

BIOMODA INC/NM

FORM 10-Q (Quarterly Report)

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, DC 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 **June 30, 2009**

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file No. **333-90738**

Biomoda, Inc.

(Exact name of registrant as specified in its charter)

New Mexico
(State of incorporation)

85-0392345
(IRS Employer Identification No.)

P.O. Box 11342, Albuquerque, New Mexico 87192
(Address of principal executive offices including zip code)

Registrant's telephone number: (505) 821-0875

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by 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, and accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company

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

The number of issuer's shares of Common Stock outstanding as of August 14, 2009 was 77,514,589.

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PART I: FINANCIAL INFORMATION

Forward - Looking Statements

This Form 10-Q contains forward-looking statements about the business, financial condition and prospects of the Company that reflect assumptions made by management and management's beliefs based on information currently available to it. We can give no assurance that the expectations indicated by such forward-looking statements will be realized. If any of management's assumptions should prove incorrect, or if any of the risks and uncertainties underlying such expectations should materialize, our actual results may differ materially from those indicated by the forward-looking statements.

The key factors that are not within our control and that may have a direct bearing on operating results include, but are not limited to, the acceptance by customers of our products, our ability to develop new products cost-effectively, our ability to raise capital in the future, the development by competitors of products using improved or alternative technology, the retention of key employees and general economic conditions.

There may be other risks and circumstances that management is unable to predict. When used in this Form 10-Q, words such as "believes," "expects," "intends," "plans," "anticipates," "estimates" and similar expressions are intended to identify forward-looking statements, although there may be certain forward-looking statements not accompanied by such expressions. All forward-looking statements are intended to be covered by the safe harbor created by Section 21E of the Securities Exchange Act of 1934.

BIOMODA, INC. AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	<u>June 30, 2009</u>	<u>December 31, 2008</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 147,041	\$ 36,854
Grants receivable	214,071	184,124
Deferred charges	9,573	-
Total current assets	370,685	220,978
Accounts receivable - unbilled	-	81,797
Property and equipment, net of accumulated depreciation of \$17,436 and \$16,019	-	1,984
Deferred Charges	31,111	-
Patents and trademarks, net of accumulated amortization of \$404,065 and \$303,249	100,816	114,576
Total assets	<u>\$ 502,612</u>	<u>\$ 419,335</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 378,383	\$ 289,199
Advances from stockholders	208,392	201,643
Short-term debt	91,465	90,873
Advances from research grants	213,234	-
Total current liabilities	891,474	581,715
LONG-TERM DEBT	138,592	162,110
Total liabilities	<u>1,030,066</u>	<u>743,825</u>
STOCKHOLDERS' DEFICIT		
Class A redeemable preferred stock; no par value; 2,000,000 shares authorized; cumulative and convertible; liquidation and redemption values of \$1.50 and \$1.80 per share, respectively; no shares issued or outstanding	-	-
Undesignated preferred stock; 2,000,000 shares authorized; no shares issued and outstanding	-	-
Common stock, no par value, 100,000,000 share authorized; 77,064,589 and 77,004,589 issued; 77,004,589 and 76,944,589 outstanding	7,217,781	7,215,381
Treasury stock, at cost 60,000 shares	(9,000)	(9,000)
Deficit accumulated during development stage	<u>(7,736,235)</u>	<u>(7,530,871)</u>
Total stockholders' deficit	<u>(527,454)</u>	<u>(324,490)</u>
Total liabilities and stockholders' deficit	<u>\$ 502,612</u>	<u>\$ 419,335</u>

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

BIOMODA, INC. AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	3 Months Ended June 30		6 Months Ended June 30		January 3, 1990
	2009	2008	2009	2008	(Inception) to June 30, 2009
Revenue	-	-	-	-	23
Operating Expenses					
Professional fees	27,452	13,062	68,380	102,839	1,068,882
General and administrative	52,394	187,958	95,006	587,754	4,447,733
Research and development, net of grants received	16,389	(119,160)	11,330	29,062	2,728,053
Depreciation and amortization	7,168	8,953	23,282	22,071	323,300
Total operating expenses	103,403	90,813	197,998	741,726	8,567,968
Loss from operations	(103,403)	(90,813)	(197,998)	(741,726)	(8,567,945)
Other Income (Expense)					
Gain on extinguishment of debt	-	-	-	-	1,326,028
Other income	-	-	-	-	34,037
Interest income	-	-	-	-	3,870
Interest expense	(3,967)	(14,306)	(7,366)	(28,758)	(532,225)
Total other income (expense)	(3,967)	(14,306)	(7,366)	(28,758)	831,710
Loss before provision for income taxes	(107,370)	(105,119)	(205,364)	(770,484)	(7,736,235)
Provision for income taxes	-	-	-	-	-
Net income (loss)	(107,370)	(105,119)	(205,364)	(770,484)	(7,736,235)
Basic and diluted loss per common share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.01)	
Basic and diluted weighted average number of common shares outstanding	77,023,153	76,253,405	77,037,226	67,886,082	

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

BIOMODA, INC. AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	For the Six Months Ended June 30,		January 3, 1990
	2009	2008	(inception) to June 30, 2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income (loss)	\$ (205,364)	\$ (770,484)	\$ (7,736,235)
Adjustments to reconcile net earnings to net cash used in operating activities			
Stock-based compensation	2,400	285,322	2,876,276
Depreciation and amortization	23,282	22,071	323,300
Write-off of license fee	-	-	1,250
Loss on sale of assets	-	-	358
Foreign currency translation adjustments	-	-	3,247
Gain on extinguishment of debt	-	-	(1,283,964)
Changes in operating assets and liabilities			
Accounts receivable	8,772	(298,148)	(39,849)
Other assets	2,393	(687)	10,013
Advances on research grants	213,234	-	213,234
Accounts payable and accrued liabilities	81,941	73,473	965,080
Net cash provided by (used in) operating activities	<u>126,658</u>	<u>(688,453)</u>	<u>(4,667,290)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of equipment	-	(95,802)	(25,571)
Sales of property and equipment	-	-	1,139
Purchases of patents, trademarks and licenses	(7,537)	(23,831)	(421,063)
Organizational costs	-	-	(560)
Net cash used in investing activities	<u>(7,537)</u>	<u>(119,633)</u>	<u>(446,055)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of common stock for cash	-	710,486	2,897,883
Proceeds from line-of-credit from affiliated entity	-	19,393	2,680,882
Proceeds from stockholders' advances	6,750	9,365	168,983
Repayments of line-of-credit from affiliated entity	-	(65,304)	(341,107)
Repayments of short-term debt	592	(64,260)	(109,100)
Repayments of long-term debt	(16,276)	-	(28,155)
Acquisition of treasury stock	-	-	(9,000)
Net cash provided by (used in) financing activities	<u>(8,934)</u>	<u>609,680</u>	<u>5,260,386</u>
NET (DECREASE) INCREASE IN CASH	110,187	(198,406)	147,041
Cash at beginning of year	36,854	479,800	-
Cash at end of year	<u>\$ 147,041</u>	<u>\$ 281,394</u>	<u>\$ 147,041</u>
Supplemental cash flow information:			
Interest expense paid in cash	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Income taxes paid in cash	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Non-cash investing and financing activities:			
Accrued salaries converted to notes payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 479,484</u>
Interest converted to note payable	<u>\$ -</u>	<u>\$ 19,393</u>	<u>\$ 159,462</u>
Common stock issued to extinguish related party debt	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,418,768</u>

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

BIOMODA, INC.
(A Development Stage Company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. BASIS OF PRESENTATION

The accompanying unaudited interim financial statements of Biomoda, Inc. have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and notes required by generally accepted accounting principles for complete financial statements and should be read in conjunction with the Management's Discussion and Analysis and the audited financial statements and notes thereto contained in our 2008 Annual Report filed with the Securities and Exchange Commission on Form 10-K. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and the results of operations for the interim periods presented have been reflected herein. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year. Notes to the financial statements which would substantially duplicate the disclosure contained in the audited financial statements for 2008 as reported on Form 10-K have been omitted.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as certain financial statement disclosures. While management believes that the estimates and assumptions used in the preparation of the financial statements are appropriate, actual results could differ from these estimates.

2. DEVELOPMENT STAGE

We have been in the development stage since we began operations on January 3, 1990. We have a continuing government contract for fiscal year ended June 30, 2009, of \$1.3 million of which approximately \$1,216,678 has been already reimbursed, leaving approximately \$83,332 due as of the end of June 2009. As of June 30, 2009, we had an accumulated deficit of \$7,736,235 and a working capital deficit of \$520,789.

In addition, we have historically not generated any cash from operations. These factors create a substantial doubt as to our ability to continue as a going concern.

We will require additional funding for continuing research and development, obtaining regulatory approval and commercialization of our products. Management expects to be able to raise enough funds to meet our working capital requirements through the sale of our common stock or other means of financing.

There is no assurance that we will be able to obtain sufficient additional funds when needed, or that such funds, if available, will be obtainable on terms satisfactory to us.

3. EARNINGS PER SHARE

Basic earnings per share excludes dilution and is computed by dividing net income (loss) by the weighted-average common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity. Potentially dilutive securities have been excluded from the net loss per common share calculation as the effects would be anti-dilutive.

BIOMODA, INC.
(A Development Stage Company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

4. COMMON STOCK

During the three months ended June 30, 2009, we issued 30,000 common shares for services valued at \$1,200.

During the three months ended March 31, 2009, we issued 30,000 common shares for services valued at \$1,200.

During the three months ended June 30, 2008, we issued 262,237 common shares for services valued at \$19,029. We also sold 1,328,142 common shares for \$123,956, incurring \$90,688 in costs related to the Regulation S offering.

During the three months ended March 31, 2008, we issued 3,225,860 common shares for services valued at \$266,293. We also sold 23,426,179 common shares for \$2,535,255, incurring \$1,858,037 in costs related to the Regulation S offering.

5. STOCK OPTIONS

No options were granted during the six months ended June 30, 2009 or 2008.

A summary of the changes in options outstanding during the six months ended June 30, 2009, is as follows:

	<u>Number of Shares</u>	<u>Weighted Average Exercise Price</u>
Outstanding at 12/31/08	\$ 1,586,768	\$ 0.45
Exercised	-	
Cancelled/Expired	(448,000)	0.66
Outstanding at 12/31/07	\$ 1,138,768	\$ 0.36

At June 30, 2009, all compensation expense related to outstanding options had been recognized and all options were fully vested. At June 30, 2009, all options had zero intrinsic value and a weighted average remaining contractual term of 1.05 years.

6. REIMBURSEMENT OF R&D EXPENSES AND ADVANCES FROM RESEARCH GRANTS

During the six months ended June 30, 2009, we received a reimbursement of allowable research and development expenses through a clinical program funded through the New Mexico Department of Veterans Services and administered by the New Mexico Institute of Mining and Technology to screen New Mexican veterans for lung cancer. For the three and six months ended June 30, 2009, we recorded \$248,193 and \$456,046, respectively, as a reduction of operating expenses related to this clinical study program.

Pursuant to the clinical program, the Company billed reimbursable amounts for tasks and milestones in progress as of June 30, 2009. These billings totaled \$213,234 at June 30, 2009, and are shown as 'Advances from Research Grants' in the accompanying balance sheet. Activities under the clinical program are expected to be completed in the next three months.

7. LEGAL UPDATE

On April 22, 2009, Biomoda, Advanced Optics Electronics, Inc. ("ADOT"), and Leslie S. Robins ("Robins") entered into a Settlement Agreement and Release ("Settlement") to resolve all claims in the pending federal lawsuit entitled *Advanced Optics Electronics, Inc., et al. v. Leslie S. Robins, et al.* No. CIV-2007-00855, JB/DJS, U.S. District Court for the District of New Mexico and two related suits. As described below, the Settlement effectively separates Biomoda from ADOT and Robins and cedes control of ADOT to Robins.

Pursuant to the Settlement, in addition to executing a release in favor of Biomoda, Robins took the following action:

- (a) paid \$10,000 to Biomoda and delivered to Biomoda all Biomoda documents within his possession or control;
- (b) resigned from any position he may claim to hold or claim he should hold as an officer or director of Biomoda;
- (c) transferred all shares of Biomoda stock currently held by Robins or by any family member or other person, corporation or entity in which he has any control, which consisted of 747,000 shares; and
- (d) agreed not to acquire any Biomoda shares in the future.

In addition, on April 22, 2009, our President and current board member, John J. Cousins, resigned as a director and officer of ADOT, and Robins

was appointed Chairman, Chief Executive Officer and President of ADOT. Pursuant to the Settlement, ADOT also transferred 1,231,575 Biomoda shares to the Company and released Biomoda from all ADOT claims, including claims related to an alleged promissory note dated May 1, 2002, in the amount of \$1,030,748, which was disputed and previously written off by Biomoda as of the year ended December 31, 2008.

BIOMODA, INC.
(A Development Stage Company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The pending federal lawsuit against Robins was dismissed with prejudice.

The two remaining Defendants in the Federal RICO lawsuit are Alvin Robins (brother of Leslie Robins) and John Kearns (attorney for Leslie Robins). A default judgment has been rendered by the Court against Alvin Robins and John Kearns on all counts alleged and in favor of Biomoda and ADOT. The damages portion of the judgment will be heard at the Court's convenience. Both ADOT and Biomoda have alleged in court documents damages in the tens of millions of dollars. The remaining two defendants have yet to file a responsive pleading before the Court. Biomoda intends to aggressively pursue collection of damages against the remaining defendants.

8. SUBSEQUENT EVENTS

In July 2009, the Company entered into an agreement to sell 2,000,000 shares of Biomoda's common stock to a member of Biomoda's board of directors for total cash consideration of \$100,000, or \$0.05 per share. The agreement allows the purchaser until December 31, 2009, to remit the full purchase price to Biomoda. The purchaser agreed to remit \$5,000 at the date the agreement was executed as a down payment for the common stock. In the event the purchaser is unable to pay the full amount by December 31, 2009, Biomoda will issue common stock in an amount equal to the cash actually received, divided by \$0.05 per share. In August, 2009, Biomoda issued 100,000 shares of its common stock pursuant to this agreement.

In August 2009, Biomoda issued 250,000 shares of its restricted common stock to a consultant as partial payment for services to be rendered in the future.

Also in August, 2009, Biomoda issued 100,000 of its restricted shares to an employee in lieu of cash wages.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS AND RESULTS OF OPERATIONS

COMPANY OVERVIEW

Biomoda, Inc. is a development stage company incorporated in the State of New Mexico on January 3, 1990. Our general focus is on discovery, development, manufacture and marketing of proprietary medical diagnostic and treatment products used to treat life-threatening and other serious diseases. Our primary focus is creating diagnostic solutions for early detection and clinical management of cancer. Our research and development laboratories are located at 609 Broadway NE in Albuquerque, New Mexico, in a LEEDS-certified building.

PLAN OF OPERATION

Our plan of operation for the next 18 months is to complete our Phase I, II and III Clinical Trials for our lung cancer assay. We are currently conducting a program to screen veterans for lung cancer in New Mexico. This program is being funded by the State of New Mexico Department of Veteran Services.

Our initial product is a diagnostic test for lung cancer that will be performed out of body by using a sputum sample from the patient. Our test does not require any invasive sample taking. The sample will be sent to a clinical lab where the procedure will be performed to determine the presence, or not, of lung cancer or precancerous cells. Our diagnostic test can be used for other cell samples, and we intend to create and market products to diagnose and screen for other prevalent cancers, including breast, cervical, bladder and colorectal. We have determined that our initial markets will build upon established relationships with prominent hospitals and the U.S. Veterans Administration hospitals and laboratory infrastructure. Such relationships will ensure timely initial commercial sales. This initial commercial acceptance within the VA system can be efficiently leveraged through the VA infrastructure. The VA also is the product approval channel for U.S. Agency for International Development (AID) conditional on FDA approval. Ongoing published results and presentations at appropriate medical symposia will help accelerate sales growth.

In addition to augmenting laboratory research and development, management plans to further strengthen our corporate infrastructure to adequately manage the future growth and success of our operations. Management expects to hire additional personnel and enter into consulting and collaborative arrangements over the next 12 months as needed to continue to strengthen and enhance the effectiveness of implementing our plan as we grow.

CLINICAL STUDY UPDATE

On March 5, 2009, we received approval from an independent Institutional Review Board (IRB) to begin Phase II clinical trials of our cytology-based screening technology for early detection of cancer. Biomoda's proprietary technology had previously shown 100 percent accuracy and 100 percent specificity during internal testing on a small sample of patients. The Phase II study currently underway will expand that sample to a statistically significant number of patients.

Dr. Thomas L. Bauer, thoracic surgeon and cancer researcher with the Christiana Care Health System in Delaware, is the national Principal Investigator (PI) overseeing the Biomoda study. Bauer has led several lung and esophageal cancer studies and heads up Christiana's participation in the International Early Lung Cancer Action Program (I-ELCAP). Bauer is working with Dr. Lara Patriquin, a diagnostic radiologist in Albuquerque, who serves as the local PI for the study.

The Phase II study is focused on veterans because they are at least 25 percent more likely to develop lung cancer and die from the disease than the general population. As of August 14, 2009, we had recruited more than 500 veterans for the Phase II study and completed screening on 130 individuals. Results will be published at the end of the study period after patient data has been recorded and analyzed. We anticipate the completion of the Phase II study by September 30, 2009.

The Company has conducted several outreach campaigns to New Mexico veterans and local media to raise awareness of the Phase II study and the benefits of early detection.

Response to the screening program has been positive. Interested veterans living in New Mexico may still sign up online at our website, www.biomoda.com, by clicking "sign up for the study" at the bottom of the Home page. The non-invasive in-vitro test requires volunteers to provide a deep-lung sputum sample under the guidance of a respiratory therapist. The sample is processed and screened for cancer cells in the Biomoda lab.

We have a continuing government contract for fiscal year ended June 30, 2009, of \$1.3 million, of which approximately \$1,216,678 has been already reimbursed leaving approximately \$83,332 remaining to be reimbursed as of June 30, 2009.

OTHER INITIATIVES

Sales

Management plans to implement an “Investigational Use Only” (“IUO”) program to allow interested parties to be screened for lung cancer and for the company to recoup product development costs.

Sputum Bank

Through our Phase II Clinical Trial, Biomoda has developed a bio-bank based on surplus sputum from the participant collections. Each sample has comprehensive data related to demographics, cytology and radiology results. This sputum bank represents potential sales and/or leverage to gain other samples to expedite, in time and cost savings, the completion of our upcoming Phase III Clinical Trial.

Government Contracts

Subsequent to the quarter ended June 30, 2009, Biomoda President John Cousins testified before the New Mexico State Legislature on the progress of the ongoing clinical study for the early detection of lung cancer in New Mexico veterans. Management believes the legislators’ response to the report was positive.

Grants

We have engaged Corporate Capital Team, Inc. to seek grant funding for our early detection of cancer assay.

Scientific Presentation

The New Mexico Institute of Mining and Technology (“NM Tech”) presented data on the Biomoda technology at the 13th World Conference on Lung Cancer in San Francisco, California, on August 2, 2009. Titled “Non-Intrusive and Extremely Early Detection of Lung Cancer Using TCPP (Biomoda Lab Cultured Lung Cancer Data),” the NM Tech abstract was presented in poster format to the 7,000 lung cancer professionals who attended the conference. TCPP, or meso-tetra (4 carboxyphenyl) porphine, is the chemical compound underlying Biomoda’s patented diagnostic assay. A copy of the abstract is available on the Biomoda website, www.biomoda.com.

Additional Diagnostic Assay Development

We intend to start development of our cervical cancer diagnostic assay upon receipt of adequate funding for development.

Additional Equity Capital

In July 2009, the Company entered into an agreement to sell 2,000,000 shares of Biomoda’s common stock to a member of Biomoda’s board of directors for total cash consideration of \$100,000, or \$0.05 per share. The agreement allows the purchaser until December 31, 2009, to remit the full purchase price to Biomoda. The purchaser agreed to remit \$5,000 at the date the agreement was executed as a down payment for the common stock. In the event the purchaser is unable to pay the full amount by December 31, 2009, Biomoda will issue common stock in an amount equal to the cash actually received, divided by \$0.05 per share.

Online Networking

Biomoda provides public updates through both Twitter and Facebook. Interested parties may also register on the Biomoda website at www.biomoda.com to receive updates about the Company.

PATENTS AND TRADEMARKS

In January 2005, the U.S. Patent Office awarded a Patent to Biomoda entitled "Compositions and Methods for Detecting Precancerous Conditions in Cells and Tissue Samples using 5, 10, 15, 20 Tetrakis (Carboxyphenyl) Porphine." This Patent represented a significant addition to our patent portfolio and expanded our intellectual property to include cancer screening as a compliment to the existing technology. We filed for a continuation of this Patent based on research currently underway by researchers at Biomoda.

In April 2008, the U.S. Patent Office awarded a Divisional Patent to Biomoda entitled “Method of Prognosing Response to Cancer Therapy with 5, 10, 15, 20 - Tetrakis (Carboxyphenyl) Porphine.” Subsequently, Biomoda has filed two additional patent applications, “Compositions and Methods for Making 5, 10, 15, 20 Tetrakis (4-Carboxyphenyl) Porphine” related to the making of TCPP and “System and Method for Analyzing Samples Labeled with 5, 10, 15, 20 Tetrakis (4-Carboxyphenyl) Porphine (TCPP)” which provides a quantitative method for reading tissue samples for signs of malignant cells based on flow cytometry and dark-field microscopy.

The U.S. Patent and Trademark Office has registered the marks CyPath ® and CyDx ® .

RESULTS OF OPERATIONS

Due to our limited operating history, we believe that period-to-period comparisons of our results of operations are not fully meaningful and should not be relied upon as an indication of future performance.

Comparison of the three months ended June 30, 2009 and 2008

REVENUE. As of June 30, 2009, there have been no significant revenues since inception.

RESEARCH AND DEVELOPMENT. Product development expenses consist primarily of personnel expenses and consulting fees. Research and development, including payroll costs and other technical costs, decreased to \$16,389 for the three months ended June 30, 2009, from income of \$119,160 in the three months ended June 30, 2008. We believe that continued investment in product development is critical to attaining our strategic objectives and, as a result, we expect expenses such as clinical studies and collaborations to increase significantly in the next year. We expense product development costs as they are incurred. During the quarters ended June 30, 2009 and 2008, we received a reimbursement of allowable research and development expenses through a clinical study funded through the New Mexico Department of Veterans Services and administered by the New Mexico Institute of Mining and Technology to screen New Mexican veterans for lung cancer. For the three months ended June 30, 2009, we recorded \$248,193 as a reduction of research and development expenses related to this clinical study program

GENERAL AND ADMINISTRATIVE. General and administrative expenses consist of expenses for executive and administrative personnel, facilities, professional services, travel and general corporate activities. General and administrative costs, taken together with professional fees, decreased to \$79,846 in the three months ended June 30, 2009, from \$201,020 in the three months ended June 30, 2008. The decrease was primarily related to reduced overhead costs in 2009. We expect general and administrative costs to increase in the future as our business prospects develop and we will require more staff. The costs associated with being a publicly traded company and future strategic acquisitions will also be a contributing factor to increases in this expense.

OTHER INCOME (EXPENSE). Other income (expense) in these periods is composed of interest expense, which decreased to \$3,967 in the three months ended June 30, 2009, from \$14,306 in the three months ended June 30, 2008, due to extinguishment in related party debt as of December 31, 2008.

Comparison of the six months ended June 30, 2009 and 2008

RESEARCH AND DEVELOPMENT. Product development expenses consist primarily of personnel expenses and consulting fees. Research and development, including payroll costs and other technical costs, decreased to \$11,330 in the six months ended June 30, 2009, from \$29,062 in the six months ended June 30, 2008. We believe that continued investment in product development is critical to attaining our strategic objectives and, as a result, we expect expenses such as clinical studies and collaborations to increase significantly in the next year. We expense product development costs as they are incurred. During the quarter ended June 30, 2009, we received a reimbursement of allowable research and development expenses through a clinical study funded through the New Mexico Department of Veterans Services and administered by the New Mexico Institute of Mining and Technology to screen New Mexican veterans for lung cancer. For the six months ended June 30, 2009, we recorded \$456,046 as a reduction of research and development expenses related to this clinical study program.

GENERAL AND ADMINISTRATIVE. General and administrative expenses consist of expenses for executive and administrative personnel, facilities, professional services, travel and general corporate activities. General and administrative costs, taken together with professional fees, decreased to \$163,386 in the six months ended June 30, 2009, from \$690,593 in the six months ended June 30, 2008. The decrease was primarily related to reduced overhead costs in 2009. We expect general and administrative costs to increase in the future as our business prospects develop and we will require more staff. The costs associated with being a publicly traded company and future strategic acquisitions will also be a contributing factor to increases in this expense.

GENERAL AND ADMINISTRATIVE. General and administrative expenses consist of expenses for executive and administrative personnel, facilities, professional services, travel and general corporate activities. General and administrative costs, taken together with professional fees, decreased to \$163,386 in the six months ended June 30, 2009 from \$690,593 in the six months ended June 30, 2008. The decrease was primarily related to reduced overhead costs in 2009. We expect general and administrative costs to increase in the future as our business prospects develop and we will require more staff. The costs associated with being a publicly traded company and future strategic acquisitions will also be a contributing factor to increases in this expense.

OTHER INCOME (EXPENSE). Other income (expense) in these periods is comprised of interest expense, which decreased to \$7,366 in the six months ended June 30, 2009, from \$28,758 in the six months ended June 30, 2008, due to extinguishment in related party debt as of December 31, 2008 .

LIQUIDITY AND CAPITAL RESOURCES

We have funded our operations with sales of equity for cash, issuance of equity for services in lieu of cash and government funding. In the next 18 months, it is our intent to generate revenues from product sales and to begin partially funding operations from revenues which will be subject to clinical trials and FDA approval.

Product development expenditures, including personnel expense and general and administrative expense, was \$163,388 for the six months ended June 30, 2009. Funds for operations, product development and capital expenditures were provided from the sale of restricted company stock and the reimbursement grant we received. We will require substantial additional funding for continuing research and development, obtaining regulatory approval and the commercialization of our products.

Management believes that sales of securities and government contracts will provide adequate liquidity and capital resources to meet the anticipated development-stage requirements through the end of 2010. In addition, it is anticipated that sales of our initial screening product will begin in 2010, pending FDA approval, and generate operating revenues. It is anticipated that these sales will provide the additional capital resources to fund the proportionately higher working capital requirements of production and sales initiatives and continued product development for second-generation diagnostic and therapeutic products.

There is no assurance that we will be able to obtain sufficient additional funds when needed, or that such funds, if available, will be obtainable on terms satisfactory to us. The consolidated financial statements do not include any adjustments that might be necessary should we be unable to continue as a going concern.

INFLATION

Management believes that inflation has not had a material effect on our results of operations.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There has been no material change in our market risks since the end of the fiscal year 2008.

Item 4. CONTROLS AND PROCEDURES

Under the supervision and with the participation of our management, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) of the Exchange Act) as of the end of the period covered by this report, June 30, 2009. Based upon that evaluation, we concluded that our disclosure controls and procedures were not effective.

We are in the development stages of our business operations and have limited resources available to plan, develop, and implement disclosure and procedure controls and other procedures that are designed to ensure that information required to be disclosed in our periodic reports filed or submitted under 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 in our periodic reports filed under the Exchange Act is accumulated and communicated to management to allow timely decisions regarding required disclosure.

We are re-evaluating and revising our existing control policies and procedures. As part of such plan and implementation, we are re-evaluating, re-designing and documenting policies and procedures, putting such procedures into operation and monitoring the effectiveness of the procedures.

CHANGES IN CONTROLS AND PROCEDURES

Significant changes have been made to improve our internal controls over financial reporting during the six months ended June 30, 2009. We have employed additional accounting personnel, which has helped us increase the segregation of duties. We have completed an accounting manual and are implementing a review process over significant business transactions.

LIMITATIONS ON THE EFFECTIVENESS OF INTERNAL CONTROL

Our management, including the CEO, does not expect that our disclosure controls and procedures or our internal control over financial reporting will necessarily prevent all fraud and material errors. An internal 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 on all internal 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 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, and/or by management's override of the controls. The design of any system of internal control is also 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 circumstances, and/or the degree of compliance with the policies and procedures may deteriorate. Because of the inherent limitations in a cost-effective internal control system, financial reporting misstatements due to error or fraud may occur and not be detected on a timely basis.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

On April 22, 2009, Biomoda, Advanced Optics Electronics, Inc. (“ADOT”), and Leslie S. Robins (“Robins”) entered into a Settlement Agreement and Release (“Settlement”) to resolve all claims in the pending federal lawsuit entitled *Advanced Optics Electronics, Inc., et al. v. Leslie S. Robins, et al.* No. CIV-2007-00855, JB/DJS, U.S. District Court for the District of New Mexico and two related suits. As described below, the Settlement effectively separates Biomoda from ADOT and Robins and cedes control of ADOT to Robins.

Pursuant to the Settlement, in addition to executing a release in favor of Biomoda, Robins took the following action:

- (a) paid \$10,000 to Biomoda and delivered to Biomoda all Biomoda documents within his possession or control;
- (b) resigned from any position he may claim to hold or claim he should hold as an officer or director of Biomoda;
- (c) transferred all shares of Biomoda stock currently held by Robins or by any family member or other person, corporation or entity in which he has any control, which consisted of 747,000 shares; and
- (d) agreed not to acquire any Biomoda shares in the future.

In addition, on April 22, 2009, our President and current board member, John J. Cousins, resigned as a director and officer of ADOT, and Robins was appointed Chairman, Chief Executive Officer and President of ADOT. Pursuant to the Settlement, ADOT also transferred 1,231,575 Biomoda shares to the Company and released Biomoda from all ADOT claims, including claims related to an alleged promissory note dated May 1, 2002, in the amount of \$1,030,748, which was disputed and previously written off by Biomoda as of the year ended December 31, 2008.

The pending federal lawsuit against Robins was dismissed with prejudice.

The two remaining Defendants in the Federal RICO lawsuit are Alvin Robins (brother of Leslie Robins) and John Kearns (attorney for Leslie Robins). A default judgment has been rendered by the Court against Alvin Robins and John Kearns on all counts alleged and in favor of Biomoda and ADOT. The damages portion of the judgment will be heard at the Court's convenience. Both ADOT and Biomoda have alleged in court documents damages in the tens of millions of dollars. The remaining two defendants have yet to file a responsive pleading before the Court. Biomoda intends to aggressively pursue collection of damages against the remaining defendants.

Item 2. CHANGES IN SECURITIES - None

Item 3. DEFAULTS UPON SENIOR SECURITIES - None

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS - None

Item 5. OTHER INFORMATION - None

Item 6. EXHIBITS

31 [Certification of Principal Executive Officer pursuant to Securities Exchange Act rules 13a-15 and 15d-15\(c\) as adopted pursuant to section 302 of the Sarbanes-Oxley act of 2002 .](#)

32 [Certification of Principal Executive and Accounting Officer pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley act of 2002.](#)

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.

Dated: August 14, 2009

BIOMODA, INC.

By: /s/ John J. Cousins
John J. Cousins
President
(Principal Executive and Accounting Officer)

Exhibit 31

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Biomoda, Inc., on Form 10-Q for the period ended June 30, 2009 as filed with the Securities and Exchange Commission on the date hereof, I, John J. Cousins as President and Chief Financial Officer of the Company, certify; pursuant to and for purposes of 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 that:

I, John J. Cousins, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Biomoda, Inc.
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by his annual report;
3. Based on my knowledge, the financial statements and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. As the registrant's certifying officer, I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act rule 13a-14 and 15d-14) for the registrant and have:
 - a. Designed such disclosure control and procedures, or caused such disclosure control and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this annual report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred in the registrant's most recent fiscal quarter that is materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and,
5. I have disclosed, based on my most recent evaluation of internal control over financial reporting; to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions);
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information: and,
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

BIOMODA, INC.

Dated: August 14, 2009

By: /s/ John J. Cousins
John J. Cousins
President & Chief Financial Officer
(Principal Executive and Accounting Officer)

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-
OXLEY ACT OF 2002**

In connection with the quarterly report on Form 10-Q of Biomoda, Inc., (“the Company”) for the period ending June 30, 2009 as filed with the Securities Exchange Commission on the date hereof (“the Report”), the undersigned Chief Executive Officer of the Company hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

BIOMODA, INC.

Dated: August 14, 2009

By: /s/ John J. Cousins
John J. Cousins
President & Chief Financial Officer
(Principal Executive and Accounting Officer)

A signed original of this written statement required by section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.