three years as we continue with our drug research and development efforts.

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Results of Operations for the Three Month Periods Ended March 31, 2010 and March 31, 2009

Revenue

We have not generated any revenues from operations from our inception.

Costs and Expenses

From our inception through March 31, 2010, we have incurred losses of \$31,086,175. These expenses were associated principally with equity-based compensation to employees and consultants, product development costs and professional services and interest expense.

For the three months ending March 31, 2010, Sales, General and Administrative expenses (“SG&A”) were \$889,838, an increase of \$44,928, or approximately 5%, compared to SG&A expenses of \$844,910 during the three months ended March 31, 2009. The increase is due to higher costs for non-cash compensation. For the three months ended March 31, 2010, this amount consisted primarily of research and development costs of \$167,213, payroll and related expenses of \$243,259, legal and accounting fees of \$101,379, consulting and professional fees of \$31,322 and non-cash compensation of \$263,035.

The Company expects SG&A to remain flat during the coming twelve months.

Financing Cost

Financing costs were \$9,375 for the three months ended March 31, 2010, a decrease of \$21,875 or approximately 70% compared to financing costs of \$31,250 during the three months ended March 31, 2009. The Company deposited cash in the amount of \$250,000 held in escrow pursuant to the Securities Purchase Agreements with YA Global Investments, L.P. that were entered into in January 2008 and June 2008, of which \$175,000 was placed into escrow on January 3, 2008 and an additional \$75,000 was placed into escrow on June 12, 2008. These funds are amortized on a straight-line basis over a 24 month period. Prior to December 31, 2008, these costs were captured in SG&A expenses.

The Company expects no significant increase to financing costs during the coming twelve months.

Interest Expense (net)

Interest expense (net) was \$486,149 for the three months ended March 31, 2010, a decrease of \$46,443 or approximately 9% compared to interest expense of \$532,592 for the three months ended March 31, 2009. Interest expense decreased during the three months ended March 31, 2010 mostly due to the redemption premium expense on YA Global’s call option being fully amortized in the fourth quarter of 2009.

The Company expects interest expense to remain flat during the coming quarters.

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### Net Loss

Our net loss for the three months ended March 31, 2010 was \$3,326,202 or \$0.24 per share, an increase of \$1,185,155 or approximately 55% compared to a net loss of \$2,141,047 for the three months ended March 31, 2009. In addition to the year over year variances described above, the increase in net loss was primarily due to a loss in the three month period ending March 31, 2010 of \$1,940,840 which was due to the change in value of the equity-linked financial instruments as mandated by ASC Accounting for Derivative Instruments and Hedging. (See Note 5 of the Notes to unaudited condensed consolidated financial statements, March 31, 2010 – Derivative Liabilities).

### Going Concern

Our independent certified public accountants have stated in their report included in our annual report on SEC Form 10-K filed with the Securities and Exchange Commission on April 15, 2010 that we have incurred a net loss and negative cash flows from operations of \$6,462,817 and \$2,876,417, respectively, for the year ended December 31, 2009. This loss, in addition to a lack of operational history, raises substantial doubt about our ability to continue as a going concern. In the absence of significant revenue and profits, and since we do not expect to generate significant revenues in the foreseeable future, we, in order to fund the immediate future operations, will be completely dependent on additional debt and equity financing arrangements. In anticipation of the need to raise additional financing in the immediate future, we have commenced, and will continue to pursue, efforts to raise additional financing from a variety of sources and means. No assurance can be given that any such additional funding will be available or that, if available, can be obtained on terms favorable to us. If we are unable to raise needed funds on acceptable terms, we will not be able to develop or enhance our products, take advantage of future opportunities or respond to competitive pressures or unanticipated requirements. A material shortage of capital will require us to take drastic steps such as reducing our level of operations, disposing of selected assets or seeking an acquisition partner. If cash is insufficient, we will not be able to continue operations.

The Company expects losses to increase during the coming twelve months. The Company does not expect to begin to generate significant revenue in the coming twelve months, and our costs are likely to increase as we continue our research and development efforts on our early, pre-clinical stage products and build out our corporate infrastructure.

### Plan of Operations

We expect to continue to incur operating losses for the foreseeable future, primarily due to our continued research and development activities attributable to Radilex, Viprovex and any other proposed product, if any, derived from Homspera and general and administrative activities.

The preliminary results of our pre-clinical studies using Homspera, Radilex and Viprovex may not be indicative of results that will be obtained from subsequent studies or from more extensive trials. Further, our pre-clinical or clinical trials may not be successful, and we may not be able to obtain the required regulatory approvals in a timely fashion, or at all.

### Product Research and Development

We incurred expenses of \$167,213 for the three month periods ended March 31, 2010 in research and development activities related to the development of Homspera, Radilex and Viprovex versus expenses of \$184,403 for the three months ended March 31, 2009. From our inception in October 2002, we have spent \$3,586,032 on research and development activities. These costs only include the manufacture and delivery of our drug by third party manufacturers and payments to contract research organizations and consultants for consulting related to our studies and costs of performing such studies. Significant costs relating to research and development, such as compensation for

Dr. Siegel, have been classified in officers' salaries for consistency of financial reporting.

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We anticipate that during the next 12 months we will increase our research and development spending to a total of approximately \$1,500,000 in an effort to further develop Radilex and Viprovex. This research and development cost estimate includes additional animal pharmacology studies, formulation and animal safety/toxicity studies. If we receive additional funds, through investment funding, licensing agreements or grants, we expect we will increase our research and development spending above this level.

We believe that initial revenues, if any, will likely be generated through partnerships, alliances and/or licensing agreements with pharmaceutical or biotechnology companies. Our focus during the next 12 months will be to identify those companies which we believe may have an interest in our proposed products and attempt to negotiate arrangements for potential partnerships, alliances and/or licensing arrangements. Alliances between pharmaceutical and biotechnology companies can take a variety of organizational forms and involve many different payment structures such as upfront payments, milestone payments, equity injections and royalty payments. To date, we have entered into discussions with one company regarding the licensure of our potential bio-defense applications. Even if we are successful in entering into such a partnership or alliance or licensing our technology, we anticipate that the earliest we may begin to generate revenues from operations would be calendar year 2010. There is no assurance that we will ever be successful in reaching such agreements or ever generate revenues from operations.

We will need to generate significant revenues from product sales and or related royalties and license agreements to achieve and maintain profitability. Through March 31, 2010, we had no revenues from any product sales, royalties or licensing fees and have not achieved profitability on a quarterly or annual basis. Our ability to achieve profitability depends upon, among other things, our ability to develop products, obtain regulatory approval for products under development and enter into agreements for product development, manufacturing and commercialization. Moreover, we may never achieve significant revenues or profitable operations from the sale of any of our potential products or technologies.

If product development or approval does not occur as scheduled, our time to reach market will be lengthened and our costs will substantially increase. Additionally, we may be requested to expand our findings to gather additional data or we may not achieve the desired results. If so, we may have to design new protocols and conduct additional studies. This will increase our costs and delay the time to market for our potential products, if any. Any of these occurrences would have a material negative impact on our business and our liquidity as it may cause us to seek additional capital sooner than expected and allow our competitors to successfully enter the market ahead of us.

If we are successful in achieving desirable results for these applications, we intend to design the protocols and begin further studies for this and other applications, when capital is available. As we have only collected preliminary data and additional studies are required, we cannot predict when, if ever, a viable treatment for these indications can be commercialized. If we do not observe significant results or we lack the capital to further the development, we may abandon such research and development efforts; thereby limiting our future potential revenues.

If we are successful in completing our studies and the results are as we anticipate, we intend to prepare and submit the necessary documentation to the FDA and other regulatory agencies for approval. If approval for Homspera, Radilex and/or Viprovex is granted, we expect to begin efforts to commercialize our product, if any, immediately thereafter, however, since we are currently in the pre-clinical stage of development, it will take an indeterminate amount of time in development before we have a marketable drug, if ever.

## Off-Balance Sheet Arrangements

There were no off-balance sheet arrangements as of March 31, 2010.

## Liquidity and Capital Resources

At March 31, 2010, we had current assets of \$41,472 consisting of cash and cash equivalents of \$0, and prepaid assets and other current assets of \$41,472. Also, at March 31, 2010, we had current liabilities of \$3,413,152 consisting of accounts payable and accrued liabilities of \$1,110,912, notes payable of \$2,000,000 and redemption option liability of \$300,000. This resulted in working capital deficit of \$3,371,680. During the three months ended March 31, 2010 and 2009, we used cash in operating activities of \$280,309 and \$939,000, respectively. From the date of inception (October 30, 2002) to March 31, 2010, we had a net loss of \$31,086,175 and used cash of \$16,376,202 in operating activities. We met our cash requirements from our inception (October 30, 2002) through March 31, 2010 via the private placement of \$7,889,151 of our common stock and \$8,573,628 from the issuance of notes payable, net of repayments.



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We currently have no revenue. There is no guarantee that our business model will be successful, or that we will be able to generate sufficient revenue to fund future operations. As a result, we expect our operations to continue to use net cash, and that we will be required to seek additional debt or equity financings during the coming quarters. Since inception, we have financed our operations through debt and equity financing. While we have raised capital to meet our working capital and financing needs in the past, additional financing is required in order to meet our current and projected cash flow deficits from operations and development of our product line.

Since our inception, we have been seeking additional third-party funding. During such time, we have retained a number of different investment banking firms to assist us in locating available funding; however, we have not yet been successful in obtaining any of the long-term funding needed to make us into a commercially viable entity. During the period from October 2002 to March 31, 2010, we were able to obtain financing of \$17,557,526 from the private placements of our securities (which resulted in net proceeds to us of \$16,462,779). In January 2008 we sold \$2 million in secured convertible debentures which resulted in net proceeds to us of \$1,815,000. In June 2008 we sold an additional \$1 million of the secured convertible debentures as per the terms of the securities purchase agreement with YA Global Investments L.P. In August 2008 we sold \$5 million in secured convertible debentures to a group of funds managed by Brencourt Advisors LLP. We currently need additional financing to fund our immediate operating expenses. If we are not successful in generating sufficient liquidity from operations or in raising sufficient capital resources, it would have a material adverse effect on our business, results of operations, liquidity and financial condition.

Our registered independent certified public accountants have stated in their report included in our annual report on SEC Form 10-K for the year ended December 31, 2009 filed with the Securities and Exchange Commission on April 15, 2010 that the Company's recurring losses and negative cash flow raise substantial doubt about the Company's ability to continue as a going concern.

While we have raised capital to meet our working capital and financing needs in the past through debt and equity financings, additional financing will be required in order to implement our business plan and to meet our current and projected cash flow deficits from operations and development. There can be no assurance that we will be able to consummate future debt or equity financings in a timely manner on a basis favorable to us, or at all. If we are unable to raise needed funds, we will not be able to develop or enhance our potential products, take advantage of future opportunities or respond to competitive pressures or unanticipated requirements. A material shortage of capital will require us to take drastic steps such as reducing our level of operations, disposing of selected assets or seeking an acquisition partner.

During fiscal year 2010, we will pay our Chief Executive Officer, Chief Financial Officer and Chief Scientific Officer an aggregate of \$775,000 pursuant to their employment agreements.

We currently have \$9,268,889 in notes payable, of which \$2,000,000 is current and payable on March 31, 2010. An additional \$1,000,000 matures on May 31, 2011 and the remaining balance of \$6,268,889 will mature in 2013 and beyond.

Until such time, if at all, as we receive adequate funding, we intend to continue to defer payment of all of our obligations which are capable of being deferred, which actions have resulted in some vendors demanding cash payment for their goods and services in advance, and other vendors refusing to continue to do business with us. We do not expect to generate a positive cash flow from our operations for at least several years, if at all, due to anticipated expenditures for research and development activities, administrative and marketing activities, and working capital requirements and expect to continue to attempt to raise further capital through one or more further private placements. In the absence of significant revenue and profits, and since we do not expect to generate significant revenues in the foreseeable future, we, in order to fund the immediate future operations, will be completely dependent on additional

debt and equity financing arrangements. In anticipation of the need to raise additional financing in the immediate future, we have commenced, and will continue to pursue, efforts to raise additional financing from a variety of sources and means. No assurance can be given that any such additional funding will be available or that, if available, can be obtained on terms favorable to us. If we are unable to raise needed funds on acceptable terms, we will not be able to develop or enhance our products, take advantage of future opportunities or respond to competitive pressures or unanticipated requirements. A material shortage of capital will require us to take drastic steps such as reducing our level of operations, disposing of selected assets or seeking an acquisition partner. If cash is insufficient, we will not be able to continue operations. Based on our operating expenses and anticipated research and development activities we believe that we will require an additional \$3,500,000 to meet our expenses over the next 12 months.

#### Acquisition or Disposition of Plant and Equipment

We did not dispose or acquire any significant property, plant or equipment during the quarter ended March 31, 2010. We do not anticipate the sale of any significant property, plant or equipment during the next twelve months.

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### Inflation

We do not believe that inflation has had a material effect on our business, financial condition or results of operations.

### Off-Balance Sheet Arrangements

There were no off-balance sheet arrangements as of March 31, 2010.

### Critical Accounting Policies and Estimates

The preparation of our consolidated unaudited condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and judgments that affect our reported assets, liabilities, revenues, and expenses, and the disclosure of contingent assets and liabilities.

We describe our significant accounting policies in the Notes to Consolidated Financial Statements included in our Annual Report on SEC Form 10-K filed with the Securities and Exchange Commission. We discuss our critical accounting policies and estimates in Management's Discussion and Analysis of Financial Condition and or Plan of Operation in SEC Form 10-K. Except for the below accounting for Derivative Instruments and Hedging, and any other accounting as indicated in this quarterly report, there have been no material revisions to the critical accounting policies as filed in our Annual Report on Form 10-K as of and for the year ended December 31, 2009 with the SEC on April 15, 2010.

### Accounting for Derivative Instruments and Hedging

In June 2008, the FASB issued new accounting guidance which requires entities to evaluate whether an equity-linked financial instrument (or embedded feature) is indexed to its own stock by assessing the instrument's contingent exercise provisions and settlement provisions. The effect of this guidance is described in Note 5 to unaudited condensed consolidated financial statements, March 31, 2010.

### Recent Accounting Pronouncements

For information regarding other recent accounting pronouncements and their effect on the Company, see "Recent Accounting Pronouncements" in Note 1 of the Unaudited Notes to Condensed Consolidated Financial Statements contained herein.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable to smaller reporting companies.

## ITEM 4. CONTROLS AND PROCEDURES

### Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended (the "Exchange Act") is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file under the Exchange Act is accumulated and communicated to our management, including our principal executive and financial officers, as appropriate to allow timely decisions regarding required disclosure.

As of the end of the period covered by this Quarterly Report on form 10-Q, our management, under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial (and principal accounting) Officer, carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act). Based upon that evaluation and due to the material weakness existing in our internal controls as of December 31, 2009 (described below) which has not been fully remediated as of March 31, 2010, we have concluded that as of March 31, 2010, our disclosure controls and procedures were ineffective.

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Changes in internal controls.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. Material weaknesses would permit information required to be disclosed by the Company in the reports that it files or submits to not be recorded, processed, summarized and reported, within the time periods specified in the Securities Exchange Commission's rules and forms. In our Annual Report on Form 10-K for the year ended December 31, 2009, we identified a material weakness consisting of limited resources and a limited number of employees, namely, an understaffed financial and accounting function, and the need for additional personnel to prepare and analyze financial information in a timely manner and to allow review and on-going monitoring and enhancement of our controls.

During the three months ending March 31, 2010 we continued to evaluate our internal control documentation. Although we made progress towards remediation of the deficiencies giving rise to the material weakness, we are unable to conclude that the material weakness described above was remediated as of March 31, 2010.

There were no changes in our internal controls over financial reporting during the quarter ended March 31, 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Effectiveness of Controls and Procedures

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include, but are not limited to, the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

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PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are not currently a party to any material legal proceedings.

ITEM 1A. RISK FACTORS

Not required for smaller reporting companies.

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

Convertible Debentures Sold For Accrued Interest

Note Issued To YA Global Investments, L.P. For Accrued Interest

On March 31, 2010, per the terms of the amended Securities Purchase Agreement with YA Global Investments L.P., the Company issued two 0% interest convertible debentures with a five year term of exercise and a conversion price of \$0.30 per share, subject to adjustment, as payment of an aggregate of \$75,000 in interest accrued during the three months ended March 31, 2010. The securities were issued in reliance upon exemptions from registration pursuant to Section 4(2) under the Securities Act of 1933, as amended, and Rule 506 promulgated thereunder.

Note Issued To Funds Managed by Brencourt Advisors, LLC For Accrued Interest

On March 31, 2010, per the terms of the amended Securities Purchase Agreement with Funds Managed by Brencourt Advisors, LLC the Company issued four 0% interest convertible debentures with a five year term of exercise and a conversion price of \$0.30 per share, subject to adjustment, as payment of an aggregate of \$125,000 in interest accrued during the three months ended March 31, 2010. The securities were issued in reliance upon exemptions from registration pursuant to Section 4(2) under the Securities Act of 1933, as amended, and Rule 506 promulgated thereunder.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

31.1 Certification of Chief Executive Officer pursuant to Item 601(b)(31) of Regulation S-B, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of Chief Financial Officer pursuant to Item 601(b)(31) of Regulation S-B, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certifications of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.\*

32.2 Certifications of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.\*

\* This exhibit shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, whether made before or after the date hereof and irrespective of any general incorporation language in any filings.

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Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on May 24, 2010.

IR BioSciences Holdings, Inc.

By: /s/ Michael K. Wilhelm  
Michael K. Wilhelm  
President, Chief Executive Officer

/s/ John N. Fermanis  
John N. Fermanis  
Chief Financial Officer



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